

Alto Group Holdings Inc.  
Form 10-Q  
October 20, 2011

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended August 31, 2011**

**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 incorporation or organization) (I.R.S. Employer Identification No.)

**700 West Hillsboro Blvd., Building 3 Suite 207, Deerfield Beach, FL 33441**

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(Address of principal executive offices) (Zip Code)

**(954) 973-2133**

(Registrant's telephone number, including area code)

245 Park Avenue, Suite 2431, New York, NY 10167

**(212) 803-8187**

(Former Address if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Non-accelerated filer  (Do not check if a smaller reporting company)

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

As of October 20, 2011 there were 604,613,332 shares of our common stock issued and outstanding.

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

The Financial Statements of the Company are prepared as of August 31, 2011.

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

## ASSETS

|   | August 31,<br>2011<br>(Unaudited) | November<br>30,<br>2010 |
|---|-----------------------------------|-------------------------|
| <b>CURRENT ASSETS</b>   |                                   |                         |
| Cash and cash equivalents   | \$2,939                           | \$2,142                 |
| Loans receivable  | 7,500                             | —                       |
| Total Current Assets  | 10,439                            | 2,142                   |
| <br>  |                                   |                         |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$22,161 and \$-0-, respectively | 208,891                           | —                       |
| <br>  |                                   |                         |
| <b>OTHER ASSETS</b>   |                                   |                         |
| Mining assets   | 45,500                            | 45,500                  |
| Other assets  | 1,104                             | —                       |
| Total Other Assets  | 46,604                            | 45,500                  |
| <br>  |                                   |                         |
| <b>TOTAL ASSETS</b>   | <b>\$265,934</b>                  | <b>\$47,642</b>         |

## LIABILITIES AND STOCKHOLDERS' DEFICIT

## CURRENT LIABILITIES

|  |                  |                |
|--|------------------|----------------|
| Accounts payable and accrued liabilities   | \$520,828        | \$87,265       |
| Due to related parties   | 30,000           | 148,500        |
| Notes and loans payable  | 2,737,451        | 267,500        |
| Proceeds from investors pursuant to Stock Purchase Agreements to be effective upon completion of reverse stock split | 200,000          | —              |
| Total Current Liabilities  | 3,488,279        | 503,265        |
| <br>   |                  |                |
| <b>TOTAL LIABILITIES</b>   | <b>3,488,279</b> | <b>503,265</b> |

## STOCKHOLDERS' DEFICIT

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

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|   |              |             |
|---|--------------|-------------|
| authorized, 604,613,332 and 120,013,332 shares issued<br>and outstanding and to be issued, respectively | 6,046        | 1,200       |
| Additional paid-in capital  | 9,421,005    | 4,015,101   |
| Deficit accumulated during the exploration stage  | (12,649,537) | (4,472,065) |
| Total Stockholders' Deficit   | (3,222,345 ) | (455,623 )  |

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT \$265,934 \$47,642

The accompanying notes are an integral part of these financial statements

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

|   | For the Three Months Ended |            | For the Nine Months Ended |              | From          |
|---|----------------------------|------------|---------------------------|--------------|---------------|
|   | August 31,                 |            | August 31,                |              | Inception     |
|   | 2011                       | 2010       | 2011                      | 2010         | on September  |
|   |                            |            |                           |              | 21,           |
|   |                            |            |                           |              | 2007 Through  |
|   |                            |            |                           |              | August 31,    |
|   |                            |            |                           |              | 2011          |
|   |                            |            |                           |              | \$—           |
| NET REVENUES  | \$—                        | \$—        | \$—                       | \$—          | \$—           |
| OPERATING EXPENSES  |                            |            |                           |              |               |
| Exploration and carrying costs<br>(including stock-based costs of \$-0-,<br>\$-0-, \$123,000, \$-0-, and \$123,000,<br>respectively)          | 87,867                     | 9,750      | 548,663                   | 9,750        | 575,638       |
| Officers' and directors' compensation<br>(including stock-based compensation of<br>\$-0-, \$-0-, \$-0-, \$-0- and \$860,000,<br>respectively) | 53,000                     | —          | 154,000                   | —            | 1,166,000     |
| Consulting fees (including stock-based<br>compensation of \$257,400, \$-0-,<br>\$306,600, \$2,300,000, and \$2,606,600,<br>respectively)      | 413,200                    | 46,000     | 922,190                   | 2,954,000    | 3,276,490     |
| Professional fees (including stock-based<br>compensation of \$336,000, \$-0-,<br>\$3,639,669, \$-0- and \$4,303,824,<br>respectively)         | 458,865                    | 51,001     | 3,985,815                 | 234,081      | 4,832,633     |
| General and administrative  | 374,894                    | 1,118      | 1,158,881                 | 8,957        | 1,324,249     |
| Donated services  | —                          | —          | —                         | —            | 18,400        |
| Impairment of mineral property<br>acquisition costs   | —                          | —          | —                         | —            | 6,500         |
| Total Operating Expenses  | 1,387,826                  | 107,869    | 6,769,549                 | 3,206,788    | 11,199,910    |
| LOSS FROM OPERATIONS  | (1,387,826 )               | (107,869 ) | (6,769,549 )              | (3,206,788 ) | (11,199,910 ) |
| OTHER INCOME (EXPENSES)   |                            |            |                           |              |               |
| Gain from forgiveness of amounts due<br>to former related parties   | —                          | —          | —                         | —            | 28,539        |
| Write off of goodwill   | —                          | —          | (431,713 )                | —            | (431,713 )    |
| Interest expense (including amortization<br>of debt discount of \$215,817, \$-0-,<br>\$311,455, \$-0-, and \$350,391,<br>respectively)        | (292,339 )                 | (8,117 )   | (458,140 )                | (8,189 )     | (528,383 )    |
|   | (518,070 )                 | —          | (518,070 )                | —            | (518,070 )    |

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|   |                |              |                |                |                 |
|---|----------------|--------------|----------------|----------------|-----------------|
| Loss on conversion of notes payable to investors to common stock          |                |              |                |                |                 |
| Total Other Income (Expenses)   | (810,409 )     | (8,117 )     | (1,407,923 )   | (8,189 )       | (1,449,627 )    |
| LOSS BEFORE INCOME TAXES  | (2,198,235 )   | (115,986 )   | (8,177,472 )   | (3,214,977 )   | (12,649,537 )   |
| INCOME TAX EXPENSE  | —              | —            | —              | —              | —               |
| NET LOSS  | \$(2,198,235 ) | \$(115,986 ) | \$(8,177,472 ) | \$(3,214,977 ) | \$(12,649,537 ) |
| BASIC AND FULLY DILUTED:  |                |              |                |                |                 |
| Net loss per common share   | \$(0.00 )      | \$(0.00 )    | \$(0.02 )      | \$(0.04 )      | \$(0.10 )       |
| Weighted average shares outstanding                                       | 471,982,897    | 75,013,332   | 327,499,463    | 73,178,783     | 125,269,438     |
| 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 August 31, 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<br>21, 2007             | —                           | \$— | —                           | \$— | —            | \$— | \$—                              | \$—                        | \$—  | \$—     |
| Common<br>shares sold<br>for cash<br>at \$0.000125<br>per share | —                           | —   | —                           | —   | 48,000,000   | 480 | 5,520                            | —                          | —  | 6,000   |
| Common<br>shares sold<br>for cash<br>at \$0.00125<br>per share  | —                           | —   | —                           | —   | 31,680,000   | 317 | 39,283                           | (4,500)                    | —  | 35,100  |
| Donated<br>services and<br>expenses                             | —                           | —   | —                           | —   | —            | —   | 2,400                            | —                          | —  | 2,400   |
| Net loss for<br>the year<br>ended<br>November<br>30, 2007       | —                           | —   | —                           | —   | —            | —   | —                                | —                          | (5,772)  | (5,772) |
| Balance,<br>November<br>30, 2007                                | —                           | —   | —                           | —   | 79,680,000   | 797 | 47,203                           | (4,500)                    | (5,772)  | 37,728  |
| Common<br>stock<br>subscriptions<br>collected                   | —                           | —   | —                           | —   | —            | —   | —                                | 4,500                      | —  | 4,500   |
|   | —                           | —   | —                           | —   | —            | —   | 9,600                            | —                          | —  | 9,600   |

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|   |            |     |   |   |              |       |         |         |          |           |
|---|------------|-----|---|---|--------------|-------|---------|---------|----------|-----------|
| Donated services and expenses   |            |     |   |   |              |       |         |         |          |           |
| Net loss for the year ended   |            |     |   |   |              |       |         |         |          |           |
| November 30, 2008   | —          | —   | — | — | —            | —     | —       | (64,689 | )        | (64,689   |
| Balance, November 30, 2008  | —          | —   | — | — | 79,680,000   | 797   | 56,803  | —       | (70,461  | ) (12,861 |
| Donated services and expenses   | —          | —   | — | — | —            | —     | 6,400   | —       | —        | 6,400     |
| Forgiveness of due to related party by then majority stockholder on     |            |     |   |   |              |       |         |         |          |           |
| September 15, 2009  | —          | —   | — | — | —            | —     | 28,006  | —       | —        | 28,006    |
| Net loss for the year ended   |            |     |   |   |              |       |         |         |          |           |
| November 30, 2009   | —          | —   | — | — | —            | —     | —       | —       | (58,395  | ) (58,395 |
| Balance, November 30, 2009  | —          | —   | — | — | 79,680,000   | 797   | 91,209  | —       | (128,856 | ) (36,850 |
| Conversion of common stock to Series A preferred stock on March 3, 2010 | 14,000,000 | 140 | — | — | (48,000,000) | (480) | 360,340 | —       | —        | 360,000   |
| Common stock issued for   |            |     |   |   |              |       |         |         |          |           |

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|  |   |   |         |   |            |     |           |   |   |           |
|--|---|---|---------|---|------------|-----|-----------|---|---|-----------|
| acquisition of mining assets on March 12, 2010   | — | — | —       | — | 10,000,000 | 100 | 45,400    | — | — | 45,500    |
| Common stock issued for services   | — | — | —       | — | 33,333,332 | 333 | 2,599,667 | — | — | 2,600,000 |
| Intrinsic value of beneficial conversion feature relating to issuance of \$50,000 prommissory note on July 14, 2010  | — | — | —       | — | —          | —   | 38,936    | — | — | 38,936    |
| 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 |   |   |         |   |            |     |           |   |   |           |

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|  |            |     |         |   |             |       |           |   |              |              |
|--|------------|-----|---------|---|-------------|-------|-----------|---|--------------|--------------|
| (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 ) | (455,623 )   |
| 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       |
| 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 | —          | —   | —       | — | —           | —     | 435,750   | — | —            | 435,750      |

notes

Common  
stock issued  
for

|                              |   |   |   |   |            |     |         |   |   |         |
|------------------------------|---|---|---|---|------------|-----|---------|---|---|---------|
| services on<br>June 20, 2011 | — | — | — | — | 33,000,000 | 330 | 257,070 | — | — | 257,400 |
|------------------------------|---|---|---|---|------------|-----|---------|---|---|---------|

Common  
stock issued  
for accrued

|                                 |   |   |   |   |            |     |         |   |   |         |
|---------------------------------|---|---|---|---|------------|-----|---------|---|---|---------|
| liabilities on<br>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 | — | — | 4,264,400 |
|---|---|---|---|---|-------------|-------|-----------|---|---|-----------|

Net loss for  
the nine  
months ended

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|                                |            |       |         |     |             |         |             |     |                |               |
|--------------------------------|------------|-------|---------|-----|-------------|---------|-------------|-----|----------------|---------------|
| August 31,<br>2011             | —          | —     | —       | —   | —           | —       | —           | —   | (8,177,472 )   | (8,177,472 )  |
| Balance,<br>August 31,<br>2011 | 14,000,000 | \$140 | 100,000 | \$1 | 604,613,332 | \$6,046 | \$9,421,005 | \$— | \$(12,649,537) | \$(3,222,344) |

The accompanying notes are an integral part of these financial statements

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

|  | For the Nine Months<br>Ended<br>August 31, |               | From<br>Inception<br>on<br>September<br>21,<br>2007<br>Through<br>August 31,<br>2011 |
|--|--|---------------|--|
|  | 2011                                       | 2010          | 2011   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |  |               |  |
| Net loss   | \$(8,177,472)                              | \$(3,214,977) | \$(12,649,537)   |
| Adjustments to reconcile net loss to net cash used by operating activities:  |  |               |  |
| Depreciation   | 22,161                                     | —             | 22,161   |
| Write off of goodwill  | 431,713                                    | —             | 431,713  |
| Stock issued for services, including \$3,639,669, \$-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) | 4,069,269                                  | 2,960,000     | 7,893,424  |
| Amortization of debt discount  | 311,455                                    | 6,888         | 350,391  |
| Gain from forgiveness of amounts due to related parties  | —  | —             | (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   | (1,104 )                                   |               | (1,104 )   |
| Accounts payable and accrued liabilities   | 402,111                                    | 110,724       | 585,221  |
| Accrued consulting fees due to related parties   | 17,500                                     | 92,000        | 194,539  |
| Net Cash Used by Operating Activities  | (2,406,297)                                | (45,365 )     | (2,658,761 )   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |  |               |  |
| Loans receivable   | —  | —             | —  |
| 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  | 2,499,500                                  | 77,500        | 2,737,000  |
| Repayment of note payable  | —  | —             | (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  |  |               |  |

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|  |                |                 |                |
|--|----------------|-----------------|----------------|
| to be effective upon completion of reverse stock split   | 200,000        | —               | 200,000        |
| Net Cash Provided by Financing Activities  | 2,638,081      | 77,500          | 2,899,187      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>797</b>     | <b>32,135</b>   | <b>2,939</b>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>  | <b>2,142</b>   | <b>575</b>      | <b>—</b>       |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>  | <b>\$2,939</b> | <b>\$32,710</b> | <b>\$2,939</b> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>   |                |                 |                |
| 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  | \$4,069,269    | \$2,600,000     | \$7,893,424    |
| Conversion of notes payable and accrued interest into common stock:  |                |                 |                |
| Notes payable (\$100,500, \$-0-, and \$115,050, respectively) and accrued interest (\$6,161, \$-0-, and \$7,006, respectively) settled | \$106,661      | \$—             | \$122,506      |
| Excess of fair value of common stock issued over amount of debt and accrued interest settled   | 4,157,739      | —               | 4,821,894      |
| Fair value of 414,000,000, 0, and 459,000,000 shares, respectively, of common stock issued   | \$4,264,400    | \$—             | \$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      |
| 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



## 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 August 31, 2011, the Company has a total stockholders’ deficit of \$3,222,345 and has accumulated losses of \$12,649,537 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 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim consolidated financial statements be read in conjunction with the Company’s audited financial statements and notes thereto included in its Form 10-K/A filed on April 7, 2011. Operating results for the nine months ended August 31, 2011 are not necessarily indicative of the results to be expected for the year ending November 30, 2011.

## NOTE 3 - ACQUISITION OF LIBERTY AMERICAN, LLC

On January 24, 2011, the Company acquired all of the membership units of Liberty American, LLC (“Liberty”), a Utah limited liability company that holds certain development rights with respect to the La Cienega gold mining concession in Northern Sonora, Mexico, in exchange for 10,000,000 restricted shares of the Company common stock to be issued within 30 days (issued March 5, 2011). The agreement embodying the Acquisition contains standard warranties and representations by the Company and the previous owner of Liberty.



## NOTE 3 - ACQUISITION OF LIBERTY AMERICAN, LLC

The estimated fair values of the identifiable net assets of Liberty at January 24, 2011 (date of acquisition) consisted of:

|                           |             |
|---------------------------|-------------|
| Cash and cash equivalents | \$65        |
| Loan receivable           | 7,500       |
| Total assets              | 7,565       |
| Account payable           | 61,951      |
| Accrued interest payable  | 35,662      |
| Notes payable             | 196,665     |
| Total liabilities         | 294,278     |
| Identifiable net assets   | \$(286,713) |

Goodwill of \$431,713 (excess of the \$145,000 fair value of the 10,000,000 common shares over the \$286,713 negative identifiable net assets of Liberty) was recorded at the January 24, 2011 acquisition date. As the Company believed that the fair value of the goodwill recorded by the Company was \$-0-, the entire \$431,713 goodwill was written off on the January 24, 2011 acquisition date.

The following pro forma information summarizes the results of operations for the periods indicated as if the acquisition occurred at November 30, 2009. The pro forma information is not necessarily indicative of the results that would have been reported had the transaction actually occurred on November 30, 2009.

|                                      | Nine Months Ended August<br>31, |               |
|--------------------------------------|---------------------------------|---------------|
|                                      | 2011                            | 2010          |
| Net revenues                         | \$—                             | \$2,598       |
| Exploration and carrying costs       | 548,663                         | 9,750         |
| Officers and directors' compensation | 154,000                         | —             |
| Consulting fees                      | 922,190                         | 2,954,000     |
| Professional fees                    | 3,985,815                       | 234,081       |
| General and administrative           | 1,158,893                       | 8,957         |
| Total operating expenses             | 6,769,561                       | 3,206,788     |
| Loss from operations                 | (6,769,561)                     | (3,206,788)   |
| Other income (expenses) - net        | (999.192 )                      | (8,189 )      |
| Net loss                             | \$(7,768,753)                   | \$(3,214,977) |
| Diluted loss per common share        | \$(0.02 )                       | \$(0.04 )     |



## NOTE 4- PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of:

|  | August<br>31,<br>2011 | November<br>30,<br>2010 |
|--|-----------------------|-------------------------|
| Excavation equipment and accessories     | \$ 125,000            | \$ —                    |
| 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                 | (22,161 )             | —                       |
| Net                                      | \$208,891             | \$ —                    |

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).

## NOTE 5- RELATED PARTY BALANCES / TRANSACTIONS

Due to related parties consist of:

|   | August<br>31,<br>2011 | November<br>30,<br>2010 |
|---|-----------------------|-------------------------|
| Accrued consulting fees due to officers and directors | 30,000                | 148,500                 |
| Total   | \$30,000              | \$148,500               |

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

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For the nine months ended August 31, 2011 and 2010, the Company accrued \$110,000 and \$84,000, respectively, in consulting fees due to the three directors of the Company pursuant to consulting agreements (Note 10).

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## NOTE 6 - NOTES AND LOANS PAYABLE

| Notes and loans payable consisted of the following:   | August 31,<br>2011 | November<br>30,<br>2010 |
|---|--------------------|-------------------------|
| 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   | 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,<br>2012, unsecured  | 5,000              | —                       |

## NOTE 6 - NOTES AND LOANS PAYABLE (Continued)

|  | August 31,<br>2011 | November<br>30,<br>2010 |
|--|--------------------|-------------------------|
| Notes payable dated from March 1, 2011 to August 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) | 1,328,205          | —                       |
| 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  | 2,737,451          | 267,500                 |
| Less: Current Portion  | (2,737,451)        | (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. In the nine months ended August 31, 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 \$1,452,500 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 nine months ended August 31, 2011, amortization of the debt discount (reflected as interest expense) was \$215,817.

At August 31, 2011 and November 30, 2010, accounts payable and accrued liabilities include \$27,500 and \$32,121, respectively, due the Company's corporate counsel.

Accrued interest payable on the notes and loans payable at August 31, 2011 and November 30, 2010 was \$180,101 and \$4,246, respectively, which is included within "accounts payable and accrued liabilities" in the Balance Sheet.





**NOTE 7 - PROCEEDS FROM INVESTORS PURSUANT TO STOCK PURCHASE AGREEMENTS TO BE EFFECTIVE UPON COMPLETION OF REVERSE STOCK SPLIT**

In July and August 2011, the Company received a total of \$200,000 from three investors pursuant to Stock Purchase Agreements. The Stock Purchase Agreements provide for the Company to file an application with the Financial Industry Regulatory Authority (“FINRA”) to affect a 1 for 2000 reverse stock split of its outstanding common stock within 120 days from the respective closing dates. Once the reverse split is approved and effective, the Company is to deliver the investors shares of Company common stock calculated by dividing their investment by the closing trading price of the shares on the first full business day following the Effective Date and multiplying the product thereof by 330%. At August 31, 2011, the \$200,000 has been reflected in liabilities pursuant to ASC 480-10-25-14(a) since the amounts embody a conditional obligation that the Company must settle by issuing a variable number of shares and the monetary value of the obligation is based on a fixed monetary amount known at inception.

**NOTE 8 - 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 provided 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 “consulting fees” in the Statement of 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

NOTE 8 - PREFERRED STOCK AND COMMON STOCK (Continued)

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 two entities. 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 the two entities) 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 two entities. The Company reported the \$294,736 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 30, 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 an entity 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 the entity) 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 entity. 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.

For the nine months ended August 31, 2011, the Company entered into Note Conversion Agreements with two entities whereby the Company satisfied a total of \$57,500 notes payable to its corporate counsel (which arose from professional services rendered and were assigned to the two entities) through the delivery of a total of 265,000,000

shares of Company common stock to the two entities. The Company reported the \$3,639,669 excess of the fair value of the common stock at the dates of the respective Note Conversion Agreements (\$3,700,000 total) over the amount of debt (\$57,500) and accrued interest (\$2,831) settled (\$60,331 total) as “professional fees” in the Statement of Operations for the nine months ended August 31, 2011.

NOTE 8 - PREFERRED STOCK AND COMMON STOCK (Continued)

On January 14, 2011, a majority of the Company's disinterested directors approved an increase in the voting rights of the Series B Preferred Stock from 2,000 to 20,000 votes per share (or a total equivalent of 2,000,000,000 voting shares for the 100,000 shares of Series B Preferred Stock held by Opiuchus Holdings, Inc., a company controlled by the Company's chief executive officer).

On January 14, 2011, we amended and restated our Articles of Incorporation ("Restatement") by increasing the number of authorized shares of our common stock from 200,000,000 to 350,000,000. On January 18, 2011, we filed a definitive Information Statement on Schedule 14C describing the Restatement, and wherein we informed our shareholders that holders of a majority

of our voting shares had approved the Restatement by written consent in lieu of a shareholder meeting.

On January 24, 2011, the Company acquired from the wife of the Company's corporate counsel all of the membership units of Liberty American, LLC ("Liberty"), a Utah limited liability company that holds certain development rights with respect to the La Cienega gold mining concession in Northern Sonora, Mexico in exchange for 10,000,000 restricted shares of the Company common stock to be issued within 30 days (issued March 5, 2011). The agreement embodying the Acquisition contains standard warranties and representations by the Company and the previous owner of Liberty.

On February 1, 2011, we commenced a private offering ("Offering") of convertible promissory notes ("Notes") to accredited or non-U.S. investors. As of August 31, 2011, we had issued Notes pursuant to the Offering in the aggregate principal amount of \$1,452,500 to various investors. The Notes are automatically convertible into common stock of the Company on the six-month anniversary date from the date of issuance. As of October 20, 2011, we had issued -0- shares of common stock pursuant to the conversion of these Notes.

On March 5, 2011, the Company issued a total of 10,000,000 restricted shares of common stock to the two SWMCM stockholders pursuant to a Joint Venture Agreement dated November 28, 2010 (see Note 9). The \$123,000 estimated fair value of the 10,000,000 shares was charged to "exploration and carrying costs" in the Statement of Operations for the three months ended May 31, 2011.

Also on March 5, 2011, the Company issued a total of 4,000,000 restricted shares of common stock to two consultants for services rendered. The \$49,200 estimated fair value of the 4,000,000 shares was charged to "consulting fees" in the Statement of Operations for the three months ended May 31, 2011.

On May 17, 2011, we filed a definitive Information Statement on Schedule 14C describing a Restatement of the Articles of Incorporation ("Restatement"), wherein we informed our shareholders that action had been taken by our board of directors and the holders of a majority in interest of our voting capital stock to effect a restatement to increase the number of authorized shares of our common stock from 350,000,000 to 750,000,000. The foregoing action has been ratified by the written consent of the holders of a majority in interest of our voting capital stock, consisting of our outstanding common stock, outstanding Series A Preferred Stock, and Series B Preferred Stock, as well as our board of directors. On May 24, 2011, we filed the Restatement with the State of Nevada.

On June 20, 2011, the Company issued an aggregate of 33,000,000 shares of unregistered common stock (including 5,000,000 shares to the brother of the Company's chief executive officer) to eight



NOTE 8 - PREFERRED STOCK AND COMMON STOCK (Continued)

employees / service providers for services rendered. The \$257,400 estimated fair value of the 33,000,000 shares was charged to “consulting fees” in the Statement of Operations for the three months ending August 31, 2011, which included \$39,000 related to the brother of the Company’s chief executive officer.

On June 20, 2011, the Company issued a total of 13,600,000 shares of common stock to two directors in satisfaction of accrued consulting fees of \$136,000.

In the three months ended August 31, 2011, the Company issued a total of 149,000,000 shares of common stock to two note holders in satisfaction of a total of \$43,000 notes payable and \$3,330 accrued interest. The Company reported the \$518,070 excess of the fair value of the common stock at the dates of the respective issuances (\$564,400 total) over the amount of the debt settled (\$46,330) as “loss on conversion of notes payable to investors to common stock” in the Statement of Operations for the three months ended August 31, 2011.



## NOTE 9 - INCOME TAXES

A reconciliation of the expected income tax recovery computed by applying the statutory United States federal income tax rate of 34% to income (loss) before income taxes follows:

|   | For the nine<br>months<br>ended<br>August 31,<br>2011 | For the nine<br>months<br>ended<br>August 31,<br>2010 | September<br>21,<br>2007 (Date<br>of<br>Inception) to<br>August 31,<br>2011 |
|---|---|---|---|
| Income tax recovery at statutory rate   | \$2,780,340   | \$1,093,092   | \$4,300,843   |
| Non-deductible stock-based compensation   | (1,383,551)   | (1,006,400)   | (2,683,764)   |
| Non-deductible loss on conversion of notes payable to investors to common stock | (176,144 )  | —   | (176,144 )  |
| Non-deductible donated services   | —   | —   | (6,256 )  |
| Non-deductible amortization of debt discount                                    | (105,895 )  | (2,342 )  | (119,133 )  |
| Non-deductible write off of goodwill  | (146,782 )  | —   | (146,782 )  |
| Valuation allowance change  | (967,968 )  | (84,350 )   | (1,168,764)   |
| Provision for income taxes  | \$—   | \$—   | \$—   |

The components of the net deferred tax asset consist of:

|                                  | August 31,<br>2011 | November<br>30,<br>2010 |
|----------------------------------|--------------------|-------------------------|
| Net operating loss carry-forward | \$1,168,763        | \$200,795               |
| Valuation allowance              | (1,168,763)        | (200,795)               |
| Net deferred income tax asset    | \$—                | \$—                     |

Potential benefits of income taxes are not recognized in the accounts until realization is more likely than not. At August 31, 2011, the Company has a net operating loss carry-forward of \$3,437,539

NOTE 9 - INCOME TAXES (Continued)

which expires \$3,372 in 2027, \$55,089 in 2028, \$51,995 in 2029, \$480,118 in 2030, and \$2,846,965 in 2031. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefit 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.

Current United States income tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

NOTE 10 - 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). The agreements were terminated on June 30, 2011.

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 were not issued). The joint venture agreement was to be approved by the Ghana Government Minerals Commission, which 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 Leone 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 (Through May 31, 2011, the Company paid a total of \$129,000 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 was to have a 50% equity interest in the Joint Venture. On July 25, 2011, the Company received a notice of termination of the Joint Venture from SWMCM and SWMC alleging the breach of certain provisions of the agreement. The Company disputes the allegations made in the notice.

On April 21, 2011, we formed a new joint venture company, Alto Cascade Resources, LLC, a Utah

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

limited liability company ("ACR"). The Company owns 51% of the membership units of ACR and Douglas G. McFarland owns 49% of the membership units of ACR.. ACR was formed for the purpose of developing and exploring the Mt. Baker Mining District, Whatcom County, Washington. ACR has filed 30 Lode Mining Claims with the Bureau of Land Management, Oregon State Office and intends to explore and develop these claims.

On April 26, 2011, we terminated our Joint Venture Agreement with American Enviro-medial LLC, a California limited liability company ("AEM"). AEM owned the Horse Shoe Bar mining and mineral lease on the Middle Fork of the American River in California (the "Mineral Lease"). The Company and AEM formed Alto Horse Shoe Bar Mining LLC (the "Joint Venture Company") to operate and manage the joint venture. Unfortunately, the Mineral Lease has been revoked and the Joint Venture has been terminated. The Company has no further obligations to the Joint Venture Company or to AEM.

NOTE 11 - SUBSEQUENT EVENTS

On September 5, 2011, Liberty American, LLC ("Liberty"), a wholly-owned subsidiary of the Company, received notice that the operator agreement between Liberty and the holder of certain licenses to two mining concessions (collectively, the "Concessions") on the "La Cienega" mining prospect in Northern Sonora, Mexico had been terminated. Pursuant to the Operator Agreement, Liberty or its designee had been granted the right to operate a mine in connection with the Concessions in exchange for a royalty of five percent (5%) of the net mining revenues associated with such operations.

On September 19, 2011, Mark Klok resigned as the Company's Chief Executive Officer. Also on September 19, 2011, the Company appointed Randall Appel as its Chief Executive Officer.

On September 29, 2011, Opiuchus Holdings, Inc. ("OHI"), a corporation owned by Mark Klok, the Chairman of the Company, executed a Shareholder Voting Agreement (hereafter, the "Agreement") with Randall Appel, the Chief Executive Officer of the Company. OHI is the holder of 100,000 shares of Series B Preferred Shares of the Company (hereafter, the "Preferred Shares"), which collectively hold an aggregate of 2,000,000,000 votes. Pursuant to the Agreement, OHI assigned Mr. Appel its voting rights with respect to the Preferred Shares for a period of one year. The Agreement may be terminated by OHI upon the occurrence of certain events, which includes the failure of Mr. Appel to vote the Preferred Shares against a vote by the shareholders to dismiss Mr. Klok from the Company's Board of Directors.

On October 5, 2011, the Board approved an Employment Agreement between the Company and Randall Appel, the Company's Chief Executive Officer. The Employment Agreement has a five year term and provides for a base salary of \$180,000 per annum, with annual increases based on the greater of the CPI increase or 5%. Mr. Appel is also entitled to a signing bonus of \$75,000 commensurate with the commencement of his employment as CEO. The Employment Agreement further entitles Mr. Appel to a severance payment of twelve (12) months' salary if he is terminated without cause during the employment term.

NOTE 11 - SUBSEQUENT EVENTS (Continued)

Also on October 5, 2011, the Board of Directors of the Company amended and restated its Articles of Incorporation providing for a decrease in the number of authorized shares of common stock from 750,000,000 to 50,000,000 shares, as well as to decrease the number of authorized shares of Preferred stock from 100,000,000 to 20,000,000 shares.

Also on October 5, 2011, the Board of Directors of the Company and holders of a majority of the voting rights of the Company's capital stock approved a reverse split of the Company's Common Stock on a 2,000 for 1 basis.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operation.**

### **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**

We were 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 700 West Hillsboro Blvd., Suite 207, Deerfield Beach, FL 33441. Our telephone number is (954) 973-2133.

We hold rights to certain mineral interests in North America and Mexico, and seek to acquire additional interests in mineral holdings in these regions as well as other overseas locations. 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. Our most significant holding is pursuant to a 51% joint venture interest with Douglas G. McFarland in respect of 60 mining claims concerning the Great Excelsior Mine in Washington State.

Importantly, although we believe that the mineral concessions in which we hold rights 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 our 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.

## **Liquidity and Capital Resources**

As of August 31, 2011, our working capital deficit of \$3,477,840 was comprised of total current assets of \$10,439 consisting of cash and cash equivalents, and total current liabilities of \$3,488,279. 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.



We do 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. We cannot provide that we will be able to successfully complete any one of these activities.

The independent registered public accounting firm's report on our financial statements as of November 30, 2010, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.

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.

Our ability to pay accounts payable and accrued expenses and repay borrowings is dependent upon receipt of new funding from related parties, private placements or debt financing. Certain related parties have periodically advanced funds to us to meet our working capital needs. The related parties are under no obligation to continue these advances.

Net cash used in operating activities was \$2,406,297 during the nine months ended August 31, 2011, compared to \$45,365 during the nine months ended August 30, 2010. During the nine months ended August 31, 2011, we incurred a net loss of \$8,177,472. In addition, accounts payable and accrued expenses increased by \$402,111 during the nine months ended August 31, 2011. By comparison, during the nine months ended August 31, 2010, we incurred a net loss of \$3,214,977 and reported an increase in accounts payable and accrued expenses of \$110,724. 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 nine months ended August 31, 2011 and 2010, the Company used \$230,987, and \$-0-, respectively, in investing activities. During the nine months ended August 31, 2011, the Company purchased property and equipment in the amount of \$231,052.

Net cash provided by financing activities during the nine months ended August 31, 2011, was \$2,638,081, compared to \$77,500 during the nine months ended August 31, 2010. During the nine months ending August 31, 2011, cash provided by financing activities

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consisted of proceeds of \$2,499,500 in the form of loans from accredited investors. The Company also used \$61,419 to repay loans of Liberty American LLC to its Corporate Counsel.

### **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**

In August 2009, the FASB issued an update to ASC 820. This Accounting Standards Update (“ASU”) No. 2009-5, Measuring Liabilities at Fair Value (“ASU 2009-5”) amends the provisions in ASC 820 related to the fair value measurement of liabilities and clarifies for circumstances in which a quoted price in an active market for the identical liability is not available. ASU 2009-5 is intended to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities. ASU 2009-5 was effective for the Company in the first quarter of fiscal year 2010. ASU 2009-5 concerns disclosure only. The adoption of ASU 2009-5 did not have a material effect on the Company’s consolidated financial statements.

In December 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-17,

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which codifies SFAS No. 167, Amendments to FASB Interpretation No. 46(R) issued in June 2009. ASU 2009-17 requires a qualitative approach to identifying a controlling financial interest in a variable interest entity (“VIE”), and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. ASU 2009-17 is effective for annual reporting periods beginning after November 15, 2009. The adoption of ASU 2009-17 did not have a material effect on the Company’s financial statements.

In January 2010, the FASB issued ASU 2010-6, Improving Disclosures About Fair Value Measurements, which requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. ASU 2010-6 is effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual periods beginning after December 15, 2010. The Company believes that the adoption of ASU 2010-6 will not have a material effect on its consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued (but are not yet effective) that might have a material impact on its future financial position or results of operations.

### **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 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

### **Item 4. 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 August 31, 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 August 31, 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 quarter ended August 31, 2011, we intend to implement changes to our internal controls, particularly as they pertain to payment and authorization of expenses.

## PART II – OTHER INFORMATION

### **Item 1. Legal Proceedings**

We are not currently subject to any legal proceedings, and to the best of our knowledge, no such proceeding is threatened, the results of which would have a material impact on our properties, results of operation, or financial condition. Nor, to the best of our knowledge, are any of our officers or directors involved in any legal proceedings in which we are an adverse party.

### **Item 1A. Risk Factors**

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

### **Item 2. Unregistered Sales of Equity Securities**

On June 20, 2011, the Company issued 2,000,000 shares of unregistered common stock in exchange for certain consulting services. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that the issuance of shares to the consultant was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Act.

On June 20, 2011, the Company issued an aggregate of 31,000,000 shares of unregistered common stock to seven of its officers for services rendered. No solicitation was made and no underwriting discounts were given or paid in connection with these transactions. The Company believes that the issuance of shares to these officers was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Act.

On June 20, 2011, the Company issued an aggregate of 13,600,000 shares of unregistered common stock to two of its directors in exchange for forgiveness of accrued director fees. No solicitation was made and no underwriting discounts were given or paid in connection with these transactions. The Company believes that the issuance of shares to the directors was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Act.



On June 20, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on September 30, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 30,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On July 6, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on September 30, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On July 19, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on December 1, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On July 21, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on December 1, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On July 26, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on June 7, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On August 2, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on December 1, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On August 11, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on December 1, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On August 15, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on December 1, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 20,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and

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no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On August 29, 2011, the Company converted into common stock a portion of a certain promissory note originally issued by the Company on December 1, 2010. Subject to the terms and conditions of the conversion agreement entered into with the note holder, the Company agreed to convert the note into 29,000,000 shares of common stock of the Company. The noteholder is an “accredited investor” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On October 5, 2011, Company issued 15,000,000 shares of restricted stock in a privately negotiated transaction. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that the issuance of shares in connection with this transaction was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Submission of Matters to a Vote of Security Holders.**

On October 5, 2011, the Board of Directors of the Company and holders of a majority of the Company’s outstanding voting shares approved the amendment and restatement of the Company’s Articles of Incorporation providing for a decrease in the number of authorized shares of common stock from 750,000,000 to 50,000,000 shares, as well as to decrease the number of authorized shares of Preferred stock from 100,000,000 to 20,000,000 shares.

On October 5, 2011, the Board of Directors of the Company and holders of a majority of the voting rights of the Company’s capital stock approved a reverse split of the Company’s Common Stock on a 2,000 for 1 basis, for all shareholders of record on October 3, 2011 (the “Record Date”), meaning, that each 2,000 shares of Common Stock on the Record Date will be consolidated into 1 share of Common Stock following the reverse split. Fractional shares will be rounded up to the nearest whole share.

**Item 5. Other Information.**

None.

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**Item 6. Exhibits.**

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 October 7, 2011). |
| 3.3      | Amended and Restated Bylaws (incorporated by reference from our Current Report on Form 8-K filed on September 29, 2011).                 |
| 31.1*    | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Randall Appel.</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 Randall Appel.</u>  |
| 32.2*    | <u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chene Gardner.</u>  |

\* filed herewith

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/ Randall Appel

Dated:

October 20, 2011  
By: Randall Appel, President, Secretary, and Director

