

SECOND SUPPLEMENTARY TARGET'S STATEMENT

1. Introduction

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth). It is the second supplementary target's statement (**Second Supplementary Target's Statement**) issued by Alto Metals Limited ACN 159 819 173 (**Alto** or **Company**) in response to the unsolicited, off-market, all-scrip takeover offer (**Offer**) made by Middle Island Resources Limited ACN 142 361 608 (**MDI** or **Middle Island**).

This Second Supplementary Target's Statement supplements, and should be read together with, Alto's target's statement dated 6 May 2019 (**Target's Statement**) and Alto's first supplementary target statement dated 3 July 2019 (**First Supplementary Target's Statement**). This Second Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement or First Supplementary Target's Statement.

Unless the context requires otherwise, terms defined in the Target's Statement have the same meaning in this Second Supplementary Target's Statement.

A copy of this Second Supplementary Target's Statement was lodged with the ASIC on 17 October 2019. Neither ASIC nor any of its officers take any responsibility for the content of this Second Supplementary Target's Statement. This Second Supplementary Target's Statement was unanimously approved by resolution of the Board of Alto.

2. Offer Update

2.1 Extension of Offer to Shortfall Shares

As noted in the Company's ASX announcement dated 4 June 2019, Alto had been waiting for Middle Island to advise if they would be extending the Offer to the 56,875,060 Alto Shares issued as part of the shortfall placement to the Entitlement Offer, as announced on 6 May 2019 and issued on 13 May 2019 (**Shortfall Shares**), and if so, when this would be done. Alto further notes that, in addition to the Shortfall Shares, a further 28,437,523 Alto options were issued on 13 May 2019 (**Shortfall Options**). In this regard, Middle Island had previously stated in its Fourth Supplementary Bidder's Statement dated 27 June 2019, that it did not, at that time, intend to extend the Offer to the Shortfall Shares or any Alto Shares issued as a result of the exercise of the Shortfall Options.

Subsequently, on 18 July 2019, Alto issued 16,666,666 Alto Shares (**Placement Shares**) and 8,333,333 Alto options (**Placement Options**) to Windsong Valley Pty Ltd (being a related party of Alto's Chairman, Terry Wheeler) (**Placement Securities**).

MDI has, in its Seventh Supplementary Bidder's Statement dated 8 October 2019, advised that it received confirmation from ASIC, pursuant to ASIC Instrument 19-0863 granted on 22 August 2019 (**ASIC Confirmation**), for MDI to extend the Offer to the Shortfall Shares and to any Alto Shares issued as a result of the exercise of the Shortfall Options (provided such Alto Shares are issued prior to the end of the Offer Period), subject to MDI:

- (a) issuing a supplementary bidder's statement to confirm the extension of the Offer as described above; and
- (b) publicly announcing that it waived any breach of the defeating condition set out in section 9.10(h) of MDI's Bidder's Statement dated 10 April 2019.

In its Seventh Supplementary Bidder's Statement, MDI confirmed, in accordance with the requirements of the ASIC Confirmation, that it was extending the Offer to the Shortfall Shares (and any Alto Shares issued upon exercise of the Shortfall Options) and confirmed that it would waive any breach of the defeating condition in section 9.10(h) of MDI's Bidder's Statement. MDI noted, however, that it was not extending the Offer to the Placement Securities at this time. The Company notes that the Placement Shares represent 5.80% of the Alto Shares on issue as at the date of this Second Supplementary Target's Statement.

Whilst the Company considers it unusual that MDI waited until 8 October 2019 to confirm the extension of the Offer to the Shortfall Shares and any Alto Shares issued following exercise of the Shortfall Options given the ASIC Confirmation was received on 22 August 2019 (during which time MDI issued its Sixth Bidder's Statement dated 23 September 2019, but made no comment on whether the Offer would be extended), the Company is pleased to confirm that the Shortfall Shares, which were previously restricted from trading and listed under separate ASX code (ASX: AMENA) will be released from escrow restrictions and listed under the Company's standard ASX code on or around Thursday, 17 October 2019 (ASX: AME). The Company notes the Placement Shares will remain in escrow and will remain listed under the ASX code (ASX: AMENA) until such time as either:

- (a) MDI withdraws the Offer; or
- (b) 5pm (AWST) on 29 November 2019 or such later date if the Offer Period is further extended by MDI.

2.2 Directors' Recommendation

For the reasons explained in the Target's Statement, your Directors continue to unanimously recommend that you **REJECT** the Offer.

The detailed reasons to Reject the Offer are set out in Section 1.3 of the Target's Statement. In addition to those reasons, Alto notes that the Company's three largest shareholders, who collectively own or control:

- (a) 68,608,175 Alto Shares which are subject to the Offer (25.37% of all Alto Shares which are subject to the Offer); and
- (b) 85,274,841 Alto Shares in total (29.7% of all Alto Shares on issue),

who have previously provided shareholder intention statements to the Company advising that they do not intend to accept the Offer.¹

Shareholders can **REJECT** the Offer by **TAKING NO ACTION**.

3. Other Material Information

In considering the Offer, Alto Shareholders should consider that:

¹ Windsong Valley Pty Ltd and Marymount Pty Ltd (being related parties of Alto's Chairman, Terry Wheeler) (40,708,175 Alto Shares subject to the Offer (57,374,841 Alto Shares total), Sinotech (Hong Kong) Corporation Limited (15,900,000 Alto Shares) and Enterprise Metals Ltd (12,000,000 Alto Shares). It is noted that Alto received separate shareholder intention statements from these parties, which have not been withdrawn, following MDI announcing an increase in the offer consideration in its Fourth Bidder's Statement and these shareholders intention statements are in addition to the shareholder intention statements previously received by Alto, as referred to in the Target's Statement.

- (a) on 4 July 2019, the Company provided an update on exploration activities at the Sandstone Gold Project, confirming a total of 38 holes (SRC 120- SRC 157) for approximately 6,300 metres of a planned RC drilling program of 10,000 metres had been completed;
- (b) on 22 July 2019, the Company provided an update that the Company had confirmed the down plunge extensions of mineralisation at the Lord Nelson deposit;
- (c) on 31 July 2019, the Company released its Quarterly Activities Report for the quarter ended 30 June 2019; and
- (d) on 12 September 2019, the Company announced it had received assay results from RC drilling at the Sandstone Gold Project, which confirmed gold mineralisation intersected in five out of seven holes drilled at the Tiger Moth prospect at Indomitable and 11 out of 12 holes drilled at Vanguard.

4. Further information

A letter to Alto Shareholders is attached to and forms part of this Second Supplementary Target's Statement. We urge all Alto Shareholders to read and consider this letter.

In assessing whether or not to accept the Offer, you should consider the information provided to you in this Second Supplementary Target's Statement, the First Supplementary Target's Statement and the Target's Statement, the risks and potential rewards of remaining an Alto Shareholder versus becoming an MDI shareholder, and your own personal circumstances.

If you have any questions in relation to your position as a Shareholder, including in relation to the Offer, I encourage you to seek either financial or legal advice without delay.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Terry Wheeler'.

Terry Wheeler
Chairman