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1 May 2020

The Manager
Market Announcements Office
ASX Limited
Central Park
Level 152-158 St Georges Terrace
Perth WA 6000

Dear Sir/Madam

Takeover bid by Goldsea for Alto — notice of variation and first supplementary bidder's statement

We act for Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**).

We refer to the bidder's statement dated 24 March 2020 in relation to Goldsea's off-market takeover bid for all the shares in Alto Metals Limited (ACN 159 819 173) (**Alto**) and all the unlisted Alto options pursuant to a separate options offer.

We attach, by way of service:

- (a) pursuant to section 650D of the *Corporations Act 2001* (Cth) (**Corporations Act**), a formal notice of variation to extend the closing date for the offers to 7.00pm (Sydney time) on 8 June 2020 (unless withdrawn or further extended); and
- (b) pursuant to section 647(3)(b) of the *Corporations Act*, a copy of Goldsea's first supplementary bidder's statement in relation to Goldsea's off-market takeover bid.

The notice of variation and first supplementary bidder's statement have been lodged today with the Australian Securities and Investments Commission and served on Alto.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Michael Blakiston', with a long horizontal line extending to the right.

Michael Blakiston
Partner
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A copy of this notice was lodged with ASIC on 1 May 2020.

ASIC takes no responsibility for the contents of this notice.

Goldsea Australia Mining Pty Ltd (ACN 637 464 601)

Takeover bid for Alto Metals Limited (ACN 159 819 173)

Notice of variation – extension of offer period

To: Australian Securities and Investments Commission

ASX Limited

Alto Metals Limited (ACN 159 819 173) (**Alto**)

Each Alto shareholder and other person referred to in sections 650D(1)(c) and 650D(2) of the *Corporations Act 2001* (Cth) (as modified by ASIC Class Order [13/521])

Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**) gives notice for the purposes of section 650D of the *Corporations Act 2001* (Cth) (**Corporations Act**) that its takeover offers for all of the fully paid ordinary shares in Alto Metals Limited (ACN 159 819 173) (**Alto**) and all of the unlisted Alto options pursuant to a separate options offer (together, the **Offers**) contained in its bidder's statement dated 24 March 2020 (as supplemented on 1 May 2020) (**Bidder's Statement**) are varied by extending the period during which the Offers will remain open so that the Offers will now close at 7.00pm (Sydney time) on 8 June 2020 (unless further extended or withdrawn).

In addition, for the purposes of section 630(2)(b) of the *Corporations Act*, Goldsea gives notice that its Offers contained in the Bidder's Statement are varied such that the new date for the purposes of giving notice of status of defeating conditions will be 1 June 2020.

As at the date of this notice, none of the defeating conditions to the Offers in section 12.8 of the Bidder's Statement have been freed or, so far as Goldsea knows, fulfilled and, accordingly, the Offers remain subject to those defeating conditions.

Goldsea notes there have been breaches of sections 13.7(g), 13.7(h) and 13.7(i) (in respect of the Windsong Loan Facility) and section 13.7(g)(iv)-(v) (in respect of certain advisory arrangements) of the Bidder's Statement, but has confirmed its waiver of these breaches in its supplementary bidder's statement dated 1 May 2020.

Date 1 May 2020

Signed for and on behalf of **Goldsea Australia Mining Pty Ltd**

By



sign here ►

Director

Print name Ms Jiayi Li



1 May 2020

First Supplementary Bidder's Statement

1 Important notice

This document is a supplementary bidder's statement under section 643(1) of the *Corporations Act 2001* (Cth). It is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) issued by Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**) in relation to its off-market takeover bid for all the shares in Alto Metals Limited (ACN 159 819 173) (**Alto**) and all the Alto Options. This First Supplementary Bidder's Statement supplements, and should be read together with, Goldsea's bidder's statement dated 24 March 2020 (**Original Bidder's Statement**).

Capitalised terms in this First Supplementary Bidder's Statement have the same meaning given in the Original Bidder's Statement, unless the context otherwise requires.

A copy of this First Supplementary Bidder's Statement was lodged with ASIC on 1 May 2020. Neither ASIC nor any of its officers take any responsibility for its contents.

2 Update on the Offers

Goldsea refers to its cash takeover offers of A\$0.065 cash per Alto Share and a cash amount for each Alto Option based on a Black-Scholes valuation of the relevant class of Alto Options as set out in section 14.2 of the Original Bidder's Statement (together, the **Offers**).

Alto Board RECOMMENDS Goldsea's Offers

Goldsea has been advised in writing by the Alto Board that it will shortly confirm in a supplementary target's statement its recommendation to Alto Shareholders and Alto Optionholders that they accept the Offers, in the absence of a superior proposal.

The Alto Directors have also confirmed their intention to, in the absence of a superior proposal, accept the Offers in respect of any Alto Shares or Alto Options they own or control which represent approximately 21.7% of the issued and outstanding ordinary shares in Alto. The Alto Options which are held by the Alto Directors and their associates, represents approximately 21.9%, in aggregate, of all the issued and outstanding Alto Options.

As at the last practicable trading date prior to the date of this First Supplementary Bidder's Statement, Goldsea, together with its associates, has a Relevant Interest in 30,155,399 Alto Shares, representing 10.28% of Alto's shares, and Voting Power in Alto of approximately 10.28%.¹

¹ Relevant Interest and Voting Power percentages include valid acceptances under the Offers.

Extension of the Offer Period

Goldsea gives notice in accordance with section 650D of the Corporations Act that it varies the Offers by extending the Offer Period so that the Offers will now close at 7.00pm (Sydney time) on 8 June 2020 (unless further extended or withdrawn). A copy of a notice under section 650D of the Corporations Act is at **Attachment A** to this First Supplementary Bidder's Statement.

In addition, for the purposes of section 630(2)(b) of the Corporations Act, Goldsea gives notice that its Offers are varied such that the new date for the purposes of giving notice of status of defeating conditions will be 1 June 2020.

Goldsea has made two Offers consisting of a Share Offer and a separate Options Offer; the details of which are set out in sections 13 and 14 respectively of the Original Bidder's Statement. Goldsea wishes to clarify that former Alto shareholders who have since sold their Alto Shares **remain entitled to accept the Options Offer** in respect of any Alto Options they own or control.

Goldsea continues to advise that Alto securityholders **ACCEPT** its **RECOMMENDED** Offers without delay, which Goldsea considers are highly attractive to both Alto Shareholders and Alto Optionholders. See section 4 of the Original Bidder's Statement for the reasons why Goldsea considers Alto Shareholders and Alto Optionholders should accept the Offers.

Despite selling on-market, Alto Shareholders who also hold Alto Options are still permitted to **ACCEPT** into the Options Offer.

Goldsea intends to reduce its minimum acceptance condition

Goldsea intends to waive all conditions to the Offers (other than FIRB approval, as outlined below), including its 90% minimum acceptance condition, if the aggregate of Goldsea's Relevant Interest in Alto Shares and acceptances received under the Share Offer is at least 50.1% of Alto Shares by no later than 7.00pm (Sydney time) on 31 May 2020 (being the day before Goldsea must give notice of the status of the defeating conditions to the Offers).

Please refer to section 10.3 of the Original Bidder's Statement for Goldsea's intentions for Alto as a part-owned controlled entity.

Goldsea's observations on Target's Statement

In response to Alto's target's statement dated 20 April 2020, Goldsea wishes to note as follows:

- (a) **Offer conditions:** For the reasons noted below, based on the information known to Goldsea, as at the date of this First Supplementary Bidder's Statement, Goldsea has a reasonable basis for considering the conditions of its Offers are capable of being satisfied:

Share Offer condition	Goldsea response
Minimum acceptance condition – Share Offer condition at section 13.7(a) of the Original Bidder's Statement	Notwithstanding Adaman's recently acquired 10.3% shareholding in Alto, Alto was unable to confirm in its Target's Statement whether Adaman intends to reject or accept Goldsea's Share Offer and, according to its Target's Statement, at present no superior proposal for Alto has been made by Adaman (or, indeed, any other

Share Offer condition	Goldsea response
	third party). Also, as noted above, Goldsea intends to waive its 90% minimum acceptance condition if the aggregate of Goldsea's Relevant Interest in Alto Shares and acceptances received under the Offers is at least 50.1% of Alto Shares during the Offer Period.
FIRB approval – Share Offer condition at section 13.7(b) of the Original Bidder's Statement	<p>Since dispatch of the Original Bidder's Statement, FIRB has reiterated to Goldsea that it is using its best efforts to make a decision on Goldsea's application as soon as possible. We understand the FIRB is working to finalise its advice, but that this has been impacted by Covid-19. On this basis and in line with Australian government policy on foreign investment, Goldsea has agreed to a further voluntary one-month extension until 27 May 2020 for FIRB to continue its process.</p> <p>Whilst Goldsea is a foreign person for the purposes of the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth), the Chairman and major shareholder of the Goldsea Group, Mr Jianjun Li, is a permanent resident of Australia. A director of Goldsea and major shareholder of the Goldsea Group, Ms Jiayi Li, is also an Australian citizen. Further, on the basis Alto is an exploration gold company, Goldsea does not consider this a sensitive sector or mineral for which there is a risk to Australia's national interest grounds through foreign ownership.</p> <p>Refer to section 6.2 of the Original Bidder's Statement for further details on the structure and ownership of the Goldsea Group.</p>
Material transactions in excess of \$100,000 – Share Offer condition at section 13.7(g)(iv)-(v) of the Original Bidder's Statement)	Goldsea acknowledges the potential existence of advisory fees by way of disclosure of Alto's budget which exceed the \$100,000 threshold in its 'no material acquisitions or disposals' condition. Goldsea has been provided with details about these arrangements and notes it is common for companies to put advisory arrangements in place when anticipating, and responding to, control proposals. Goldsea has decided to waive the breach of the Share Offer Condition at section 13.7(g) in respect of these arrangements.
Third party rights – Share Offer condition at section 13.7(h) of the Original Bidder's Statement)	<p>Goldsea confirmed in its Original Bidder's Statement that it has waived breach of the Share Offer conditions at sections 13.7(g) and 13.7(i) in respect of the Windsong Loan Facility. For completeness, it confirms its waiver of Share Offer condition 13.7(h) in respect of the Windsong Loan Facility.</p> <p>In any event, as noted in section 3 below, provided Goldsea's Relevant Interest in Alto Shares and acceptances received under the Offers is at least 50.1% of Alto Shares during the Offer Period, the Windsong</p>

Share Offer condition	Goldsea response
	Loan Facility will be terminated and replaced by interim funding from Goldsea.

- (b) **No superior proposal:** At present, Alto has advised it has not received any superior proposal from Adaman or any other third party. Goldsea further notes that this is the case despite Goldsea having announced its intention to bid on 21 February 2020 and releasing its Original Bidder's Statement on 24 March 2020.

Pursuant to the Share Offer condition at section 13.7(d) of the Original Bidder's Statement between the Announcement Date and the end of the Offer Period, Alto will, within 3 business days of a request, provide Goldsea with access and information which Goldsea may request comprised of information provided by Alto or its associates to any other bidder or potential bidder. Goldsea retains its right to request equal information in the event of due diligence access granted by Alto to Adaman or another third party.

- (c) **Taxation consequences:** The Target's Statement notes that the sale of Alto Shares may attract CGT. Goldsea wishes to clarify this may also be the case where Alto Shareholders sell their Alto Shares on ASX. Also, as noted in section 4.3 of the Original Bidder's Statement, Alto Shareholders and Alto Optionholders who accept the Offers will not be obliged to pay stamp duty and will generally not incur brokerage fees. Alto Shareholders opting to sell Alto Shares on ASX are more likely to incur brokerage fees. Alto Shareholders and Alto Optionholders should obtain independent tax advice before deciding to accept the Offers.

Goldsea urges Alto Shareholders and Alto Optionholders to **ACCEPT** its **RECOMMENDED** Offers, which, as noted above, will now close on 8 June 2020 (unless otherwise extended or withdrawn).

See section 4 of the Original Bidder's Statement for reasons to accept, which remain applicable in respect of Goldsea's all-cash Offers.

3 Goldsea Loan Facility

As noted in section 12.3 of the Original Bidder's Statement, Goldsea anticipated that, despite the availability of the Windsong Loan Facility, Alto may need to raise additional capital.

Goldsea has agreed to provide Alto with an up to A\$1 million loan facility to assist Alto in funding its short term working capital requirements (**Goldsea Loan Facility**) in consideration for Alto providing security to Goldsea (the grant of which will be subject to receipt of an ASX waiver and FIRB approval) in the form of a customary mining act mortgage to be entered into between Goldsea and Sandstone Exploration Pty Ltd over the Tenements.

Interest on the Goldsea Loan Facility is payable at 7.5% per annum on amounts drawn.

In addition to the usual customary conditions precedent to drawdown under a working capital loan facility, a further condition is that Goldsea has a Relevant Interest in 50.1% of the Alto Shares.

The Goldsea Loan Facility is to be repaid in full by no later than six months after close of the Offers, although Alto is under an accelerated repayment obligation if:

- (a) any director of Alto recommends a Competing Transaction² or otherwise recommends against, qualifies their support or withdraws their recommendation of approval of the Offers, in which case the loan must be repaid in full within 30 days of recommending that Competing Transaction or withdrawing their support; or
- (b) any defeating conditions to the Offers are not satisfied or waived, in which case the loan must be repaid in full within 30 days of close of the Offers.

Provided Goldsea's Relevant Interest in Alto Shares and acceptances received under the Offers is at least 50.1% of Alto Shares during the Offer Period, the Goldsea Loan Facility will replace the Windsong Loan Facility announced to ASX on 16 March 2020, with amounts drawn under the Windsong Loan Facility, consistent with an agreed working capital budget, to be repaid under the Goldsea Loan Facility and the Windsong Loan Facility will be cancelled with no penalty to Alto.

4 Sources of consideration

Goldsea wishes to update Alto Shareholders and Alto Optionholders that the commitment letter dated 21 February 2020 (**Original Funds Commitment Letter**), referred to in section 9.2 of the Original Bidder's Statement and which sets out how Goldsea will pay the Maximum Offer Amount and associated transaction costs, has since been terminated and replaced by a new binding commitment letter.

The Maximum Offer Amount and associated transaction costs will now be fully funded by a combination of Goldsea's existing cash holdings of \$20,535,395 (which will include funding in full the working capital to be provided to Alto under the Goldsea Loan Facility) and the cash holdings of Mr Jiang Li, Chief Executive Officer of Goldsea Group. All such funds are held in liquid cash accounts in Australian commercial bank accounts with Suncorp. An accountant's certificate has been provided to the Goldsea directors confirming the bank holds the requisite amounts in cleared funds for and on behalf of Mr Jiang Li.

Under the revised commitment letter dated 30 April 2020:

- (a) Goldsea sets aside a cash amount total of \$20,535,395; \$1,000,000 of which is for the sole purpose of funding the Goldsea Loan Facility and \$19,535,395 of which is for the sole purpose of providing cash consideration for the Maximum Offer Amount and associated transaction costs;

² "**Competing Transaction**" means any expression of interest, proposal, offer or transaction (or a series of transactions), which if entered into or completed, would result in a person (other than Goldsea, or one of its Related Bodies Corporate or Associates):

- (a) acquiring Voting Power in Alto of 15% or more;
- (b) directly or indirectly, acquiring an interest in, a Relevant Interest in, having the right to acquire, becoming the holder of, or entering into a cash settled equity swap or other synthetic, economic or derivative transaction in each case connected with or relating to:
 - (i) 15% or more of Alto's Shares or 15% or more of the securities in any Group Member; or
 - (ii) the whole or a material part of the business or property of the Group;
- (c) acquiring control of Alto within the meaning of section 50AA of the Corporations Act; or
- (d) otherwise acquiring or merging (including by a scheme of arrangement, capital reduction, sale of assets, strategic alliance, joint venture, partnership, reverse takeover bid or dual listed company structure) with Alto.

- (b) Mr Jiang Li sets aside a cash amount of \$7,900,000 for the sole purpose of providing the additional cash consideration for the Maximum Offer Amount and associated transaction costs;
- (c) the funds being provided by Mr Jiang Li are available to Goldsea, on three Business Days' notice; and
- (d) Mr Jiang Li represents and warrants to Goldsea and its directors, among other things, that:
 - (i) he has immediate access to the remaining funds in his Australian-based Suncorp bank account to perform his obligation to provide up to \$7,900,000 without the need for any PRC government or regulatory approvals; and
 - (ii) the funds held by him in his personal capacity as at the date of the letter will be retained to permit such payments.

The parties acknowledge under the revised commitment letter that Mr Jiang Li's wholly owned private company, Singapore J&Y Investment Pte Ltd, is no longer committed to fund the Offers.

The revised binding commitment letter contains no conditions or repayment or interest obligations.

Goldsea does not anticipate any restriction on the availability of funds for the purpose of funding the Offers. Given the amounts are held in Australian dollars there is no forex risk or hedging requirements.

5 On-market purchases

In accordance with Rules 5.13.1 and 5.14.1 of the *ASIC Market Integrity Rules (Securities Market) 2017 (ASIC Market Integrity Rules)* and the Corporations Act, Goldsea has appointed licensed broker JP Equity Partners to acquire Alto Shares on-market at or below \$0.065 per Alto Share during the Bid Period (as defined in the ASIC Market Integrity Rules).

6 Goldsea interests in Alto securities

As at the last practicable trading date prior to the date of this First Supplementary Bidder's Statement, Goldsea, together with its associates, has a Relevant Interest in 30,155,399 Alto Shares, representing 10.28% of Alto's shares, and Voting Power in Alto of approximately 10.28%.³ Goldsea is yet to receive any acceptances in respect of the Option Offer.

Goldsea advises that, in accordance with the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*, it and its associates unconditional interests in Alto are 9.99%.

³ Relevant Interest and Voting Power percentages include valid acceptances under the Offers.

7 Further information

Alto Shareholders and Alto Optionholders who have any questions in relation to the Offers or who would like another acceptance form should call the Offer Information Line on 1300 660 106 (within Australia) or +61 1300 660 106 (outside Australia) between 8.30am and 5.30pm (AEST) on Business Days.

8 Approval of First Supplementary Bidder's Statement

This First Supplementary Bidder's Statement has been approved by the directors of Goldsea Australia Mining Pty Ltd.

Date 1 May 2020

Signed for and on behalf of **Goldsea Australia Mining Pty Ltd**
by

Sign here 
Director

Print name Ms Jiayi Li

Attachment A Notice of variation – extension of offer period



A copy of this notice was lodged with ASIC on 1 May 2020.

ASIC takes no responsibility for the contents of this notice.

Goldsea Australia Mining Pty Ltd (ACN 637 464 601)

Takeover bid for Alto Metals Limited (ACN 159 819 173)

Notice of variation – extension of offer period

To: Australian Securities and Investments Commission

ASX Limited

Alto Metals Limited (ACN 159 819 173) (**Alto**)

Each Alto shareholder and other person referred to in sections 650D(1)(c) and 650D(2) of the *Corporations Act 2001* (Cth) (as modified by ASIC Class Order [13/521])

Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**) gives notice for the purposes of section 650D of the *Corporations Act 2001* (Cth) (**Corporations Act**) that its takeover offers for all of the fully paid ordinary shares in Alto Metals Limited (ACN 159 819 173) (**Alto**) and all of the unlisted Alto options pursuant to a separate options offer (together, the **Offers**) contained in its bidder's statement dated 24 March 2020 (as supplemented on 1 May 2020) (**Bidder's Statement**) are varied by extending the period during which the Offers will remain open so that the Offers will now close at 7.00pm (Sydney time) on 8 June 2020 (unless further extended or withdrawn).

In addition, for the purposes of section 630(2)(b) of the *Corporations Act*, Goldsea gives notice that its Offers contained in the Bidder's Statement are varied such that the new date for the purposes of giving notice of status of defeating conditions will be 1 June 2020.

As at the date of this notice, none of the defeating conditions to the Offers in section 12.8 of the Bidder's Statement have been freed or, so far as Goldsea knows, fulfilled and, accordingly, the Offers remain subject to those defeating conditions.

Goldsea notes there have been breaches of sections 13.7(g), 13.7(h) and 13.7(i) (in respect of the Windsong Loan Facility) and section 13.7(g)(iv)-(v) (in respect of certain advisory arrangements) of the Bidder's Statement, but has confirmed its waiver of these breaches in its supplementary bidder's statement dated 1 May 2020.

Date 1 May 2020

Signed for and on behalf of **Goldsea Australia Mining Pty Ltd**

By

sign here ►

Director

Print name Ms Jiayi Li