



SUPPLEMENTARY TARGET'S STATEMENT

Issued by

Alto Metals Limited

ACN 159 819 173

in relation to the off-market takeover bid by

Goldsea Australia Mining Pty Ltd

ACN 637 464 601

a wholly owned subsidiary of Shandong Goldsea Group Co. Ltd,
to acquire all of your shares and options in Alto Metals Limited.

Alto Metals Limited's Directors unanimously recommend that you

 **ACCEPT**

Goldsea Australia Mining Pty Ltd's Share Offer and Option Offer in the
absence of a Superior Proposal.

Legal Adviser:

HWL
EBSWORTH
LAWYERS

Corporate Adviser:

 **LONGREACH**
CAPITAL

THIS IS AN IMPORTANT DOCUMENT

If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant,
stockbroker or financial adviser immediately.

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LETTER FROM THE CHAIRMAN

Dear Shareholders and Optionholders

On 21 February 2020, Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**), a wholly owned subsidiary of Shandong Goldsea Group Co Ltd announced an intention to make an unsolicited, off-market, cash takeover offer for all the shares in Alto Metals Limited (ACN 159 819 173) (**Alto**).

You should have received the Bidder's Statement from Goldsea containing offers to acquire all of your fully paid ordinary shares in Alto for consideration of \$0.065 cash per share (**Share Offer**) and all of your Alto Options (being, in respect of all Alto Optionholders, a total of 78,842,567 Alto Options) for the consideration as set out in the table in Section 3.1 of this Supplementary Target's Statement (**Option Offer**), together the (**Offers**).

On 20 April 2020, Alto issued its Target's Statement, recommending that Shareholders and Optionholders reject the Offers. This recommendation was based on a number of factors, as outlined in the Target's Statement. The key factor for Alto's recommendation was that the Alto Directors did not consider that there was a reasonable basis for believing that the Offers would be capable of completing, as a result of Goldsea declining to waive its 90% minimum acceptance condition (on a fully diluted basis), and the Alto Directors' belief that, on the basis of its conduct to date, Adaman Minerals Pty Ltd (**Adaman**), the holder of 10.3% of the Shares on issue, was unlikely to be minded to accept the Share Offer at that time.

On 1 May 2020, Goldsea issued its supplementary bidder's statement, stating that Goldsea intends to waive all conditions to the Offers (excluding FIRB approval) if the aggregate of Goldsea's Relevant Interest in Shares and acceptances received under the Share Offer is at least 50.1% of Shares by no later than 7pm (Sydney time) on 31 May 2020¹.

The Alto Directors have spent a significant amount of time giving careful consideration to the Offers, including an assessment of the potential future risks and rewards for Alto Shareholders and Optionholders of staying independent and progressing the exploration of the Sandstone Gold Project alone or with a third party.

Whilst your Directors continue to believe in the exploration potential of the Sandstone Gold Project, they consider the Offers provide Alto Shareholders and Optionholders with an attractive opportunity to realise value for their investment in cash, particularly in light of the uncertainty seen in the current global equity markets and the requirement that Alto would need to raise immediate capital in the near term to fund exploration and working capital.

Your Directors intend to **ACCEPT** the Offers for all Alto Shares and Alto Options they hold or otherwise control, in the absence of a Superior Proposal.

The Alto Directors remain of the view that it is most likely that Adaman is not minded to accept the Share Offer at this time, based on Adaman's conduct to date. However, Alto has not received confirmation of Adaman's intentions as at the date of this Supplementary Target's Statement. Adaman has a range of options open to it, including flexibility to accept the Goldsea Share Offer as it wishes. For completeness, Alto notes that Adaman has provided Alto a number of confidential funding proposals. The Alto Board declined each of these proposals on the basis of the unacceptable terms offered.

In light of Goldsea's declared intention to waive the minimum acceptance condition on the conditions described above, the acceptances of the Offers to date, and the Alto Directors'

¹ Being the day before Goldsea must give notice of the status of the Conditions.

intentions to accept the Offers, the Alto Directors now consider there is a reasonable basis for the view that the Offers are likely to succeed.

Alto cautions that the Offers remain conditional on Goldsea receiving FIRB approval. As disclosed at section 2 of the supplementary bidder's statement, Goldsea has agreed with FIRB to a voluntary one-month extension until 27 May 2020 for FIRB to continue its process. Alto cautions that it has no control over the process with FIRB and there can be no certainty of a decision being reached within this timeframe, or what that decision may be.

The key reasons your Directors unanimously recommend that you ACCEPT the Offers, in the absence of a Superior Proposal, are on the basis that:

1. **The Share Offer represents a significant premium:** The Share Consideration represents a significant premium to the trading price of Shares in the period leading up to the Offers;
 - 103% premium to the ASX closing share price of \$0.032 on 20 February 2020, being the last trading day prior to the announcement of the intention to make the Offers;
 - 93% premium to the one-month VWAP to 20 February 2020 of \$0.034;
 - 86% premium to the three-month VWAP to 20 February 2020 of \$0.035;
 - 83% premium to the six-month VWAP to 20 February 2020 of \$0.036; and
 - 81% premium to Alto's capital raising price of \$0.036 per share in May 2019.
2. **The all-cash Offers provide certainty of value:** The all-cash consideration for the Offers provides an opportunity for an immediate cash return to Alto Shareholders and Alto Optionholders and to avoid the risks and uncertainties associated with remaining an Alto Shareholder and Alto Optionholder;
3. **Alto's Directors, including a major Shareholder intend to accept, in the absence of a Superior Proposal:** Each of the Alto Directors who holds a Relevant Interest in Alto Shares and Options has indicated their intention to accept, or procure the acceptance of, the Offer in respect of the Alto Shares and Options that they, or their Associates, own or control or otherwise have a Relevant Interest in, subject to there being no Superior Proposal²;
4. **No Superior Offer has yet emerged:** As at the date of this Supplementary Target's Statement, the Offers are the only takeover offer capable of acceptance by Shareholders. As at the date of this Supplementary Target's Statement, no Superior Proposal has been made to the Alto Board; and
5. **Alto Share Price may fall if the Offers are unsuccessful:** the value of Alto Shares and Alto Options may fall if the Offers are not successful.
6. The Option Consideration values all Alto Options on issue, all of which have exercise prices higher than the Share Offer, at approximately \$1.42 million.

This Supplementary Target's Statement updates your Directors' formal response to the Offers, including detailed reasons for your Directors' updated recommendation.

² Refer to Section 3.3(b) for details.



The Directors recommend that you read this Supplementary Target's Statement in its entirety and in conjunction with the Supplementary Bidder's Statement from Goldsea. In assessing whether or not to accept the Offers, you should also consider the information provided to you in the Bidder's Statement, the Target's Statement, the risks and potential rewards of remaining an Alto Shareholder and/or Alto Optionholder and your own personal circumstances.

The Offers opened for acceptance on 8 April 2020 and are currently scheduled to close at 7.00pm (AEST) on 8 June 2020, unless otherwise varied.

Shareholders can ACCEPT the Offers by following the instructions in the Bidder's Statement and on the Acceptance Form.

Shareholders who would like to receive another Acceptance Form should call the Goldsea Offer Information Line on 1300 660 106 (within Australia) or +61 1300 660 106 (from outside Australia).

I encourage you to consider the merits of the Offers as described in this Supplementary Target's Statement and if you have any questions in relation to the Offers as a Shareholder and/or an Optionholder, I encourage you to seek either financial or legal advice without delay.

Yours faithfully

Richard Monti
Non-Executive Chairman

The Directors unanimously recommend that you ACCEPT the Offers, in the absence of a Superior Proposal, by following the instructions in the Bidder's Statement and the relevant Acceptance Form, given that:

1.	The Share Offer provides a significant premium for your Shares leading up to the Offers.
2.	The all-cash Offers provide certainty of value - an opportunity for an immediate cash return to Shareholders and Optionholders and avoids the risks and uncertainties associated with remaining an Alto Shareholder and Alto Optionholder.
3.	Alto's Directors, including major shareholder intend to accept the Offers, in the absence of a Superior Proposal.
4.	No Superior Proposal has emerged as at the date of this Supplementary Target's Statement.
5.	Alto's share price may fall if the Offers are unsuccessful.

There are risks in not accepting the Offers. For further information on the risks associated with not accepting the Offers, refer to Section 3.3(g) of this Supplementary Target's Statement.

The full basis for the Directors' updated recommendation is provided in Section 3.3 of this Supplementary Target's Statement.

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IMPORTANT INFORMATION

Important Information

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

Shareholder and Optionholder Information

If Shareholders and Optionholders have any queries in relation to the Offers, they may call the Company on +61 (08) 9381 2808 on weekdays between 9.00am and 5.00pm (Perth time) or visit Alto's website at www.altometals.com.au.

Nature of this document

This document is a supplementary target's statement under section 644 of the Corporations Act. It is the first supplementary target's statement (**Supplementary Target's Statement**) issued by Alto Metals Limited ACN 159 819 173 (**Alto** or **Company**) in response to the unsolicited, off-market, cash takeover offer (**Offer**) made by Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**), a wholly owned subsidiary of Shandong Goldsea Group Co Ltd.

This Supplementary Target's Statement supplements, and should be read together with, Alto's target's statement dated 20 April 2020 (**Target's Statement**). This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

ASIC and ASX disclaimer

A copy of this Supplementary Target's Statement was lodged with ASIC and given to ASX on 1 May 2020. Neither ASIC or ASX nor any of their respective officers take any responsibility for the content of this Supplementary Target's Statement.

No account of personal circumstances

The recommendations of the Directors contained in this Supplementary Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Shareholder and Optionholder. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offers.

Defined terms

This Supplementary Target's Statement uses a number of capitalised terms that are defined in Section 6, which also contains some of the rules of interpretation that apply to this Supplementary Target's Statement.

Forward-looking statements

This Supplementary Target's Statement contains various forward-looking statements. Statements other than statements of historical fact may be forward-looking statements. Shareholders and Optionholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Alto. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement.

These forward looking statements are based on present economic and business conditions, and on a number of assumptions regarding future events and actions that, as at

the date of this Supplementary Target's Statement, are considered reasonable.

None of Alto, its officers, any person named in this Supplementary Target's Statement with their consent or any person involved in the preparation of this Supplementary Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any results, values, performances or achievements expressed or implied in any forward-looking statement, except to the extent required by law. Shareholders and Optionholders should not place undue reliance on any such statement.

The forward-looking statements in this Supplementary Target's Statement on behalf of Alto only reflect views held as at the date of this Supplementary Target's Statement.

Notice to foreign parties

The distribution of this Supplementary Target's Statement may, in some countries, be restricted by law or regulation. Persons who come into possession of this Supplementary Target's Statement should inform themselves of and observe those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Supplementary Target's Statement has been prepared in accordance with Australian law and the information contained in this Supplementary Target's Statement may not be the same as that which would have been disclosed if this Supplementary Target's Statement had been prepared in accordance with laws and regulations outside of Australia.

Information on Goldsea in this Supplementary Target's Statement

Except where disclosed otherwise, the information on Goldsea in this Supplementary Target's Statement has been obtained from the Bidder's Statement, the Supplementary Bidder's Statement dated 1 May 2020 and other publicly available information. Alto and its Directors are unable to verify the accuracy or completeness of the information on Goldsea. Subject to the Corporations Act, neither Alto, nor its officers make any representation or warranty, express or implied, regarding such information and disclaim any responsibility in respect of that information.

Maps and diagrams

Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Supplementary Target's Statement.

Privacy statement

Alto has collected your information from the Register for the purpose of providing you with this Supplementary Target's Statement. The type of information that Alto has collected about you includes your name, contact details and information on your shareholding or optionholding in Alto. The Corporations Act requires the name and address of Shareholders and Optionholders to be held in a public register. Alto has also provided or will provide personal information about its Shareholders and Optionholders to Goldsea in accordance with the Corporations Act and the ASX Settlement Operating Rules.

KEY POINTS

Goldsea is offering the Share Consideration for each Share you hold and the Option Consideration for each Option you hold.

Your choices are to:

1. **ACCEPT the Offers and sell all of your Shares and Options off-market to Goldsea at the Offer Consideration. The Directors recommend that you ACCEPT the Offers in the absence of a Superior Proposal.**
2. Sell your Shares on-market or off-market to a third party (unless you have previously accepted the Share Offer and not validly withdrawn your acceptance). All Options are unquoted and may only be sold to a third party via off-market transfer (unless you have previously accepted the Option Offer and not validly withdrawn your acceptance).
3. Reject the Offers and do nothing.

The Offers are off-market. If you do accept the Offers or otherwise sell your Shares or Options, you will not be able to participate in any Superior Proposal or other offer that may emerge, subject to you being entitled to withdraw your acceptance in accordance with the Corporations Act.

The Offers will expire at 7.00pm (AEST) on 8 June 2020 (unless extended or withdrawn by Goldsea beforehand).

IMPORTANT DATES

Event	Date
Offers received	24 March 2020
Offer Period commences	8 April 2020
Date of this Supplementary Target's Statement	1 May 2020
Close of the Offer Period (unless extended or withdrawn)	7.00pm (AEST) on 8 June 2020

Note:

The above dates are indicative only and may change without notice.

REASONS WHY YOU SHOULD ACCEPT THE OFFERS

The Share Offer provides a significant premium for your Shares leading up to the Offers. Section 3.3(a)

The all-cash Offers provide an opportunity for an immediate cash return to Shareholders and Optionholders and avoids the risks and uncertainties associated with remaining an Alto Shareholder and Alto Optionholder. Section 3.3(b)

Alto's Directors, including a major Shareholder intend to accept the Offers, unanimously recommend that you accept the Offers, in absence of a Superior Proposal. Section 3.3(c)

No Superior Proposal has yet emerged. Section 3.3(d)

Alto Share Price may fall if the Offers are unsuccessful.

Section 3.3(e)

Under the Offers you will not incur brokerage fees.

Section 3.3(f)

There are risks in not accepting the Offers.

Section 3.3(g)

1. Update to the Offers

A number of Conditions to the Offers which will not be, or are presently considered unlikely to be satisfied. These Conditions and the circumstances giving rise to a potential breach of these Conditions are described in section 2.1(a) of the Target's Statement. An update to these matters is below:

Share Offer Condition	Alto comment
<p>Minimum Acceptance Condition</p> <p>At the end of the Offer Period Goldsea has a Relevant Interest in at least 90% (by number) of Alto Shares (on a fully diluted basis).</p> <p><i>Section 13.7(a) of the Bidder's Statement</i></p>	<p>Alto refers to Goldsea's Supplementary Bidder's Statement dated 1 May 2020 in which Goldsea disclosed its intention to waive all Conditions to the Offers (other than the FIRB Approval Condition, as outlined below), if the aggregate of Goldsea's Relevant Interest in Shares and acceptances received under the Share Offer is at least 50.1% of Shares as at 7pm (Sydney time) on 31 May 2020³.</p> <p>Alto cautions that the Offers remain conditional on the FIRB Approval Condition being satisfied. As disclosed at section 2 of the Supplementary Bidder's Statement, Goldsea has agreed with FIRB to a voluntary one-month extension until 27 May 2020 for FIRB to continue its process. Alto cautions that it has no control over the process with FIRB and there can be no certainty of a decision being reached within this timeframe, or a what that decision may be, notwithstanding Goldsea may have waived the Minimum Acceptance Condition.</p> <p>In light of Goldsea's declared intention to waive the Conditions (other than the FIRB Approval Condition) on the condition described above, the acceptances of the Offers to date, and the Alto Directors' intentions to accept the Offers, the Alto Directors now consider there is a reasonable basis for the view that the Offers are likely to succeed.</p>
<p>Material transactions</p> <p>Alto must not enter into any contract or commitment (including in respect of financial indebtedness) requiring payments in excess of A\$100,000, or agree to incur capital expenditure of more than \$100,000 (in each case, individually or in aggregate)</p> <p><i>Section 13.7(g)(v) and (vi) of the Bidder's Statement</i></p>	<p>As disclosed in the Target's Statement, under the engagement letters which Alto has entered into with its financial and other advisers, Alto may be required to pay adviser fees in excess of \$100,000 in certain circumstances.</p> <p>These payments will be due and payable upon on Goldsea acquiring 50% or more of Alto's Shares, or, if there are two or more competing takeover bids, at least two of the bids become unconditional and the bidders acquiring an aggregate of 50% or more of Alto's Shares. For the avoidance of doubt, this fee will only be payable in the event that the Offers complete.</p> <p>Goldsea has confirmed in section 2 of its Supplementary Bidder's Statement that it has waived the breach of this Condition in respect of the advisory fee and will proceed with the Offers.</p>
<p>Change of control provisions</p> <p>No third party exercises any change of control rights in relation to any material contracts as a</p>	<p>Alto notes that Goldsea has confirmed in section 2 of its Supplementary Bidder's Statement that it has waived the breach of this Condition in respect of the Windsong Loan Facility.</p> <p>In any event, as noted in Section 4.1 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,</p>

³ Being the day before Goldsea must give notice of the status of the Conditions.

Share Offer Condition	Alto comment
<p>result of any change of control which may occur as a result of acceptances of the Share Offer.</p> <p><i>Section 13.7(h) of the Bidder's Statement</i></p>	<p>the Windsong Loan Facility will be terminated and replaced by interim funding from Goldsea.</p>

As a result of the above, the Alto Board now considers that it has a reasonable basis to assume that the Conditions will be satisfied or waived where required and permitted.

However, Alto cautions that the Offers remain conditional on the FIRB Approval Condition being satisfied. As disclosed at section 2 of the Supplementary Bidder's Statement, Goldsea has agreed with FIRB to a voluntary one-month extension until 27 May 2020 for FIRB to continue its process. Alto cautions that it has no control over the process with FIRB and there can be no certainty of a decision being reached within this timeframe, or what that decision may be.

2. Directors recommend Shareholders and Optionholders **ACCEPT** the Offers, in the absence of a Superior Proposal

After taking into account each of the matters in this Supplementary Target's Statement and in the Supplementary Bidder's Statement, each of the Directors recommend that you ACCEPT the Offers, in the absence of a Superior Proposal.

In making this recommendation, each Director has considered the merits of the Offers and weighed up the factors for and against acceptance. A summary of the reasons for the Directors' recommendation is provided in Section 3.

When making your decision, you should:

- (a) read this Supplementary Target's Statement, Supplementary Bidder's Statement, Target's Statement and Bidder's Statement in their entirety;
- (b) carefully consider the terms and conditions of the Offers, as set out in sections 13 and 14 of the Bidder's Statement and summarised in section 5 of the Target's Statement, and be aware that the Offers are conditional upon the Conditions being satisfied or waived;
- (c) carefully consider the choices available to you as a Shareholder and/or Optionholder, including the risks in not accepting the Offers as set out in Section 3.3(g) and the consequences of becoming a minority Shareholder, as set out in section 3.4 of the Target's Statement;
- (d) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (e) obtain personal advice from your broker, financial adviser, accountant, lawyer, taxation specialist and/or any other professional adviser in regard to the Offers and the effect of accepting the Offers.

The Directors' recommendation is given as at the date of this Supplementary Target's Statement. The Directors reserve the right to change their recommendation should new circumstances arise.

2.2 Intentions of the Directors in relation to the Offers

Each of the Directors intends to accept, or to procure the acceptance of, the Offers, in respect of all of the Shares and Options controlled or held by or on behalf of that Director or his associates, in the absence of a Superior Proposal. Such acceptance will occur no later than five Business Days before the end of the Offer Period in the absence of a Superior Proposal.

The Alto Shares which are held by your Directors and their Associates represents approximately 21.7%, in aggregate, of all the Alto Shares on issue at the time of this Supplementary Target's Statement.

The Alto Options which are held by your Directors and their Associates, with various maturity dates and exercise prices, represents approximately 21.9%, in aggregate, of all the Alto Options on issue at the time of this Supplementary Target's Statement.

The number of Alto Securities each Director holds or controls is set out in section 7.4 of the Target's Statement.

2.3 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a Superior Proposal) which would alter the Directors' recommendations in relation to the Offers, you will be notified through an ASX announcement and/or a further supplementary target's statement.

3. Why you should accept the Offers

3.1 Overview of the Offers

The consideration being offered by Goldsea under the Share Offer is \$0.065 in cash for each Share you own.

The consideration being offered by Goldsea under the Option Offer for each Option you own is the Option Consideration, as outlined below:

Tranche	Key terms	Total number on issue	Consideration for each Alto Option
1	Exercisable at \$0.07 expiring 17 August 2020	4,571,711	\$0.012
2	Exercisable at \$0.07 expiring 13 November 2020	28,437,523	\$0.015
3	Exercisable at \$0.07 expiring 18 January 2021	8,333,333	\$0.017
4	Exercisable at \$0.07 expiring 9 March 2021	30,000,000	\$0.018
5	Exercisable at \$0.07 expiring 29 November 2023	7,500,000	\$0.034
	Total:	78,842,567	

The Offers are cash offers and are conditional upon the satisfaction or waiver of each of the Conditions.

3.2 Why you should accept the Offers

The key reasons for your Directors' recommendation to ACCEPT the Offers in the absence of a Superior Proposal are listed below. Further explanation for each reason is provided in the remainder of Section 3.

- **The Share Offer represent a significant premium for your Shares** leading up to the Offers;
- **The all-cash Offers provide certainty of value:** The all-cash consideration for the Offers provides certainty of value to Alto Shareholders and Alto Optionholders and avoids the risks and uncertainties associated with remaining an Alto Shareholder and Alto Optionholder;
- **Alto's Directors, including a major Shareholder intend to accept, in the absence of a Superior Proposal:** The Alto Shares which are held by your Directors and their Associates represents approximately 21.7%, in aggregate, of all the Alto Shares on issue and 21.9%, in aggregate, of all the Alto Options on issue at the time of this Supplementary Target's Statement;
- **No Superior Offer has yet emerged:** As at the date of this Supplementary Target's Statement there is no other offer for your Shares or Options;
- **Alto Share Price may fall if the Offer is unsuccessful:** the value of Alto Shares and Alto Options may fall if the Share Offer is not successful; and
- Under the Offers you will **not incur brokerage fees.**

3.3 Reasons to accept the Offers

- (a) **The Share Offer represents a significant premium for your Shares leading up to the Offers**

Shareholders who accept the Share Offer will receive \$0.065 in cash per Share, which represents a:

- (i) 103% premium to the ASX closing share price of \$0.032 on 20 February 2020, being the last trading day prior to the announcement of the intention to make the Offer;
- (ii) 93% premium to the one-month VWAP to 20 February 2020 of \$0.034;
- (iii) 86% premium to the three-month VWAP to 20 February 2020 of \$0.035; and
- (iv) 83% premium to the six-month VWAP to 20 February 2020 of \$0.036.

The Share Consideration also represents a premium of 81% to Alto's capital raising price of \$0.036 per Share in May 2019.

- (b) **The Offers provides an opportunity for an immediate cash return to Shareholders and Optionholders and avoids the risks and uncertainties associated with remaining a Alto Shareholder or Optionholder**

The Offer Consideration provides certainty of value for your Alto Shares and Alto Options.

In addition to offering a significant premium, the Offers provide Shareholders and Optionholders with a liquidity event whereby all Shareholders and Optionholders are given the opportunity to realise immediate value for their investment in Alto.

In making their recommendation to Shareholders and Optionholders, your Directors are also conscious that the development of the Sandstone Gold Project will require a significant injection of capital, and there are no guarantees that such capital could be secured on terms that would not result in the significant dilution of existing Shareholders, or at all.

If the Offers are unsuccessful, Shareholders and Optionholders will continue to be exposed to the risks associated with Alto's operational and project funding commitments, including the risks that:

- (i) Alto may be unable to fund its existing projects; and
- (ii) Alto may, in the short to medium term, be unable to raise equity or debt capital required to fund its ongoing operations.

In addition, Alto has entered into an interim loan facility with Goldsea for up to \$1,000,000 of funding to finance Alto's working capital requirements (**Goldsea Loan Facility**). As at the date of this Supplementary Target's Statement, no amounts have been advanced under the Goldsea Loan Facility. However, Alto may, during the Offer Period, drawdown amounts of not less than \$100,000 and not greater than \$250,000 up to an aggregate of \$1,000,000, subject to satisfaction of certain conditions precedent. All amounts drawn down under the Goldsea Loan Facility, plus interest of 7.5% per annum on all outstanding amounts are repayable on the date that is 6 months after the close of the Offer Period. In the event that the Offers are not successful, for example due to insufficient acceptances of the Offers, Alto may require alternative sources of funding within a short period in order to repay amounts due and payable under the Goldsea Loan Facility. In addition, if the Offer Period is further extended by Goldsea (which may occur for a number of reasons, including continued delays in satisfying the FIRB Approval Condition), Alto will need to obtain additional funding. There is no guarantee that Goldsea will provide any additional funding to Alto, or that Alto will be able to obtain such funding from other sources as and when required. In the event that such funding is obtained via an equity raising, there is a risk that existing Shareholders (and Optionholders) will be diluted (other than in the case of an entitlements issue). Refer to Section 4.1 for further information on the terms and conditions of the Goldsea Loan Facility, including the conditions to draw-down.

If you accept the Offers, you will cease to be exposed to the risks associated with potential share price volatility due to general share market conditions and underlying business performance.

For further discussion of the risks associated with Alto's business, see section 6 of the Target's Statement.

(c) **Alto's Directors, including a major Shareholder intend to accept the Offers, in the absence of a Superior Proposal**

The Alto Directors unanimously recommends that you accept the Offers, in the absence of a Superior Proposal.

Each of the Alto Directors who holds a Relevant Interest in Alto Shares and Options has indicated their intention to accept, or procure the acceptance of, the Offer in respect of the Alto Shares and Options that they, or their Associates, own or control or otherwise have a Relevant Interest in, subject to there being no Superior Proposal. Such acceptance will occur no later than five Business Days before the end of the Offer Period in the absence of a Superior Proposal.

The Alto Shares which are held by your Directors and their Associates represents approximately 21.7%, in aggregate, of all the Alto Shares on issue at the time of this Supplementary Target's Statement.

The Alto Options which are held by your Directors and their Associates, with various maturity dates and exercise prices, represents approximately 21.9%, in aggregate, of all the Alto Options on issue at the time of this Supplementary Target's Statement.

Each of the Alto Directors have consented to the disclosure of their intention. The commitment by the Directors supports the view of the Directors as to the merits of the Offers. These commitments also improve the prospects of the Offers being consummated in a timely manner.

(d) **No Superior Proposal has yet emerged**

As at the date of this Supplementary Target's Statement, there is no other offer for your Shares and Options. Further, the Directors have received no Superior Proposal since the announcement of the intention of Goldsea to make the Offers.

Although Alto has received confidential funding proposals from Adaman Minerals Pty Ltd, each of these proposals have been declined by Alto on the basis of the unacceptable terms offered.

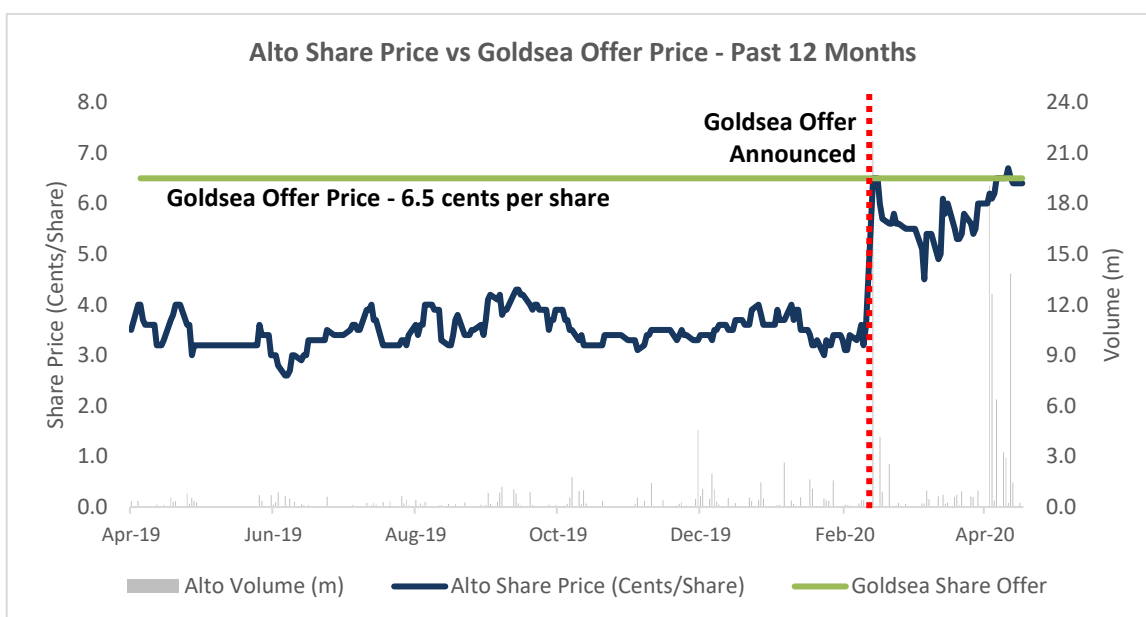
The Directors consider the prospect of a Superior Proposal emerging is unlikely, given that more than two months have elapsed since the intention to make the Share Offer was publicly announced and that as at the date of this Supplementary Target's Statement with ASIC), Goldsea and its associates have Voting Power in Alto Shares of 10.27% (based on the information known to Alto).

Together, the Directors hold or otherwise control 21.7% of Shares and 21.9% of Options and they intend to accept the Offers in the absence of a Superior Proposal.

The Directors will keep Shareholders and Optionholders informed of any material developments.

(e) **Alto Share Price may fall if the Offers are unsuccessful**

Although many factors affect the price of a Alto Share, the Directors believe that if Goldsea does not acquire all of the Alto Shares and Alto Options and no Superior Proposal is announced and successfully implemented, the Alto Share price may fall to levels at, or below, which the Alto Share price traded up to and including 20 February 2020, being the last trading day prior to the announcement of the intention to make the Offers.



(f) Under the Offers you will not incur brokerage fees

By accepting the Offers you will receive (subject to the Conditions being satisfied or waived) the Offer Consideration in relation to your Shares and Options. You will not incur any brokerage fees, which may be incurred if you choose to sell your Shares on the ASX.

However, if you hold your Shares and/or Options through CHESS or through a bank, custodian or other nominee, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offers.

(g) There are risks in not accepting the Offers

At the end of the Offer Period, any Shareholders and Optionholders who do not accept the Offers and retain their Shares will be subject to the following risks:

- (i) regardless of whether the Offers are successful or not, the price of Shares (and the value of Options) may fall following the end of the Offer Period if no Superior Proposal emerges, and it is unlikely that the price of Shares (and value of Options) will reflect any takeover premium; and
- (ii) regardless of whether the Offers are successful or not, the liquidity of your Shares (and any Shares resulting from the exercise of Options) may be lower than at present, potentially affecting your ability to dispose of your Shares and Options.

3.4 Other considerations and risks in deciding whether to accept the Offers

Although the Directors unanimously recommend that you **ACCEPT** the Offers, there may be a number of disadvantages in doing so. A summary of some of those disadvantages is set out below.

This summary is not exhaustive and you should have regard to your own personal investment objectives and financial circumstances, and should consult your professional advisers, before deciding whether or not to accept the Offers.

(a) **You may believe the Offer Consideration is inadequate and/or disagree with the recommendation of the Directors**

You may hold a different view to the Directors that the Offers are reasonable, and believe that the Offer Consideration is inadequate.

(b) **You may wish to accept a Superior Proposal if one was to emerge**

You may believe that a Superior Proposal will emerge for Alto. Accepting the Offers will deny you the benefit of any subsequent Superior Proposal by another bidder should one emerge during the Offer Period, unless you become entitled to withdraw your acceptance or the Offers lapse. You will also give up your right to deal with your Shares and Options whilst the Offers remain open.

However, as at the date of this Supplementary Target's Statement, no alternative proposal which is capable of acceptance by Shareholders has been received and no Superior Proposal has been made to the Alto Board.

(c) **You may wish to remain a Shareholder and/or Optionholder**

If you accept the Offers, you will no longer be entitled to participate in the future financial performance of Alto or exercise the rights of a Shareholder and/or Optionholder (as applicable).

(d) **You may believe that the Offers will not be successful**

You may believe that the Offers will not be successful, including due to the FIRB approval not being obtained before the Share Offer closes or the Minimum Acceptance Condition not being satisfied or waived.

However, you should be aware that the Directors (including a substantial shareholder) have indicated their intention to accept the Offers in the absence of a Superior Proposal.

(e) **You may wish to sell your Shares on-market**

You may wish to cash out your investment in Alto on market. By doing so you would receive the proceeds of that sale of your investment sooner than the consideration under the Share Offer. However, you should note that as at the close of trading on 30 April 2020 (being the latest practicable date prior to the lodgement of this Supplementary Target's Statement with ASIC), the price of Shares was \$0.063, which is less than the \$0.065 cash that you will receive for each Share under the Share Offer (subject to it becoming unconditional). You should also be aware that you may incur brokerage in any on-market sale. Although the Shares have recently traded at a price equal to or greater than \$0.065, there can be no certainty that this will continue for the duration of the Offer Period.

(f) **The tax consequences or implications of accepting the Offers may not suit your financial position or circumstances**

No capital gains scrip-for-scrip rollover relief is available under Goldsea's cash Offers.

If you are an Australian resident for tax purposes, you may stand to make a capital gain by accepting the Offers and depending on your personal circumstances, you may be required to pay tax (in cash) on any gains.

See Section 9 of the Target's Statement and section 11 of the Bidder's Statement for an overview of the tax consequences for accepting the Offers. Shareholders and Optionholders should not rely upon the taxation considerations in these overviews as

being advice on their own affairs. The Directors encourage Shareholders and Optionholders to consult with their own independent taxation advisers regarding the taxation implications of accepting the Offers given their own particular circumstances.

4. Other material information

4.1 Goldsea Facility Agreement

Alto has entered into a short-term loan facility with Goldsea, for up to \$1,000,000 of funding to finance Alto's working capital requirements (**Goldsea Loan Facility**).

As at the date of this Supplementary Target's Statement, no amounts have been advanced under the Goldsea Loan Facility, however Alto may, during the Offer Period, drawdown amounts of not less than \$100,000 and not greater than \$250,000 up to an aggregate of \$1,000,000, subject to satisfaction of certain conditions precedent.

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.

All amounts drawn down under the Goldsea Loan Facility, plus interest of 7.5% per annum on all outstanding amounts are repayable on the earlier of:

- (a) the date that is 6 months after the Offer Period closes;
- (b) within 30 days of any director of Alto either recommending a Competing Proposal, or recommending against, qualifying their support or withdrawing their recommendation of the Offers; or
- (c) within 3 months of the close of the Offers if any Conditions are not satisfied or waived.

In the event that the Offers are not successful, for example due to insufficient acceptances of the Offers or another Condition not being satisfied or waived, Alto may require alternative sources of funding within a short period in order to repay amounts due and payable under the Goldsea Loan Facility. In addition, if the Offer Period is further extended by Goldsea (which may occur for a number of reasons, including continued delays in satisfying the FIRB Approval Condition), Alto will need to obtain additional funding. There is no guarantee that Goldsea will provide any additional funding to Alto, or that Alto will be able to obtain such funding from other sources as and when required. In the event that such funding is obtained via an equity raising, there is a risk that existing Shareholders (and Optionholders) will be diluted (other than in the case of an entitlements issue).

It is proposed that Alto's payment obligations under the Goldsea Loan Facility are secured by a mining mortgage granted by Sandstone Exploration Pty Ltd (**Sandstone Exploration**). The grant of such security is subject to and conditional on the receipt of a waiver from ASX in respect of ASX Listing Rule 10.1, permitting Alto to grant the security interest to Goldsea without requiring prior Shareholder approval, and FIRB approval. No security interest will be granted in respect of Alto or Sandstone Exploration unless and until the ASX waiver and FIRB approval is received. Any amounts drawn before the grant of such security interest will be on an unsecured basis. The enforcement of the security interest will be subject to the conditions of the ASX waiver.

4.2 Windsong Loan Facility Agreement

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, with any 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.

4.3 Consents

The following persons have given, and have not before the date of issue of this Supplementary Target's Statement withdrawn, their consent to:

- (a) be named in this Supplementary Target's Statement in the form and context in which they are named; and
- (b) the inclusion of other statements in this Supplementary Target's Statement which are based on or referable to statements made in the reports or statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they appear:

Name of Person	Capacity	Reports or Statements
Mr Richard Monti, Mr Terry Wheeler, Dr Jingbin Wang, and Mr Matthew Bowles	Directors	Statements made by, or statements based on the statements made by, the Directors
HWL Ebsworth	Legal advisor to Alto	N/A
Automic Pty Ltd	Alto's share registry	N/A
Longreach Capital	Corporate Adviser	N/A

Each of the persons named above:

- (a) does not make, or purport to make, any statement in this Supplementary Target's Statement other than those statements referred to above and as consented to by that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Supplementary Target's Statement other than as described in this Section with the person's consent.

As permitted by ASIC Class Order 13/521, this Supplementary Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to whom such statements are attributed to is not required for the inclusion of those statements in the Supplementary Target's Statement.

Any Shareholder or Optionholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may obtain a copy free by writing to Alto's Company Secretary.

Copies of all announcements by Alto may also be obtained from its website at www.Altometals.com or from ASX's website www.asx.com.au under the code "Alto".

Additionally, as permitted by ASIC Corporations (Consent to Statements) Instrument 2016/72, this Supplementary Target's Statement may include or be accompanied by statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

Pursuant to that instrument, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Supplementary Target's Statement.

5. Authorisation

Mr Richard Monti, the Non-Executive Chairman of Alto, is authorised to sign this Supplementary Target's Statement pursuant to a resolution passed by the Directors on 30 April 2020.



Mr Richard Monti
Non-Executive Chairman
Dated: 1 May 2020

6. Glossary of terms

6.1 Glossary

In this Supplementary Target's Statement, unless a contrary intention appears, the following expressions have the following meanings:

Acceptance Form means the acceptance forms enclosed with the Bidder's Statement pursuant to which Alto Shareholders or Optionholders can accept the Share Offer or the Option Offer (as applicable).

Alto Group means Alto and all of its related entities.

Alto or Company means Alto Metals Limited ACN 159 819 173.

Announcement Date means 21 February 2020, being the date on which Goldsea announced that it intended to undertake an off-market takeover bid for Alto.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 trading as Australian Securities Exchange.

ASX Settlement means ASX Limited ABN 98 008 504 532.

ASX Settlement Operating Rules means the settlement rules of ASX Settlement.

AWST means Australian Western Standard Time.

Bidder's Statement means the bidder's statement of Goldsea dated and served on Alto on 24 March 2020.

Board means the board of Directors of Alto.

Business Day means a day on which banks are open for general banking business in Melbourne (not being a Saturday, Sunday or public holiday in that place).

CHESS means the Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.

CHESS Holding means a holding of Shares on the CHESS sub-register of Alto.

Conditions means the conditions to the Offers as described in sections 13.7 and 14.8 of the Bidder's Statement.

Controlling Participant means the broker who is designated as the controlling participant for Shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

Competing Proposal 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; 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.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of Alto and **Directors** means all of the directors of Alto.

FIRB means Foreign Investment Review Board.

FIRB Approval Condition means the Condition referred to in section 13.7(b) of the Bidder's Statement.

Goldsea means Goldsea Australia Mining Pty Ltd ACN 637 464 601.

Goldsea Loan Facility means the loan facility entered into between Alto and Goldsea as described in Section 4.1.

Group means Alto and each of its Related Bodies Corporate from time to time.

Group Member means any member of the Group.

Listing Rules means the listing rules of the ASX.

Minimum Acceptance Condition means the Condition referred to in section 13.7(a) of the Bidder's Statement, namely, that Goldsea has a Relevant Interest in at least 90% of all Shares on a fully diluted basis at the end of the Offer Period.

Offers means the Share Offer and/or Option Offer (as applicable).

Offer Consideration means the Share Consideration and/or Option Consideration (as applicable).

Offer Period means the period commencing on 8 April 2020 and ending at 7.00pm (AEST) on 8 June 2020 (unless extended or withdrawn) during which the Offers will remain open for acceptance.

Option means an option to acquire a Share.

Option Consideration means the consideration for each class of Option held by Optionholders as set out in the table below:

Tranche	Key terms	Total number on issue	Consideration for each Alto Option
1	Exercisable at \$0.07 expiring 17 August 2020	4,571,711	\$0.012

Tranche	Key terms	Total number on issue	Consideration for each Alto Option
2	Exercisable at \$0.07 expiring 13 November 2020	28,437,523	\$0.015
3	Exercisable at \$0.07 expiring 18 January 2021	8,333,333	\$0.017
4	Exercisable at \$0.07 expiring 9 March 2021	30,000,000	\$0.018
5	Exercisable at \$0.07 expiring 29 November 2023	7,500,000	\$0.034
	Total:	78,842,567	

Option Offer means Goldsea's offer to acquire all Alto Options for the Option Consideration.

Optionholder means the holder of an Option.

Performance Shares means performance shares on the terms and conditions set out in Alto's notice of meeting released to ASX on 18 April 2016.

Register means the registers of shareholders and/or optionholders (as applicable) of Alto maintained by or on behalf of Alto in accordance with the Corporations Act.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Entity means in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is controlled by that party.

Relevant Interest has the meaning given to that term in the Corporations Act.

Section means a section of this Supplementary Target's Statement.

Shandong means Shandong Goldsea Group Co. Ltd.

Share Consideration means \$0.065 in cash for each Share held by Alto Shareholders.

Share Offer means Goldsea's offer to acquire all of the Shares for the Share Consideration on the terms and conditions set out in the Bidder's Statement.

Shareholder means a person registered as a member of Alto.

Shares means fully paid ordinary shares in Alto.

Superior Proposal means a bona fide Competing Proposal which the Board determine, acting in good faith and in order to satisfy what the Board consider to be their fiduciary and statutory duties (after having taken advice from Alto's financial and legal advisors), is capable of being valued and completed, taking into account all aspects of the transaction or proposed transaction (including its consideration (and form of consideration), conditions precedent and the person or persons making it) and provides a superior outcome for Shareholders as compared to the Offers.

Supplementary Bidder's Statement means the supplementary bidder's statement of Goldsea dated and served on Alto on 1 May 2020.

Supplementary Target's Statement means this supplementary target's statement of Alto dated and served on Goldsea on 1 May 2020.

Target's Statement means the target's statement of Alto dated and served on Goldsea on 20 April 2020.

Voting Power has the meaning given in section 610 of the Corporations Act.

WVAP means volume weighted average price of Shares.

Windsong Loan Facility means the Windsong Loan Facility between Alto and Windsong as summarised in section 10.1 of the Target's Statement.

Windsong means Windsong Valley Pty Ltd ACN 124 801 369.

6.2 Interpretation

Various defined terms are used in this Supplementary Target's Statement. Unless the contrary intention appears, the context requires otherwise, or words are defined in Section 6.1, words and phrases in this Supplementary Target's Statement have the same meaning and interpretation as in the Corporations Act.

In this Supplementary Target's Statement, headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention:

- (a) the expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (b) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (c) a reference to any document (including this Supplementary Target's Statement) is to that document as varied, novated, ratified or replaced from time to time;
- (d) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (e) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (f) references to sections, schedules, exhibits or annexures are references to sections, schedules, exhibits and annexures to or of this Supplementary Target's Statement, and a reference to this Supplementary Target's Statement includes any schedule, exhibit or annexure to this Supplementary Target's Statement;
- (g) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (h) the word "includes" in any form is not a word of limitation;

- (i) a reference to "\$", "A\$" or "dollar" is to Australian currency; and
- (j) if any day appointed or specified by this Supplementary Target's Statement for the payment of any money or doing of anything falls on a day which is not a Business Day, the day so appointed or specified shall be deemed to be the next Business Day.

CORPORATE DIRECTORY

Directors

Mr Richard Monti	Non-Executive Chairman
Mr Matthew Bowles	Non-Executive Director
Mr Terry Wheeler	Non-Executive Director
Dr Jingbin Wang	Non-Executive Director

Company Secretary

Mr Graeme Smith

Registered Office

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WEST PERTH WA 6005

Telephone: +61 8 9381 2808
Email: info@altometals.com.au
Website: www.altometals.com.au

ASX Codes

Shares: AME

Share Registry*

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Telephone (local): 1300 288 664
Telephone (international): +61 2 9698 5414

Solicitors

HWL Ebsworth
Level 20, 240 St Georges Terrace
PERTH WA 6000

Auditors*

Pitcher Partners BA & A Pty Ltd
Level 11/12-14 The Esplanade
PERTH WA 6000

Corporate Adviser

Longreach Capital Pty Ltd
AFSL: 497333

* These entities are included for information purposes only. They have not been involved in the preparation of this Supplementary Target's Statement.