

WAIVER OF LISTING RULE 10.1

Alto Metals Limited (**Alto** or **Company**) refers to its supplementary target's statement issued on 1 May 2020 in respect of the off-market takeover offers by Goldsea Australia Mining Pty Ltd (**Goldsea**) for all of the shares and options of Alto (**Takeover**).

As disclosed in the supplementary target's statement, Alto has entered into a loan facility agreement pursuant to which Goldsea has agreed to advance up to \$1 million of interim loan funding to Alto, subject to the satisfaction of certain conditions (**Loan Facility**).

ASX has granted Alto a waiver from ASX Listing Rule 10.1 to the extent necessary to grant security over its assets to Goldsea in respect of the Loan Facility. The conditions of the waiver are as follows:

- '1 *The material terms of the transaction and of the waiver are announced to the market;*
- 2 *The announcement includes a description of the reasons why the entity has chosen to enter into the Loan Facility with Goldsea rather than a lender that is not a party to which Listing Rule 10.1 applies and the steps the board of the Company has taken to satisfy itself that the transaction is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the Company's ordinary securities;*
- 3 *The security documents expressly provide that:*
 - *the security is limited to the funds due under the Loan Facility;*
 - *the security will be discharged when the funds due under the Loan Facility have been repaid in full;*
 - *in the event the security is enforced, the assets can only be disposed of to Goldsea or an associate of the Goldsea if the disposal is first approved by the entity's security holders under Listing Rule 10.1; and*
 - *otherwise, if the holder of the security exercises, or appoints a receiver, receiver and manager or analogous person to exercise any power of sale under the security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to Goldsea in accordance with their legal entitlements'*
- 4 *Any variation to the terms of the Loan Facility or the security which:*
 - *advantages Goldsea in a material respect;*
 - *disadvantages the Company in a material respect; or*
 - *is inconsistent with the terms of the waiver,**must be subject to security holder approval under Listing Rule 10.1; and*
- 5 *For each year while they remain on foot, a summary of the material terms of the Loan Facility and the security is included in the related party disclosures in the Company's audited annual accounts.'*

In accordance with the conditions of the waiver, Alto notes the following:

- The material terms of the Loan Facility are consistent with the terms announced in the supplementary target's statement dated 1 May 2020, and include the following:
 - Alto's ability to drawdown under the Loan Facility remain conditional on Goldsea holding a relevant interest in at least 50.1% of the Alto shares on issue, as well as customary drawdown conditions for a facility of this nature;
 - subject to the satisfaction of the conditions to drawdown, Alto may, during the offer period of the Goldsea takeover, drawdown amounts of between \$100,000 and \$250,000, up to an aggregate of \$1 million;
 - an interest rate of 7.5% applies;
 - amounts drawn-down and accrued interest is payable on the earlier of:
 - the date that is 6 months after the Goldsea takeover offer period closes;
 - 30 days of any director of Alto either recommending a competing proposal, or recommending against, qualifying their support or withdrawing their recommendation of the Goldsea takeover offer; or
 - within 3 months of the close of the Goldsea takeover offer if any conditions to the offer are not satisfied or waived.
- Alto elected to seek to enter into the Loan Facility with Goldsea, a party to whom ASX Listing Rule 10.1 applies, rather than a lender that is not an ASX Listing Rule 10.1 party, as Alto's financial position required a source of funding to be provided in a short time frame, and it needed to procure funding in a manner that would not have the potential to frustrate the Takeover by triggering a defeating condition. The Board considered that Goldsea was the only party that may be in a position to provide the required funding in the current circumstances.
- Alto is satisfied that its negotiations with Goldsea have been on an arm's length basis, as:
 - Although Goldsea is deemed to hold a relevant interest in 30,123,577 Alto shares (representing 10.27% of the Alto shares on issue), 21,611,721 of these shares (representing 7.37% of Alto's shares on issue) are held as a result of acceptances of the Takeover and are not yet held by Goldsea. Those shares will not be held by Goldsea unless and until the conditions to the Takeover are satisfied or, where permitted, waived. Goldsea therefore does not currently hold the right to control the votes attaching to those shares.
 - It would have been open to Alto to grant security in respect of the Loan Facility had the Loan Facility been entered into before the Takeover offer period opened. Indeed, the terms had been negotiated and were in substantially agreed form before the Takeover offer period opened, however, the agreement was ultimately not executed as a result of Alto declining to recommend the Takeover at that time.
 - Alto and Goldsea were negotiated on arm's length terms, with both parties having separate corporate/financial and legal advisers.

For more information about Alto and its Projects, please visit the ASX platform (ASX: AME) or the Company's website, www.altometals.com.au.

This announcement has been authorised by the Board of Alto Metals Limited.

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