

ALTO LAUNCHES ENTITLEMENT OFFER TO RAISE UP TO \$5.1M, AND COMMENCES DRILLING AT LORD NELSON, SANDSTONE GOLD PROJECT

The raising will allow Alto to focus on an extensive drilling campaign, with a priority on Lord Nelson, to drive shareholder value through resource growth and exploration

KEY DETAILS

- 1 for 4 accelerated pro-rata non-renounceable entitlement offer to raise approximately \$5.1 million (before costs) with Morgans Corporate Limited appointed as Lead Manager.
- Offer price of \$0.07 per New Share represents a 6.67% discount to last closing share price of \$0.075 and is a 6.06% premium to the opportunistic offer price under the Habrok Takeover Offer.
- Major shareholder, Windsong Valley (and related entities) intend to subscribe for full entitlement, representing approximately \$1m.
- Proceeds of the Entitlement Offer to fund drilling and exploration at Sandstone Gold Project, with a priority focus on infill and step-out drilling at Lord Nelson targeting:
 - strike extensions of shallow gold mineralisation 200m south of the Lord Nelson pit; and
 - the new zone of high-grade primary mineralisation below the Lord Nelson pit.
- Major shareholder, Windsong Valley has agreed to vary the terms of the Loan Agreement to increase the unsecured amount available under the facility to \$1 million.
- Non-Executive Director Matthew Bowles appointed Managing Director and CEO.
- Alto has commenced an initial 2,000m infill and step-out program at Lord Nelson, which is part of an extensive +10,000m exploration program planned for the Sandstone Gold Project.

Managing Director, Matthew Bowles commented:

“For well over 12 months, the Company has been hampered with multiple, opportunistic, unsolicited approaches, rather than being able to focus on exploration to realise value at the Sandstone Gold Project.

We are excited to have recommenced drilling at Lord Nelson to follow up on our latest results, which demonstrated the continuity of high-grade mineralisation. Lord Nelson is a priority focus for us and we expect further drilling will lead to additional resource growth from the known mineralisation that remains open down plunge and along strike to the south of the pit.

This capital raising will see the Company well-funded to continue exploration well into the foreseeable future.

We thank all our shareholders, including our major shareholder Windsong Valley for their support and look forward to the future exploration success across the entire +800km² Sandstone Gold Project.

Alto Metals Limited (ASX:AME) (**Alto** or **Company**) is pleased to announce that it is offering eligible shareholders the opportunity to acquire new shares through an accelerated pro-rata non-renounceable entitlement issue of 1 new Alto share (**New Share**) for every 4 existing Alto shares held by eligible shareholders on the Record Date, which under the indicative timetable is 5.00pm (Perth time) on 15 July 2020 (for retail investors), at an issue price of \$0.07 per New Share to raise approximately \$5.13 million (before costs) (**Entitlement Offer**).

The issue price represents:

- a discount of 6.67% to the closing price of \$0.075 on 10 July 2020;
- a premium of 6.06% to the offer price for Alto shares under the takeover bid from Habrok (Alto) Mining Pty Limited as first announced on 22 May 2020 and detailed in their Bidders Statement lodged on 10 July 2020, (**Habrok Takeover Offer**).

Capital Raising Rationale

The Company has been limited in its ability to undertake capital raising activities since Goldsea Australia Mining Pty Ltd (**Goldsea**) announced its intention to make a takeover bid for the Company on 21 February 2020, as undertaking a capital raising would have triggered a defeating condition of the bid. Although Goldsea agreed to provide Alto with a loan facility of up to \$1 million, the conditions to this loan facility ultimately were not satisfied, as Goldsea failed to receive acceptances of under its takeover bid of over 50%. The Goldsea takeover offer lapsed on 8 July 2020.

Accordingly, the Company has an imminent need for funding in order to continue its exploration program for its flagship Sandstone Gold Project, fund the expenses incurred in connection with the Habrok Takeover Offer, and general working capital.

After extensive review, the Company has determined this funding is best achieved through the Entitlement Offer. The Entitlement Offer will provide all eligible shareholders with the opportunity to participate and retain exposure to the Company's 100% owned Sandstone Gold Project.

The Entitlement Offer follows the recent release of Alto's successful exploration results on 22 April 2020 and increased Mineral Resource Estimate for Lord Nelson on 27 May 2020, the key highlights of which include:

- Updated JORC 2012 Inferred Mineral Resource for Lord Nelson of **1.8Mt @1.9 g/t gold for 109,000oz**
- Increased Total Indicated and Inferred Mineral Resource of **6.2Mt @ 1.7 g/t gold for 331,000oz**
- **Shallow mineralisation** defined along 200m strike to the south of the Lord Nelson Pit and remaining open
- Additional **high-grade mineralisation outside the current resource** including:
 - **17m @ 3.5g/t gold** from 200m (SRC175), including
 - **4m @ 11.6 g/t gold** from 211m and **1m @ 25.5 g/t gold** from 214m
 - **16m @ 5.2 g/t gold** from 240m (SRC176) including
 - **3m @13.5 g/t gold** from 240m
- Mineralisation remaining **open along strike, down dip and down plunge**
- First phase of 2,000m of follow up infill and step-out drilling **currently underway at Lord Nelson**.

The Company cautions that there is no certainty that the Habrok Takeover Offer will extend to New Shares issued under the Entitlement Offer. Any New Shares that do not form part of the Habrok Takeover Offer will

trade "ex takeover" (or such other designation by ASX) and the Company will apply for quotation of these New Shares under a separate ASX ticker code (AMENB). The allocation of a separate ticker to the New Shares which may involve some delay or suspension. If the New Shares are insufficiently liquid they may not trade or may trade with limited liquidity.

Use of Funds

The proceeds of the Entitlement Offer will be used as follows:

Use of Funds	A\$m
Drilling and exploration activities at the Sandstone Gold Project, with a priority focus on infill and step-out drilling at Lord Nelson	3.0
Costs associated with the Habrok Takeover Offer, costs of the Entitlement Offer and any alternative proposal from a third party which may emerge	0.3
Repayment of the loan advanced by Windsong Valley (an entity associated with Director Terry Wheeler)	0.3
General working capital purposes.	1.5
Total	5.1

Institutional Entitlement Offer

The institutional entitlement offer will take place from 13 July 2020 to 15 July 2020 (**Institutional Entitlement Offer**). Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer and can choose to take up all, part or none of their Entitlement. Entitlements cannot be traded on the ASX, nor can they be sold, transferred or otherwise disposed of. Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be taken up form part of the shortfall of the Entitlement Offer, which is intended to be placed within three months of the completion of the Entitlement Offer, subject to the requirement for shareholder approval outlined below.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in a retail entitlement offer at the same offer price and offer ratio as the Institutional Entitlement Offer (**Retail Entitlement Offer**). The Retail Entitlement Offer will open on 20 July 2020 and is expected to close at 5.00pm (Perth time) on 29 July 2020. Eligible retail shareholders can choose to take up all, part or none of their entitlement. Entitlements cannot be traded on the ASX, nor can they be sold, transferred or otherwise disposed of. Entitlements which are not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer will lapse. Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on 20 July 2020 .

Eligible jurisdictions

The Entitlement Offer will be open to those shareholders with a registered address on the Company's Share Register in Australia and New Zealand and, subject to certain qualifications, Hong Kong and the People's

Republic of China. Ineligible shareholders are all those shareholders with registered addresses outside these jurisdictions (**Ineligible Shareholders**).

Subject to the receipt of ASIC approval, the Company will appoint a nominee to which the Company will transfer the New Shares that would otherwise have been issued to Ineligible Shareholders, had they participated in the Entitlement Offer. The nominee will then sell those New Shares as soon as reasonably practicable and distribute to each of the Ineligible Shareholders their proportion of the proceeds of the sale, net of all expenses (including brokerage and any applicable taxes and charges). There is no guarantee that the nominee will be able to sell the relevant New Shares and Ineligible Shareholders may receive no proceeds. Both the Company and the nominee take no responsibility for the outcome of the sale of such New Shares or the failure to sell such New Shares.

Shortfall

As a result of the Habrok Takeover Offer, the Company requires prior shareholder approval to place any shortfall under the Entitlement Offer. The Company intends on convening a general meeting shortly for the approval of the placement of any shortfall at the Board's discretion. In exercising this discretion, the Board will take into consideration a number of factors, including the recommendation of Morgans and ensuring the Company has an appropriate and optimal shareholder base, which may be achieved through the introduction of new investors. The Board will have particular regard to ensuring the improved liquidity of the Company's shares.

Indicative Timetable

The table below outlines the key dates for the Entitlement Offer.

Event	Indicative date
Announcement of the Entitlement Offer	13 July 2020
Institutional Entitlement Offer opens	13 July 2020
Results of Institutional Entitlement Offer announced and trading halt lifted	15 July 2020
Record date for eligibility in the Retail Entitlement Offer (5.00pm, Perth time)	15 July 2020
Retail Offer Booklet and personalised Entitlement and Acceptance Form despatched. Retail Entitlement Offer opens	20 July 2020
Settlement of Institutional Entitlement Offer	22 July 2020
Last day to extend Retail Entitlement Offer close date	24 July 2020
Retail Entitlement Offer closes (5.00pm, Perth time)	29 July 2020
Results of Retail Entitlement Offer announced	3 August 2020
Issue of New Shares under the Retail Entitlement Offer	5 August 2020

Note to indicative timetable: The Company reserves the right to alter the timetable at its discretion and without notice, subject to ASX Listing Rules and the Corporations Act and other applicable law. In particular, the

Company in conjunction with Morgans reserves the right to either generally or in particular cases extend the closing date of the Entitlement Offer, to accept late or to withdraw the Entitlement Offer without prior notice.

The commencement of quotation of New Shares is subject to confirmation from ASX. To the extent the Habrok Takeover Offer does not extend to the New Shares, the Company intends to apply to ASX for a separate ticker to the New Shares (expected to be 'AMENB'), which may involve some delay or suspension. If the New Shares are insufficiently liquid they may not trade or may trade with limited liquidity.

The information in this announcement does not constitute financial product advice and does not take into account the financial objectives, personal situation or circumstances of any shareholder. If you are in any doubt as to how to proceed, please contact your financial, tax or other professional adviser.

For those shareholders who have elected to receive documents from the Company via email, they will receive the Entitlement Offer documents and their personal entitlement and acceptance form via their nominated email address. As a consequence, these shareholders will not be sent a hard copy of the documents by mail.

Morgans Corporate Limited (**Morgans**) has been appointed as lead manager to the Entitlement Offer.

Windsong Loan Facility

The Company is pleased to advise that it has entered into a Variation Agreement with Alto's largest shareholder, Windsong Valley Ltd regarding the terms of the Loan Facility Agreement announced on 13 March 2020 (**Facility**). The effect of the Variation Agreement is to increase the unsecured amount available under the Facility from \$500,000 to \$1,000,000.

The Facility provides Alto with the flexibility to draw down for working capital as required to ensure the commencement of planned exploration at Lord Nelson.

To date the Company has drawn \$250,000 of the Facility. The Company intends to repay this amount from the proceeds of the Entitlement Offer such that it will have the full \$1,000,000 available for drawn-down if required.

Appointment of Managing Director & CEO

Further to the announcement on 16 March 2020, the Company is pleased to announce Mr Matthew Bowles has been appointed by the Board to the position of Managing Director and CEO, from his previous role as a non-executive director.

The material terms of Mr Bowles' appointment are outlined in the attached annexure. Mr Bowles was appointed a Director of the Company on 27 February 2019.

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

Please direct enquiries or requests for further information to:

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Mineral Resource Estimate for Sandstone Gold Project

Deposit	Category	Cut-off (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Contained gold (oz)
Lord Henry ^(b)	Indicated	0.8	1,200	1.6	65,000
TOTAL INDICATED			1,200	1.6	65,000
Lord Henry ^(b)	Inferred	0.8	110	1.3	4,000
Lord Nelson ^(a)	Inferred	0.8	1,820	1.9	109,000
Indomitable & Vanguard Camp ^(c)	Inferred	0.3-0.5	2,580	1.5	124,000
Havilah & Ladybird ^(d)	Inferred	0.5	510	1.8	29,000
TOTAL INFERRED			5,020	1.7	266,000
TOTAL INDICATED AND INFERRED			6,220	1.7	331,000

The references in this announcement to Mineral Resource estimates for the Sandstone Gold Project were reported in accordance with Listing Rule 5.8 in the following announcements:

- Lord Nelson: announcement titled "*Alto increases Lord Nelson Resource by 60% to 109,000 ounces at 1.9 g/t Gold*" dated 27 May 2020;
- Lord Henry: announcement titled: "*Maiden Lord Henry JORC 2012 Mineral Resource of 69,000oz.*" dated 16 May 2017;
- Indomitable & Vanguard Camp: announcement titled: "*Maiden Gold Resource at Indomitable & Vanguard Camps, Sandstone WA*" dated 25 September 2018; and
- Havilah & Ladybird: announcement titled: "*Alto increases Total Mineral Resource Estimate to 290,000oz, Sandstone Gold Project*" dated 11 June 2019.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous market announcement noted above and that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the previous market announcement continue to apply and have not materially changed.

Exploration Results

The references in this announcement to Exploration Results for the Sandstone Gold Project were reported in accordance with Listing Rule 5.7 in the announcement titled "High-grade results continue from drilling at Lord Nelson" dated 22 April 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous market announcement noted above.

ANNEXURE

SUMMARY OF KEY TERMS OF EXECUTIVE SERVICE AGREEMENT

Term	The position will be ongoing with termination provisions outlined below.
Remuneration	\$260,000 per annum (exclusive of superannuation contributions).
Short Term Incentive Benefits (STI)	The executive shall be eligible to participate in any STI benefits that the Company may offer. No STI's have been agreed at this time.
Long Term Incentive Benefits (LTI)	The executive shall be eligible to participate in any LTI benefits that the Company may offer. No LTI's have been agreed at this time.
Termination	<p>The Company may terminate the executive service agreement by providing twelve months written notice or make a payment in lieu of notice for the part of the notice period the executive is not retained.</p> <p>The executive may terminate the executive service agreement by providing six months written notice.</p> <p>The executive service agreement may be terminated immediately for serious misconduct or material breach of contract.</p>
Termination Benefits	If the executive service agreement is terminated for the reason of redundancy, the Company will pay the executive a severance payment, including a payment in lieu of notice, equal to twelve months salary.
Other material terms	None.