



FIRST SUPPLEMENTARY TARGET'S STATEMENT

1. Important Notice

This document is a supplementary target's statement under section 644 of the Corporations Act. It is the first supplementary target's statement (**First 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 offers made by Habrok (Alto) Pty Ltd (ACN 640 780 589) (**Habrok**) for the Shares and Options.

This First Supplementary Target's Statement supplements, and should be read together with, the target's statement dated 4 August 2020 (**Target's Statement**). This First Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

A copy of this First Supplementary Target's Statement was lodged with ASIC and given to ASX on 24 August 2020. Neither ASIC or ASX nor any of their respective officers take any responsibility for the content of this First Supplementary Target's Statement.

Capitalised terms that are not otherwise expressly defined in this First Supplementary Target's Statement have the meaning given in Section 12.1 of the Target's Statement. The rules of interpretation in Section 12.2 of the Target's Statement also apply to this First Supplementary Target's Statement.

2. Takeovers Panel declaration and orders

On 13 July 2020, Alto announced an accelerated pro-rata non-renounceable entitlement offer on a 1-for-4 basis at an issue price of \$0.07 per new Share, to raise up to approximately \$5.1 million (before costs) (**Entitlement Offer**). Also on 13 July 2020, Alto announced its recommendation to reject the Habrok Offers (**Recommendation Announcement**).

On 14 July 2020, Habrok made an application to the Takeovers Panel (**Panel**) seeking a declaration of unacceptable circumstances in relation to certain affairs of Alto, including the Entitlement Offer and the Recommendation Announcement.

On 19 August 2020, the Panel made a declaration of unacceptable circumstances and final orders with respect to the Entitlement Offer and Recommendation Announcement. The declaration and orders are available in full on the ASX market announcements platform.

The effect of the declaration and orders is that:

- (a) **Entitlement Offer:** Alto was required to terminate the Entitlement Offer;
- (b) **Future capital raisings:** Alto must not announce (among other things) the terms of any new capital raising, or request or accept any commitments from Alto Shareholders to participate in a new capital raising, for two weeks following the dispatch of this First Supplementary Target's Statement;
- (c) **Shareholder intention statements:** the Alto Shareholders who provided a statement that they do not intend to accept into the Habrok Offers¹ (other than Windsong Valley Pty Ltd (and Marymount Pty Ltd) and Sinotech (Hong Kong) Corporation Limited, being entities related to Alto directors²) be given the right to withdraw their intention statement; and
- (d) **Supplementary statement:** Alto must dispatch this First Supplementary Target's Statement.

3. Entitlement Offer

Alto announced the termination of the Entitlement Offer on 19 August 2020. Alto has returned the application monies received by Shareholders under the institutional portion of the Entitlement Offer.

Alto is urgently considering its funding options in order to be in a position to continue to fund its exploration campaign, as well as its general working capital and takeover defence costs. A decision regarding any proposed new capital raising is expected to be made as soon as possible after the expiry of the two week period imposed by the Panel orders restricting the announcement of the terms of any new capital raising.

4. Increase to Habrok Share Consideration

As disclosed in Habrok's first supplementary bidder's statement dated 20 August 2020, the Share Consideration has increased from \$0.066 per Share to \$0.07 per Share. Accordingly, any Shareholder who accepts, or has previously accepted, the Share Offer, will be entitled to receive the increased Share Consideration of \$0.07 per Share (**Revised Share Consideration**).

Shareholders are advised to **TAKE NO ACTION** at this time in relation to the revised Habrok Share Offer.

Alto notes that its Shares have traded on ASX at a premium to the Revised Share Consideration of \$0.07 at all times since the release of Habrok's Bidder's Statement on 10 July 2020. The Revised Share Consideration represents a significant discount to recent trading prices of Shares, including:

- (a) a discount of 6.67% to \$0.075, the closing share price of Alto Shares on the date of the Bidder's Statement (10 July 2020);

¹ As set out in Alto's ASX announcements of 15 and 16 July 2020.

² The nature of the relationships are provided in Section 5 below.

- (b) a discount of 16.67% to \$0.084, the VWAP of all Alto Shares traded from the date that Habrok announced that it intended to undertake an off-market takeover bid for Alto (**Announcement Date**) to 21 August 2020 (**Latest Practicable Date**);
- (c) a discount of 23.91% to \$0.092, the one-month VWAP of Alto Shares up to the Latest Practicable Date; and
- (d) a discount of 18.60% to \$0.086, the closing price of Alto Shares on the Latest Practicable Date.

For completeness, Alto notes that the Revised Share Consideration represents a premium of:

- (a) 11.11% to the closing price of \$0.063 per Alto Share on 21 May 2020, being the last trading day prior to the Announcement Date;
- (b) 118.75% to \$0.032, the last closing price of Alto Shares on 20 February 2020, being the undisturbed last trading day prior to the announcement of Goldsea's intention to make an all-cash off-market takeover of Alto;
- (c) 105.88% to \$0.034, the one-month VWAP of Alto Shares up to 20 February 2020;
- (d) 100% to \$0.035, the three-month VWAP of Alto Shares on the ASX up to 20 February 2020; and
- (e) 94.44% to \$0.036, the six-month VWAP of Alto Shares on the ASX up to 20 February 2020.

Although the above measures are included as a matter of completeness, Alto does not consider that the above measures are particularly relevant, given the significant passage of time and the material appreciation of the Share price since this time. Alto considers that the material appreciation of its Share price is as a result of, amongst other things, improved market sentiment for ASX-listed gold companies, and its recently announced exploration results for its Sandstone Gold Project.

5. Shareholder Intention Statements

As detailed in section 2.1(d) of the Target's Statement, Alto received separate statements of intention from each of its major Shareholders (excluding Habrok) (together, **Major Shareholders**) that they:

- (a) do not intend to accept the Share Offer at \$0.066 per Share;
- (b) do not intend to accept the Share Offer if the consideration is increased \$0.070 per Share; and
- (c) intended to participate in the Entitlement Offer by subscribing for their entitlement in full.

Details of each of the Major Shareholders are provided on the following page. The details are provided as at the Latest Practicable Date.

Major Shareholder	Number of Shares held as at the Latest Practicable Date	Voting power as at the Latest Practicable Date	Relationship with the Alto Directors
Windsong Valley Pty Ltd and Marymount Pty Ltd	58,822,062	19.77%	Both entities are associated with Mr Terry Wheeler, a Non-Executive Director of Alto.
Harvest Lane Asset Management (Harvest Lane)	26,337,331	8.85%	<p>There is no association between Harvest Lane and any of the Alto Directors.</p> <p>On 11 August 2020, Alto announced the execution of a \$1m bridge loan facility advance by Harvest Lane. This facility was provided on arm's length terms and was required to allow Alto to continue drilling and meet working capital requirements, due to the extended delays caused by Habrok's application to the Takeovers Panel and the Panel's interim orders deferring the announced Entitlement Offer while the application was considered.</p> <p>Harvest Lane is a hedge fund. None of the controllers of Harvest Lane have any relationship with any of the Alto Directors other than in the capacity of Harvest Lane's position as a substantial shareholder and lender.</p>
GS Group Australia Pty Ltd (GS Group)	29,308,042	9.85%	<p>There is no association between GS Group and any of the Alto Directors.</p> <p>None of the controllers of GS Group have any relationship with any of the Alto Directors other than in the capacity of GS Group's position as a substantial shareholder.</p>
Sinotech (Hong Kong) Corporation Limited	15,900,000	5.34%	Dr Jingbin Wang, a Non-Executive Director of Alto, is also the Chairman of Sinotech Minerals Exploration Co. Ltd, an entity related to Sinotech (Hong Kong) Corporation Limited. However, Dr Wang is not considered to hold a relevant interest in the Alto Shares held by Sinotech (Hong Kong) Corporation Limited.
Olgen Pty Ltd (Olgen)	11,038,887	3.71%	<p>There is no association between Olgen and any of the Alto Directors.</p> <p>Olgen provides drilling services to Alto on commercial arm's length terms.</p> <p>None of the controllers of Olgen have any relationship with any of the Alto Directors other than in the capacity of Olgen's position as a shareholder and service provider.</p>
TOTAL	141,406,322	47.52%	-

In accordance with the Panel orders, Alto notified each of Harvest Lane, GS Group and Olgen that they have a right to withdraw their intention statement.

Each of Harvest Lane, GS Group and Olgen have each subsequently separately confirmed that they **do not intend to accept** the Habrok Share Offer at the Revised Share Consideration.

Each of the Major Shareholders have consented to the disclosure of their intention.

For completeness, Alto also notes that the Major Shareholders held the following Options as at the Latest Practicable Date. The statement of intention provided by each of the Major Shareholders does not apply to their respective Options, or any Shares issued on exercise of those Options:

Major Shareholder	Options
Windsong Valley Pty Ltd and Marymount Pty Ltd	8,333,333 Options exercisable at \$0.07 each expiring 18 January 2021
Harvest Lane Asset Management	Nil
GS Group Australia Pty Ltd	Nil
Sinotech (Hong Kong) Corporation Limited	Nil
Olgen Pty Ltd	4,861,111 Options exercisable at \$0.07 each expiring 13 November 2020
TOTAL	13,194,444

6. Authorisation

Mr Richard Monti, the Non-Executive Chairman of Alto, is authorised to sign this First Supplementary Target's Statement pursuant to a resolution passed by the Directors on 20 August 2020.



Mr Richard Monti
Non-Executive Chairman
 Dated: 24 August 2020