

This is the second supplementary target's statement (**Second Supplementary Target's Statement**) under section 644 of the *Corporations Act 2001* (Cth) issued by Alto Metals Limited ACN 159 819 173 (**Alto**) in response to the off-market takeover offer by Habrok (Alto) Pty Ltd ACN 640 780 589 (**Habrok**) for the Shares and Options (the **Habrok Offers**).

This Second Supplementary Target's Statement supplements, and should be read together with, Alto's first supplementary target's statement dated 24 August 2020 (**First Supplementary Target's Statement**) and Alto's target's statement dated 4 August 2020 (**Target's Statement**) in relation to the Habrok Offers. Unless the context requires otherwise, terms defined in the Target's Statement have the same meaning in this Second Supplementary Target's Statement.

It is important that you read the Target's Statement, the First Supplementary Target's Statement and this Second Supplementary Target's Statement in their entirety before making any investment decision and any decision relating to the Habrok Offers. You are encouraged to obtain independent advice from your investment, financial, taxation or other professional adviser before making a decision whether or not to accept the Habrok Offers.

SECOND SUPPLEMENTARY TARGET'S STATEMENT

ALTO DIRECTORS CONTINUE TO RECOMMEND SHAREHOLDERS REJECT THE HABROK OFFERS

KEY POINTS

- **The Habrok Offers fail to appropriately recognise Alto's significant potential, with recent exploration results supportive of Lord Nelson being part of a much larger gold system**
- **The Revised Share Offer remains at a significant discount to recent trading prices of Alto Shares**
- **Major Shareholders holding over 50% of the Shares currently on issue have stated that they DO NOT INTEND TO ACCEPT the Revised Share Offer**
- **Another 2,000m of RC drilling is expected to commence in the coming weeks, testing potential Lord Nelson repeats along the Lords' corridor and extension to the new Orion gold lode**

Alto Metals Limited (ASX:AME) (**Alto** or **Company**) provides the following update to Shareholders and Optionholders regarding the unsolicited, off-market takeover offer made by Habrok (Alto) Mining Pty Limited (**Habrok**) for all of the Shares and Options on issue in Alto following the release by Habrok of a supplementary bidder's statement (together, the **Habrok Offers**).

On 20 August 2020, Habrok announced that it had increased the Share Consideration under its takeover offer for all of your Alto Shares to \$0.07 cash per Alto Share (**Revised Share Offer**). There was no change to the consideration offered under its takeover offer for the Alto Options, with the Option Consideration based on a Black-Scholes valuation as set out in Habrok's Bidder's Statement (**Option Offer**).

The Directors have carefully assessed the Revised Share Offer and, after taking into account the drill results and prospects of Alto's ongoing exploration program and the improved market conditions for Australian gold mining companies generally, the Directors continue to unanimously recommend that Shareholders and Optionholders REJECT the Habrok Offers.

In reaching the recommendation that Shareholders and Optionholders **REJECT** the Habrok Offers, the Directors have considered the following factors which are outlined in further detail in this Second Supplementary Target's Statement:

1. The Habrok Offers fail to appropriately recognise Alto's significant potential;
2. The Share Consideration under the Revised Share Offer is materially below the current and recent trading share price of Alto Shares;
3. Major Shareholders representing over 50% have stated that they **DO NOT INTEND TO ACCEPT** the Revised Share Offer;
4. If you accept the Habrok Offers, you are unable to accept a superior proposal if one emerges; and
5. There may be tax implications if you accept the Habrok Offers.

To reject the Offers, Alto Shareholders and Optionholders should take no action.

1. THE HABROK OFFERS FAIL TO APPROPRIATELY RECOGNISE ALTO'S SIGNIFICANT POTENTIAL

Alto is progressing its exploration program targeting shallow mineralisation at the new Orion gold lode south of the Lord Nelson open pit, primary mineralisation beneath the Lord Nelson open pit and potential for multiple repeat lodes along the 3 kilometre Lords' Corridor. The Company also has numerous other priority targets, including Vangard and Indomitable Camps, within Alto's +800km² Sandstone Gold Project, which covers the majority of the Sandstone Greenstone Belt.

The significant potential of Alto's Sandstone Gold Project is reflected in the Company attracting three unsolicited takeover offers over the last 18 months.

Whilst this corporate activity has negatively impacted the Company's ability to raise the necessary funding to undertake a detailed exploration program, Alto has through short term funding arrangements been able to progress a relatively small, targeted exploration campaign in order to provide Alto Shareholders and Optionholders with a better understanding of the potential of the project.

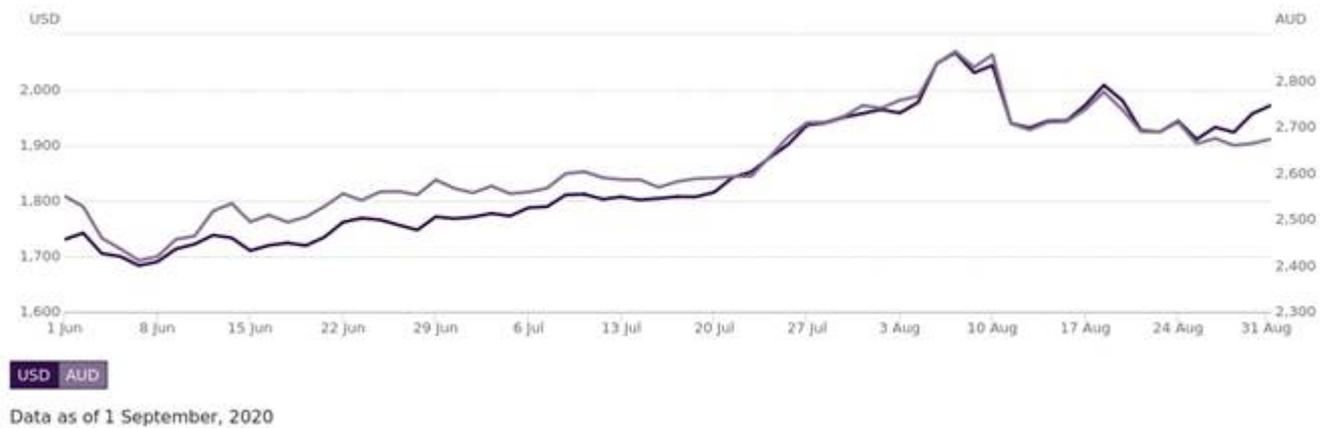
Results from a total of approximately 5,500m of RC drilling completed since early July 2020 (of a planned 10,000m program) have been released to ASX (see announcements of 27 July 2020, 29 July 2020, 18 August 2020, 31 August 2020). An additional 2,000m of planned RC drilling is expected to commence in the coming weeks.

The exploration results received to date support the Directors' view that Lord Nelson may be part of a much larger gold system. Importantly, a number of high-grade results remain outside Alto's existing Mineral Resource estimate as they are too wide spaced to be included. Alto intends to conduct additional infill and step out drilling in order to substantially increase the existing Mineral Resources of the Sandstone Gold Project as part of a more extensive exploration program expected to be conducted over the next six months.

Importantly, the Directors believe that the Company's prospects have materially improved since initially recommending Shareholders accept the conditional \$0.065 cash off-market takeover bid by Goldsea Australia Mining Pty Ltd (**Goldsea**) in May 2020, including as a result of:

- (a) The continued exploration success experienced at its Sandstone Gold Project confirming the potential for additional Mineral Resource growth from known mineralisation that remains open down dip/plunge and along strike to the south of the Lord Nelson pit;

- (b) The \$US and A\$ gold price having increased substantially over the past 3 months¹, materially improving the economics associated with any potential development of the Sandstone Gold Project; and

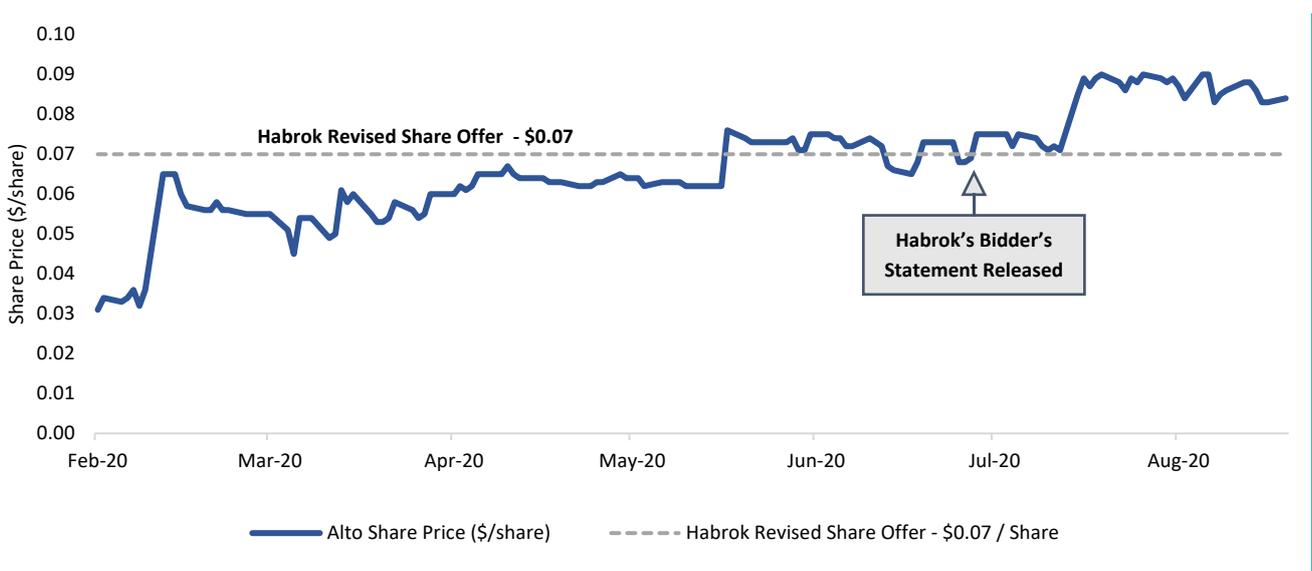


- (c) The market sentiment for Australian gold companies having materially improved, providing greater access to capital in order to fund Alto’s ongoing exploration program and working capital requirements.

Given these favourable developments, Alto’s Directors believe that the potential benefits to Alto Shareholders and Optionholders of completing a detailed exploration program in order to better understand the potential value of its Sandstone Gold Project outweigh any benefit associated with the certainty of value offered by the Habrok Offers.

2. THE SHARE CONSIDERATION UNDER THE REVISED SHARE OFFER IS MATERIALLY BELOW THE CURRENT AND RECENT TRADING SHARE PRICE OF ALTO SHARES.

The Directors believe that Alto’s improved prospects are reflected in Alto Shares trading on ASX at a premium to the price offered by the Revised Share Offer at all times since the release of Habrok’s Bidder’s Statement on 10 July 2020, with the closing price of Alto Shares on 2 September 2020 (being the last practicable date before finalising this Second Supplementary Target’s Statement) being \$0.086 per Alto Share.



¹ Source: FastMarkets, ICE Benchmark Administration, Thomson Reuters, World Gold Council (www.gold.org)

Despite the Habrok Offers being open since 22 July 2020, Alto understands that Habrok has received acceptances for less than 1% of Alto Shares as at 2 September 2020 (being the last practicable date before finalising this Second Supplementary Target's Statement). It is clear that the Habrok Revised Offers have gained little traction with Alto Shareholders and there appears little prospect of it succeeding unless the consideration offered by Habrok is significantly improved.

Given the prolonged period of time in which the Company has had to deal with various corporate activities, Alto's Directors believe that Habrok should either put forward its best proposal for Alto Shareholders and Optionholders to consider, or alternatively let the Habrok Offers lapse so that Alto can focus its efforts towards progressing with the exploration and development of its Sandstone Gold Project in order to maximise value for all Shareholders and Optionholders.

For completeness, Shareholder and Optionholders are referred to section 4 of the First Supplementary Target's Statement, which includes an outline of the premium the Share Consideration offered under the Revised Share Offer represented to Alto's Share price prior to the announcement of the Habrok Offers and the Goldsea takeover bid.

Alto Shareholders and Optionholders should note that the price of Alto's Shares on ASX is subject to a range of factors (including an assessment of the prospects of further exploration success at Alto's Sandstone Gold Project and fluctuations in the gold price). The Alto Share price may be negatively impacted if the Habrok Offers are not successful or an attractive alternative proposal does not emerge. There is also a risk that Alto Shareholders may be diluted in any capital raising required to be undertaken in order to conduct further exploration activities and fund general working capital and transaction costs.

3. MAJOR SHAREHOLDERS REPRESENTING OVER 50% HAVE STATED THAT THEY DO NOT INTEND TO ACCEPT THE REVISED SHARE OFFER

Alto has received separate statements of intention from each of its major Shareholders (excluding Habrok) (together, **Major Shareholders**), collectively representing over 50% of the Alto Shares currently on issue stating that they do not intend to accept the Revised Share Offer of \$0.07 per Share.

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

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</p>

Shareholder	Number of Shares held as at the Latest Practicable Date	Voting power as at the Latest Practicable Date	Relationship with the Alto Directors
			Directors other than in the capacity of Harvest Lane's position as a substantial shareholder and lender.
GS Group Australia Pty Ltd (GS Group)	29,308,042	9.85%	There is no association between GS Group and any of the Alto Directors. 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.
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) and Wersman Nominees Pty Ltd (Wersman)	13,472,219	4.53%	There is no association between Olgen and Wersman and any of the Alto Directors. Olgen provides drilling services to Alto on commercial arm's length terms. Wersman is an associated entity of Olgen. None of the controllers of Olgen or Wersman have any relationship with any of the Alto Directors other than in the capacity of their position as a shareholder and service provider.
Atlantic Capital Pty Ltd	6,250,000	2.10%	This entity is associated with Mr Matthew Bowles, the Managing Director of Alto.
TOTAL	150,089,654	50.44%	

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	Terms
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
Atlantic Capital Pty Ltd	7,500,000	Options exercisable at \$0.07 each expiring 29 November 2023
TOTAL	20,694,444	

The Board considers this to be a clear endorsement from the Company's Major Shareholders of the Directors' views that greater value may be derived by Alto proceeding to complete a detailed exploration program on its Sandstone Gold Project than is currently available by accepting into the Habrok Offers.

4. IF YOU ACCEPT THE HABROK OFFERS, YOU WILL BE UNABLE TO ACCEPT A SUPERIOR PROPOSAL IF ONE EMERGES

As stated above, Alto has been the subject of three unsolicited takeover offers over the last 18 months. Given Alto's recent exploration success, it is possible that the Company may continue to attract corporate interest in the future.

Accepting the Habrok Offers will deny you the benefit of any subsequent superior proposal by another party should one emerge during the offer period, unless the Habrok Offers lapse.

As at the date of this Second Supplementary Target's Statement, Alto has not received any competing proposal which may be considered a superior proposal, and there is no certainty that any such superior proposal will emerge during the period in which the Habrok Offers is open for acceptance.

5. THERE MAY BE TAX IMPLICATIONS FOR YOU IF YOU ACCEPT THE HABROK OFFERS

No capital gains scrip-for-scrip rollover relief is available under the Habrok Offers.

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

Alto Shareholders should refer to section 9 of Alto's Target Statement, and section 9 of Habrok's Bidder's Statement, for a general overview of the tax consequences of accepting the Habrok Offers. Shareholders and Optionholders should not rely upon the taxation considerations in the overviews as being advice on their own affairs. Alto's Directors encourage Shareholders and Optionholders to consult with their own independent taxation advisers regarding the taxation implications of accepting the Habrok Offers given their own particular circumstances.

For further information regarding the Sandstone Gold Project please visit the ASX platform (ASX: AME) or the Company's website at www.altometals.com.au.

A copy of this Second Supplementary Bidder's Statement has been lodged with ASIC and provided to ASX. Neither ASIC, ASX nor any of their respective officers take any responsibility for its contents.

This Second Supplementary Target's Statement has been approved by a unanimous resolution passed by the Directors of Alto.

Signed for and on behalf of
Alto Metals Limited
by:



Richard Monti
Non-Executive Chairman

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 announcements titled:

- *Further shallow results from New Orion gold lode – Sandstone, 31 August 2020*
- *Outstanding new results from Shallow gold lode south of Lord Nelson pit, 18 August 2020*
- *Alto hits more high-grade gold at Lord Nelson, 29 July 2020*
- *Thick zone of shallow gold mineralisation at Lord Nelson, 27 July 2020*
- *Further high-grade gold results from Lord Nelson and exploration update, 2 April 2020*
- *High grade gold results continue from drilling at Lord Nelson open pit, 22 April 2020*
- *Zone of high-grade, primary gold mineralisation confirmed beneath Lord Nelson pit, 16 March 2020*
- *Down plunge extensions confirmed at Lord Nelson, 22 July 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 announcements noted above.

Table 1: Mineral Resource Estimate for Sandstone Gold Project

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 INFERRERD			5,020	1.7	266,000
TOTAL INDICATED AND INFERRERD			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 announcements noted above and that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the previous market announcements continue to apply and have not materially changed.