

Alto Metals Limited

ABN 62 159 819 173

INTERIM FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Alto Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

ALTO METALS LIMITED

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CORPORATE DIRECTORY

Directors

Mr Matthew Bowles Non-Executive Director

Mr Jingbin Wang Non-Executive Director

Mr Terry Wheeler Non-Executive Director

Company Secretary

Mr Graeme Smith

Principal Registered Office

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Level 5

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Sydney NSW 2000

Australian Securities Exchange

ASX Code – AME

ALTO METALS LIMITED

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DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Alto Metals Limited ('Alto' or the 'Company') and the entities it controlled (together "the Group") at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The names of the Directors who held office during or since the end of the period are:

Mr Terry Wheeler

Mr Matthew Bowles (appointed 27 February 2019)

Dr Jingbin Wang

Mr Dermot Ryan (resigned 27 February 2019)

Mr Terry Streeter (resigned 8 November 2018)

Mr Steven Stone (resigned 17 July 2018)

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the period is set out below:

	2018		2017	
	Other Income	Loss for the half-year	Other Income	Loss for the half-year
	\$	\$	\$	\$
Consolidated entity other income and profit/(loss)	3,975	(510,137)	313,745	(179,479)

REVIEW OF OPERATIONS

The consolidated entity ("Alto" or "the Company", ASX: AME) recorded an operating loss after income tax for the half year ended 31 December 2018 of \$510,137 compared to the 31 December 2017 operating loss after income tax of \$179,479. The result for the half year ended 31 December 2018 included exploration write-offs totalling \$3,946 (31 December 2017: \$9,509). The Company's cash position at the end of the half-year was \$260,565 (30 June 2018: \$856,345).

SANDSTONE GOLD PROJECT

Alto holds ~800km² of the prospective Archaean Sandstone Goldfield, 600km north of Perth in the East Murchison Mineral Field of Western Australia. Since acquiring the Project in June 2016, Alto has compiled and reviewed a large legacy database ahead of a series of focused exploration and drilling campaigns which commenced in late-2016. Alto's initial goal is the delineation of JORC 2012 compliant Mineral Resources of at least +1 million ounces of gold, that can become the basis for a re-establishment of standalone oxide and primary gold mining and milling operations at Sandstone.

The 2019 exploration plan will build on the work completed over the past 24 months and will include:

- RC drilling at Vanguard and Indomitable Camp deposits to further define and extend the known Mineral Resources,
- RC drilling at Havilah and Ladybird to further define and extend the known gold mineralisation,
- AC drill testing of soil and laterite gold geochemical anomalies

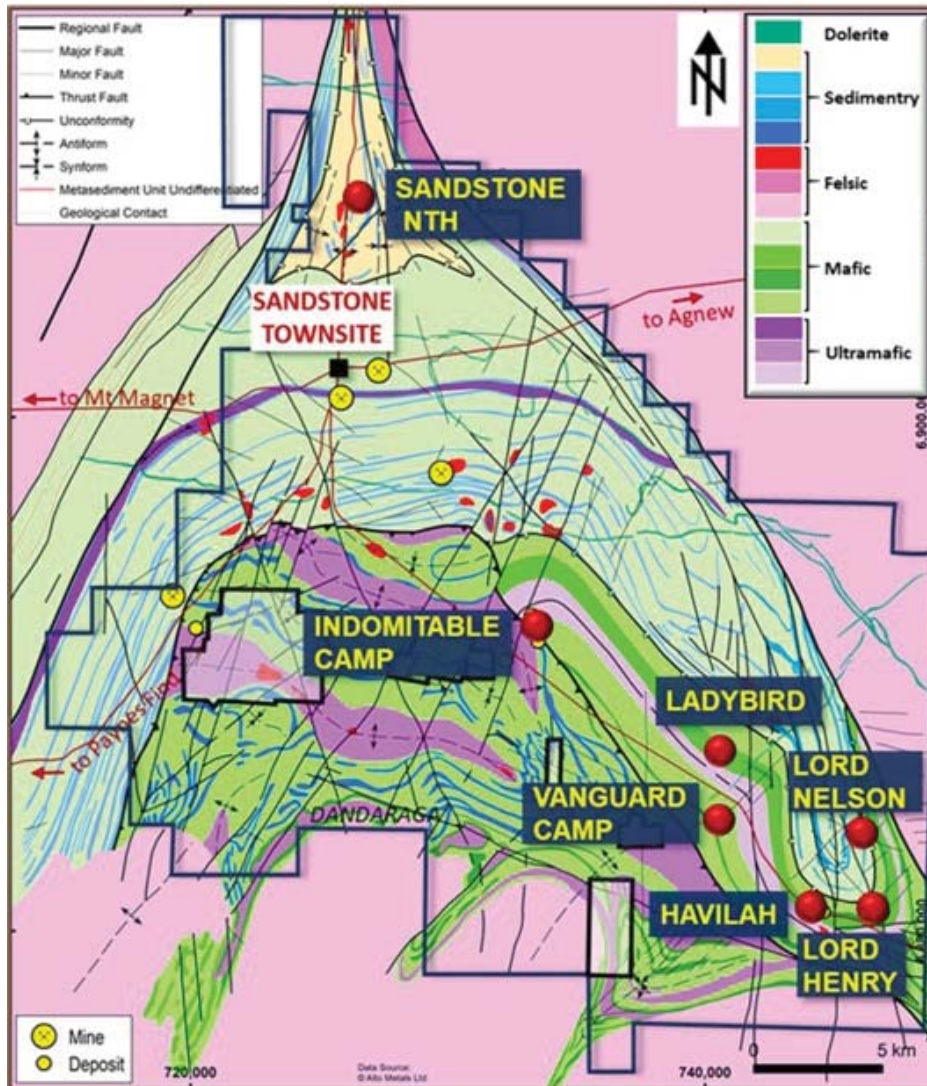
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The Company will also progress its resource evaluation work with:

- Maiden mineral resource estimation (JORC 2012) for Ladybird and Havilah using existing available data
- Updates to the Company's JORC 2012 Mineral Resource inventory
- Geotechnical drilling, bulk density measurements and metallurgical testwork where required to convert gold mineralisation into mineral resources

Figure 1. Sandstone Regional Geology Interpretation Showing Deposits and Advanced Prospects



During the period, Alto undertook some key exploration and evaluation activities at the Sandstone Gold Project which included:

- Modelling and resource estimation of 6 deposits in the Indomitable and Vanguard Camps.
- Drilling of 4 reverse circulation (RC) holes to provide samples for preliminary metallurgical testwork to provide an indication of potential recoveries in metallurgical processes and circuits.
- Fire assaying of aircore (AC) samples from Vanguard, Tiger Moth and Indomitable North.
- Field checking and heritage clearance over surface geochemical anomalies and litho-structural targets identified for future drill testing.
- Data compilation/verification and geological modelling for historic drilling at Havilah, Ladybird and Sandstone North deposits.

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RESOURCE ESTIMATION

A Maiden Inferred Mineral Resource of 2.58Mt @ 1.5 g/t Au for 124,000oz was estimated for the Indomitable and Vanguard Camp deposits. The resources consist of six individual deposits which have undergone extensive work and interpretation by Alto's geologists and resource consultant Dr Spero Carras of Carras Mining Pty Ltd.

Together with existing deposits at Lord Henry and Lord Nelson, Alto's total Mineral Resource inventory now stands at **4.87Mt @ 1.7g/t Au for 261,000oz.** (Refer Table 1)

Table 1. Sandstone Gold Project – Summary of Total Mineral Resources (JORC 2012)

Deposit	Classification	Cut-off Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Contained Gold (oz)
Lord Henry ¹	Indicated	0.8	1,200	1.6	65,000
TOTAL INDICATED			1,200	1.6	65,000
Lord Henry ¹	Inferred	0.8	110	1.3	4,000
Lord Nelson ²	Inferred	0.8	980	2.2	68,000
Indomitable Camp ³	Inferred	0.5	1,730	1.3	74,000
Vanguard Camp ³	Inferred	0.5	850	1.8	50,000
TOTAL INFERRED			3,670	1.7	196,000
TOTAL INDICATED & INFERRED⁴			4,870	1.7	261,000

Footnote 1. AME ASX Release 16 May 2017. "Maiden Lord Henry JORC 2012 Mineral Resource of 69,000oz."

Footnote 2. AME ASX Release 28 April 2017. "Lord Nelson Mineral Resource Increased to 68,000oz."

Footnote 3. AME ASX Release 25 Sept 2018. "Maiden Gold Resource at Indomitable & Vanguard Camps, Sandstone WA"

Footnote 4: For reporting purposes, Table 1 totals have been rounded. Rounding may result in some slight discrepancies in totals reported

All material assumptions and technical parameters underpinning the 2017 and 2018 JORC (2012) Mineral Resource estimates in the above ASX announcements continue to apply and have not materially changed since last reported.

REVERSE CIRCULATION DRILLING

During the period, 4 RC holes (total 356m) were drilled at Vanguard, Tiger Moth and Indomitable deposits to provide samples for preliminary metallurgical testwork. The 2 RC holes at Indomitable failed to reach target depth. At Vanguard RC hole SRC114 was drilled to a set depth of 102m. The +1.0g/t Au fire assay results for the 4m composite samples are shown in Figure 1 and Table 2 overleaf.

The deeper and higher-grade gold intersections - external to the \$2,000/oz Whittle pit shell are not included in the 2018 Mineral Resource estimate and require follow up RC and diamond core drilling with a view to enlarge the mineral resource. High grade 1m assay results of 40m at 3.58g/t Au from 61m were returned from Vanguard drill hole SRC114. The +1.0g/t Au fire assay results for the 1m re-split samples in SRC114 are shown in Figures 2 – 4.

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Figure 2. Vanguard Section 40° NE (+/-30m Window) Showing A\$2,000/oz Whittle Pit Shell for 2018 Mineral Resource Estimation and Location of Alto Hole SRC114

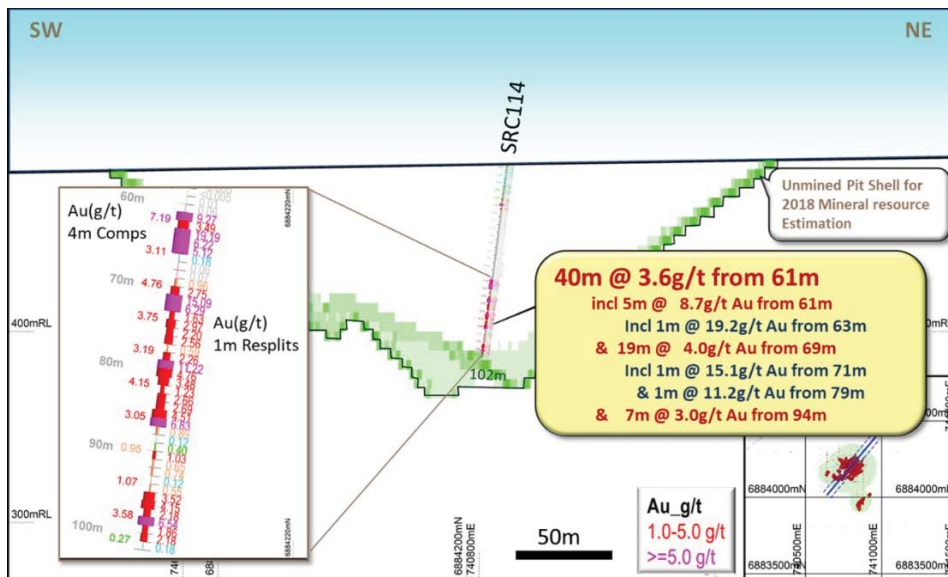
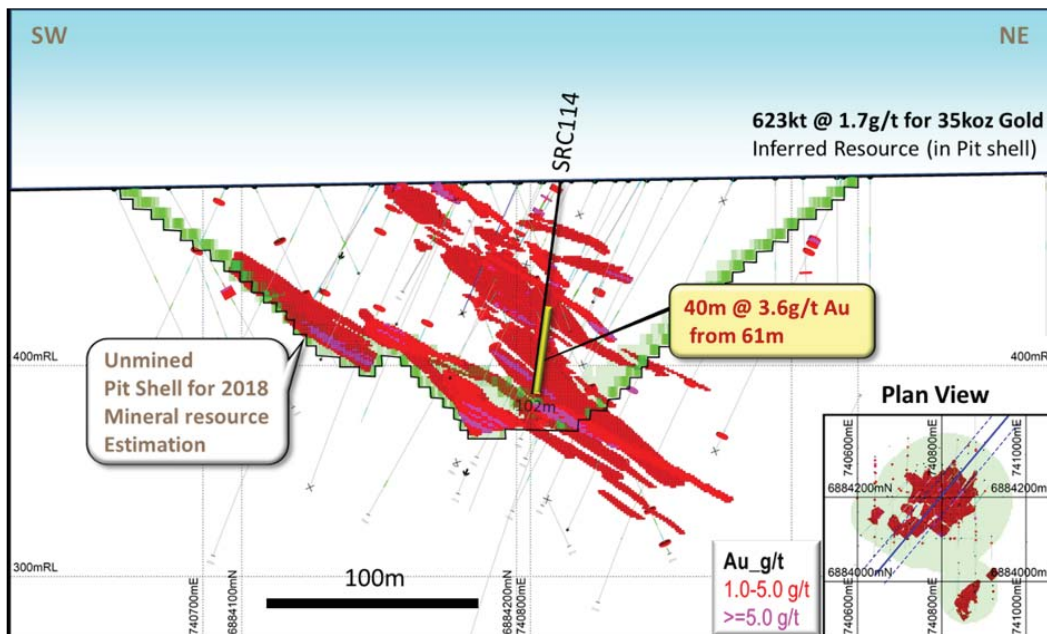


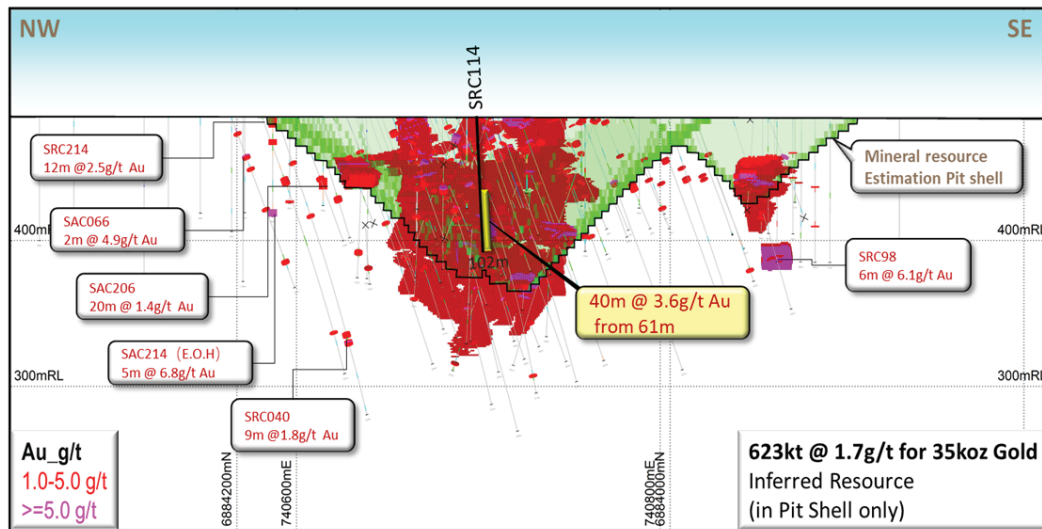
Figure 3. Vanguard Projection 40° NE (+/-30m) Showing A\$2,000/oz Whittle Pit Shell for 2018 Mineral Resource Estimation and Location of Alto Hole SRC114



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Figure 4. Vanguard Section 130° NE (+/-150m) Showing A\$2,000/oz Whittle Pit Shell for 2018 Mineral Resource Estimation and Location of Alto Hole SRC114*



Note: White Labelled Intersections are OUTSIDE the 2018 Pit Shells and not included in resource estimates.

References: AME release 5th Dec 2018

METALLURGICAL TESTWORK

Assay results of 4m composite samples from Vanguard RC hole SRC114 and from Tiger Moth RC hole SRC015, and 1m samples from Indomitable RC hole SRC086 are shown in Table 2. (Assayed at MinAnalytical Laboratories).

Table 2. RC Drilling, RC Samples, Fire Assay Results +1.0g/t Au

Hole ID	East GDA94	North GDA94	Depth (m)	Dip (deg)	Azimuth (deg)	From (m)	Interval (m)	Grade (g/t Au)
SRC114	740807	6884218	102	-82	197	60	40	3.5
incl.						60	12	5.0
SRC115	733598	6891165	102	-62	0	52	8	4.1
SRC086	733270	6892294	102	-60	60	31	4	1.09
and						41	1	1.25
and						54	1	1.13
and						88	10	1.60
incl.						91	5	2.50

Exploration Licences E57/1031 & E57/1033

Selected duplicate samples (A & B) from the above holes were sent to Intertek Genalysis Laboratories for LeachWELL™ (cyanide leach) analysis and 50gm Fire Assay.

The results of this limited metallurgical testwork showed recoveries for the oxide material from all three deposits gave recoveries averaging 93%, and the recovery from Vanguard “fresh rock” gave an average recovery of 94%. It was therefore concluded there should be no issues with metallurgical recovery at these three deposits, but further testwork is planned.

The results of this limited metallurgical testwork are shown in Table 3.

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Table 3. Preliminary Metallurgical Testwork Results

Deposit	Hole ID	From (m)	To (m)	Head Grade ¹ (g/t Au)	Leach Grade ² (g/t Au)	Tail Grade ³ (g/t Au)	Recovery (%)	Rock Type
Vanguard	SRC114	28	32	0.1	0.13	0.01	93%	Oxide
		80	84	4.45	4.16	0.21	95%	Fresh
		84	88	7.73	5.96	0.25	96%	Fresh
		88	92	0.96	0.78	0.12	87%	Fresh
		92	96	1.92	1.45	0.05	97%	Fresh
	Average						93%	Oxide
	Average						94%	Fresh
Tiger Moth	SRC115	32	36	0.14	0.17	0.01	94%	Oxide
		52	56	5.11	6.99	0.36	95%	Oxide
		56	60	2.7	2.6	0.21	93%	Oxide
		92	96	0.26	0.14	0.01	93%	Oxide
	Average						94%	Oxide
Indomitable	SRC086	30	32	0.46	0.43	0.05	90%	Oxide
		32	34	0.21	0.23	0.02	92%	Oxide
		34	36	1.81	1.15	0.08	93%	Oxide
		88	90	0.48	0.39	0.02	95%	Oxide
		90	92	2.11	2.54	0.18	93%	Oxide
		92	94	0.83	1.14	0.07	94%	Oxide
		94	96	2.01	2.29	0.13	95%	Oxide
	Average						93%	Oxide

<p>1: Grade by 50gm FA on "A" sample 2: Grade by Leachwell on "B" sample 3: Grade by 50gm FA on "B" sample tail</p>	<p>Note: The discrepancy between the head grade of Sample A vs Sample B Leach grade + Tail grade is likely due to the presence of coarse gold in the original 10kg sample, and Sample A and Sample B therefore not being entirely identical.</p>
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AIRCORE DRILLING

At the **Indomitable North** prospect, Alto received 50gm fire assay (FA) results of 1m aircore (AC) samples from the shallow 44 hole (16 metres each) program (SAC152-195) drilled in June 2018.

These results have helped to extend the strike of the shallow flat lying (lateritic) gold mineralisation to over 180m. In addition, these results provide encouragement for further deeper drilling to discover the extent of oxide and primary gold mineralisation below and around the laterite mineralisation. Refer Figures 5 and 6 for drill hole locations for AC holes SAC152-195, and Figure 6 as an example of the shallow flat-lying nature of the gold mineralisation.

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Figure 5. Location of Indomitable Camp Deposits & AC/RC Drill Holes over Satellite Imagery

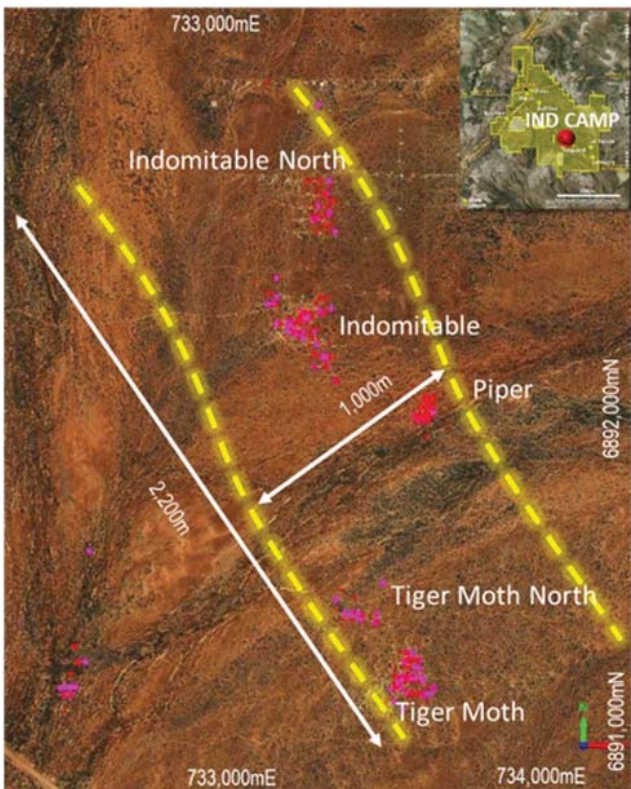


Figure 6. Detailed Location of Indomitable North AC & RC Drill Collars with Significant Drill results

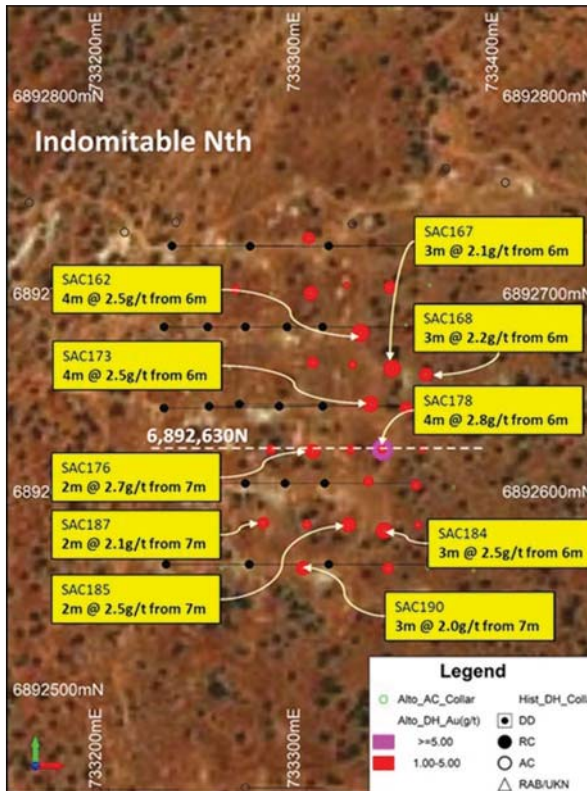
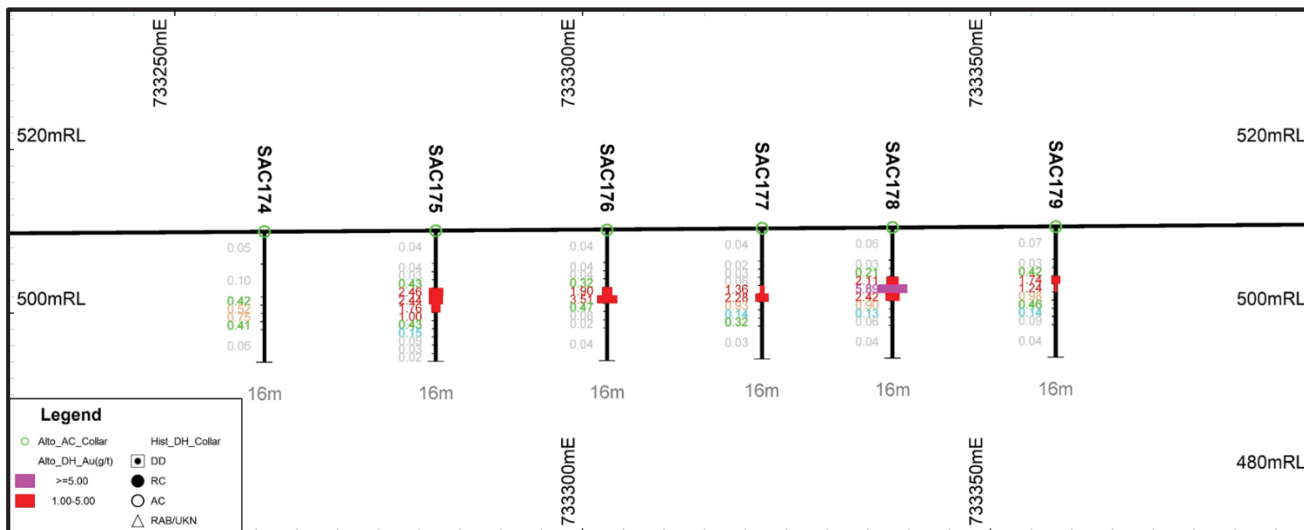


Figure 7. Indomitable North Cross Section 6,892,630N and Recent Alto Vertical SAC174-179 Holes



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Figure 8. Location of Tiger Moth Cross Section and Recent AC Holes (“Max Au Plan”)

At the **Tiger Moth** deposit, Alto received 50gm fire assay results of 1m aircore samples from the shallow 31 hole (20 metres each) program drilled in June 2018 to test the grade and thickness of the shallow laterite gold hosted mineralisation.

A gold bearing pisolitic (lateritic) horizon is located above the saprolite hosted deposits at a depth of 8-10 metres below the surface. It is separated from main mineralised bodies by a zone of gold depletion about 5-10 metres thick.

Refer Figure 9 for locations of AC holes SAC121-151, and Figure 8 as an example of the shallow flat-lying nature of the gold mineralisation.

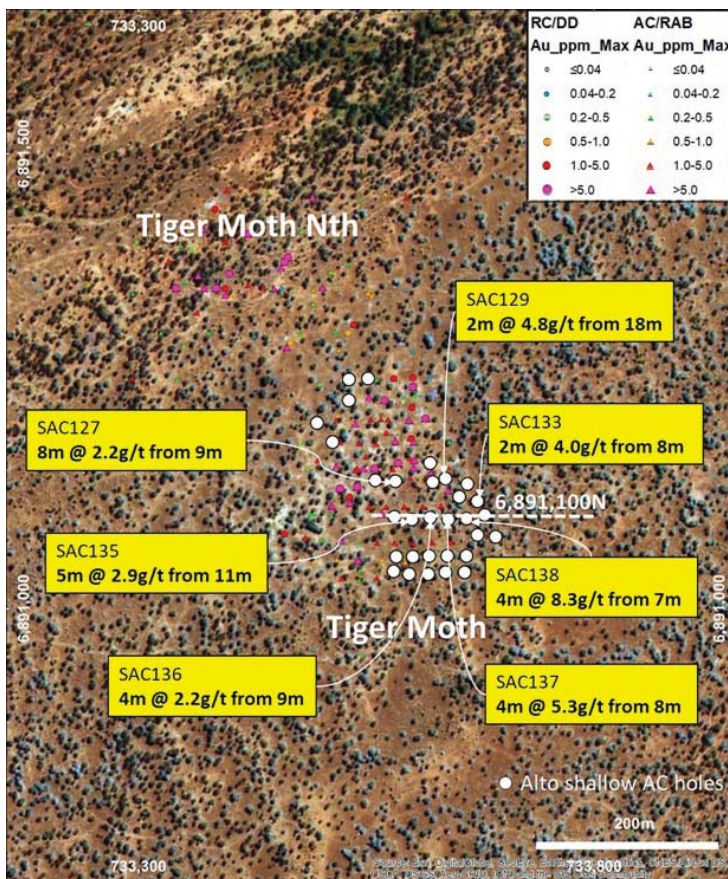


Figure 9. Tiger Moth Cross Section 6,891,100N and Recent Alto Vertical SAC Holes



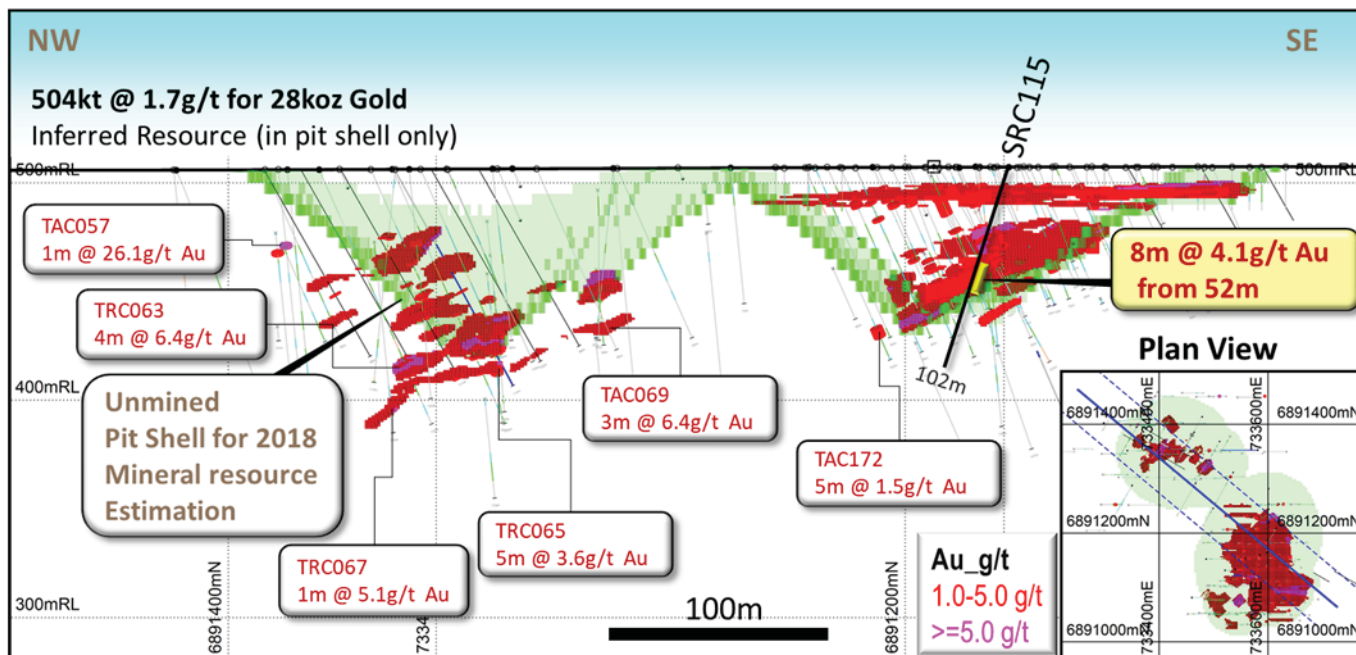
Note: Holes prefaced TAC & TRC in Figure 8 were drilled by a previous explorer.

RC hole SRC115 returned 8m at 4.1g/t Au from 52m depth. The deeper gold intersections external to the \$2,000/oz Whittle pit shells at Tiger Moth are not included in the 2018 Mineral Resource estimate and require follow up RC and diamond core drilling with a view to enlarge the mineral resource.

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Figure 10. Tiger Moth Section Oriented 310° NW (+/-50m) Showing A\$2,000/oz Whittle Pit Shells for 2018 Mineral Resource Estimation and Location of Subsequent Alto RC Hole SRC115



Note: White Labelled Intersections are OUTSIDE the 2018 Pit Shells and not included in resource estimates.

References: WAMEX 68574 for TAC172; WAMEX 66340 for all the other white labelled drill holes.

HAVILAH DEPOSIT

During the December half year, Alto captured and digitised previous explorers' drilling data and detailed historic underground workings for the Havilah deposit. A 3D model has been produced of the geology, underground workings and mineralization will be utilised for resource estimation.

Production from the Havilah Mine area between 1904 – 1929 was ~ **48,497 tonnes @ 21.6g/t Au for 33,870oz** with the majority of this during the period 1907 - 1911. The historic miners largely stoped out a highgrade "footwall" zone, and left intact a lower grade "hanging wall" zone of gold mineralisation.

Between 1980 and 2009 a total of 210 drill holes for 7,240m were drilled at Havilah by previous explorers, with the majority of metres (~79%) being RC and DC. Maximum drill hole depth was 123m with an average depth of only 34m. Based on petrology of thin sections of diamond drill core, previous explorers reported a similarity between the **Havilah Dolerite (with granophyric quartz dolerite) and the lower units of the Golden Mile Dolerite at Kalgoorlie.**

Figure 11 overleaf portrays a drone image over Havilah, with maximum gold values down hole projected to the drill collar. Figures 11 and 12 respectively show a cross section and a long section through Havilah and illustrate the existence of broad zones of gold mineralization, which contains high grade of intersections (eg. 2m & 61.8g/t Au from MAD004) at the deposit.

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Figure 11. Havilah Drill Collars, Max Au, Cross Section and Long Section Locations

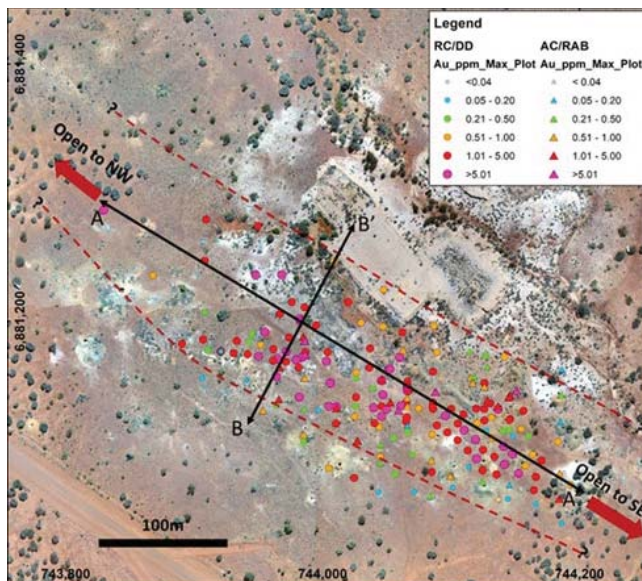


Figure 12. SW-NE 25° Cross Section B - B' (+/-20m)

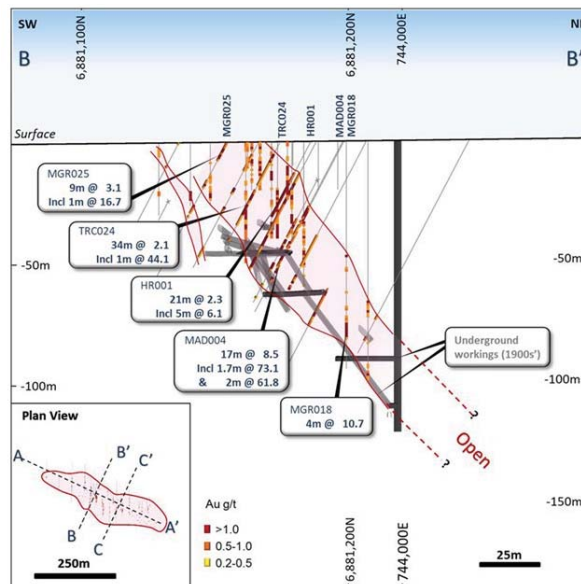
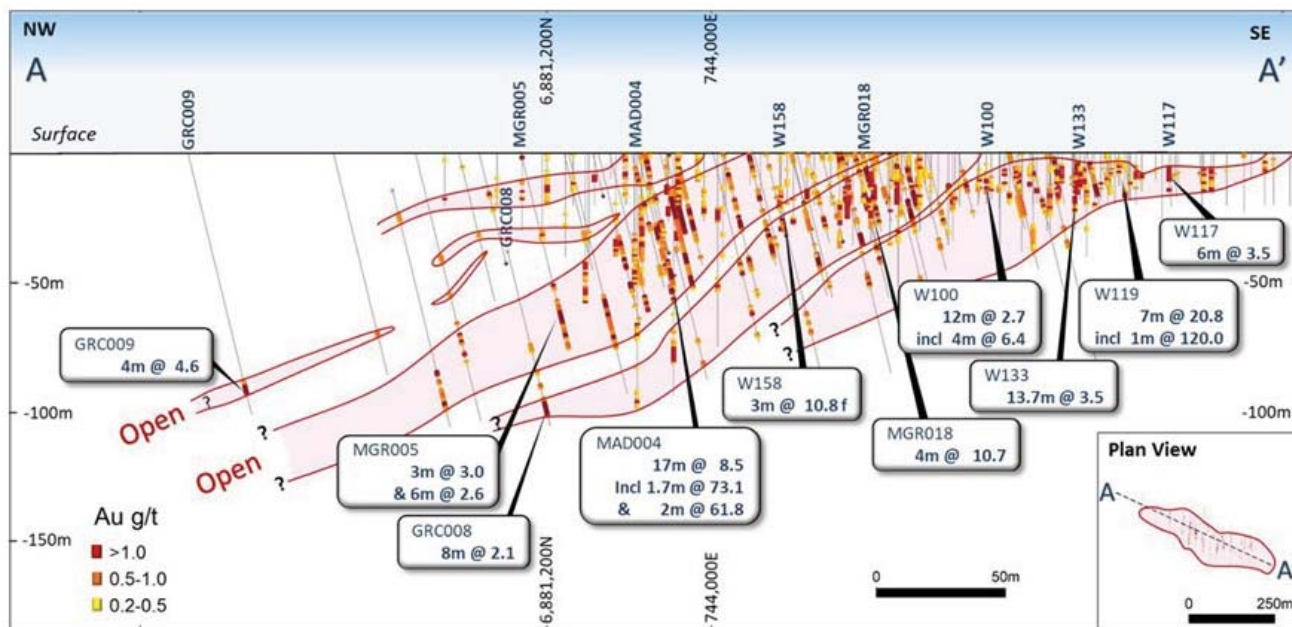


Figure 13. NW-SE 115° Long Section A - A' (+/-50m)



OPPORTUNITIES GOING FORWARD

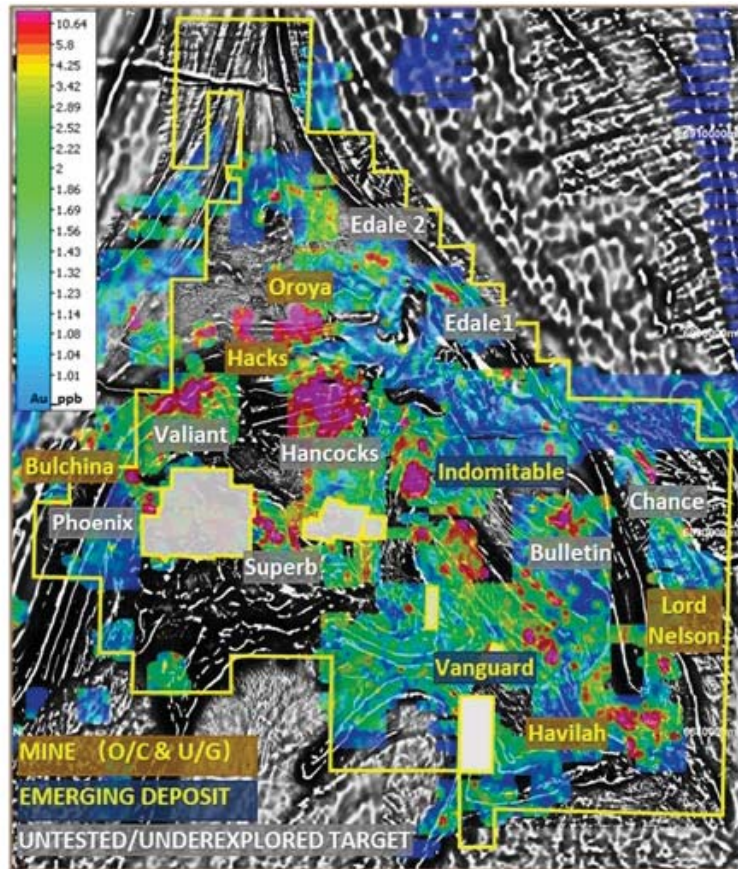
During the latter part of 2018, Alto compiled and assessed a patchwork of soil sampling results from previous explorers and its own substantial soil sampling programs. The results of this work not only clearly identified the known gold deposits and emerging gold deposits, it also identified a number of untested or under-explored gold anomalies.

Examples of these untested or under-explored gold targets are Edale 1 & 2, Valiant, Chance, Superb and Hancocks. Refer Figure 14 overleaf.

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Figure 14. Image of Alto and Previous Explorer's Gold Soil Data over 1st VD Magnetic Image Showing Mines, Emerging Deposits and Untested/Underexplored Targets



Competent Person Statement

The information in this Report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Dermot Ryan, who is an employee of XServ Pty Ltd and a Director and security holder of the Company at 31 December 2018. Mr Ryan is a Fellow of the Australasian Institute of Mining and Metallurgy (CP Geology) and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Forward Looking Statements:

Certain statements in this document are or maybe "forward-looking statements" and represent Alto's intentions, projections, expectations or beliefs concerning among other things, future exploration activities. The projections, estimates and beliefs contained in such forward-looking statements don't necessarily involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alto, and which may cause Alto's actual performance in future periods to differ materially from any express or implied estimates or projections. Nothing in this document is a promise or representation as to the future. Statements or assumptions in this document as to future matters may prove to be incorrect and differences may be material. Alto does not make any representation or warranty as to the accuracy of such statements or assumptions.

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CORPORATE

On 7 December 2018, the Company entered into a convertible loan financing facility agreement (“Loan Agreement”) with its acting Chairman and number one shareholder, Mr Terry Wheeler, through his private vehicle Windsong Valley Pty Ltd (“Windsong Valley”). Windsong Valley agreed to provide \$300,000 (in three \$100,000 tranches) (“Convertible Loan”). The Company is not required to provide any security for the Convertible Loan. The Convertible Loan will accrue interest at a rate of 8% per annum and is repayable on or before 31 December 2019 (“Maturity Date”).

SUBSEQUENT EVENTS

Other than noted at Note 9 and elsewhere in this report, no matters or circumstances have arisen since the end of the half year, that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

AUDITOR’S INDEPENDENCE DECLARATION

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of Directors.



Terry Wheeler

Director

Perth, 15 March 2019

Auditor's Independence Declaration

To the Directors of Alto Metals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Alto Metals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 15 March 2019

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE HALF YEAR ENDED 31 DECEMBER 2018**

	Note	31 December 2018 \$	31 December 2017 \$
REVENUE			
Revenue from ordinary activities		-	-
OTHER INCOME			
Gain on sale of available-for-sale financial asset		-	302,011
Other income		3,975	11,734
		<u>3,975</u>	<u>313,745</u>
Accounting and audit fees		(9,916)	(13,000)
Share registry and listing fees		(34,934)	(34,902)
Employee benefits expense		(211,443)	(199,345)
Corporate consulting expense		(46,425)	(10,960)
Computers and software		(24,314)	(14,255)
Depreciation		(13,800)	(17,028)
Insurance		(9,744)	(8,068)
Investor relations		(50,778)	(78,858)
Legal fees		(7,983)	(2,487)
Office rental and occupation expenses		(50,696)	(35,015)
Share based payments		-	-
Travel and accommodation		(14,767)	(27,533)
Impairment of exploration and evaluation expenses	4	(3,946)	(9,509)
Impairment of other assets		-	-
Other expenses		(35,366)	(42,264)
(Loss) before income tax expense		(510,137)	(179,479)
Income tax expense		-	-
(Loss) for the period		(510,137)	(179,479)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value/realisation of available for sale financial assets		-	(303,624)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in the fair value of equity instruments carried at fair value through other comprehensive income		(22,500)	-
Other comprehensive income, net of tax		(22,500)	(303,624)
Total comprehensive (loss) attributable to members of Alto Metals Limited		(532,637)	(483,103)
Basic and diluted (loss) per share (cents per share)		(0.28)	(0.30)

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		260,565	856,345
Trade and other receivables		75,908	217,207
Available for sale financial instruments		-	52,500
Equity instruments at fair value through other comprehensive income		30,000	-
TOTAL CURRENT ASSETS		<u>366,473</u>	<u>1,126,052</u>
NON-CURRENT ASSETS			
Plant and equipment		104,646	111,788
Intangible assets		16,789	23,043
Exploration and evaluation	4	<u>9,366,722</u>	<u>8,727,068</u>
TOTAL NON-CURRENT ASSETS		<u>9,488,157</u>	<u>8,861,899</u>
TOTAL ASSETS		<u>9,854,630</u>	<u>9,987,951</u>
CURRENT LIABILITIES			
Trade and other payables		<u>456,072</u>	<u>496,904</u>
TOTAL CURRENT LIABILITIES		<u>456,072</u>	<u>496,904</u>
TOTAL LIABILITIES		<u>456,072</u>	<u>496,904</u>
NET ASSETS		<u>9,398,558</u>	<u>9,491,047</u>
EQUITY			
Issued capital	5	21,609,426	21,169,278
Reserves		(22,500)	-
Accumulated losses		<u>(12,188,368)</u>	<u>(11,678,231)</u>
TOTAL EQUITY		<u>9,398,558</u>	<u>9,491,047</u>

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Share Reserve	Available- For-Sale Financial Assets	Financial Assets at FVOCI Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2017	18,680,470	100,064	157,607		(11,054,205)	7,883,936
(Loss) attributable to members of the entity for the period	-	-	-	-	(179,479)	(179,479)
Other comprehensive (loss), net of tax	-	-	(303,624)	-	-	(303,624)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	-	-	(303,624)	-	(179,479)	(483,103)
TRANSACTIONS WITH OWNERS, DIRECTLY IN EQUITY						
Shares issued during the period	2,518,248	-	-	-	-	2,518,248
Transaction costs for shares issued	(29,440)	-	-	-	-	(29,440)
BALANCE AT 31 DECEMBER 2017	21,169,278	100,064	(146,017)	-	(11,233,684)	9,889,641
BALANCE AT 1 JULY 2018	21,169,278	-	-	-	(11,678,231)	9,491,047
(Loss) attributable to members of the entity for the period	-	-	-	-	(510,137)	(510,137)
Change in accounting policy arising from AASB 9	-	-	-	-	-	-
Other comprehensive (loss), net of tax	-	-	-	(22,500)	-	(22,500)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	-	-	-	(22,500)	(510,137)	(532,637)
TRANSACTIONS WITH OWNERS, DIRECTLY IN EQUITY						
Shares issued during the period	451,019	-	-	-	-	451,019
Transaction costs for shares issued	(10,871)	-	-	-	-	(10,871)
BALANCE AT 31 DECEMBER 2018	21,609,426	-	-	(22,500)	(12,188,368)	9,398,558

The accompanying notes form part of these financial statements.

ALTO METALS LIMITED

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities		
Interest received	4,450	11,734
Payments to suppliers and employees	(414,971)	(474,716)
Net cash used in operating activities	<u>(410,521)</u>	<u>(462,982)</u>
Cash flows from investing activities		
Payments for other assets	(340)	-
Payments for exploration and evaluation	(933,034)	(911,328)
R&D refunds received	107,967	-
Receipts from investments	-	631,455
Net cash used in investing activities	<u>(825,407)</u>	<u>(279,873)</u>
Cash flows from financing activities		
Proceeds from issue of shares	451,019	2,518,248
Share issue costs	(10,871)	(29,440)
Proceeds from related party loan	200,000	-
Net cash provided by financing activities	<u>640,148</u>	<u>2,488,808</u>
Net decrease in cash and cash equivalents held	(595,780)	1,745,954
Cash and cash equivalents at the beginning of the period	856,345	928,446
Cash and cash equivalents at the end of the period	<u>260,565</u>	<u>2,674,400</u>

The accompanying notes form part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Alto Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Alto Metals Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of interim financial statements. The Group has considered the requirements of AASB 15 Revenue from Contracts with Customers and concluded that adoption of this standard from 1 July 2018 has no impact due to the Group not having any revenue contracts with customers. The nature and effect of changes arising from AASB 9 Financial Instruments are summarised in Note 2.

Going Concern

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary course of business.

The Company will require further funding in order to meet day-to-day obligations as they fall due and to progress its exploration and evaluation projects as budgeted.

The Company has a history of successful capital raisings to fund exploration. The Board of Directors is aware, having prepared a cash flow budget, of the Company's working capital requirements and the need to access additional funding.

The ability of the Company to continue funding its exploration activities is dependent on the Company securing further working capital by the issue of additional equity.

The Directors are currently reviewing the Company's funding needs with the intention to raise further equity; however no firm commitments exist at this time.

As disclosed in the financial report, the Group recorded an operation loss of \$510,137 (31 December 2017: \$179,479) and a cash outflow from operating activities of \$410,521 (2017:\$462,982) for the half year ended 31 December 2018 and at reporting date.

On 25 January 2019, the Company announced a non-renounceable pro-rata entitlement offer to eligible shareholders. The Company accepted applications totalling approximately \$329,165 and is currently in discussions in relation to the placement of the Shortfall Shares.

On 7 December 2018, the Company entered into a convertible loan agreement with Windsong Valley Pty Ltd a related party of the Chairman for \$300,000. On 27 February 2019, an additional \$100,000 was received under this agreement. On 6 March 2019, the Company issued 6,382,978 loan conversion shares at \$0.047 to Windsong Valley Pty Ltd, to settle the loan in full.

The Board of Directors have reviewed the business outlook and is of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. Should the Company be unsuccessful in raising equity, there is material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Accounting Policies

Except for the impact of adopting AASB 9 Financial Instruments (AASB 9) from 1 July 2018, the accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year. The Group has considered the implications of new amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

Adoption of AASB 9 Financial Instruments

Equity investments were previously classified as available for sale assets. Under AASB 9, these were assessed as being equity instruments at fair value through other comprehensive income (FVOCI), as the group intends to hold these for the foreseeable future and which the Group has irrevocably elected to classify upon initial recognition or transition. This change in classification has had no impact on the measurement of these assets or comparative financial information.

The Group's financial liabilities were not impacted by the adoption of AASB 9. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The Group's financial liabilities includes a Convertible loan. The convertible loan was recognised at fair value and will subsequently be measured at amortised cost using the effective interest method.

There was no impact on hedging as the Group does not currently apply hedge accounting.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

AASB 9 replaces AASB 139 Financial Instructions: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

When adopting AASB 9, the Group elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings at 1 July 2018.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following category upon initial recognition:

- equity instruments at fair value through other comprehensive income (FVOCI)

Classification is determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Classification and measurement of financial liabilities

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The Group has not designated any financial liabilities at FVPL.

Reconciliation of financial instruments on the adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 classification	AASB 9 classification	AASB139 carrying amount (\$)	AASB 9 carrying amount (\$)
Financial Assets				
Listed shares	Available for Sale	Equity FVOCI	52,500	52,500
Financial Liabilities				
Borrowings ⁽¹⁾	Not Applicable	Amortised Cost	-	-

- (1) Convertible loan – The Groups convertible loan was recognised at fair value and will subsequently be measured at amortised cost using the effective interest method.

The effect on classification changes on the Groups equity are summarised below:

	AFS Reserve (\$)	FVOCI Reserve (\$)	Total (\$)
Opening Balance at 1 July 2018	-	-	-
Change in Accounting Policy arising from AASB 9	-	-	-
Changes in the fair value of equity instruments carried at fair value through other comprehensive income	-	22,500	22,500
Closing Balance at 31 December 2018	-	22,500	22,500

NOTE 3: SEGMENT INFORMATION

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

The Group remains focused on mineral exploration over areas of interest solely in Australia.

ALTO METALS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: EXPLORATION AND EVALUATION

	31 December 2018	30 June 2018
	\$	\$
Opening balance	8,727,068	6,360,816
Exploration expenditure	643,600	2,382,252
Impairment expense	(3,946)	(16,000)
Balance at end of year	9,366,722	8,727,068

The Directors' assessment of the carrying amount for the Group's exploration properties was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Group's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole or part of the Group's interests in these exploration properties for an amount at least equal to the carrying value. There may exist on the Group's exploration properties, areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people. As a result, the Group's exploration properties or areas within the tenements may be subject to exploration and mining restrictions. During the current period impairment of \$3,946 (31 December 2017: \$9,509) was recognised due to the surrender and write down of tenements.

NOTE 5: ISSUED CAPITAL

	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	No. shares	No. shares	\$	\$
Balance at beginning of period	185,459,462	151,882,819	21,169,278	18,680,470
Share placement	-	11,616,667	-	871,250
Share purchase plan	-	12,226,642	-	916,998
Share placement	-	9,733,334	-	730,000
Share placement	9,596,141	-	451,019	-
Transaction costs arising on share issues	-	-	(10,871)	(29,440)
Balance at end of year	195,055,603	185,459,462	21,609,426	21,169,278

NOTE 6: CONTINGENCIES

The Group has a \$26,512 (30 June 2018: \$26,512) bank guarantee to act as a 3-month bond on the office of the Group.

NOTE 7: FAIR VALUE MEASUREMENT

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's financial assets are measured using Level 1 inputs and are recognised at fair value based on listed market prices for the shares held at 31 December 2018. There has been no change to this methodology (apart from changes in quote prices at balance dates) from 30 June 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: SIGNIFICANT RELATED PARTY TRANSACTIONS

Loan from related party

During the reporting period, the group entered into an agreement with Windsong Valley Pty Ltd, a related party of the Company's Chairman to receive an unsecured, convertible loan of \$300,000, repayable on or before 31 December 2019. As at the end of the period \$200,000 has been advanced to the Group under this agreement. Interest is to accrue on the loan at a rate of 8% per annum (accrued monthly and calculated monthly). The interest will be paid quarterly in cash to the lender. Settlement of the loan by way of shares has subsequently been approved at a General Meeting of Shareholders on 26 February 2019.

	31 December 2018	31 December 2017
	\$	\$
Trade and other payables		
- Loan from Windsong Valley	200,000	-

NOTE 9: SUBSEQUENT EVENTS

On 18 January 2019, the Company issued 3,000,000 fully paid ordinary shares as consideration for 2 meter prospecting and fossicking rights at Sandstone.

On 25 January 2019, the Company announced a non-renounceable pro-rata entitlement offer to eligible shareholders. The Company accepted applications totalling approximately \$329,165 and is currently in discussions in relation to the placement of the Shortfall Shares.

On 27 February 2019, the Company announced the resignation of Mr Dermot Ryan as Executive Director of the Company and appointed Mr Matthew Bowles as a Non-Executive Director of the Company.

On 27 February 2019, the Company announced the removal of Mr Patrick Holywell from the position of Chief Financial Officer and Company Secretary and appointed Mr Graeme Smith as the Company Secretary.

On 27 February 2019, the remaining \$100,000 was received by the company as part of the convertible loan agreement with Windsong Valley Pty Ltd, a related party of the Chairman. On 6 March 2019, pursuant to the agreement, the Company issued 6,382,978 loan conversion shares at \$0.047 to Windsong Valley Pty Ltd.

On 1 March 2019, Middle Island Resources (ASX:MDI) made an all scrip takeover offer for all of the scrip of the Company on the basis of 5 Middle Island shares for every 1 Alto share. The offer is highly conditional and the Board of Alto has advised shareholders to take no action until the Bidder's Statement is sent to shareholders by 29 April 2019.

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DIRECTORS' DECLARATION

In the Directors' opinion:

the financial statements and notes set out on pages 15 to 24 are in accordance with the *Corporations Act 2001*, including:

- (a) complying with AASB 134: Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and

there are reasonable grounds to believe that Alto Metals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Terry Wheeler

Director

Perth, 15 March 2019

Independent Auditor's Review Report

To the Members of Alto Metals Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Alto Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Alto Metals Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$510,137 and operating cash outflows of \$410,521 during the half year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by \$89,599. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alto Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 15 March 2019