

26 April 2019

Dear MDI Shareholder,

Re: Middle Island Resources Limited's Offer for Alto Metals Limited

As you are no doubt well aware, Middle Island Resources Limited (Middle Island or MDI) has made an all-scrip takeover Offer to acquire all the shares in Alto Metals Limited (AME) on the basis of five MDI shares for each AME share. The Offer is detailed in the Bidder's Statement, which was published on ASX 24th April 2019.

I am writing to invite you, along with interested AME shareholders, to attend one of the shareholder briefings I am hosting in Perth, Sydney and Melbourne in early May.

As you know, MDI owns 100% of the Sandstone gold project and processing plant, which are located immediately adjacent to AME's Sandstone Gold Project. MDI is currently seeking to recommission the processing plant and, on current metrics, MDI's existing open pit resources do not yet justify a recommissioning in isolation. Subject to further evaluation, MDI anticipates the AME deposits would provide sufficient additional material to justify recommissioning the mill.

In essence, MDI is seeking access to AME's deposits whilst providing AME with a proximal processing solution.

The outcome of the Offer is anticipated to result in the recommissioning of the mill and sustainable gold production, generating cash flow to fund exploration in the best interests of both MDI and AME shareholders.

The merger of MDI and AME will deliver several other key synergies, including consolidation of the exploration potential of almost the entire Sandstone greenstone belt, a reduction in aggregate corporate and administration costs, an expected increase in market profile, market capitalisation, liquidity and improved access to capital markets to fund further growth opportunities.

In short, **the Offer represents a compelling merger of equals, with an initial premium to AME shareholders and the very real prospect of a market re-rating, providing an anticipated further premium on completion of the consolidation to the benefit to both MDI and AME shareholders.**

Since late 2016, MDI has made no less than nine approaches (the last immediately prior to announcing the Offer) to various iterations of the AME Board to explain the compelling logic of deriving value from the combined assets of the two companies. Bar one exception, when a former and then chairman of AME agreed to put to the AME board an in-principle agreement to a merge AME and MDI premised on each having equal enterprise value, these entreaties have either been ignored or rejected without discussion. As a result, **MDI saw fit to put the Offer directly to AME shareholders, to assess the commercial merits of the proposal.**

However, on 19 March 2019, the AME Directors released an announcement to the ASX entitled "Major shareholders representing 32.12% do not intend to accept the Middle Island offer". Those major AME shareholders, associated with or connected to current or former AME board members, adopted the announced position without the benefit of reviewing the MDI's Bidder's Statement, thereby **effectively pre-empting an AME Board recommendation potentially undermining the opportunity for all other AME shareholders.**



AME has seen no less than 17 Board changes since June 2016. In stark contrast, the current MDI Directors are all founding directors of MDI, demonstrating a strong, stable and consistent governance and management platform, which collectively respects the interests of shareholders driven by commerce.

Similarly, and again by contrast, MDI's equity capital raisings since its listing on the ASX in 2010 have been 100% successful, being either fully-subscribed or over-subscribed, with the best interests of existing shareholders considered as a priority in every case. MDI's primary broker has lead-managed or joint lead-managed every capital raising completed by MDI, demonstrating a strong, stable and loyal broking relationship underpinning possible future equity capital raisings.

Should you have any queries whatsoever, please do not hesitate to contact me directly on 0401 694 313 or via email at rick@middleisland.com.au.

As indicated above, we will be hosting briefings for both MDI and AME shareholders as follows:-

- **Perth** 5.30pm Friday 3 May at the Celtic Club, 48 Ord St, West Perth.
- **Sydney** 6.00pm Tuesday 7 May at the Sofitel Wentworth Hotel, Hobart Room, 61-101 Phillip St, Sydney.
- **Melbourne** 12:30pm Friday 10 May at Collins Quarter, 86 Collins St, Melbourne.

I earnestly encourage you to attend one of these events, at which I'll be providing a brief presentation and hosting a Q&A session over refreshments.

For the benefit of Sydney-based shareholders, MDI will also be presenting at the RIU Resources Roundup Conference in Sydney at 4.45pm on Tuesday 7 May 2019 at the Sofitel Wentworth. We will also have a display booth at the event, which runs 7-9 May. Providing you are not directly employed in the mining or banking industries, you should be able to register your attendance as an investor, free of charge, via the link <https://www.eventbrite.com.au/e/riu-sydney-resources-round-up-shareholderbroker-registration-registration-59031005326>. I would welcome your attendance at any or all of the Sydney presentation, display booth or shareholder briefing immediately afterwards.

I look forward to bringing you further updates on Company activities.

Yours sincerely,

Rick Yeates
Managing Director