



SECOND 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 second supplementary target's statement (**Second 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 offer (**Offer**) made by Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**), a wholly owned subsidiary of Shandong Goldsea Group Co Ltd.

This Second Supplementary Target's Statement supplements, and should be read together with, the target's statement dated 20 April 2020 (**Target's Statement**) and the first supplementary target's statement dated 1 May 2020 (**First Supplementary Target's Statement**). This Second Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement or the First Supplementary Target's Statement.

A copy of this Second Supplementary Target's Statement was lodged with ASIC and given to ASX on 3 June 2020. Neither ASIC or ASX nor any of their respective officers take any responsibility for the content of this Second Supplementary Target's Statement.

This Second Supplementary Target's Statement uses a number of capitalised terms that are defined in section 6 of the First Supplementary Target's Statement, which also contains some of the rules of interpretation that apply to this Second Supplementary Target's Statement.

2. Increase in Goldsea Share Offer Price

On 22 May 2020, Alto announced that it had received a proposal from Habrok (Alto) Pty Limited (ACN 640 780 589) (**Habrok**) to make an unconditional off-market takeover market for all of the shares in Alto for \$0.066 per Share (**Habrok Proposal**).

On 28 May 2020, Goldsea served Alto with a second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) which stated that in response to the Habrok Proposal, Goldsea intended to increase the Share Offer Price from A\$0.065 per Alto Share to A\$0.075 per Alto Share.

3. Update on defeating conditions

The Offers remain subject to the satisfaction (or where permitted, waiver) of a number of Conditions to the Offers. These Conditions and the circumstances giving rise to a potential breach of these Conditions are described in section 2.1(a) of the Target's Statement, and updated in section 1 of the First Supplementary Target's Statement

An update to the status of the material Conditions is below:

Share Offer Condition	Alto comment
<p>Minimum Acceptance Condition</p> <p>At the end of the Offer Period Goldsea has a Relevant Interest in at least 90% (by number) of Alto Shares (on a fully diluted basis).</p> <p><i>Section 13.7(a) of the Bidder's Statement</i></p>	<p>Goldsea's has confirmed to Alto in its third supplementary bidder's statement, dated 3 June 2020 that it intends to waive all Conditions to the Offers (other than the FIRB Approval Condition, as outlined below), if the aggregate of Goldsea's Relevant Interest in Shares and acceptances received under the Share Offer is at least 50.1% of Shares as at 7pm (Sydney time) on the day before Goldsea must give notice of the status of the Conditions (Waiver Intention).</p> <p>Under the current timetable for the Goldsea Offers, Goldsea must give notice of the status of the Conditions on 1 July 2020. Accordingly, Goldsea intends to waive all Conditions to the Offers (other than the FIRB Approval Condition) if the aggregate of Goldsea's Relevant Interest in Shares and acceptances received under the Share Offer is at least 50.1% of Shares as at 7pm (Sydney time) on 30 June 2020. As disclosed below, the current deadline for the FIRB review process is also 30 June 2020.</p>
<p>FIRB Approval Condition</p> <p>Before the end of the Offer Period, either:</p> <ul style="list-style-type: none"> • Goldsea has received a written notice under FATA from the Treasurer (or the Treasurer's delegate) stating that, or to the effect that, the Commonwealth Government does not object to the acquisition of all the Alto Shares by Goldsea, either without conditions or subject only to standard tax conditions; or • following notice of the proposed acquisition of all the Alto Shares by Goldsea having been given by Goldsea to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part 3 of FATA. 	<p>Alto cautions that the Offers remain conditional on the FIRB Approval Condition being satisfied.</p> <p>As disclosed at section 5 of the Second Supplementary Bidder's Statement, Goldsea has agreed with FIRB to an additional voluntary extension until 30 June 2020 for FIRB to continue its process.</p> <p>Alto cautions that it has no control over the process with FIRB and there can be no certainty of a decision being reached within this further extended timeframe, or what that decision may be.</p>

Share Offer Condition	Alto comment
<i>Section 13.7(b) of the Bidder's Statement</i>	
<p>Material transactions and change of control provisions</p> <p>The Goldsea Offers remain subject to a number of other material conditions including, amongst other things, restrictions on:</p> <ul style="list-style-type: none"> • material transactions (<i>section 13.7(g) of the Bidder's Statement</i>); and • change of control provisions and exercise of third party rights (<i>section 13.7(h) of the Bidder's Statement</i>) 	<p>Goldsea provided confirmations in section 2 of its Supplementary Bidder's Statement that the specified existing potential breaches of these Conditions have been waived by Goldsea. Alto understands that this position remains unchanged.</p> <p>As stated above, Goldsea has also confirmed its intention to waive these Conditions if the aggregate of Goldsea's Relevant Interest in Shares and acceptances received under the Share Offer is at least 50.1% of Shares as at 7pm (Sydney time) on the day before Goldsea must give notice of the status of the Conditions.</p>

Alto cautions that the Offers remain conditional on the FIRB Approval Condition being satisfied. As disclosed above, Alto has no control over the process with FIRB and there can be no certainty of a decision being reached within the extended timeframe, or what that decision may be.

Alto also cautions that Habrok has stated that it does not currently intend to accept the Goldsea Share Offer in respect of any Shares it may control from time to time. Habrok has reserved the right to withdraw or otherwise act in a manner inconsistent with this statement of intention in the event that:

- (a) the FIRB Approval Condition is satisfied and all other Conditions are satisfied or waived, or Goldsea publicly announces an intention, conditional or otherwise, to waive those other Conditions; or
- (b) Goldsea publicly announces an intention, conditional or otherwise, to increase or vary the consideration under the Goldsea Share Offer.

Habrok stated that as at 31 May 2020, Habrok held a relevant interest in 12.6% of the Alto Shares. Accordingly, unless Goldsea waives the 90% minimum acceptance condition to its Share Offer, or the requisite preconditions are met for Habrok to resile from its statement of intention, and it does so and accepts the Goldsea Share Offer, the minimum acceptance condition to the Goldsea Share Offer will not be satisfied. Goldsea has confirmed that it remains its intention to waive the minimum acceptance condition if it holds a relevant interest in at least 50.1% of the Alto Shares on the day before Goldsea must give notice of the status of the defeating conditions of the Goldsea Share Offer (1 July 2020, or as may be subsequently extended if the Offer Period is extended).

4. Directors recommendation

4.1 Confirmation of recommendation

Each of the Directors continue recommend that you **ACCEPT** the Offers in the absence of a Superior Proposal. However, Shareholders and Optionholders should note that there is a risk that if they accept the Goldsea Share Offer or Options Offer (and do not exercise any rights of withdrawal they may have) while the Offers remain subject to the FIRB Approval Condition, they will not receive the consideration under the Offers, if FIRB approval is not forthcoming. However,

in that event they would retain their Alto Shares or Alto Options. Please refer to Section 4.3(c) for additional information.

As disclosed in Section 3 above, and section 5 of the Second Supplementary Bidder's Statement, the current statutory deadline for consideration of Goldsea's application by the FIRB is 30 June 2020. The closing date for the Offers is 7.00pm (Sydney time) on 8 July 2020 (unless withdrawn or further extended).

4.2 Intentions of the Directors in relation to the Offers

Each of the Directors intends to accept, or to procure the acceptance of, the Offers, in respect of all of the Shares and Options controlled or held by or on behalf of that Director or his associates, in the absence of a Superior Proposal. Such acceptance will occur no later than five Business Days before the end of the Offer Period (1 July 2020, subject to the Offers being withdrawn or further extended) in the absence of a Superior Proposal.

The Alto Shares which are held by your Directors and their Associates represent approximately 21.7%, in aggregate, of all the Alto Shares on issue at the time of this Supplementary Target's Statement.

The Alto Options which are held by your Directors and their Associates, with various maturity dates and exercise prices, represents approximately 21.9%, in aggregate, of all the Alto Options on issue at the time of this Supplementary Target's Statement.

The number of Alto Securities each Director holds or controls is set out in section 7.4 of the Target's Statement.

4.3 Other considerations and risks in deciding whether to accept the Offers

Although the Directors unanimously recommend that you **ACCEPT** the Offers in the absence of a Superior Proposal, there may be a number of disadvantages in doing so. A summary of some of those disadvantages is set out in section 3.4 of the First Supplementary Target's Statement.

In addition to the matters set out in section 3.4 of the First Supplementary Target's Statement, Shareholders and Optionholders should have regard to the following:

(a) **You may consider the Habrok Proposal to constitute a Superior Proposal**

As disclosed in Alto's ASX announcement of 22 May 2020, the Habrok Proposal to acquire the Alto Shares is intended to be unconditional, and at an offer price of \$0.066 per Alto Share.

Although the Habrok Proposal does not currently constitute an offer capable of acceptance by Alto shareholders, by virtue of section 631 of the Corporations Act, Habrok is required to make offers to Alto shareholders by no later than 22 July 2020. Alto understands that Habrok intends to make the formal offers within a shorter timeframe and has requested Alto's consent to early dispatch of the offers.

You may consider that the unconditional nature of the Habrok Proposal is such that it is superior to the Goldsea Share Offer, notwithstanding that the cash consideration proposed under the Habrok Proposal (\$0.066 per Alto Share) is less than the cash consideration proposed under the Goldsea Share Offer (\$0.075 per Alto Share).

Accepting the Goldsea Share Offer will deny you the ability to accept the offer when made by Habrok, unless you become entitled to withdraw your acceptance of the Goldsea Share Offer or the Goldsea Share Offer lapses.

For the avoidance of doubt, the Directors are unanimously of the view that the Habrok Proposal is **not** a Superior Proposal to the Share Offer.

Habrok has not yet made a statement of intention to make a takeover bid for the Alto Options under section 631 of the Corporations Act. Habrok stated in the Habrok Proposal that it is evaluating such a bid, at or above the price offered by Goldsea under the Goldsea Options Offer, but has not yet determined to make such a bid.

(b) **You may wish to sell your Shares on-market**

You may wish to cash out your investment in Alto on market. By doing so you would receive the proceeds of that sale of your investment sooner than the consideration under the Share Offer. Cashing out your investment on market also avoids the risk of the conditions of the Share Offer not being satisfied (or where possible, waived).

As at the close of trading on 2 June 2020 (being the latest practicable date prior to the lodgement of this Second Supplementary Target's Statement with ASIC), the price of Shares was \$0.073, which is less than the \$0.075 cash that you will receive for each Share under the Share Offer (subject to it becoming unconditional). You should also be aware that you may incur brokerage in any on-market sale. Although the Shares have recently traded at a price equal to or greater than \$0.075, there can be no certainty that this will continue for the duration of the Offer Period.

(c) **You may wish to wait until the FIRB Approval Condition has been determined**

As disclosed above, and in Alto's Target's Statement and First Supplementary Target's Statement, Alto has no control over the process with FIRB and there can be no certainty of a decision being reached within this further extended timeframe, or a what that decision may be.

Goldsea disclosed on 8 April 2020 that it applied for FIRB approval on 27 February 2020 and had anticipated a decision would be reached before the deadline of 27 April 2020. Goldsea disclosed in its First Supplementary Bidder's Statement that it had agreed to extend this deadline to 27 May 2020, and disclosed in its Second Supplementary Bidder's Statement it had agreed to further extend this deadline to 30 June 2020.

If you accept the Goldsea Offers you will not be able to accept a Superior Proposal (if a Superior Proposal were to emerge) or sell your Shares on-market unless you become entitled to withdraw your acceptance or the Goldsea Offers lapse.

The current statutory deadline for consideration of Goldsea's application by the FIRB is 30 June 2020. The closing date for the Offers is 7.00pm (Sydney time) on 8 July 2020 (unless withdrawn or further extended). Accordingly, Alto Shareholders and Optionholders may wish to consider the status of the FIRB Approval Condition before accepting the Goldsea Offers and restricting their ability to deal with their Alto Shares and Options.

5. Withdrawal rights

As a result of the Offers being extended, Alto Shareholders and Optionholders who validly accepted the Offers on or before 28 May 2020 have the right to withdraw their acceptance. Details of how to exercise your right to withdraw your acceptance of the Goldsea Offers are set out in:

- (a) section 4 of Goldsea's Notice of variation of Share Offer - increase in share offer price and extension of share offer period, dated 28 May 2020; and
- (b) section 3 of Goldsea's Notice of variation of Options Offer - extension of option offer period, dated 28 May 2020.

6. Authorisation

Mr Richard Monti, the Non-Executive Chairman of Alto, is authorised to sign this Second Supplementary Target's Statement pursuant to a resolution passed by the Directors on 3 June 2020.



Mr Richard Monti
Non-Executive Chairman
Dated: 3 June 2020