

PRESS RELEASE**Goldsea announces intention to make a cash takeover offer for Alto Metals Limited**

- Intention to make all-cash takeover offer of A\$0.065 per Alto share
- Compelling opportunity for Alto shareholders to realise certainty of value
- Attractive 93% premium to the one-month Volume Weighted Average Price of A\$0.034 per Alto share
- No Chinese government approvals condition
- Enables the consolidation of the Sandstone Gold Project within Goldsea's mining portfolio

Goldsea Australia Mining Pty Ltd (**Goldsea**), an Australian subsidiary wholly owned by Shandong Goldsea Group Co. Ltd (**Goldsea Group**), has today announced its intention to make an off-market takeover offer (**Offer**) to acquire all of the issued ordinary shares in Alto Metals Limited (**Alto**) (ASX:AME) for A\$0.065 cash per share (**Offer Price**). This is an all-cash transaction that values the equity of Alto at approximately A\$20.70 million.¹

Alto is a gold exploration company holding a 100% interest in the Sandstone Gold Project which comprises approximately 800 km² of the prospective Sandstone Greenstone Belt, ~600km north of Perth in the East Murchison Mineral Field of Western Australia.

Goldsea Group is a privately owned diversified operating business and currently operates three underground gold mines in China. The Offer is intended to enable the full consolidation of the Sandstone Gold Project within Goldsea Group's portfolio.

Compelling offer for Alto shareholders

The Offer Price represents an attractive premium to Alto's historical trading prices. Based on the price of the Alto shares up to and including 20 February 2020 (being the last practicable trading day prior to this announcement), the Offer Price represents a premium of:

- 103% to A\$0.032, the last closing price of Alto shares on 20 February 2020;
- 93% to A\$0.034, the one-month Volume Weighted Average Price (**VWAP**) of Alto shares;
- 86% to A\$0.035, the three-month VWAP of Alto shares; and
- 83% to A\$0.036, the six-month VWAP of Alto shares.

The Offer Price also represents a premium of 81% to Alto's capital raising price of A\$0.036 per share in May 2019.

¹ Based on Alto's total issued capital of 293,373,781 ordinary shares and 25,000,000 Performance Shares on issue as at the date of this announcement. Given 78,842,567 unlisted options exercisable at \$0.07 and with varying expiry dates are 'out of the money' at the Offer Price of \$0.065, Goldsea does not expect these options to be exercised during the Offer Period and therefore the equity value calculated above is based on the Alto shares and Performance Shares only. Alto's Appendix 3B dated 24 December 2019 lists 2,250,000 Class C Performance Rights and 2,250,000 Class D Performance Rights as being on issue but based on Alto's notice of meeting dated 20 October 2016 Goldsea understands these securities expired on 8 June 2019 and 8 December 2019 respectively after failing to satisfy the gold production hurdle. Goldsea expects Alto to clarify its capital structure.

In addition, the Offer provides Alto shareholders with cash certainty compared to the uncertainty of remaining an Alto shareholder, given the likelihood for further dilutive equity fundraisings, exposure to exploration and project development risks and Alto's limited trading liquidity.

Mr Jianjun Li, Chairman of the Goldsea Group, commented, "*We are convinced that our Offer is a unique opportunity for Alto shareholders. The Offer provides certainty of value at a genuinely attractive cash price for Alto shares. For Goldsea, this is a logical step, in line with the Group's strategy, to bring the ownership of the Sandstone Gold Project within its portfolio. Given the nature of Sandstone Gold Project exploration and potential restart, we believe that the Sandstone Gold Project would be best placed being wholly-owned within a larger, diversified portfolio such as Goldsea's.*"

Offer conditions – No funding or Chinese regulatory approvals

The Offer is subject to conditions, including a 90% minimum acceptance condition and approval of the Australian Foreign Investment Review Board (**FIRB**), which Goldsea intends to apply for in the coming days. A full list of proposed bid conditions is provided in Annexure 1 of this announcement.

The Offer extends to all Alto securities which come in to the bid class during the Offer period as a result of the conversion of performance shares or the exercise of unlisted options.²

Goldsea has chosen to present this Offer directly to Alto shareholders following unsuccessful attempts to meaningfully engage with the Alto Board on a recommended asset level transaction on the Sandstone Gold Project. Given Goldsea has not had access to due diligence information from Alto, Goldsea requires a site visit and customary information to confirm title, assess environmental and rehabilitation obligations and confirm the veracity of the existing JORC Code mineral resource on the Sandstone Gold Project. The Offer therefore includes a limited due diligence condition contemplated in the proposed bid conditions as provided in the Annexure 1 of this announcement.

Goldsea intends to finance the Offer using the existing cash holdings of Mr Jiang Li, Chief Executive Officer of Goldsea Group and his wholly owned private company, Singapore J&Y Investment Pte Ltd. These funds are immediately available to Goldsea pursuant to a binding commitment letter for the aggregate Offer consideration and associated transaction costs.

Further details about the Offer will be contained in Goldsea's Bidder's Statement which will be sent to Alto shareholders in due course. Goldsea currently expects its Bidder's Statement to be dispatched to Alto's shareholders early in March 2020.

About Goldsea Group

The privately owned Goldsea Group comprises a diversified group of companies with a focus on the mining, venture capital, real estate, civil engineering construction and ecological sectors and currently employs approximately 800 employees. As at 31 December 2019, the Goldsea Group had net assets of approximately CNY 2.35 billion (A\$503.1 million) and net cash position of CNY 654 million (A\$140.0 million).³ A company wholly owned by Goldsea Group Chairman, Mr Jianjun

² As noted in footnote 1, Alto's latest Appendix 3B dated 24 December 2019 states Performance Rights remain on issue which appear to have expired. Based on Goldsea's review of publicly available information, Alto has not disclosed if the 25,000,000 Performance Shares are subject to conversion on a change of control. If all unvested Performance Shares convert on a change of control, and the holders accept the Offer in respect of the Shares issued to them on a 1:1 basis, an additional A\$1,625,000 will be payable by Goldsea under the Offer. Goldsea expects Alto to clarify the terms of the Performance Shares.

³ Based on the AUD:CNY Reserve Bank of Australia conversion rate of 4.67 as at 20 February 2020.

Li, GS Group Australia Pty Ltd, currently holds 8,511,856 Alto shares or 2.90% of Alto (on an undiluted basis).

Goldsea Group is committed to mineral development and resource exploration through its wholly owned subsidiaries. The Goldsea Group's three gold mining entities, being Jinlong Gold Mining Co. Ltd and Jintai Mining Investment Co. Ltd in Shangdong Province, and Jiangyi Mining Co. Ltd in Xinjiang Province in China. The combined entities had an average ore mining capacity of 0.8 Mtpa, resulting in gold production of approximately 110,000 ounces during the prior 3 calendar years ending 31 December 2019.

This announcement has been authorised by the Board of Goldsea.

Advisers

Goldsea has engaged PCF Capital Group as financial adviser and Gilbert + Tobin as legal adviser in relation to the Offer.

Investor and media enquiries:

PCF Capital Group

Graeme Testar: Director, Corporate Finance & Capital Markets
Samuel Main: Manager
+61 8 9486 7111

Annexure 1 – Offer Conditions

(a) Minimum acceptance

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).

(b) FIRB

Before the end of the Offer Period, either:

- (i) 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 under the Transaction, either without conditions or subject only to Standard Tax Conditions; or
- (ii) following notice of the proposed acquisition of all the Alto Shares by Goldsea under the Transaction 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.

(c) No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no litigation against any Alto Group Member which may reasonably result in a judgment of \$100,000 or more is commenced, is threatened to be commenced, is announced, or is made known to Goldsea (whether or not becoming public) or Alto.

(d) Cooperation and equal access to information

Between the Announcement Date and the end of the Offer Period (each inclusive), Alto promptly (and in any event within three business days of a request) provides Goldsea with the following access and information which Goldsea may from time to time reasonably request in connection with the Transaction:

- (i) information (including a site visit) to the Sandstone Gold Project by Goldsea personnel and representatives in order to:
 - (A) undertake a customary environmental review on the Tenements by Goldsea to confirm compliance by the Alto Group Members with material environmental, operating and rehabilitation approvals and obligations for activities conducted on the Tenements and to confirm there are no material undisclosed liabilities affecting the Tenements in excess of \$100,000 or otherwise materially impacting the exploration and exploitation of the Tenements; and
 - (B) confirm Alto's Total Indicated & Inferred Mineral Resources (JORC 2012) for the Sandstone Gold Project released to the ASX on 11 June 2019 is accurate in all material respects;
- (ii) information and agreements in respect of the registered interests over the Tenements and review agreements, if any, containing unregistered third-party interests affecting the Tenements to confirm there are no material undisclosed liabilities affecting the Tenements in excess of \$100,000 or otherwise materially impacting the exploration and exploitation of the Tenements; and
- (iii) information which has been provided by Alto or its Associates to any other bidder or potential bidder for Alto (whether by takeover, scheme of arrangement or other proposal or

proposals likely to lead to a change of control of an Alto Group Member or the acquisition of substantially all the assets and operations of Alto).

(e) No restraints

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no judgment, injunction, order or decree which restrains or enjoins or otherwise prohibits the Offer or the completion of the Transaction.

(f) Regulatory approvals

Between the Announcement Date and the end of the Offer Period (each inclusive), any approvals, consents, waivers, exemptions or declarations that are required by law, or by any Government Agency, to permit:

- (i) the Offer to be lawfully made to and accepted by Alto Shareholders; and
- (ii) the Offer to be completed,

are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew them.

(g) No material acquisitions or disposals

Between the Announcement Date and the end of the Offer Period (each inclusive), no Alto Group Member acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any material asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in the manner in which the Alto Group conducts its business or the nature (including balance sheet classification), extent or value of the assets or liabilities of the Alto Group as at the Announcement Date.

Without limitation, the following events or actions will be deemed to trigger this condition:

- (i) any Alto Group Member disposes of, or enters into or announces any agreement for the disposal of, any Tenement or any interest in any Tenement;
- (ii) any Alto Group Member makes any change to its constitutional documents;
- (iii) any Alto Group Member commences business activities not already carried out as at the Announcement Date, whether by way of acquisition or otherwise;
- (iv) any Alto Group Member acquires, leases, disposes of, or agrees to acquire, lease or dispose of, any business, assets, entity or undertaking, the value of which exceeds A\$100,000 (individually or in aggregate);
- (v) any Alto Group Member enters into any contract or commitment (including in respect of financial indebtedness) requiring payments by the Alto Group in excess of A\$100,000 (individually or in aggregate) other than any payment required by law; or
- (vi) any Alto Group Member agrees to incur capital expenditure from the Announcement Date of more than A\$100,000 (individually or in aggregate).

(h) Third party rights

Between the Announcement Date and the end of the Offer Period (each inclusive), no Third Party exercises, purports to exercise, or announces an intention to exercise, any change of control rights, pre-emptive rights, deemed offer or disposal or similar right in any Material Contracts to which any Alto Group Member is party, as a result of either the announcement of the Offer or any change of control which may occur as a result of acceptances of the Offer.

(i) No Prescribed Occurrence

Between the Announcement Date and the end of the Offer Period (each inclusive), no Prescribed Occurrence happens.

Definitions

Announcement Date means 21 February 2020, being the date of this announcement.

Alto means Alto Metals Limited (ACN 159 819 173).

Alto Group means Alto and each of its Related Bodies Corporate.

Alto Group Member means any member of the Alto Group.

Alto Shareholders means each person who is registered in the register of members of Alto as the holder of Alto Shares from time to time.

Associate has the meaning set out in Division 2 Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act.

Alto Shares means fully paid ordinary shares issued in the capital of Alto.

Corporations Act means the *Corporations Act 2001* (Cth).

FATA means *the Foreign Acquisitions and Takeovers Act 1975* (Cth).

Goldsea means Goldsea Australia Mining Pty Ltd ACN 637 464 601.

Material Contract means any agreement or other instrument to which any member of the Alto Group is a party, or by to which any member of Alto Group or any of its assets may be bound or subject, and which is material to the Alto Group taken as a whole, including any agreement or other instrument which:

- (a) relates to the Tenements;
- (b) has a value, or involves revenue or expenditure over the life of the contract, in excess of \$250,000; or
- (c) is entered into by an Alto Group Member in connection with the Sandstone Gold Project.

Offer Period means the period the Offers are open for acceptance.

Prescribed Occurrence means the occurrence of any of the following where that occurrence was not consented to by Goldsea in writing:

- (a) any Alto Group Member converting all or any of its securities into a larger or smaller number of securities;
- (b) any Alto Group Member resolving to reduce its capital in any way or reclassifying, combining, splitting, redeeming or cancelling directly or indirectly any of its securities;
- (c) any Alto Group Member entering into a buy-back agreement or resolving to approve the terms of such an agreement;
- (d) any Alto Group Member making an issue of its securities or granting an option over its securities or agreeing to make such an issue or grant such an option;
- (e) any Alto Group Member issuing, or agreeing to issue, convertible notes;

- (f) any Alto Group Member disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
- (g) any Alto Group Member charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) any Alto Group Member resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of any Alto Group Member;
- (j) the making of an order by a court for the winding up of any Alto Group Member;
- (k) an administrator of any Alto Group Member being appointed;
- (l) any Alto Group Member executing a deed of company arrangement; or
- (m) the appointment of a receiver or a receiver and manager in relation to the whole, or a substantial part, of the property of any Alto Group Member.

Related Body Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning it has in the Corporations Act.

Standard Tax Conditions means the conditions set out in the list of standard tax conditions published in Guidance Note 47 on the website of the Foreign Investment Review Board and such other Tax-related conditions as are customarily imposed by the Foreign Investment Review Board (including, for the avoidance of doubt, conditions requiring information or confirmations to be provided in respect of matters such as ownership structure, borrowings, capital structure, related party financing, cross border related party financing arrangements, distributions, tax consolidation, arrangements covered by “Taxpayer Alerts” and thin capitalisation rules).

Tenements are set out in Annexure 2.

Third Party means a person not being any of the following:

- (a) Goldsea;
- (b) a Related Body Corporate of Goldsea;
- (c) a representative of Goldsea; or
- (d) an Associate of Goldsea.

Transaction means the acquisition by Goldsea of all Alto Shares under the Offer.

Annexure 2 – Sandstone Gold Project Tenements

Tenement details	Status	Registered and beneficial holder(s)	Alto % interest in Tenement
E57/1101	Live	Sandstone Exploration Pty Ltd	100%
E57/1029	Live	Sandstone Exploration Pty Ltd	100%
E57/1030	Live	Sandstone Exploration Pty Ltd	100%
E57/1031	Live	Sandstone Exploration Pty Ltd	100%
E57/1033	Live	Sandstone Exploration Pty Ltd	100%
E57/1044	Live	Sandstone Exploration Pty Ltd	100%
E57/1072	Live	Sandstone Exploration Pty Ltd	100%
M57/646	Live	Sandstone Exploration Pty Ltd	100%
M57/647	Live	Sandstone Exploration Pty Ltd	100%
M57/650	Pending	Sandstone Exploration Pty Ltd	100%
M57/651	Pending	Sandstone Exploration Pty Ltd	100%
M57/652	Pending	Sandstone Exploration Pty Ltd	100%
P57/1377	Live	Sandstone Exploration Pty Ltd	100%
P57/1378	Live	Sandstone Exploration Pty Ltd	100%
P57/1417	Live	Sandstone Exploration Pty Ltd	100%