



TARGET'S STATEMENT

Issued by

Alto Metals Limited

ACN 159 819 173

in relation to the off-market takeover bid by

Goldsea Australia Mining Pty Ltd

ACN 637 464 601

a wholly owned subsidiary of Shandong Goldsea Group Co. Ltd,
to acquire all of your shares and options in Alto Metals Limited.

Alto Metals Limited's Directors unanimously recommend that you

 **REJECT**

Goldsea Australia Mining Pty Ltd's Share Offer and Option Offer.

Legal Adviser:

HWL
EBSWORTH
LAWYERS

Corporate Adviser:

 **LONGREACH**
CAPITAL

THIS IS AN IMPORTANT DOCUMENT

If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

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LETTER FROM THE CHAIRMAN

Dear Shareholders and Optionholders

On 21 February 2020, Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (**Goldsea**), a wholly owned subsidiary of Shandong Goldsea Group Co Ltd announced an intention to make an unsolicited, off-market, cash takeover offer for all the shares in Alto Metals Limited (ACN 159 819 173) (**Alto**).

You should have received the Bidder's Statement from Goldsea containing offers to acquire all of your fully paid ordinary shares in Alto for consideration of \$0.065 cash per share (**Share Offer**) and all of your Alto Options (being, in respect of all Alto Optionholders, a total of 78,842,567 Alto Options) for the consideration as set out in the table in Section 1.1 of this Target's Statement (**Option Offer**), together the (**Offers**).

There are a number of conditions to the Share Offer, including, amongst other things, a condition that at the end of the Offer Period Goldsea has a Relevant Interest in at least 90% of the Alto Shares (on a fully diluted basis). The Option Offer is subject to a condition that the Share Offer is declared unconditional in all respects.

On 14 and 15 April 2020, Adaman Minerals Pty Ltd (**Adaman**) bought an aggregate of 30,325,000 Alto Shares on market, representing 10.3% of the Alto Shares on issue. Adaman also provided Alto with a confidential funding proposal, which the Alto Board declined on the basis of the unacceptable terms offered. Alto has requested formal confirmation of Adaman's intention in respect of the Goldsea Share Offer but, as at the time of finalising this Target's Statement, has not received this formal confirmation.

On the basis of the actions of Adaman to date, the Alto Board considers that it is unlikely that Adaman is minded to accept the Share Offer at this time. If this is the case, it will not be possible for the minimum acceptance condition of the Goldsea Share Offer to be satisfied. In light of this position, Alto requested that Goldsea consider waiving its minimum acceptance condition. At the time of finalising this Target's Statement, Goldsea has declined to grant such waiver.

As a result of the above, the Alto Board considers that it has no reasonable basis to assume that the conditions to the Goldsea Offers will be satisfied. For this reason, and the other reasons detailed in this Target's Statement, the Alto Board recommends that Alto Shareholders and Optionholders **REJECT** the Goldsea Offers.

Accepting the Offers will deny you the benefit of any subsequent Superior Proposal by another party should one emerge during the Offer Period, unless you become entitled to withdraw your acceptance (see Section 5.7 for an explanation of the limited circumstances where an acceptance may be withdrawn) or the Offers lapse. You will also give up your right to deal with your Shares and Options whilst the Offers remains open.

The Directors may change their recommendation in the event of a variation to the Offers. Any such change in recommendation would be communicated to Shareholders and Optionholders by way of an ASX announcement and supplementary target's statement.

The Directors recommend that you read this Target's Statement in its entirety and in conjunction with the Bidder's Statement you have received from Goldsea. In assessing whether or not to accept the Offers, you should consider the information provided to you in the Target's Statement, the risks and potential rewards of remaining an Alto Shareholder and/or Alto Optionholder and your own personal circumstances.

If you have any questions in relation to the Offers as a Shareholder and/or an Optionholder, I encourage you to seek either financial or legal advice without delay.

Yours faithfully

Richard Monti
Non-Executive Chairman

The Directors unanimously recommend that you REJECT the Offers, given that:

- 1. The Offers are subject to a number of Conditions which are unlikely to be satisfied.**
- 2. If you accept the Offers, you are unable to accept a Superior Proposal if one emerges.**
- 3. There may be tax implications for you if you accept the Offers.**

The full basis for the Directors' recommendation is provided in Section 2.1 of this Target's Statement.

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IMPORTANT INFORMATION

Important Information

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

Shareholder and Optionholder Information

If Shareholders and Optionholders have any queries in relation to the Offers, they may call the Company on +61 (08) 9381 2808 on weekdays between 9.00am and 5.00pm (Perth time) or visit Alto's website at www.altometals.com.au.

Nature of this document

This Target's Statement is dated 20 April 2020 and is given under Part 6.5 Division 3 of the Corporations Act by Alto Metals Limited ACN 159 819 173 (**Alto**) in response to the Bidder's Statement lodged by Goldsea Australia Mining Pty Ltd ACN 637 464 601 (**Goldsea**) with ASIC and served on Alto by Goldsea on 24 March 2020.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and given to ASX on 20 April 2020. Neither ASIC or ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

No account of personal circumstances

The recommendations of the Directors contained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Shareholder and Optionholder. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offers.

Defined terms

This Target's Statement uses a number of capitalised terms that are defined in Section 12, which also contains some of the rules of interpretation that apply to this Target's Statement.

Forward-looking statements

This Target's Statement contains various forward-looking statements. Statements other than statements of historical fact may be forward-looking statements. Shareholders and Optionholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Alto. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement.

These forward looking statements are based on present economic and business conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Target's Statement, are considered reasonable.

None of Alto, its officers, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking

statement, or any results, values, performances or achievements expressed or implied in any forward-looking statement, except to the extent required by law. Shareholders and Optionholders should not place undue reliance on any such statement.

The forward-looking statements in this Target's Statement on behalf of Alto only reflect views held as at the date of this Target's Statement.

Notice to foreign parties

The distribution of this Target's Statement may, in some countries, be restricted by law or regulation. Persons who come into possession of this Target's Statement should inform themselves of and observe those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside of Australia.

Information on Goldsea in this Target's Statement

Except where disclosed otherwise, the information on Goldsea in this Target's Statement has been obtained from the Bidder's Statement and other publicly available information. Alto and its Directors are unable to verify the accuracy or completeness of the information on Goldsea. Subject to the Corporations Act, neither Alto, nor its officers make any representation or warranty, express or implied, regarding such information and disclaim any responsibility in respect of that information.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy statement

Alto has collected your information from the Register for the purpose of providing you with this Target's Statement. The type of information that Alto has collected about you includes your name, contact details and information on your shareholding or optionholding in Alto. The Corporations Act requires the name and address of Shareholders and Optionholders to be held in a public register.

Alto has also provided or will provide personal information about its Shareholders and Optionholders to Goldsea in accordance with the Corporations Act and the ASX Settlement Operating Rules.

KEY POINTS

Goldsea is offering the Share Consideration for each Share you hold and the Option Consideration for each Option you hold.

Your choices are to:

1. **REJECT the Offers and do nothing.**
2. **ACCEPT** the Offers and sell all of your Shares and Options off-market to Goldsea at the Offer Consideration.
3. Sell your Shares on-market or off-market to a third party (unless you have previously accepted the Share Offer and not validly withdrawn your acceptance). All Options are unquoted and may only be sold to a third party via off-market transfer (unless you have previously accepted the Option Offer and not validly withdrawn your acceptance).

The Offers are off-market. If you do accept the Offers or otherwise sell your Shares or Options, you will not be able to participate in any Superior Proposal or other offer that may emerge, subject to you being entitled to withdraw your acceptance in accordance with the Corporations Act.

The Offers will expire at 7.00pm (AEST) on 8 May 2020 (unless extended or withdrawn by Goldsea beforehand).

IMPORTANT DATES

Event	Date
Offers received	24 March 2020
Offer Period commences	8 April 2020
Date of this Target's Statement	20 April 2020
Close of the Offer Period (unless extended or withdrawn)	7.00pm (AEST) on 8 May 2020

Note:

The above dates are indicative only and may change without notice.

REASONS WHY YOU SHOULD REJECT THE OFFERS

The Offers are subject to a number of Conditions which are unlikely to be satisfied.	Section 2.1(a)
If you accept the Offers, you are unable to accept a Superior Proposal if one emerges.	Section 2.1(b)
There may be tax implications for you if you accept the Offers	Section 2.1(c)

FREQUENTLY ASKED QUESTIONS

This Section is not intended to address all issues relevant to you. This Section should be read together with all other parts of this Target's Statement.

Question	Answer	Further Information
Takeover Documents		
What is the Bidder's Statement?	The Bidder's Statement is the document from Goldsea containing the Offers. You should have received a copy of the Bidder's Statement prior to this Target's Statement.	-
What is the Target's Statement?	<p>This document is the Target's Statement. The Target's Statement contains Alto's formal response to the Offers and includes the recommendations of the Directors in relation to the Offers.</p> <p>The Directors encourage you to review the information in this Target's Statement and the Bidder's Statement carefully before making a decision as to whether to accept the Offers.</p>	-
The Offer		
Who is making the Offers?	<p>Goldsea Australia Mining Pty Ltd (ACN 637 464 601) (Goldsea), a wholly owned subsidiary of Shandong Goldsea Group Co. Ltd (Shandong).</p> <p>Shandong is a diversified privately owned group of companies with a focus on the mining, venture capital, real estate, civil engineering construction and ecological sectors. 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).¹</p> <p>A primary focus of the Goldsea Group is on mineral development and resource exploration through its three gold mining companies, being Jinlong Gold Mining Co. Ltd and Jintai Mining Investment Co. Ltd in Shandong Province and Jiangyi Mining Co. Ltd in Xinjiang Province in China. The combined entities had an average ore mining capacity of 800,000 tonnes per annum producing approximately 110,000 ounces of gold during the three calendar years ending 31 December 2019.</p>	Section 8 Bidder's Statement – section 6
What are the Offers?	Goldsea is offering, via an off-market takeover bid, to acquire all of the fully paid ordinary shares in Alto at \$0.065 cash per Share.	Section 5 Bidder's Statement –

¹ AUD figures in the Goldsea financial report are based on the AUD:CNY Reserve Bank of Australia average conversion rate of 4.90 for the 2019 calendar year, current AUD figures based on the AUD:CNY Reserve Bank of Australia conversion rate of 4.67 as at 20 February 2020.

Question	Answer	Further Information
	<p>In addition, Goldsea is offering to acquire all of the Alto Options on issue for the Option Consideration.</p> <p>The Offers have been open for acceptance since 8 April 2020 and will remain open until 7.00pm (AEST) on 8 May 2020, unless extended or withdrawn by Goldsea.</p>	section 13 and 14
What are the conditions of the Offers?	<p>The Share Offer is subject to a number of Conditions, detailed in section 13.7 of the Bidder's Statement.</p> <p>The Option Offer is subject to a number of Conditions, detailed in section 14.8 of the Bidder's Statement.</p> <p>Unless all Conditions are satisfied or otherwise waived, the Offers will not proceed.</p> <p>See Section 5.3 for further details.</p>	<p>Sections 5.3 and 5.4</p> <p>Bidder's Statement – sections 13.7 and 14.8</p>
Can Goldsea vary the Offers?	<p>Yes, Goldsea can vary the Offers by increasing the consideration offered, waiving any of the Conditions or extending the Offer Period.</p> <p>Goldsea has not indicated whether it intends to vary the Offers.</p>	<p>Section 5.5</p> <p>Bidder's Statement – sections 13.12 and 14.13</p>
Your Choices		
What choices do I have as a Shareholder and/or Optionholder?	<p>As a Shareholder and/or Optionholder you can:</p> <ul style="list-style-type: none"> • REJECT the Offers and do nothing. The Directors recommend that you reject the Offers. • Accept the relevant Offer and sell all of your Shares and/or Options off-market to Goldsea at the Offer Consideration. • Sell your Shares on-market or off-market to a third party (unless you have previously accepted the Share Offer and not validly withdrawn your acceptance). All Options are unquoted and may only be sold to a third party via off-market transfer (unless you have previously accepted the Option Offer and not validly withdrawn your acceptance). 	Section 4
What are the Directors recommending?	<p>The Directors unanimously recommend that you REJECT the Offers for the reasons set out in this Target's Statement.</p>	Sections 1 and 2.1
What do the Directors intend to do with their Shares and Options?	<p>Each of the Directors that holds Shares and Options intends to reject the Offers in respect of all of the Shares and Options controlled or held by or on behalf of that Director or his associates.</p>	Section 1.3

Question	Answer	Further Information
Acceptance of the Offers		
How do I accept the Offers?	<p>To accept the Offers, you should carefully follow the instructions in section 1 of the Bidder's Statement and the relevant Acceptance Form/s.</p> <p>Please note that you can only accept the Offers in relation to <u>all</u> of your Shares and/or Options.</p>	Section 4(a) Bidder's Statement – section 1
What are the consequences of accepting the Offers now?	<p>If you accept the Offers now and do not validly withdraw your acceptance:</p> <ul style="list-style-type: none"> • you will not be able to participate in any Superior Proposal made by a third party; and • you will not otherwise be able to sell your Shares and Options. 	Sections 2.1(b), and 4(c)
If I accept the Offers now, can I withdraw my acceptance?	You may only withdraw your acceptance in the following limited circumstances: if the Offers are still subject to any of the Conditions and Goldsea varies the Offers in a way that extends the time it has to provide consideration under the Offers by more than 1 month.	Section 5.7
Can I be forced to sell my Shares and Options?	You cannot be forced to sell your Shares and Options unless Goldsea proceeds to compulsory acquisition. If Goldsea proceeds to compulsory acquisition you will receive the same consideration as if you had accepted the Offers.	Section 5.10 Bidder's Statement – section 10.2
When do the Offers close?	The Offers are presently scheduled to close at 7.00pm (AEST) on 8 May 2020, but the Offer Period can be extended in certain circumstances in accordance with the Corporations Act.	Sections 5.2 and 5.5
When will I be paid if I accept the Offers?	<p>In the usual case, you will be issued your Offer Consideration on or before the earlier of:</p> <ul style="list-style-type: none"> • the day that is one month after the date of your acceptance (if the Offers are, at the time of acceptance, unconditional) or, if at the time of your acceptance the Offers are subject to one or more Offer Conditions, one month after the Offers become, or are declared, unconditional; and • the day that is 21 days after the end of the Offer Period (assuming the Offers become, or are declared, unconditional). <p>Full details of when you will be issued Offer Consideration are set out in sections 13.6 and 14.7 of the Bidder's Statement.</p>	Section 4(a) Bidder's Statement – section 13.6 and 14.7

Question	Answer	Further Information
Additional Information		
Will there be any costs associated with accepting the Offers?	<p>No brokerage or stamp duty will be payable as a result of your acceptance of the Offers.</p> <p>However, if you hold your Shares and/or Options through CHESS or through a bank, custodian or other nominee, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offers.</p>	Bidder's Statement – section 4.5
What are the tax implications of accepting the Offers?	<p>A general outline of the tax implications for certain Australian resident Shareholders and Optionholders of accepting the Offers is set out in Section 9 of this Target's Statement and section 11 of the Bidder's Statement.</p> <p>You should not rely on these outlines as advice on your own affairs. They do not deal with the position of particular Shareholders and Optionholders. You should seek your own personal, independent financial and taxation advice before making a decision as to whether to accept or accept the Offers for your Shares and Options.</p>	Section 9 Bidder's Statement - section 11
Can overseas Shareholders and Optionholders accept the Offers?	<p>The Offers are not registered in any jurisdiction outside Australia unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC. It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Offers.</p> <p>Foreign Alto Shareholders or Alto Optionholders will be paid the same cash consideration as stipulated under the relevant Offer. You will be paid in Australian dollars by cheque drawn on an Australian bank branch. However, an amount may be withheld in accordance with section 11.6 of the Bidder's Statement which addresses CGT withholding obligations in relation to Foreign Alto Shareholders and Alto Optionholders.</p> <p>Foreign Alto Shareholders and Alto Optionholders may also be subject to the tax consequences in their jurisdiction if they accept the Offers.</p>	Bidder's Statement – section 11.6
How do I get updates on the Share price?	You can check the market price for all ASX listed securities by visiting www.asx.com.au . The ticker code for Shares is AME.	-

Question	Answer	Further Information
Can I participate in the Offers in respect of my Performance Shares?	<p>Goldsea is not making a separate takeover offer to holders of Alto Performance Shares. However, the Share Offer extends to any Shares that are issued after the Register Date and during the Offer Period as a result of the valid vesting of Alto Performance Shares.</p> <p>See section 8.3 of the Bidder's Statement.</p>	Bidder's Statement – section 8.3
Further enquiries	<p>For further information in relation to the Offers:</p> <ul style="list-style-type: none"> • see the Bidder's Statement for the full terms and conditions of the Offers; and • consult your broker, financial adviser, accountant, lawyer, taxation specialist and/or any other professional adviser. 	-

1. Recommendations of the Directors

1.1 Summary of the Offers

The consideration being offered by Goldsea under the Share Offer is \$0.065 in cash for each Share you own.

The consideration being offered by Goldsea under the Option Offer for each Option you own is the Option Consideration, as outlined below:

Tranche	Key terms	Total number on issue	Consideration for each Alto Option
1	Exercisable at \$0.07 expiring 17 August 2020	4,571,711	\$0.012
2	Exercisable at \$0.07 expiring 13 November 2020	28,437,523	\$0.015
3	Exercisable at \$0.07 expiring 18 January 2021	8,333,333	\$0.017
4	Exercisable at \$0.07 expiring 9 March 2021	30,000,000	\$0.018
5	Exercisable at \$0.07 expiring 29 November 2023	7,500,000	\$0.034
	Total:	78,842,567	

The Offers are cash offers and are conditional upon the satisfaction or waiver of each of the Conditions, including the Minimum Acceptance Condition (as described in further detail in Section 5.3).

1.2 Directors' recommendation

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of the Directors recommend that you REJECT the Offers.

In making this recommendation, each Director has considered the merits of the Offers and weighed up the factors for and against acceptance. A summary of the reasons for the Directors' recommendation is provided in Section 2.

When making your decision, you should:

- read this Target's Statement and the Bidder's Statement in their entirety;
- carefully consider the terms and conditions of the Offers, as set out in sections 13 and 14 of the Bidder's Statement and summarised in Section 5 below, and be aware that the Offers are conditional upon the Conditions being satisfied or waived, including the Minimum Acceptance Condition;

- (c) carefully consider the choices available to you as a Shareholder and/or Optionholder, including the risks in accepting the Offers as set out in Section 2.1 and the consequences of becoming a minority Shareholder, as set out in Section 3.4;
- (d) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (e) obtain personal advice from your broker, financial adviser, accountant, lawyer, taxation specialist and/or any other professional adviser in regard to the Offers and the effect of accepting the Offers.

The Directors' recommendation is given as at the date of this Target's Statement. The Directors reserve the right to change their recommendation should new circumstances arise.

1.3 Intentions of the Directors in relation to the Offers

Each of the Directors intends to reject the Offers, in respect of all of the Shares and Options controlled or held by or on behalf of that Director or his associates.

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

The number of Alto Securities each Director holds or controls is set out in Section 7.4.

1.4 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a Superior Proposal, the waiver of a Condition or an increase in the Offer Consideration) which would alter the Directors' recommendations in relation to the Offers, you will be notified through an ASX announcement and/or a supplementary target's statement.

2. Why you should reject the Offers

The key reasons for your Directors' recommendation to REJECT the Offers are listed below. Further explanation for each reason is provided in the remainder of Section 2.

- **The Offers are subject to a number of Conditions which are unlikely to be satisfied;**
- **If you accept the Offers, you are unable to accept a Superior Proposal if one emerges; and**
- **There may be tax implications if you accept the Offers.**

2.1 Reasons to reject the Offers

(a) The Offers are subject to a number of Conditions which are unlikely to be satisfied

The Offers are subject to a number of Conditions, which are summarised in Section 5.3 of this Target's Statement and set out in full in sections 13.7 and 14.8 of the Bidder's Statement.

A number of these Conditions will not be, or are presently considered unlikely to be, satisfied. These include the following:

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>On 14 and 15 April 2020, Adaman Minerals Pty Ltd (Adaman) bought an aggregate of 30,325,000 Alto Shares on market, representing 10.3% of the Alto Shares on issue. Adaman also provided Alto with a confidential funding proposal, which the Alto Board declined on the basis of the unacceptable terms offered. Alto has requested formal confirmation of Adaman's intention in respect of the Goldsea Share Offer but, as at the time of finalising this Target's Statement, has not received this formal confirmation.</p> <p>On the basis of the actions of Adaman to date, the Alto Board considers that it is unlikely that Adaman is minded to accept the Share Offer at this time. If this is the case, it will not be possible for the Minimum Acceptance Condition to be satisfied. In light of this position, Alto requested that Goldsea consider waiving its Minimum Acceptance Condition. At the time of finalising this Target's Statement, Goldsea has declined to provide such waiver.</p> <p>In addition to the above concerns, the Minimum Acceptance Condition is expressed to be on a 'fully diluted basis'.</p> <p>Alto currently has the following securities on issue (together, Alto Securities):</p> <ul style="list-style-type: none"> • 293,373,781 Shares; • 78,842,567 Options; and

Share Offer Condition	Alto comment
	<ul style="list-style-type: none"> • 25,000,000 Performance Shares. <p>The Shares and Options are subject to the Offers. The Performance Shares are not subject to the Offers and are expected to remain on issue on the expiry of the Offer Period.</p> <p>Goldsea has not defined what it includes in the term 'fully diluted basis'. On the assumption that this includes all Alto Securities on issue on the expiry of the Offer Period, and no Performance Shares are converted into Shares, this would require Goldsea to acquire a Relevant Interest in an aggregate of 357,494,713 of the Shares and Options (that is, 96.04% of all Shares and Options currently on issue).</p> <p>Although Goldsea may elect to waive the Minimum Acceptance Condition in the event that it acquires a Relevant Interest in 90% of the Shares (on an undiluted basis) and therefore may proceed to compulsorily acquisition, there can be no certainty that Goldsea may take this action.</p> <p>As a result of the above, the Alto Board considers that it is unlikely that the Minimum Acceptance Condition will be satisfied.</p>
<p>Material transactions</p> <p>Alto must not enter into any contract or commitment (including in respect of financial indebtedness) requiring payments in excess of A\$100,000, or agree to incur capital expenditure of more than \$100,000 (in each case, individually or in aggregate)</p> <p><i>Section 13.7(g)(v) and (vi) of the Bidder's Statement</i></p>	<p>Under the engagement letters which Alto has entered into with its financial and other advisers, Alto may be required to pay adviser fees in excess of \$100,000 in certain circumstances.</p> <p>It is common for companies to put advisory arrangements in place when anticipating, and responding to, control proposals, and Alto has entered into similar agreements in respect of previous control proposals.</p> <p>Alto believes these fees are reasonable and appropriate, given the need for Alto to have responded to multiple unsolicited control proposals for over the past year.</p> <p>Goldsea has been made aware of these fees by way of disclosure of Alto's budget, but has not indicated any intention to waive this Condition.</p> <p>Accordingly, this Condition may not be satisfied.</p> <p>In addition to the above, the \$100,000 threshold specified by Goldsea is particularly low and restricts the ability of the Alto Board to take routine actions in the ordinary course of business and project exploration. Given the nature of the Conditions, in addition to the above breach, there may or are likely to be further breaches in the future (particularly given the low monetary restrictions that have been placed on Alto). The Alto Board is fully cognisant of the Conditions but will continue to make operating decisions in the best interests of Alto Shareholders.</p>

Share Offer Condition	Alto comment
<p>Change of control provisions</p> <p>No third party exercises any change of control rights in relation to any material contracts as a result of any change of control which may occur as a result of acceptances of the Share Offer.</p> <p><i>Section 13.7(h) of the Bidder's Statement</i></p>	<p>Alto is party to a loan facility agreement with Windsong Valley Pty Ltd (Windsong), an entity associated with Non-Executive Director, Terry Wheeler.</p> <p>The Windsong Loan Facility provides Alto with the flexibility to draw down funds for working capital as required. As at the date of this Target's Statement, no funds have been drawn down under the Windsong Loan Facility, but is expected that funds will be required to be drawn down before the expiry of the Offer Period if no alternate funding is received.</p> <p>It is a term of the Windsong Loan Facility that should a person and their associates acquire a Relevant Interest in Alto Shares of 40% or more, or there is otherwise a change in Control, Windsong may require repayment of the amount owing under the facility within 14 business days.</p> <p>Accordingly, it is possible that this Condition may not be satisfied.</p>

As a result of the above, the Alto Board considers that does not have a reasonable basis to assume that the Conditions will be satisfied. Accordingly, unless Goldsea waives these Conditions, it is considered unlikely that Goldsea's Offers will be completed. If this occurs, and you accept the Offers, subject to limited withdrawal rights (described in Section 5.7), you will be unable to sell your Shares on market, accept into a Superior Proposal (should one emerge), or deal with your Alto Shares or Options in any other manner.

The Offers are also conditional on Goldsea receiving FIRB approval. As recently announced by the Australian Government, FIRB is working with new and existing applicants to extend the timeframes for reviewing applications by up to six months to ensure sufficient time for screening applications due to impacts of the COVID-19 (coronavirus) global pandemic. Goldsea has notified Alto that Goldsea is working with FIRB to have a decision before the 27 April 2020 deadline is reached, and that the blanket extension will not be applied to Goldsea's application. However, Alto cautions that it has no control over the process with FIRB.

(b) **If you accept the Offers, you are unable to accept a Superior Proposal if one emerges**

Accepting the Offers will deny you the benefit of any subsequent Superior Proposal by another party should one emerge during the Offer Period, unless you become entitled to withdraw your acceptance (see Section 5.7 for an explanation of the limited circumstances where an acceptance may be withdrawn) or the Offers lapse. You will also give up your right to deal with your Shares and Options whilst the Offers remains open.

As at the date of this Target's Statement, Alto has not received any Competing Proposal which may be considered a Superior Proposal. Alto had received a confidential funding proposal from Adaman, which the Alto Board declined on the basis of the unacceptable terms offered.

Alto cautions that there is no certainty of any further proposals being received by the Alto for the remainder of the Offer Period which may be considered a Superior Proposal.

(c) **The tax consequences or implications of accepting the Offers may not suit your financial position or circumstances**

No capital gains scrip-for-scrip rollover relief is available under Goldsea's cash Offers.

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

See Section 9 below and section 11 of the Bidder's Statement for an overview of the tax consequences for accepting the Offers. Shareholders and Optionholders should not rely upon the taxation considerations in these overviews as being advice on their own affairs. The Directors encourage Shareholders and Optionholders to consult with their own independent taxation advisers regarding the taxation implications of accepting the Offers given their own particular circumstances.

2.2 **Other considerations and risks in deciding whether to reject the Offers**

Although the Directors unanimously recommend that you REJECT the Offers, there may be a number of reasons why you may wish to accept the Offers. A summary of some of those reasons is set out below.

This summary is not exhaustive and you should have regard to your own personal investment objectives and financial circumstances, and should consult your professional advisers, before deciding whether or not to accept the Offers.

(a) **You may believe that the Offers will be successful**

You may disagree with the Directors and consider that there is a reasonable basis to assume that the Conditions will be satisfied.

The Directors note that if the Share Offer is successful, Shareholders who accept the Share Offer will receive \$0.065 in cash per Share, which represents a:

- (i) 103% premium to the ASX closing share price of \$0.032 on 20 February 2020, being the last trading day prior to the announcement of the intention to make the Offer;
- (ii) 93% premium to the one-month VWAP to 20 February 2020 of \$0.034;
- (iii) 86% premium to the three-month VWAP to 20 February 2020 of \$0.035; and
- (iv) 83% premium to the six-month VWAP to 20 February 2020 of \$0.036.

The Share Consideration also represents a premium of 81% to Alto's capital raising price of \$0.036 per Share in May 2019.

If the Offers are successful, Shareholders and Optionholders will be provided with a liquidity event whereby all Shareholders and Optionholders are given the opportunity to realise immediate value for their investment in Alto. Although Shareholders and Optionholders would be deprived of any future benefits as a result of the financial

performance of Alto, they will also be relieved from the risks associated with Alto's operational and project funding commitments.

(b) **You may consider it unlikely that any Superior Proposal may emerge**

As at the date of this Target's Statement, there is no other offer for your Shares and Options. Further, the Directors have received no Superior Proposal since the announcement of the intention of Goldsea to make the Offers.

(c) **Alto Share Price may fall if the Offers are unsuccessful**

While the traded price of Alto Share's on the ASX is subject to a range of factors, if the Offers are not successful or an attractive alternative proposal does not emerge, there is a risk that the Alto Share price may fall to a lower price than the price at which it traded prior to the Share Offer being announced on 21 February 2020.

3. Important information for Shareholders and Optionholders to consider

3.1 Goldsea's Offers

On 21 February 2020, Goldsea announced its intention to make an off-market takeover offer for all Alto Shares. A summary of the Offers, which are conditional on the satisfaction of a number of Conditions, including the Minimum Acceptance Condition, is set out in Section 5.

The Offers opened on 8 April 2020 and are open for acceptance until 7.00pm (AEST) on 8 May 2020, unless it is extended or withdrawn (Sections 5.5 and 5.6 describe the circumstances in which Goldsea can extend or withdraw its Offers).

3.2 Information about Alto

Section 7 contains detailed information about Alto.

A summary of the risks and uncertainties associated with an investment in Alto is set out in Section 6. Those risks (and other risks) will continue to be relevant to Shareholders and Optionholders who do not accept the Offers and retain their current investment in Alto. These risks will also continue to be relevant to all Shareholders and Optionholders if the Offers are not successful.

3.3 Information about Goldsea and Shandong Goldsea Group Co. Ltd

Section 8 contains an overview of Goldsea and Shandong Goldsea Group Co. Ltd.

Section 6 of the Bidder's Statement contains detailed information about Goldsea and Shandong Goldsea Group Co. Ltd.

3.4 Minority ownership consequences

The Offers are subject to the Minimum Acceptance Condition of Goldsea holding a Relevant Interest in at least 90% of all Shares on issue (on a fully diluted basis) at the end of the Offer Period.

If the Minimum Acceptance Condition is satisfied (and all other Conditions are satisfied or waived), Goldsea will be entitled to compulsorily acquire all outstanding Alto Shares. Goldsea has the right to free the Offers from this Condition at any time.

If Goldsea frees the Offers from this Condition, but acquires the majority of Alto Shares, there may be a number of possible implications for Alto Shareholders, including:

- (a) Goldsea will be in a position to cast the majority of votes at a general meeting of Alto. This will enable Goldsea to control the composition of Alto's board of directors and senior management, determine Alto's fundraising plans and dividend policy as well as control the strategic direction of Alto and its subsidiaries;
- (b) if Goldsea acquires 75% or more of the Shares it will be able to pass special resolutions at meetings of Shareholders. This will enable Goldsea to, among other things, change Alto's constitution;

- (c) the liquidity of Alto Shares may be affected;
- (d) Goldsea may seek to have Alto removed from the official list of ASX if the corporate and compliance costs of maintaining those listings outweigh the benefits of being listed. If this occurs, Alto Shares will not be able to be bought or sold on ASX; and
- (e) Shares may trade at prices lower than they did prior to the announcement of the intention to make the Offers (as it is unlikely that Alto's Share price will contain any takeover premium).

Section 10 of the Bidder's Statement sets out the details of Goldsea's intentions in relation to Alto.

3.5 **Compulsory acquisition**

Goldsea stated in section 10.2 of its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding Alto Shares or Alto Options under Part 6A.1 or Part 6A.2 of the Corporations Act, Goldsea intends to exercise those rights but reserves the right not to do so.

Given the Alto Options are out of the money at the Share Consideration, Goldsea has stated that it does not intend to exercise any Alto Options it acquires under the Option Offer but reserves the right to do so.

If Goldsea does proceed to compulsory acquisition, then Alto Shareholders and Optionholders who do not accept the Offers will still be entitled to receive the bid consideration. However, as a result of the need to complete the compulsory acquisition procedures in the Corporations Act, there is likely to be a delay of up to six weeks in the provision of that consideration.

See Section 5.10 and section 10.2 of the Bidder's Statement for further information.

3.6 **Dividend issues for Shareholders**

Alto has not paid a dividend to Shareholders since listing on the ASX. As an exploration company, the Directors consider it unlikely that Alto will pay dividends in the foreseeable future if the Company continues as a stand-alone entity with its current business composition.

3.7 **Considerations in favour of accepting the Offers**

Goldsea has set out its views on the considerations in favour of accepting the Offers in section 4 of the Bidder's Statement.

The Directors recommend that you reject the Offers, for the reasons summarised in Section 2.1. The Directors have outlined some considerations you may have regard to when considering whether to reject or accept the Offers in Section 2.2.

The Directors encourage you to review the Bidder's Statement and this Target's Statement in their entirety.

3.8 **Alto Share price absent the Offers**

While there are many factors that influence the market price of Alto Shares, your Directors point out that, following the close of the Offers, the market price of Alto Shares may fall if Goldsea's Offer fails (and there is no alternative to the Offers), if Goldsea acquires more than 50% (but less

than 90%) of Alto Shares (and the Minimum Acceptance Condition is waived) or if the takeover is otherwise unsuccessful.

3.9 Other alternatives to the Offers

As at the date of this Target's Statement, no alternative proposal which is capable of acceptance by Shareholders has been received and no Superior Proposal has been made to the Alto Board. The Directors will keep Shareholders informed of any material developments.

3.10 Taxation consequences of a change in control in Alto

The taxation consequences of accepting the Offers depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offers is set out in Section 9 of this Target's Statement and section 11 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offers. The outlines provided in the Bidder's Statement and the Target's Statement are of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

3.11 Alto Optionholders and holders of Performance Shares

Goldsea has obtained ASIC relief for:

- (a) an exemption under paragraph 655A(1)(b) of the Corporations Act to enable Goldsea to make the Option Offer and treat the five classes of Alto Options as a single class for the purposes of the takeover bid²; and
- (b) an exemption from section 606 of the Corporations Act to permit Goldsea to acquire Alto Shares that result directly from the exercise of Alto Options acquired under the Option Offer.

See attachment A and B of the Bidder's Statement for further details.

The Offers do not apply to the Alto Performance Shares on issue. However, the Share Offer extends to any Alto Shares that are issued after the Record Date and during the Offer Period as a result of valid vesting and exercising of Alto Performance Shares that are on issue at the Record Date. The vesting of the Alto Performance Shares will not be accelerated as a result of the Offers.

3.12 Company announcements

Alto is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. Copies of announcements lodged with ASX can be obtained from ASX's website at www.asx.com.au under the code "AME" or from Alto's website at www.altometals.com.au.

A list of announcements made by Alto to ASX between 6 May 2019 (the date of release of Alto's target' statement in relation to a previous (unrelated) off-market takeover bid) and the date of this

² Alto currently has 78,842 567 Alto Options on issue, each with an exercise price of \$0.07 and expiry dates ranging from 17 August 2020 to 29 November 2023.

Target's Statement is set out in Annexure A. This information may be relevant to your assessment of the Offers.

4. Your choices as a Shareholder and Optionholder

In considering whether to accept the Offers, the Directors encourage you to read this Target's Statement and seek professional advice if you are unsure as to whether or not accepting the Offer is in your best interests, taking into account your individual circumstances.

The Bidder's Statement contains important information which you are urged to read carefully. Alto has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither Alto nor its Directors or advisers makes any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance of that information.

You can find information about Alto and its activities on the Alto website at www.altometals.com.au.

During the Offer Period you have the following choices:

(a) **REJECT the Offers and retain your Shares and Options**

The Directors recommend that you **REJECT** the Offers, and retain your Shares and Options. To reject the Offers and retain your Shares and Options, you need take no action.

You should note that if Goldsea acquires 90% of Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, Goldsea will be entitled to compulsorily acquire the Shares that it does not already own.

You should also note that if:

- (i) the Minimum Acceptance Condition is waived by Goldsea and the Offers are declared unconditional; and
- (ii) Goldsea acquires Voting Power in more than 50% but less than 90% of all Shares on issue,

you will be exposed to the risks associated with being a minority Shareholder. See Section 3.4 for further details.

(b) **Sell your Shares and Options**

During the Offer Period, you may sell all or some of your Shares on-market or off-market and all or some of your Options off-market, provided you have not already accepted the Offers for those Shares and Options. If you sell any of your Shares and Options, you may receive the agreed consideration for your Shares and Options sooner than if you accept the Offers.

If you sell any or all of your Shares and Options, you:

- (i) will lose the ability to accept the Offers in respect of those Shares and Options;
- (ii) may be liable for CGT or income tax on the sale of those Shares and Options;
- (iii) may incur a brokerage fee; and
- (iv) will lose the opportunity to receive any future returns from Alto in respect of those Shares (and any Shares following the exercise of Options), if the Offers are not successfully completed.

If you are considering selling your Shares and Options, you should contact your broker for information on how to do so and your tax adviser to determine your tax implications from such a sale.

Please note that you cannot sell your Shares and Options if you have accepted the Offers and have not validly withdrawn your acceptance.

(c) **Accept the Offers**

The Directors unanimously recommend that you reject the Offers. However, if you wish to accept the Offers, you should follow the instructions in section 1 of the Bidder's Statement and the relevant Acceptance Form.

If you accept the Share Offer, you will be entitled to receive \$0.065 in cash for every 1 Share that you hold and transfer to Goldsea. If you accept the Option Offer, you will be entitled to receive the Option Consideration for each Option that you hold and transfer to Goldsea.

You will only receive the Offer Consideration if each of the Conditions to the Offers are either satisfied or waived within the prescribed periods.

The consequences of accepting the Offers and the limited circumstances in which acceptances of the Offers may be withdrawn are discussed in Section 5.

Shareholders and Optionholders who accept the Offers may be liable for income tax, including by reference to a capital gain made on the sale, but will not incur a brokerage charge.³

If you accept the Offers, you are unable to accept any Superior Proposal if one emerges or otherwise sell your Shares and Options as set out in Section 4(b) above.

³ However, if you hold your Shares through CHESS or through a bank, custodian or other nominee, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

5. Key features of the Offers

5.1 Off-market takeover bid

On 21 February 2020, Goldsea announced its intention to make an off-market cash takeover bid to acquire all ordinary fully paid Shares on issue in Alto.

The Share Offer also extends to all new Shares that are issued during the Offer Period as a result of the conversion of Performance Shares or the exercise of Options on issue as at 21 February 2020. Goldsea is also separately making the Option Offer to acquire all Options on issue.

The consideration being offered by Goldsea is \$0.065 for each Share . The consideration being offered by Goldsea for each Option is the Option Consideration .

The Offers are conditional upon the satisfaction or waiver of each of the Conditions, including the Minimum Acceptance Condition (as described in further detail in Section 5.3 below).

The conduct of the Offers is otherwise governed by the terms and conditions set out in the Bidder's Statement.

5.2 Offer Period

Unless the Offers are extended or withdrawn, it is open for acceptance from 8 April 2020 until 7.00pm (AEST) on 8 May 2020. The circumstances in which Goldsea may vary or withdraw its Offers are set out in Sections 5.5 and 5.6 respectively.

5.3 Conditions of the Offers

The Share Offer is subject to a number of conditions, which are set out in full in section 13.7 of the Bidder's Statement.

By way of broad overview, the conditions to the Share Offer are:

- (a) **(Minimum Acceptance Condition):** 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 approval)** FIRB having approved the proposed acquisition by Goldsea of all the Shares before the end of the Offer Period;
- (c) **(no litigation):** between the announcement of the Share Offer and the end of the Offer Period, there is no litigation (threatened, commenced, announced or known) against any Alto Group member which would reasonably result in a judgement of \$100,000;
- (d) **(cooperation and equal access to information):** between the Announcement Date and the end of the Offer, Alto will, within 3 business days of a request, provide Goldsea with access and information which Goldsea may request comprised of information provided by Alto or its associates to any other bidder or potential bidder;

- (e) **(no restraints)**: between the Announcement Date and the end of the Offer Period there is no judgement, injunction, order or decree which restrains or enjoins or otherwise prohibits the Share Offer or the completion of the transaction;
- (f) **(regulatory approvals)**: between the Announcement Date and the end of the Offer Period, any approvals, consents, waivers, exemptions or declarations that are required by law or any government agency to permit the Share Offer to lawfully made to and accepted by Alto Shareholders are completed, granted, given, made or obtained on an unconditional basis and remain in full force;
- (g) **(no material acquisitions or disposals)**: between the Announcement Date and the end of the Offer Period, no Alto Group member acquires or disposes of, or enters into or announces an 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, extent or value of the assets or liabilities of the Alto Group as at the Announcement Date;
- (h) **(third party rights)**: between the Announcement Date and the end of the Offer Period, no third party exercises, purports to exercise or announces an intention to exercise change of control, pre-emptive, deemed offer or disposal or similar rights in any material contracts to which any Alto Group Member is a party to as a result of the announcement of the Share Offer or acceptances under the Share Offer; and
- (i) **(no Prescribed Occurrences)** between the Announcement Date and the end of the Offer Period no Prescribed Occurrence occurs in relation to Alto.

The Goldsea Board has confirmed in the Bidder's Statement that the cooperation and equal access to information Condition (section 13.7(d) of the Bidder's Statement, and summarised in Section 5.3(d) above) is satisfied save in respect of:

- (a) Goldsea's confirmatory due diligence environmental review detailed in section 13.7(d)(i)(A) of the Bidder's Statement (see further update below); and
- (b) the equal access to information condition in section 13.7(d)(iii) of the Bidder's Statement, which is expressed to continue until the end of the Offer Period.

Goldsea has subsequently confirmed to Alto that it has completed its confirmatory due diligence environmental review to its satisfaction, and that the Condition in section 13.7(d)(i)(A) has been satisfied.

Goldsea confirmed in its Bidder's Statement (at section 12.1) that it has waived the breach of the Share Offer Conditions at sections 13.7(g) and 13.7(i) of the Bidder's Statement in respect of the Windsong Loan Facility.

As at the date of this Target's Statement, the Directors are aware of a number of matters which may result in certain Conditions to the Share Offer not being satisfied (see Section 2.1(a)).

The Option Offer is subject to:

- (a) a non-waivable condition that the Share Offer is, or has been declared, unconditional in all respects (Goldsea will not waive this condition without ASIC's prior consent); and

- (b) by the end of the Offer Period, any approvals, consents, waivers, exemptions or declarations that are required by law, or any Government Agency, to permit the Option Offer 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 the same.

Goldsea may, but is not obliged to, waive any Condition (other than paragraph (a) above in relation to the Option Offer).

See Section 5.6 for an explanation of the circumstances in which Goldsea may withdraw an unaccepted Offer.

5.4 **Consequences if the Conditions are not satisfied**

If any of the Conditions are not satisfied or waived before the Offers close, the Offers will lapse. This means that:

- (a) if you have accepted the Offers, your acceptance is void and you will continue to be a Shareholder and Optionholder, free to deal with your Shares and Options; or
- (b) if you have not accepted the Offers, you will continue to be a Shareholder and Optionholder, free to deal with your Shares and Options.

Goldsea may free the Offers, and any contract resulting from its acceptance, from a Condition (except any Condition stated to be non-waivable) by giving notice to Alto declaring the Offers to be free from the relevant Condition specified in accordance with section 650F of the Corporations Act.

5.5 **Variation of the Offers**

Goldsea may vary its Offers in accordance with the Corporations Act by:

- (a) increasing the Offer Consideration;
- (b) waiving a Condition of the Offers; or
- (c) extending the Offer Period.

Any variation to the Offers must be announced on ASX.

Goldsea has not advised the Directors of any intention to vary its Offers, but it has the right to do so.

If, within the last 7 days of the Offer Period, either of the following events occurs:

- (a) the Offers are varied to improve the Offer Consideration; or
- (b) Goldsea's Voting Power in Alto increases to more than 50%,

then the Offer Period will automatically be extended so that it ends 14 days after the relevant event referred to paragraphs (a) or (b) above, in accordance with section 624(2) of the Corporations Act.

5.6 **Withdrawal of Offers**

Goldsea may be able to withdraw the Offers if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

5.7 **Limited rights to withdraw your acceptance**

You have only limited rights to withdraw your acceptance of the Offers. You may withdraw your acceptance of the Offers only if the Offers are still subject to a Condition and Goldsea varies the Offers in a way that postpones, for more than 1 month, the time when you would receive your payment of the Offer Consideration.

If you have accepted the Offers and any of the Conditions have not been satisfied or waived by the end of the Offer Period (which may be extended), the Offers will lapse and you will be free to deal with your Shares and Options.

5.8 **When you will receive payment if you accept the Offers**

In the usual case, you will be issued the Offer Consideration on or before the later of:

- (a) the date 1 month after you accept the Offers, if, at the time of acceptance, the Offers are unconditional; and
- (b) 1 month after the date the Offers become or are declared unconditional,

but in any event (assuming the Offers become or are declared unconditional) no later than the date 21 days after the end of the Offer Period.

5.9 **Effect of an improvement in consideration on Alto's Shareholders and Optionholders**

If Goldsea improves the Offer Consideration, all Alto Shareholders and Optionholders, whether or not they have accepted the Offers before or after that improvement in the Offer Consideration, will be entitled to the benefit of that improved Offer Consideration. If you have already received payment in respect of the Offers, you will be paid the difference between the amount you have already received and the higher price.

Goldsea has not advised the Directors of any present intention to improve the consideration under its Offers, it has the right to do so.

5.10 **Compulsory acquisition**

As at 5.00pm (AEST) on 19 April 2020 (being the latest practicable date prior to the lodgement of this Target's Statement with ASIC), and based on the information known to Alto, Goldsea and its associates have Voting Power in Alto Shares of 2.90%.

Goldsea stated in section 10.2 of its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding Alto Shares or Alto Options under Part 6A.1 or Part 6A.2 of the Corporations Act, Goldsea intends to exercise those rights but reserves the right not to do so.

Goldsea will be entitled to compulsorily acquire any Shares in respect of which it has not received an acceptance of its Share Offer on the same terms as the Share Offer if, during or at the end of

the Offer Period, Goldsea and its associates have a Relevant Interest in at least 90% (by number) of the Shares.

The consideration per Share payable to Shareholders whose Shares are compulsorily acquired is the same as that payable under the Share Offer.

If the 90% threshold is met, Goldsea will have one month after the end of the Offer Period within which to:

- (a) give compulsory acquisition notices to Shareholders who have not accepted the Share Offer; and
- (b) make offers to buy out any remaining Options which are not otherwise acquired by Goldsea pursuant to the Option Offer. Any offers to buy out Options must be accompanied by a report prepared by an independent expert approved by ASIC in relation to the value of the Options.

Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a Court that the terms of the relevant Share Offer do not represent "fair value" for their Shares.

It is also possible that Goldsea will, at some time after the end of the Offer Period, become the beneficial holder of 90% or more of all of the securities of Goldsea on issue (by value). Goldsea would then have rights to compulsorily acquire securities not owned by it within six months of becoming the holder of 90% or more of the securities of Alto by value. Goldsea's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

See section 10.2 of the Bidder's Statement for further information.

6. Risks

In considering this Target's Statement and the Offers, Shareholders and Optionholders should be aware that there are a number of risks which apply to a continuing investment in Alto. There are also risks associated with the alternative of accepting the Offers. The following list is not intended to be an exhaustive exploration of such risk factors.

6.1 Risks associated with accepting the Offers

(a) Possibility of a Superior Proposal emerging

A third party may emerge with a Superior Proposal. If you accept the Offers, other than in limited circumstances provided in the Corporations Act (as summarised in Section 5.7), you will not be able to accept any Superior Proposal for your Shares and Options and you will not be able to obtain any potential benefit associated with that Superior Proposal (if any). However, the Directors have received no notice of any Superior Proposal.

Accepting the Offers will also preclude a Shareholder from selling their Shares on-market on the ASX, where they may trade at a higher price than the Share Consideration. However, save for the Shares trading at \$0.065 on 24, 25 and 26 February 2020 and 17 April 2020, following Goldsea's announcement of its intention to make the Offers, the Shares have not traded at or above the Share Consideration since 4 July 2018.

(b) Possibility of future Share price appreciation

It may be possible in the future to sell your Shares (and any Shares issued following exercise of Options) for more valuable consideration than that offered under the Share Offer. The Directors make no forecast of whether this will occur or whether it will occur in the foreseeable future. As at the close of trading on 17 April 2020 (being the last trading day prior to the lodgement of this Target's Statement with ASIC) the Shares were trading at a price equal to the Share Consideration (\$0.065). However, the closing price of the Shares on each trading day since the Offers opened has been below the Share Consideration price.

(c) Taxation consequences of a change in control in Alto

The taxation consequences of disposing of your Shares and Options pursuant to the Offers depend on a number of factors and will vary depending on your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in Section 9 below and section 11 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of disposing of your Shares and Options pursuant to the Offers. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

6.2 Risks associated with rejecting the Offers and continuing an investment in Alto

In considering the Offers, Shareholders and Optionholders should be aware of the risks related to Alto, its business and assets. Alto is subject to a number of investment risk factors, both specific

to its business activities and of a general nature which may affect the future operating and financial performance of Alto and the value of Shares and Options. Many of the risks are outside the control of Alto and the Directors, and there can be no certainty that Alto's objectives or anticipated outcomes will be achieved.

The below list of risk factors ought not to be taken as exhaustive of the risks faced by Alto or by investors in Alto. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of Alto and the value of the Shares and Options.

You should be cognisant of all the below risks when making your decision whether to accept or reject the Offers. Accepting the Offers will mean that you will avoid exposure to the below risks by receiving the Offer Consideration, whereas rejecting the Offers may see you remain exposed to all the below risks on an ongoing basis.

(a) Specific Risks associated with Goldsea and the Offers

(i) Minority ownership risks

Goldsea may acquire more than 50% but less than 90% of Shares pursuant to the Offer (if the Offer is freed from the Minimum Acceptance Condition). This has a number of possible implications, including those set out in Section 3.4.

(ii) Possibility of future Share price depreciation

While there are many factors that influence the market price of Shares, following the close of the Offers, the market price of Shares may fall if the Offers fail (and there is no alternative takeover bid to the Offers).

Depending on the size of Goldsea's interest in Alto at the conclusion of the Offers, there may also be a reduced likelihood that another party will make an offer to acquire all of the Shares in the future.

Depending on the number of acceptances of the Offers, the number of Shares held by investors for trading purposes may be reduced, thereby potentially diminishing the future liquidity of ASX market trading of Shares.

There is also a general risk of future depreciation of the price of Shares due to other factors, such as the other risks described in this Target's Statement.

(iii) No other alternatives to the Offers emerge

If you reject the Offers there can be no guarantee that a Superior Proposal will emerge. As at the date of this Target's Statement, no Superior Proposal has been received and the Directors have received no notice of any Superior Proposal.

(iv) Loan facility risks

Alto is party to a loan facility agreement with Windsong Valley Pty Ltd (**Windsong**), an entity associated with Non-Executive Director, Terry Wheeler (**Windsong Loan Facility**).

Pursuant to the Windsong Loan Facility, Alto may drawdown up to \$500,000 of funding to finance Alto's working capital requirements.

As at the date of this Target's Statement, no amounts have been advanced under the Windsong Loan Facility, but is expected that funds will be required to be drawn down before the expiry of the Offer Period if no alternate funding is received.

Subject to Alto receiving the approval of Shareholders pursuant to ASX Listing Rule 10.1 for the granting of a security interest in all of Alto's present and after acquired property for all monies outstanding under the Windsong Loan Facility (including interest) (**Shareholder Approval**) by 8 May 2020, Alto may drawdown up to an additional \$500,000 (for a maximum aggregate drawdown of \$1,000,000). Due to the passage of time and the requirement to obtain an independent expert report for the purposes of the Shareholder Approval, if Alto wishes to drawdown the additional \$500,000 by obtaining the Shareholder Approval, it will require Windsong to agree to an extension to the 8 May 2020 deadline. There is no certainty that the Shareholder Approval would be received, even if Windsong were to agree to such an extension.

All outstanding monies and interest under the Windsong Loan Facility are repayable on the earlier to occur of 11 March 2021 (the maturity date), or within 14 days business days of the provision of notice by Windsong if an event of default or change of control event occurs in respect of Alto.

For the purposes of the Windsong Loan Facility, a change of control event will occur if a person and their associates acquire a Relevant Interest in Alto Shares of 40% or more, or there is otherwise a change in Control of Alto.

There may be a circumstance where a change of control event occurs for the purposes of the Windsong Loan Facility, and Windsong demands repayment, but Alto does not have sufficient funds to satisfy the payment obligation. For example, if Goldsea receives acceptances by Alto Shareholders in respect of 40% or more of the Alto Shares under the Share Offer, Windsong may require repayment of the loan, however the Share Offer may not necessarily complete (for example, as a result of the Minimum Acceptance Condition not being satisfied or waived).

In the event that the Offers are not successful, for example due to the Minimum Acceptance Condition not being satisfied or waived, Alto may require alternative sources of funding within a short period in order to repay amounts due and payable under the Windsong Loan Facility. There is no guarantee that Alto will be able to obtain such funding as and when required and, in the event that such funding is obtained via an equity raising, there is a risk that existing Shareholders (and Optionholders) will be diluted (other than in the case of an entitlements issue).

(b) **Risks associated with Alto and its business**

(i) **Exploration stage and success**

Alto is not at the development stage. Exploration is a high-risk activity that requires large amounts of expenditure over extended periods of time. Alto's exploration activities are subject to all the hazards and risks normally encountered in the exploration of minerals, including climatic conditions, hazards of operating vehicles and plant, risks associated with operating in remote areas

and other similar considerations. Conclusions drawn during mineral exploration are subject to the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation of geological, geochemical, geophysical, drilling and other data.

There can be no assurance that exploration of the tenements currently held by Alto, or any other tenements that may be acquired in the future by Alto, will result in the discovery of an economic deposit. Investors should understand that mineral exploration and any subsequent development are high-risk undertakings.

Further, the costs of Alto's exploration activities may materially differ from its estimates and assumptions. No assurance can be given that Alto's cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the value of Alto's Shares.

Despite the best efforts of Alto, there is no guarantee of exploration success, and even if there is exploration success, there is no guarantee that development of any such success will be commercially viable. The current and future operations of Alto will be affected by a range of factors. If exploration is successful, there will be additional costs and processes involved in moving to the development phase.

(ii) Operating and project risks

The business of mineral exploration and mining involves risks and hazards. For example, in an exploration context no assurance can be given that ore bodies will be detected with preferred or desirable tonnages or grades. High risk and substantial expense can be incurred without the requisite or expected degree of reward. Even if commercial quantities of ore are discovered, unforeseen risks can arise in the development and production phase including mining or processing issues, environmental hazards, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, labour forced disruption, the unavailability of materials and plant and equipment, mechanical failure or plant breakdown, unusual or unexpected geological formation, pit failures, changes in the regulatory environment and weather conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

(iii) Future capital requirements

Alto's activities will require substantial expenditure. If Alto is unable to use debt or equity to fund development after the substantial exhaustion of existing cash resources, there can be no assurances that Alto will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to Alto or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit Alto's operations and business strategy.

Alto's failure to raise capital if and when needed could delay or suspend Alto's business strategy and could have a material adverse effect on Alto's activities.

(iv) **Counterparty and joint venture risks**

Alto may, in the future, become a party to joint venture agreements governing the exploration and development of its projects. There is a risk that one of Alto's joint venture partners may default in their joint venture obligations or not act in the best interests of the joint venture. There is a risk of insolvency or managerial failure by any of the contractors or other suppliers used by Alto in any of its activities, or that any of those agreements are terminated in accordance with their terms. There is also a risk of legal or other disputes between Alto and co-venturers or contractors or others suppliers. This may have an adverse effect on the interests and prospects of Alto.

(v) **Reliance on key management**

The responsibility of overseeing the day-to-day operations and the strategic management of Alto depends substantially on its senior management and its key personnel, including technical personnel and sub-contractors. There can be no assurance given that there will be no detrimental impact on Alto if one or more of these employees cease their employment or are incapacitated for any length of time.

(vi) **Tenement title**

Alto's title to its tenements generally requires Alto to continue to satisfy its expenditure or work commitments. Alto currently has no reason to believe that it will not satisfy those commitments. However, this cannot be guaranteed.

Interests in tenements in Australia are governed by federal and state legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance, such as satisfaction of statutory payments (including land taxes and statutory duties) and compliance with work programmes and public health and safety laws. Consequently, Alto could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

Further, mining and exploration tenements, once granted, are subject to periodic renewal. There is no guarantee that current or future tenement renewals will be approved. Renewal of the term of a granted tenement is at the discretion of the relevant government authority and may include additional or varied expenditure or work commitments or compulsory relinquishment of the areas comprising Alto's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of Alto.

(vii) **Aboriginal Heritage and Native Title**

Alto notes that the previously disclosed heritage agreement with the Wutha Native Title Claim Group (No. WC 1999/010) is no longer applicable, following the dismissal and deregistration of that claim.

Alto remains obliged to comply with the *Aboriginal Heritage Act 1972 (WA)*, namely by reporting all identified Aboriginal sites and not altering or damaging those sites, which it will manage through internal heritage survey processes.

In relation to tenements which Alto has an interest in or will in the future acquire such an interest, there may be other areas or objects of Aboriginal heritage. If further Aboriginal heritage sites or objects exist, Alto may need to enter into agreements with the traditional owners of the sites. The ability of Alto to implement its work programme may be adversely affected in both time and cost.

In addition, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of Alto to gain access to tenements (through obtaining consent of any relevant land owner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

(viii) **Access and infrastructure risks**

It is also possible that, in relation to tenements which Alto has an interest in or will in the future acquire such an interest, there may be areas over which legitimate rights of Indigenous owners or surface rights holders exist. In this case, the ability of Alto to gain access to tenements (through obtaining consent of any relevant Indigenous owner, body, group or landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected. Alto's mineral titles may also be subject to access by third parties including, but not limited to, the areas' indigenous people. This access could potentially impact Alto's activities and/or may involve payment of compensation to parties whose existing access to the land may be affected by Alto's activities.

(ix) **Regulatory risks**

Alto's projects are located in Australia. Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies may have an adverse effect on the assets, operations and ultimately the financial performance of Alto and the market price of Shares.

Exploration and prospective production are dependent upon the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations, which may not be granted or may be withdrawn or by made subject to limitations at the discretion of government or regulatory authorities. Although the authorisations may be renewed following expiry or grant (as the case may be), there can be no assurance that such authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If Alto cannot obtain or retain the appropriate authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then Alto's ability to conduct its exploration or development operations may be adversely affected.

(x) **Environmental risks**

Alto's operations and activities are subject to the environmental laws of Australia and any other places Alto may conduct business. As with most exploration projects, Alto's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Alto attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. However, non-compliance with or breach of any conditions attached

to Alto's mining or environmental licences may lead to penalties and/or revocation of the licence, and significant liability could be imposed on Alto for damages, clean-up costs or penalties in the event of certain environmental damage. This would require Alto to incur significant costs and may result in an adverse impact on Alto's cash flows, financial position and performance.

Further, Alto is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase Alto's cost of doing business or affect its operations in any area. There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige Alto to incur significant expenses and undertake significant investments which could have a material adverse effect on Alto's operations, financial position and performance.

(xi) **Resource and reserve estimates**

Resource and reserve estimates are expressions of judgements based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations. In addition, resource and reserve estimates are necessarily imprecise and depend to some extent on geological interpretations, as well as various economic, commercial, technical, environmental and legal assumptions which may prove to be inaccurate. Should Alto encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect Alto's operations.

(xii) **Third party royalty**

As previously announced, as part of the agreement pursuant to which Alto acquired Sandstone Exploration Pty Ltd (the holder of the Sandstone Gold Project), it was agreed that Sandstone Exploration Pty Ltd would grant the vendors a 2% gross revenue royalty on all minerals produced from the relevant tenements and the right to fossick down to 2 metres below surface for all minerals and metals including gold nuggets. These ongoing obligations may adversely affect the future economic potential of any project development.

(c) **General Risks**

(i) **Discretion in use of capital**

The Board and Alto's management have discretion concerning the use of Alto's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, Alto's financial and/or operational performance may suffer.

(ii) **Economic risks**

General economic conditions, movements in interest and inflation rates, the prevailing global commodity prices and currency exchange rates may have an adverse effect on Alto's exploration, development and production activities, as well as on its ability to fund those activities.

As with any mining project, the economics are sensitive to metal and commodity prices. Commodity prices fluctuate and are affected by many factors beyond the control of Alto. Such factors include supply and demand fluctuations for oil and gas, technological advances, forward selling activities and other macro-economic factors. These prices may fluctuate to a level where the proposed mining operations are not profitable. Should Alto achieve success leading to mineral production, the revenue it will derive through the sale of commodities also exposes potential income of Alto to commodity price and exchange rate risks.

Further, share market conditions may affect the value of Alto's Securities regardless of Alto's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) interest rates and inflation rates;
- (C) currency fluctuations;
- (D) changes in investor sentiment;
- (E) the demand for, and supply of, capital; and
- (F) terrorism or other hostilities.

(iii) **Market conditions**

General economic conditions, movements in interest and inflation rates, commodity prices and currency exchange rates may have an adverse effect on Alto's operations and any future development activities, as well as on its ability to fund those activities. The market price of Alto's Securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither Alto nor the Directors warrant the future performance of Alto or any return on an investment in Alto.

(iv) **Coronavirus disease**

The outbreak of coronavirus disease (COVID-19) is having a material effect on global economic markets. The global economic outlook is facing uncertainty due to the pandemic, which has had and may continue to have a significant impact on capital markets and share prices.

The Company's Share price may be adversely affected by the economic uncertainty caused by COVID-19. Further, any measures to limit the transmission of the virus implemented by governments around the world (such as travel bans and quarantining) may adversely impact the Company's operations.

In the event that COVID-19 negatively impacts the Company's ability to attract further capital, the Company intends to mitigate this by adjusting its working capital position and evaluating funding positions.

(v) **Government and legal risk**

Changes in government, monetary policies, taxation and other laws can have a significant impact on Alto's assets, operations and ultimately the financial performance of Alto and its Securities. Such changes are likely to be beyond the control of Alto and may affect industry profitability as well as Alto's capacity to explore and mine.

Other than as previously announced Alto is not aware of any reviews or changes that would affect its permits. However, changes in community attitudes on matters such as taxation, competition policy and environmental issues may bring about reviews and possibly changes in government policies. There is a risk that such changes may affect Alto's development plans or its rights and obligations in respect of its permits. Any such government action may also require increased capital or operating expenditures and could prevent or delay certain operations by Alto.

(vi) **Insurance**

Alto will, where possible and economically practicable, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by Alto outside the scope of the insurance cover.

Insurance of risks associated with minerals exploration is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where Alto considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage that is in accordance with industry practice. Alto will use reasonable endeavours to insure against the risks it considers appropriate for Alto's needs and circumstances. However, no assurance can be given that Alto will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

(vii) **Force majeure**

Alto's projects now or in the future may be adversely affected by risks outside the control of Alto, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(viii) **Litigation risks**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Alto is or may become subject could have a material effect on its financial position, results of operations or Alto's activities.

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Alto is directly or indirectly concerned

which is likely to have a material adverse effect on the business or financial position of Alto.

6.3 Investment Speculative

- (a) The above list of risk factors ought not to be taken as exhaustive of the risks faced by Alto or by investors in Alto. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Alto and the value of the Shares (and underlying value of the Options) of Alto.
- (b) You should be cognisant of all the above risks when making your decision whether to accept or reject the Offers. Accepting the Offers will mean that you may reduce your exposure to the above risks by receiving the Offer Consideration, whereas rejecting the Offers will see you remain exposed to all the above risks on an ongoing basis.

7. Information relating to Alto

7.1 Background of Alto

Alto is an ASX listed (ASX: AME) Western Australian gold exploration company that is pursuing a high-grade gold strategy, focused on the exploration and development of its key asset, the 100% owned Sandstone Gold Project in the East Murchison District of Western Australia.

In 2016, the Company acquired the Sandstone Gold Project which covers over 800km² of highly prospective and sought-after exploration ground on a major Archaean greenstone belt at Sandstone.

The Sandstone Gold Project currently has a global estimated resource 5.4Mt @ 1.7g/t gold for 290,000oz. The current mineral resource statement for the Sandstone Gold Project is set out in Annexure B.

Since acquiring the Sandstone Gold Project in June 2016, the Company has compiled and reviewed a large legacy database ahead of a series of focused exploration and drilling campaigns which commenced in late 2016.

Alto has two wholly owned subsidiaries, Sandstone Exploration Pty Ltd and Cue Metals Pty Ltd.



Figure 1. Location of Sandstone Gold Project within the East Murchison Gold Field, WA

For further information refer to the Alto's website at www.altometals.com.au.

7.2 Company Direction and Strategy

Alto's strategy is to continue to advance the exploration and development of the Sandstone Gold Project, to increase shareholder value.

The Company intends to initially focus on resource growth at the historic Lord Nelson deposit and further resource growth from Lord Henry, Vanguard and Indomitable deposits. Longer term growth is expected through the systematic exploration of the entire project and drill testing multiple high priority prospects and targets, many of which has never been adequately tested below 100m.

The Company's primary focus is to build on the exploration successes during 2019 and more recently since the start of 2020, including:

- (a) RC drilling along the Lord Nelson southern extension corridor to further define and extend the known gold mineralisation;
- (b) RC drilling at Lord Nelson, Lord Henry, Vanguard and Indomitable Camp deposits to further define and extend the known Mineral Resources; and
- (c) RC drilling at Chance.

Alto will also continue to progress its resource evaluation work including:

- (a) Updates to Alto's JORC 2012 Mineral Resource Estimate; and
- (b) Geotechnical drilling, bulk density measurements and metallurgical test work, where required, to convert gold mineralisation into mineral resources.

Following the successful completion of the recent deeper drilling at Lord Nelson further follow up RC drilling would also be planned to test for further higher grade mineralisation at depth.

7.3 Directors

The names and details of the Directors are as follows:

- (a) Mr Richard Monti – Non-Executive Chairman;
- (b) Mr Matthew Bowles –Non-Executive Director;
- (c) Dr Jingbin Wang – Non-Executive Director; and
- (d) Mr Terry Wheeler - Non-Executive Director.

As announced on 16 March 2020, the Board intends to transition Mr Bowles to the role of executive director shortly. The terms of Mr Bowles' engagement will be announced once finalised.

Biographical details of each of the Directors are set out below.

(a) **Richard Monti**

Mr Monti is a geologist with a successful career of over 30 years in the international mineral resource industry, resulting in broad industry knowledge and strong strategic planning capabilities. He has first-hand working knowledge of all aspects of the industry.

He has 48 years of experience as a Director on 13 ASX and TSX listed companies, covering exploration and mining activities. Directorships include four as Chairman and sitting on numerous sub-committees.

Mr Monti has held roles at several international and Australian companies including Anaconda Nickel, Azimuth Resources Limited, The North Group and The Normandy Group. He was a founding Director of Azimuth Resources and the architect of the Company's eventual take over for A\$190m in 2013.

Mr Monti was Principal of Ventnor Capital from 2005 to 2010, a corporate advisory business supplying advice across the commercial and corporate spectrum to junior and mid-size companies.

(b) **Matthew Bowles**

Mr Bowles is a senior corporate finance executive with extensive public corporate advisory, private equity and capital markets experience in the resources sector. Mr Bowles has successfully negotiated domestic and cross border corporate funding, joint venture and M&A transactions for a number of ASX listed companies in Africa, the Americas and Australia. Mr Bowles was previously Chief Development Officer for a West African focused ASX listed company. He commenced his career with Rio Tinto where he worked in a number of corporate and commercial roles for nine years, before moving to London to work in banking and finance. Since his return to Australia he has held senior roles with global advisory firms, with a focus on the resources sector. Mr Bowles holds a Bachelor of Business, is a member of CPA Australia and a Fellow of the Financial Services Institute of Australia. Mr Bowles is currently a Director of Tanga Resources Limited.

(c) **Jingbin Wang**

Dr Wang has a BSc in Mineral Prospecting and Exploration from Central-South University of Technology Changsha, China, and an MSc and PhD in magmatic petrology and economic geology from the same university. Dr Wang is a geologist with extensive international minerals experience, and has been Chairman since 2004 of Sinotech Minerals Exploration Co. Ltd. He has been President of the prestigious Beijing Institute of Geology for Mineral Resources since 2002, and is an accomplished mining team leader with a track record of discovering major deposits around the world. Dr Wang has also held the title of Vice-President of the China Nonferrous Metals Industry Association since 2008 and was Executive Director of China Nonferrous Metals Resource Geological Survey from 2003 -2015. Dr Wang is a leader in the non-ferrous metals industry in China with over 30 years' experience in mineral exploration and mining. Dr Wang is also the Chairman and Director of East Africa Metals Inc. (TSX-V) and Nickel North Exploration Corp. (TSX-V).

(d) **Terry Wheeler**

Mr Wheeler is a Fellow of the Royal Australian Chemical Institute, a Member of the Australasian Institute of Mining and Metallurgy Inc., a Member of the Association of Exploration Geochemists, and an Associate Member of the International Association of Geoanalysts. Mr Wheeler commenced employment at the DSIR (Department of Scientific & Industrial Research) in London in 1958 and achieved his academic qualifications whilst gaining excellent practical work experience. He migrated to Perth, Western Australia, in 1967 and joined Western Mining Corporation, where his mineral analysis experience was

gained, and with further study and qualifications he was promoted to Chief Chemist of the Kambalda Nickel Operation in the Eastern Goldfields. Terry and his wife Christina established Genalysis Laboratory Services in 1975 and grew the company into one of the largest and most successful analytical companies in the southern hemisphere with over 300 technical staff. In 2007, Genalysis Laboratory Services was purchased by Intertek Group Plc

7.4 Interests in Alto securities

As at the date of this Target's Statement, the Directors (and their associates) have the following Relevant Interests in Shares and Options:

Shareholder	Shares	% Shareholding	Options
Richard Monti	Nil	Nil	Nil
Matthew Bowles ²	6,250,000	2.1	7,500,000
Terry Wheeler ³	57,374,841	19.6	9,780,554
Jingbin Wang	Nil	Nil	Nil

Notes:

1. Assuming that there are 293,373,781 Shares on issue and no further Shares are issued or Performance Shares or Options exercised.
2. Shares held indirectly by Atlantic Capital Pty Ltd as corporate trustee for Atlantic Investment A/C, of which Mr Bowles is a director and shareholder. The Shares were issued as loan funded restricted shares pursuant to Shareholder approval received at the annual general meeting held on 29 November 2019. Options comprised of 7,500,000 Options exercisable at \$0.07 on or before 29 November 2023 also held indirectly by Atlantic Capital Pty Ltd.
3. Shares held indirectly by Windsong Valley Pty Ltd (56,908,175 Shares), an entity controlled by Mr Wheeler, and Marymount Pty Ltd (466,666 Shares), an entity controlled by Mr Wheeler. 1,388,888 Options exercisable at \$0.07 each on or before 17 August 2020 and 8,333,333 Options exercisable at \$0.07 each on or before 18 January 2021 are held indirectly by Windsong Valley Pty Ltd and 58,333 Options are held indirectly by Marymount Pty Ltd exercisable at \$0.07 each on or before 17 August 2020.

All Directors have decided to reject the Offers in relation to their Shares and Options. See Section 1.3 for further information on the Directors' intentions in relation to the Offers.

7.5 No benefits to Directors

No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to a Director (or anyone else) in connection with the Director's retirement as a Director (or executive) of Alto.

7.6 Other agreements or arrangements with Directors

There are no other agreements or arrangements made between a Director and any other person in connection with or conditional upon the outcome of the Offers.

7.7 Interests of Directors in Goldsea

No Director has a relevant interest in any securities of Goldsea.

No Director acquired or disposed of any securities in Goldsea within the four-month period immediately prior to the date of this Target's Statement.

No Director has any interest in any contract entered into by Goldsea.

7.8 Key statistics

Set out below are some key ratios and statistics extracted from Alto's audited financial statements for the years ended 30 June 2018 and 30 June 2019.

Year Ended 30 June	2018	2019
Basic loss per Share (cents per share)	0.36	0.55
Share Price at year end (\$)	0.06367	0.033

7.9 Summary of historical financial information

The summary historical financial information below has been extracted from Alto's audited financial statements for the years ended 30 June 2018 and 30 June 2019 and does not take into account the effect of the Offers.

Copies of Alto's annual reports from which the financial information was extracted can be found on Alto's website at www.altometals.com.au. These reports also contain details of Alto's accounting policies. Shareholders and Optionholders without internet access can obtain copies of these reports by contacting the Company Secretary of Alto on +61 8 9381 2808.

Statement of Financial Position	2018 (\$)	2019 (\$)
Total Assets	9,987,951	12,100,698
Total Liabilities	496,904	740,417
Total Equity	9,491,047	11,360,281

Income Statement	2018 (\$)	2019 (\$)
Net interest Income	25,561	8,174

Income Statement	2018 (\$)	2019 (\$)
Other income	302,011	-
Expenses	(951,598)	(1,155,691)
Income tax expense	-	-
Loss for the year	(624,026)	(1,147,517)

Statement of Cash Flows	2018 (\$)	2019 (\$)
Net Cash Flows used in Operating Activities	(818,275)	(858,957)
Net Cash Flows used in Investing Activities	(1,742,634)	(1,257,801)
Net Cash Flows provided by Financing Activities	2,488,808	2,587,561

Statement of Cash Flows	2018 (\$)	2019 (\$)
Net increase(decrease) in Cash and Cash Equivalents	(72,101)	470,803
Beginning Cash and Cash Equivalents	928,446	856,345
Ending Cash and Cash Equivalents	856,345	1,327,148

7.10 No material change in financial position

Alto's last published financial statements are for the half year ended 31 December 2019, as set out in its Half Year Report lodged with ASX on 16 March 2020. Except as disclosed in this Target's Statement and in any announcement made by Alto to ASX since 16 March 2020, apart from entry into the Windsong Loan Facility and potential drawdowns under that agreement (see Section 6.2(a)(iv)) the Directors are not aware of any material change to the financial position of Alto since 16 March 2020.

7.11 Publicly available information and continuous disclosure

Alto is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX. Copies of announcements lodged with ASX can be obtained from the ASX's website at www.asx.com.au under the code "Alto" or from Alto's website at www.altometals.com.au.

A list of announcements made by Alto to ASX between 6 May 2019 (the date of release of Alto's target statement in relation to a previous (unrelated) off-market takeover bid) and the date of this Target's Statement is set out in Annexure A. This information may be relevant to your assessment of the Offers.

Further announcements about developments on the Offer will continue to be made publicly available on Alto's website at www.altometals.com.au after the date of this Target's Statement.

7.12 Issued capital

Alto's issued capital as at the date of this Target's Statement comprises:

Number of Shares	Number of Options ⁴	Number of Performance Shares ⁵
293,373,781	78,842,567	25,000,000

The Offers do not extend to the Performance Shares. However, the Share Offer extends to all Shares that are issued prior to the end of the Offer Period due to the vesting of Performance Shares.

7.13 Substantial holders

Based on substantial shareholder notices lodged with the ASX and registry data, the following persons (and their associates) have Voting Power of more than 5% as at the date of this Target's Statement:

Shareholder	Shares	%
Windsong Valley Pty Ltd (related party of Terry Wheeler)	56,908,175	19.40
Marymount Pty Ltd (related party of Terry Wheeler)	466,666	0.16
Adaman Minerals Pty Ltd	30,325,000	10.34
Harvest Lane Asset Management and its associated entities	25,213,257	8.59
Sinotech (Hong Kong) Corporations Limited	15,900,000	5.42

⁴ Unquoted options comprising

- 4,571,711 exercisable at \$0.07 each and expiring 17 August 2020;
- 28,437,523 exercisable at \$0.07 each and expiring 13 November 2020;
- 8,333,333 exercisable at \$0.07 each and expiring 18 January 2021;
- 30,000,000 exercisable at \$0.07 each and expiring 9 March 2021; and
- 7,500,000 exercisable at \$0.07 each and expiring 29 November 2023.

⁵ Performance Shares (expiring 23 June 2021) which were issued to the vendors of Sandstone Exploration Pty Ltd and are held as follows:

- Stephen Stone – 12,500,000; and
- Bruce Legendre – 12,500,000.

8. Information relating to Goldsea & Shandong Goldsea Group Co. Ltd

8.1 Disclaimer

The following information about Goldsea and Shandong Goldsea Group Co. Ltd using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, Alto does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information.

The information on Goldsea and Shandong Goldsea Group Co. Ltd in this Target's Statement should not be considered comprehensive.

8.2 Overview of the Goldsea Group and its principal activities

Goldsea is a wholly owned subsidiary of Shandong Goldsea Group Co. Ltd . Goldsea was incorporated in Australia on 14 November 2019 for the purpose of making this offer.

Shandong is a diversified privately owned group of companies with a focus on the mining, venture capital, real estate, civil engineering construction and ecological sectors. 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).⁶

A primary focus of the Goldsea Group is on mineral development and resource exploration through its three gold mining companies, being Jinlong Gold Mining Co. Ltd and Jintai Mining Investment Co. Ltd in Shandong Province and Jiangyi Mining Co. Ltd in Xinjiang Province in China. The combined entities had an average ore mining capacity of 800,000 tonnes per annum producing approximately 110,000 ounces of gold during the three calendar years ending 31 December 2019.

8.3 Further information

Further information about Goldsea is available in the Bidder's Statement (see section 6 of the Bidder's Statement in particular) and on its website at <http://english.jinhaigroup.com/index.html>.

⁶ Based on the AUD:CNY Reserve Bank of Australia conversion rate of 4.67 as at 20 February 2020.

9. Taxation Implications

9.1 Introduction

The following is a general summary of the Australian income tax, GST and duty considerations for Shareholders and Optionholders who accept the Offers by Goldsea. Under the Offers:

- (a) each Shareholder will receive \$0.065 cash per Share; and
- (b) each Optionholder will receive between \$0.012 and \$0.034 cash per Option, depending on which tranche of Options they hold.

This summary does not provide an exhaustive consideration of all possible Australian income tax, GST and duty implications that could apply to Shareholders and Optionholders that accept the Offers. Furthermore, this summary does not consider any tax implications in jurisdictions outside of Australia.

Only Shareholders and Optionholders that are individuals, complying superannuation funds and corporate shareholders that hold their Shares or Options on capital account have been considered in this summary. In particular, this summary is not intended to cover Shareholders and Optionholders who:

- (a) hold Performance Shares;
- (b) are exempt from Australian income tax;
- (c) are under a legal disability;
- (d) hold their Shares or Options on revenue account or as trading stock;
- (e) are partnerships or persons that are partners of such partnerships;
- (f) acquired their Shares or Options under an employee share scheme or similar employee incentive plan; or
- (g) are subject to special tax rules including the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* in relation to gains and losses on their Shares or Options.

This summary does not constitute tax advice and is intended only as a general guide to the Australian tax implications of accepting the Offers based upon Australian taxation law and administrative practice in effect as at the date of this Target's Statement. It does not consider any specific facts or circumstances that may apply to Shareholders or Optionholders. As the tax consequences of accepting the Offers depend on each Shareholder's or Optionholder's individual circumstances, all Shareholders and Optionholders are advised to seek independent professional advice regarding the Australian and foreign tax consequences of accepting the Offers according to their own particular circumstances.

9.2 Australian Tax Resident Shareholders

This Section applies to Shareholders that accept the Share Offer and are residents of Australia for Australian income tax purposes that hold their Shares on capital account.

(a) *Capital Gains Tax (CGT) Event*

By accepting the Share Offer, Shareholders will dispose of their Shares to Goldsea in exchange for the Share Consideration of \$0.065 per Share. The disposal of the Shares to Goldsea will give rise to a CGT event. The time of the CGT event should be the date the Shares are disposed of, which will be the date that Shareholders enter into a contract with Goldsea.

If an Shareholder does not accept the Share Offer and their Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, the date of disposal for CGT purposes will be the date when Goldsea becomes the owner of the Shares.

The following tax consequences are expected to arise for Shareholders:

- (i) A capital gain will be realised to the extent the capital proceeds received by Shareholders from the disposal of their Shares exceed the cost base of those Shares; or
- (ii) A capital loss will be realised to the extent the capital proceeds received by Shareholders from the disposal of their Shares are less than the reduced cost base of those Shares.

Capital losses can be offset against capital gains derived in the same income year or in later income years. Specific loss recoupment rules apply to companies to limit their availability in future years in certain circumstances. Shareholders should seek their own tax advice in relation to the operation of these rules.

(b) *Capital Proceeds*

The capital proceeds on the disposal of the Shares should be equal to the Share Consideration received by Shareholders, i.e. \$0.065 per Share.

(c) *Cost Base and Reduced Cost Base of a Share*

The cost base of a Share will generally be equal to the cost of acquiring the Share, plus any incidental costs of acquisition and disposal (such as brokerage fees and legal costs). Where the Share was acquired through the exercise of an Option, the cost base of the Share should include the exercise price. The reduced cost base of an Share is determined in a manner similar to the cost base although some differences in the calculation of the reduced cost base may exist depending on the Shareholder's particular individual circumstances. The cost base and reduced cost base of each Share will depend on the individual circumstances of each Shareholder.

(d) *CGT Discount*

The CGT Discount may apply to Shareholders that are individuals, complying superannuation funds or trusts, who have held, or are taken to have held, their Shares for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their Shares.

The CGT Discount is:

- (i) One-half if the Shareholder is an individual or trustee; meaning only 50% of the capital gain will be included in assessable income; and
- (ii) One-third if the Shareholder is a trustee of a complying superannuation entity; meaning only two-thirds of the capital gain will be included in assessable income.

The CGT Discount is not available to Shareholders that are companies.

If an Shareholder makes a discount capital gain, any carried forward capital losses will be applied to reduce the undiscounted capital gain before either the one-half or one-third discount is applied. The resulting amount is then included in the Shareholder's net capital gain for the income year and included in assessable income.

The CGT Discount rules relating to trusts are complex. Accordingly, it is recommended that trustees seek their own independent advice on how the CGT Discount applies to them and the trust's beneficiaries.

9.3 Foreign Tax Resident Shareholders

This Section applies to Alto Shareholders that accept the Offers and are not residents of Australia for Australian income tax purposes (i.e. foreign tax residents) that hold their Shares on capital account. It does not apply to Shareholders who have held their Shares at any time in carrying on a business at or through a permanent establishment in Australia.

(a) *Indirect Australian Real Property Interests*

Foreign tax resident Shareholders who hold their Shares on capital account should generally not be subject to the CGT rules in Australia on the disposal of their Shares, provided their Shares are not an "indirect Australian real property interest" as at the time of the disposal.

Broadly, a Shareholder's Shares will not be an indirect Australian real property interest unless both of the following conditions are satisfied:

- (i) The foreign tax resident Shareholder and their associates (as defined for tax purposes) together hold 10% or more of the issued Shares in Alto at the time of disposal, or held 10% or more of the issued Shares for at least 12 months during the 24 months prior to disposal of their Shares (the non-portfolio interest test); and
- (ii) The aggregate market value of Alto's assets which are taxable Australian property (being direct and indirect interests in real property, including land, leases of land and property affixed to land, situated in Australia) exceeds the aggregate market value of Alto's assets which are not taxable Australian property (the principal asset test).

On the basis that the aggregate market value of Alto's assets which are taxable Australian property exceeds the aggregate market value of Alto's assets which are not taxable Australian property, Alto's Shares will pass the principal asset test. However, it is expected that no foreign resident Shareholder holds/held the requisite 10% or more of the issued shares in Alto at the time of disposal so the non-portfolio interest test is likely to be failed. The Shares would therefore not be an indirect Australian real property interest and no CGT liability should arise.

A foreign tax resident Alto shareholder who was previously an Australian resident and chose to disregard a capital gain or loss on ceasing to be an Australian resident will be subject to the CGT consequences on disposal of their Shares as detailed in Section 9.2.

(b) *Foreign Resident CGT Withholding Rules*

In broad terms, a foreign resident CGT withholding tax applies to transactions involving the acquisition of the legal ownership of an asset that is an indirect Australian real property interest from a foreign resident. The current withholding rate is 12.5%.

As noted above, it is unlikely that any foreign resident Alto Shareholders would pass the non-portfolio interest test and no CGT liability should therefore arise. However, to avoid any withholding, foreign resident Alto Shareholders should complete a foreign resident capital gains withholding – vendor declaration form and provide this to Goldsea prior to accepting the Share Offer.

Foreign resident Alto Shareholders should seek their own advice in relation to the vendor declaration and the application of an exemption from CGT withholding in respect of this transaction.

9.4 **Australian Tax Resident Optionholders**

This Section applies to Optionholders that accept the Option Offer and are residents of Australia for Australian income tax purposes that hold their Options on capital account.

(a) *Capital Gains Tax (CGT) Event*

By accepting the Option Offer, Optionholders will dispose of their Options to Goldsea in exchange for the Option Consideration of between \$0.012 and \$0.034 cash per Option, depending on which tranche of Options they hold. The disposal of the Options to Goldsea will give rise to a CGT event. The time of the CGT event should be the date the Options are disposed of, which will be the date that Optionholders enter into a contract with Goldsea.

If an Optionholder does not accept the Option Offer and their Options are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, the date of disposal for CGT purposes will be the date when Goldsea becomes the owner of the Options.

The following tax consequences are expected to arise for Optionholders:

- (i) A capital gain will be realised to the extent the capital proceeds received by Optionholders from the disposal of their Options exceed the cost base of those Options; or
- (ii) A capital loss will be realised to the extent the capital proceeds received by Optionholders from the disposal of their Options are less than the reduced cost base of those Options.

Capital losses can be offset against capital gains derived in the same income year or in later income years. Specific loss recoupment rules apply to companies to limit their availability in future years in certain circumstances. Optionholders should seek their own tax advice in relation to the operation of these rules.

(b) *Capital Proceeds*

The capital proceeds on the disposal of the Options should be equal to the Option Consideration received by Optionholders, i.e. between \$0.012 and \$0.034 cash per Option, depending on which tranche of Options they hold.

(c) *Cost Base and Reduced Cost Base of a Share*

The cost base of an Option will generally be equal to the cost of acquiring the Option, plus any incidental costs of acquisition and disposal (such as brokerage fees and legal costs). The reduced cost base of an Option is determined in a manner similar to the cost base although some differences in the calculation of the reduced cost base may exist depending on the Optionholder's particular individual circumstances. The cost base and reduced cost base of each Option will depend on the individual circumstances of each Optionholder.

(d) *CGT Discount*

The CGT Discount may apply to Optionholders that are individuals, complying superannuation funds or trusts, who have held, or are taken to have held, their Alto Options for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their Options in the same manner as the CGT Discount may apply to Shareholders. Refer to Section 9.2(d).

9.5 Foreign Tax Resident Optionholders

This Section applies to Optionholders that accept the Option Offer and are not residents of Australia for Australian income tax purposes (i.e. foreign tax residents) that hold their Options on capital account. It does not apply to Optionholders who have held their Options at any time in carrying on a business at or through a permanent establishment in Australia.

(a) *Indirect Australian Real Property Interests*

Foreign tax resident Optionholders who hold their Options on capital account should generally not be subject to the CGT rules in Australia on the disposal of their Options, provided their Options are not an "indirect Australian real property interest" as at the time of the disposal.

In this regard, Options will be indirect Australian real property interests if they confer the right to acquire a Share that is an indirect Australian real property interest. Refer to Section 9.3(a).

(b) *Foreign Resident CGT Withholding Rules*

As noted in Section 9.3(b), a foreign resident CGT withholding tax may apply to transactions involving the acquisition of the legal ownership of an asset that is an indirect Australian real property interest from a foreign resident. The current withholding rate is 12.5%.

The rules outlined in Section 9.3(b) in relation to Shares may also apply to Options if they are indirect Australian property interests (which is unlikely as the non-portfolio interest test is not likely to be passed). However, to avoid any withholding, foreign resident Optionholders should complete a foreign resident capital gains withholding – vendor declaration form and provide this to Goldsea prior to accepting the Option Offer.

Foreign resident Optionholders should seek their own advice in relation to the vendor declaration and the application of an exemption from CGT withholding in respect of this transaction.

9.6 **GST**

No GST will be payable by Shareholders or Optionholders on the acquisition of their Shares or Options by Goldsea under either Offer. Shareholders and Optionholders who are registered for GST may not be entitled to input taxed credits (or only entitled to reduced input taxed credits) for any GST incurred on costs associated with the disposal of their Shares or Options.

9.7 **Duty**

No Australian duty should be payable by Shareholders or Optionholders on the acquisition of their Shares or Options under the Offers.

10. Other material information

10.1 Effect of the Offers on Alto's material contracts

Alto is party to a loan facility agreement with Windsong Valley Pty Ltd (**Windsong**), an entity associated with Non-Executive Director, Terry Wheeler (**Windsong Loan Facility**).

Pursuant to the Windsong Loan Facility, Alto may drawdown up to \$500,000 of funding to finance Alto's working capital requirements. As at the date of this Target's Statement, no amounts have been advanced under the Windsong Loan Facility, but is expected that funds will be required to be drawn down before the expiry of the Offer Period if no alternate funding is received.

All outstanding monies and interest under the Windsong Loan Facility are repayable on the earlier to occur of 11 March 2021 (the maturity date), or within 14 days business days of the provision of notice by Windsong if an event of default or change of control event occurs in respect of Alto.

For the purposes of the Windsong Loan Facility, a change of control event will occur if a person and their associates acquire a Relevant Interest in Alto Shares of 40% or more, or there is otherwise a change in Control of Alto .

Accordingly, if Goldsea obtains a Relevant Interest in 40% or more of the Alto Shares as a result of the Share Offer, Windsong may require repayment of the amounts outstanding under the Windsong Loan Facility.

Other than as disclosed above, to the best of each Alto Directors' knowledge, there are no material contracts or financing arrangements to which Alto is a party which contain any change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offers.

10.2 Material litigation

As at the date of this Target's Statement, Alto is not involved in any material litigation.

10.3 Consents

The following persons have given, and have not before the date of issue of this Target's Statement withdrawn, their consent to:

- (a) be named in this Target's Statement in the form and context in which they are named; and
- (b) the inclusion of other statements in this Target's Statement which are based on or referable to statements made in the reports or statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they appear:

Name of Person	Capacity	Reports or Statements
Mr Richard Monti, Mr Terry Wheeler, Dr Jingbin Wang, and Mr Matthew Bowles	Directors	Statements made by, or statements based on the statements made by, the Directors

Name of Person	Capacity	Reports or Statements
HWL Ebsworth	Legal advisor to Alto	N/A
Automic Pty Ltd	Alto's share registry	N/A
Longreach Capital	Corporate Adviser	N/A

Each of the persons named above:

- (a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to whom such statements are attributed to is not required for the inclusion of those statements in the Target's Statement.

Any Shareholder or Optionholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may obtain a copy free by writing to Alto's Company Secretary.

Copies of all announcements by Alto may also be obtained from its website at www.Altometals.com or from ASX's website www.asx.com.au under the code "Alto".

Additionally, as permitted by ASIC Corporations (Consent to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

Pursuant to that instrument, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

10.4 **No other material information**

This Target's Statement is required to include all the information that Alto Shareholders and Optionholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offers, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director of Alto.

The Alto Directors are of the opinion that the information that Alto Shareholders and Optionholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offers is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in Alto's releases to the ASX, and in the documents lodged by Alto with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Alto Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Alto Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in the Bidder's Statement.

In deciding what information should be included in this Target's Statement, the Directors have had regard to, amongst other things,

- (a) the nature of Alto Shares and Options;
- (b) the matters which Shareholders and Optionholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as the ASX, ASIC or Alto's website at www.altometals.com.au;
- (c) the fact that certain matters may reasonably be expected to be known to Alto Shareholders' and Optionholders' professional advisers; and
- (d) the time available to Alto to prepare this Target's Statement.

11. Authorisation

Mr Richard Monti, the Chairman of Alto, is authorised to sign this Target's Statement pursuant to a resolution passed at a meeting of Directors held on 19 April 2020.

A handwritten signature in grey ink, appearing to read 'R. Monti', is positioned above the printed name and title.

Mr Richard Monti
Non-Executive Chairman
Dated: 20 April 2020

12. Glossary of terms

12.1 Glossary

In this Target's Statement, unless a contrary intention appears, the following expressions have the following meanings:

Acceptance Form means the acceptance forms enclosed with the Bidder's Statement pursuant to which Alto Shareholders or Optionholders can accept the Share Offer or the Option Offer (as applicable).

Alto or Company means Alto Metals Limited ACN 159 819 173.

Alto Group means Alto and all of its related entities.

Announcement Date means 21 February 2020, being the date on which Goldsea announced that it intended to undertake an off-market takeover bid for Alto.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 trading as Australian Securities Exchange.

ASX Settlement means ASX Limited ABN 98 008 504 532.

ASX Settlement Operating Rules means the settlement rules of ASX Settlement.

ATO means the Australian Taxation Office.

AWST means Australian Western Standard Time.

Bidder's Statement means the bidder's statement of Goldsea dated and served on Alto on 24 March 2020.

Board means the board of Directors of Alto.

Business Day means a day on which banks are open for general banking business in Melbourne (not being a Saturday, Sunday or public holiday in that place).

CHESS means the Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.

CHESS Holding means a holding of Shares on the CHESS sub-register of Alto.

Conditions means the conditions to the Offers as described in sections 13.7 and 14.8 of the Bidder's Statement.

Controlling Participant means the broker who is designated as the controlling participant for Shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

CGT Discount means a capital gains tax discount available on certain capital gains arising from the disposal of capital gains tax assets held for greater than 12 months, as described in Section 9.2(d).

CGT means capital gains tax.

CNY is the lawful currency of China.

Competing Proposal means any expression of interest, proposal, offer or transaction (or a series of transactions), which if entered into or completed, would result in a person (other than Goldsea, or one of its Related Bodies Corporate or Associates):

- (a) acquiring Voting Power in Alto of 15% or more;
- (b) directly or indirectly, acquiring an interest in, a Relevant Interest in, having the right to acquire, becoming the holder of, or entering into a cash settled equity swap or other synthetic, economic or derivative transaction in each case connected with or relating to:
 - (i) 15% or more of Alto's Shares or 15% or more of the securities in any Group Member; or
 - (ii) the whole or a material part of the business or property of the Group;
- (c) acquiring Control of Alto; or
- (d) otherwise acquiring or merging (including by a scheme of arrangement, capital reduction, sale of assets, strategic alliance, joint venture, partnership, reverse takeover bid or dual listed company structure) with Alto.

Control has the meaning given in section 50AA of the Corporations Act.

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

Director means a director of Alto and **Directors** means all of the directors of Alto.

FIRB means Foreign Investment Review Board.

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

Goldsea Group means Goldsea and all its subsidiaries.

Group means Alto and each of its Related Bodies Corporate from time to time.

Group Member means any member of the Group.

GST means GST within the meaning of the *A New Tax System (Goods and Services Tax) Act 1999*.

ITAA 1997 means *Income Tax Assessment Act 1997* (Cth).

Listing Rules means the listing rules of the ASX.

Minimum Acceptance Condition means the Condition referred to in section 13.7(a) of the Bidder's Statement, namely, that Goldsea has a Relevant Interest in at least 90% of all Shares on a fully diluted basis at the end of the Offer Period.

Offers means the Share Offer and/or Option Offer (as applicable).

Offer Consideration means the Share Consideration and/or Option Consideration (as applicable).

Offer Period means the period commencing on 8 April 2020 and ending at 7.00pm (AEST) on 8 May 2020 (unless extended or withdrawn) during which the Offers will remain open for acceptance.

Option means an option to acquire a Share.

Option Consideration means the consideration for each class of Option held by Optionholders as set out in the table below:

Tranche	Key terms	Total number on issue	Consideration for each Alto Option
1	Exercisable at \$0.07 expiring 17 August 2020	4,571,711	\$0.012
2	Exercisable at \$0.07 expiring 13 November 2020	28,437,523	\$0.015
3	Exercisable at \$0.07 expiring 18 January 2021	8,333,333	\$0.017
4	Exercisable at \$0.07 expiring 9 March 2021	30,000,000	\$0.018
5	Exercisable at \$0.07 expiring 29 November 2023	7,500,000	\$0.034
	Total:	78,842,567	

Optionholder means the holder of an Option.

Option Offer means Goldsea's offer to acquire all Alto Options for the Option Consideration.

Performance Shares means performance shares on the terms and conditions set out in Alto's notice of meeting released to ASX on 18 April 2016.

Prescribed Occurrence has the meaning in section 15.1 of the Bidder's Statement.

Record Date means 7.00pm (Sydney time) on 27 March 2020 .

Register means the registers of shareholders and/or optionholders (as applicable) of Alto maintained by or on behalf of Alto in accordance with the Corporations Act.

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

Related Entity means in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is controlled by that party.

Relevant Interest has the meaning given to that term in the Corporations Act.

Section means a section of this Target's Statement.

Shandong means Shandong Goldsea Group Co. Ltd.

Share Consideration means \$0.065 in cash for each Share held by Alto Shareholders.

Shareholder means a person registered as a member of Alto.

Share Offer means Goldsea's offer to acquire all of the Shares for the Share Consideration on the terms and conditions set out in the Bidder's Statement.

Shares means fully paid ordinary shares in Alto.

Superior Proposal means a bona fide Competing Proposal which the Board determines, acting in good faith and in order to satisfy what the Board consider to be its fiduciary and statutory duties (after having taken advice from Alto's financial and legal advisors), is capable of being valued and completed, taking into account all aspects of the transaction or proposed transaction (including its consideration (and form of consideration), conditions precedent and the person or persons making it) and provides a superior outcome for Shareholders and Optionholders as compared to the Offers.

Target's Statement means this Target's Statement, being the statement of Alto under Part 6.5 Division 3 of the Corporations Act.

Voting Power has the meaning given in section 610 of the Corporations Act.

VWAP means volume weighted average price of Shares.

Windsong means Windsong Valley Pty Ltd ACN 124 801 369.

Windsong Loan Facility means the loan facility entered into between Alto and Windsong as described in Sections 6.2(a)(iv) and 10.1.

12.2 Interpretation

Various defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise, or words are defined in Section 12.1, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

In this Target's Statement, headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention:

- (a) the expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (b) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (c) a reference to any document (including this Target's Statement) is to that document as varied, novated, ratified or replaced from time to time;
- (d) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (e) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;

- (f) references to sections, schedules, exhibits or annexures are references to sections, schedules, exhibits and annexures to or of this Target's Statement, and a reference to this Target's Statement includes any schedule, exhibit or annexure to this Target's Statement;
- (g) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (h) the word "includes" in any form is not a word of limitation;
- (i) a reference to "\$", "A\$" or "dollar" is to Australian currency; and
- (j) if any day appointed or specified by this Target's Statement for the payment of any money or doing of anything falls on a day which is not a Business Day, the day so appointed or specified shall be deemed to be the next Business Day.

ANNEXURE A – ALTO ASX ANNOUNCEMENTS

Date	Announcement
08.05.19	MDI: Takeover Offer Update
09.05.19	Change in substantial holding notice from MDI
13.05.19	App 3B - Placement of Shortfall Shares
14.05.19	Trading Halt
16.05.19	Voluntary Suspension
23.05.19	MDI: Takeover Offer Update
24.05.19	MDI: Supplementary Bidder's statement
27.05.19	Extension of Voluntary Suspension
27.05.19	Takeover Offer Update
27.05.19	Takeover Offer Update - Correction
03.06.19	Extension of Voluntary Suspension
04.06.19	Recommencement of Trading
05.06.19	MDI: Takeover Offer Update
05.06.19	Reinstatement to Official Quotation
06.06.19	Suspension of Class (AMENA) from Official Quotation
06.06.19	Drilling program underway at Sandstone Gold Project
07.06.19	Response to ASX Aware Query
11.06.19	Total Mineral Resource Increase at Sandstone Au Project
12.06.19	Notice of General Meeting/Proxy Form
21.06.19	MDI: Supplementary Bidder's Statement
27.06.19	MDI: Increase Consideration - Supp. Bidder's Statement
28.06.19	Middle Island Takeover Offer Take No Action
01.07.19	MDI: Correction to 'Increased Consideration' AME release
02.07.19	Securities released from escrow
03.07.19	First supplementary target statement
03.07.19	Letter to Shareholders
04.07.19	Strike Extensions confirmed at Sandstone Gold Project
12.07.19	Results of Meeting

Date	Announcement
18.07.19	Appendix 3B
18.07.19	Change of Director's Interest Notice
22.07.19	Down Plunge Extension confirmed at Lord Nelson Gold Project
22.07.19	Revised Appendix 3B
22.07.19	Change in substantial holding
26.07.19	MDI: Supplementary Bidder's Statement
31.07.19	Quarterly Activities & Cashflow Report
05.08.19	Company Presentation - Sandstone Gold Project
12.09.19	High Grade Gold Intersected at Sandstone Gold Project
23.09.19	MDI: Supplementary Bidder's Statement
30.09.19	Corporate Governance Statement
30.09.19	Appendix 4G
30.09.19	Full year statutory accounts
08.10.19	MDI: Supplementary Bidder's Statement
17.10.19	Change of Class
17.10.19	Second Supplementary Target's statement
17.10.19	Letter to Shareholders
28.10.19	Notice of Annual General Meeting/Proxy Form
31.10.19	Quarterly Activities & Cashflow Report
20.11.19	New Lord's Gold Targets to drive exploration phase
22.11.19	Update to ASX Announcement
29.11.19	Chairman's Address to Shareholders
29.11.19	Results of Meeting
29.11.19	Company Presentation
02.12.19	Appendix 3B
02.12.19	Company Update - Expiry of Takeover Offer
05.12.19	MDI: Lapse of Alto Metals Offer
24.12.19	Appendix 3B & Cleansing Statement
30.12.19	Change of Director's Interest Notice

Date	Announcement
31.01.20	Quarterly Activities & Cashflow Report
21.02.20	Intention to make a Takeover Bid
24.02.20	Unsolicited Off-Market Takeover Bid - Take No Action
25.02.20	Trading Halt
27.02.20	Significant new high grade drill results at lord nelson
02.02.20	Becoming a substantial holder
04.03.20	Change in substantial holding
11.03.20	Trading Halt
13.03.20	Suspension from Official Quotation
16.03.20	Half-Yearly Report and Accounts
16.03.20	Appointment of Independent Non-Executive Chair & Loan Agreement
16.03.20	Zone of High-Grade Gold Mineralisation Beneath Lord Nelson
16.03.20	Reinstatement to Official Quotation
24.03.20	Goldsea releases bidder's statement for cash takeover offer
24.03.20	Goldsea's bidder's statement
25.03.20	Take no action in relation to the Goldsea takeover offer
26.03.20	Register date confirmation notice for Goldsea's offers
01.04.20	Change in substantial holding
02.04.20	Further high grade results from Lord Nelson
08.04.20	Becoming a substantial holder
08.04.20	Goldsea confirms all takeover offers sent
08.04.20	Section 633(1) item 8 notice confirming all offers sent
16.04.20	Alto response to media speculation
16.04.20	Becoming a substantial holder
16.04.20	Change in substantial holding

ANNEXURE B – Mineral Resource Estimate

Deposit	Category	Cut-off (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 & Vanguard Camp ³	Inferred	0.3-0.5	2580	1.5	124,000
Havilah & Ladybird ⁴	Inferred	0.5	510	1.8	29,000
TOTAL INFERRED			4,180	1.7	225,000
TOTAL INDICATED AND INFERRED			5,380	1.7	290,000

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

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

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

Note 4. AME ASX release 11 June 2019. "Alto increases Total Mineral Resource Estimate to 290,000oz, Sandstone Gold Project"

For reporting purposes at a high level, totals have been rounded. Rounding may result in some slight discrepancies in totals reported. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of all Inferred Mineral Resources to Indicated Mineral Resources.

All material assumptions and technical parameters underpinning the 2017, 2018 and 2019 JORC (2012) Mineral Resource estimates in the above ASX announcements continue to apply and have not materially changed since last reported. Alto confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements referred to above.

CORPORATE DIRECTORY

Directors

Mr Richard Monti	Non-Executive Chairman
Mr Matthew Bowles	Non-Executive Director
Mr Terry Wheeler	Non-Executive Director
Dr Jingbin Wang	Non-Executive Director

Company Secretary

Mr Graeme Smith

Registered Office

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Shares: AME

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PERTH WA 6000

Auditors*

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Corporate Adviser

Longreach Capital Pty Ltd
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Nedlands WA 6009
AFSL: 497333

* These entities are included for information purposes only. They have not been involved in the preparation of this Target's Statement.