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# **Alto Metals Limited**

**ABN 62 159 819 173**

**2020 ANNUAL REPORT**

# CORPORATE DIRECTORY

## Directors

Mr Richard Monti (Non-Executive Chairman)

Mr Matthew Bowles (Managing Director and CEO)

Dr Jingbin Wang (Non-Executive Director)

Mr Terry Wheeler (Non-Executive Director)

## Company Secretary

Mr Graeme Smith

## Principal registered office

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Website: [www.altometals.com.au](http://www.altometals.com.au)

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## Auditor

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Perth WA 6000

Telephone 08 9322 2022

## Share Registry

Automic Registry Services

Level 5, 126 Philip Street

Sydney NSW 2000

## Australian Securities Exchange

ASX code: AME

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This document may contain certain forward-looking statements. Such statements are only predictions, based on certain assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement. The inclusion of such statements should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions or that any forward looking statements will be or are likely to be fulfilled. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this document (subject to securities exchange disclosure requirements). The information in this document does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this document constitutes investment, legal, tax or other advice.

## CHAIRMAN'S LETTER

Dear Shareholder,

The 2020 financial year for Alto has been exciting, exhilarating and at times extremely frustrating for your Company.

Since April 2019, Alto has had to deal with three unsolicited takeover bids, one after the other.

Responding to these bids is a normal part of doing business for a listed company, but it does distract management and the Board from the job they were specifically hired for and that is running the Company.

These unsolicited approaches also cause disruptions to those things other companies take for granted, such as raising capital during a period when gold companies are in demand by investors, and they are expensive. Your Company has spent in excess of \$300,000 responding to these bids, money that could have funded 3,000 metres of drilling and assaying.

Despite these distractions, it was very pleasing to see that the Alto exploration team, led by Dr Changshun Jia and Mike Kammerman, enjoyed significant success during the year including:

- Increasing the mineral resource at the Sandstone Project by 14% to 331,000 ounces from 290,000 ounces;
- Solid exploration results from over 9,200 metres of drilling at the Sandstone Gold Projects which included intercepting wide zones of high grade mineralisation below the open pit in every drill hole; and
- Discovery of the new shallow Orion Lode gold area located only 200m south of Lord Nelson.

Off the back of this success, Alto is planning a further 5,000m of drilling to be completed by the end of the calendar year as part of the next stage of a planned 30,000m drill program, and, with continued success, we will look to undertake additional drilling next year.

Subsequent to year end, Matthew Bowles moved from Non-Executive Director to Managing Director and CEO, and during the year, I joined the Board as Chairman following Terry Wheeler's decision to step down to a Non-Executive Director role.

Terry Wheeler has helped Alto enormously during the past few years culminating in the provision of an unsecured \$1 million loan to assist with the continuity of planned exploration work whilst the Company was caught up in takeover battles.

Following the 22 September 2020 announcement that Alto had raised \$5.5 million via a placement, I believe the Company will finally be in a position to undertake its extensive planned exploration work at the highly prospective Sandstone Gold Project in Western Australia, and I look forward to seeing the results from that future exploration.

Yours sincerely,



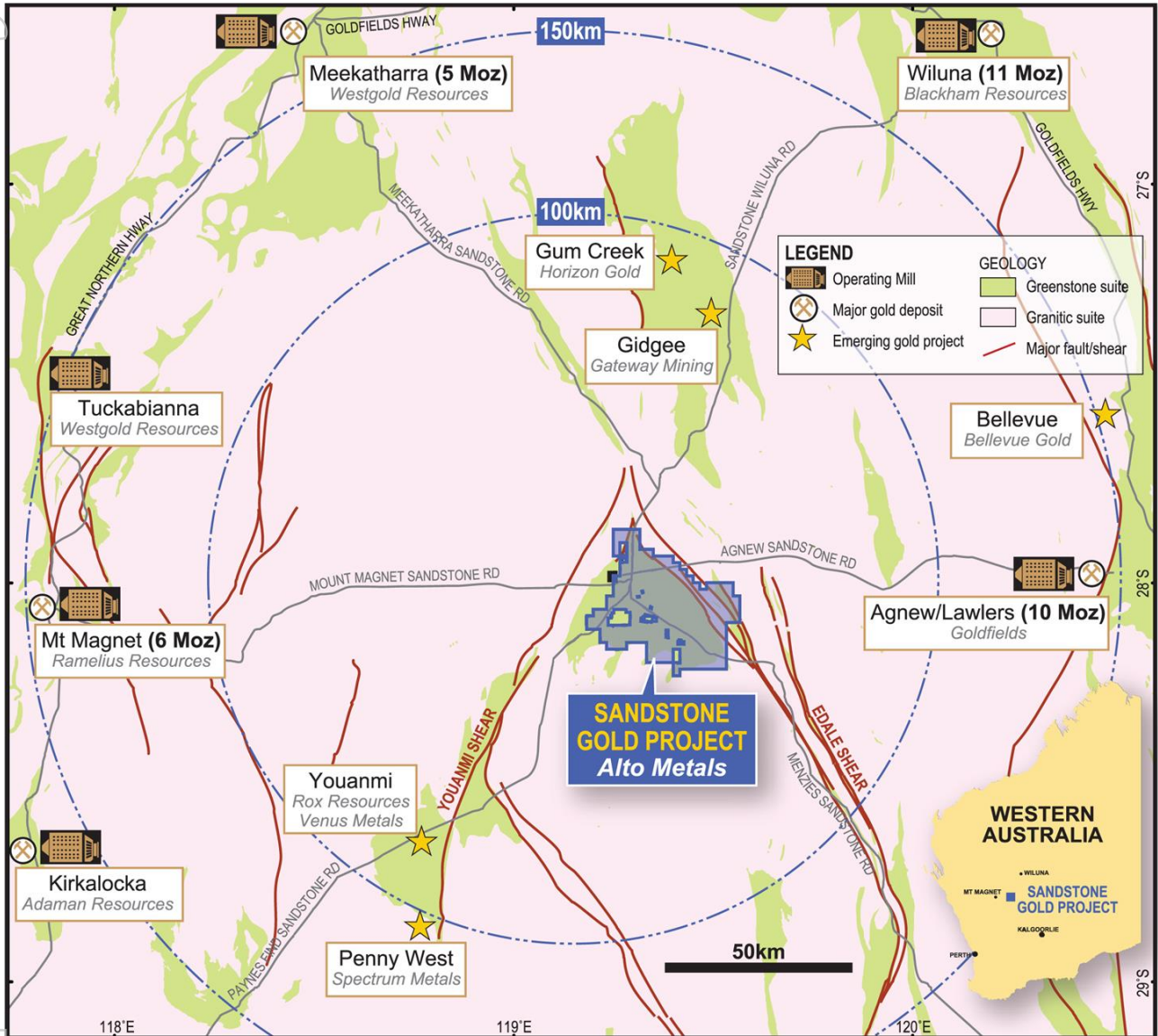
**Richard Monti**  
Non-Executive Chairman

Dated this 30th day of September 2020

# REVIEW OF OPERATIONS

## Introduction

Alto Metals Limited (“Alto” or the “Company”) and the entities it controlled (together “the Group”) is a Western Australian based company and is focused on gold exploration in Australia. The Company holds approximately 800 km<sup>2</sup> of the prospective Sandstone Greenstone Belt, ~600km north of Perth in the East Murchison Mineral Field of Western Australia (Figure 1).



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

Since the discovery of gold at the end of the 19th Century, the Sandstone greenstone belt has produced over 1.3 million ounces of gold from numerous underground and open pit mining operations. Of this, some 612,000 ounces was produced between 1994 and 2008 from the open-pit mining of shallow oxide ore by ASX listed companies Herald Resources Ltd and Troy Resources Ltd.

Alto has defined a JORC (2012) Mineral Resource of 6.2Mt @ 1.7 g/t Au for 331,000 ounces gold (Table 4) at Lord Nelson, Lord Henry, Vanguard Camp, Indomitable Camp, Havilah and Ladybird (Figure 2). Notably, vast majority of current Mineral Resource inventory is within shallow oxide and transitional Zone, the Company is now at the beginning of new phase exploration into primary zone of large orogenic gold mineral systems within 800km<sup>2</sup> the under-explored Sandstone Greenstone Belt. Numerous drill ready targets with significant discovery and Mineral Resource growth potential has been well advanced, with initial focus on the +3km Lord Nelson – Lord Henry Corridor (“Lords Corridor”, Figure 3).



# REVIEW OF OPERATIONS

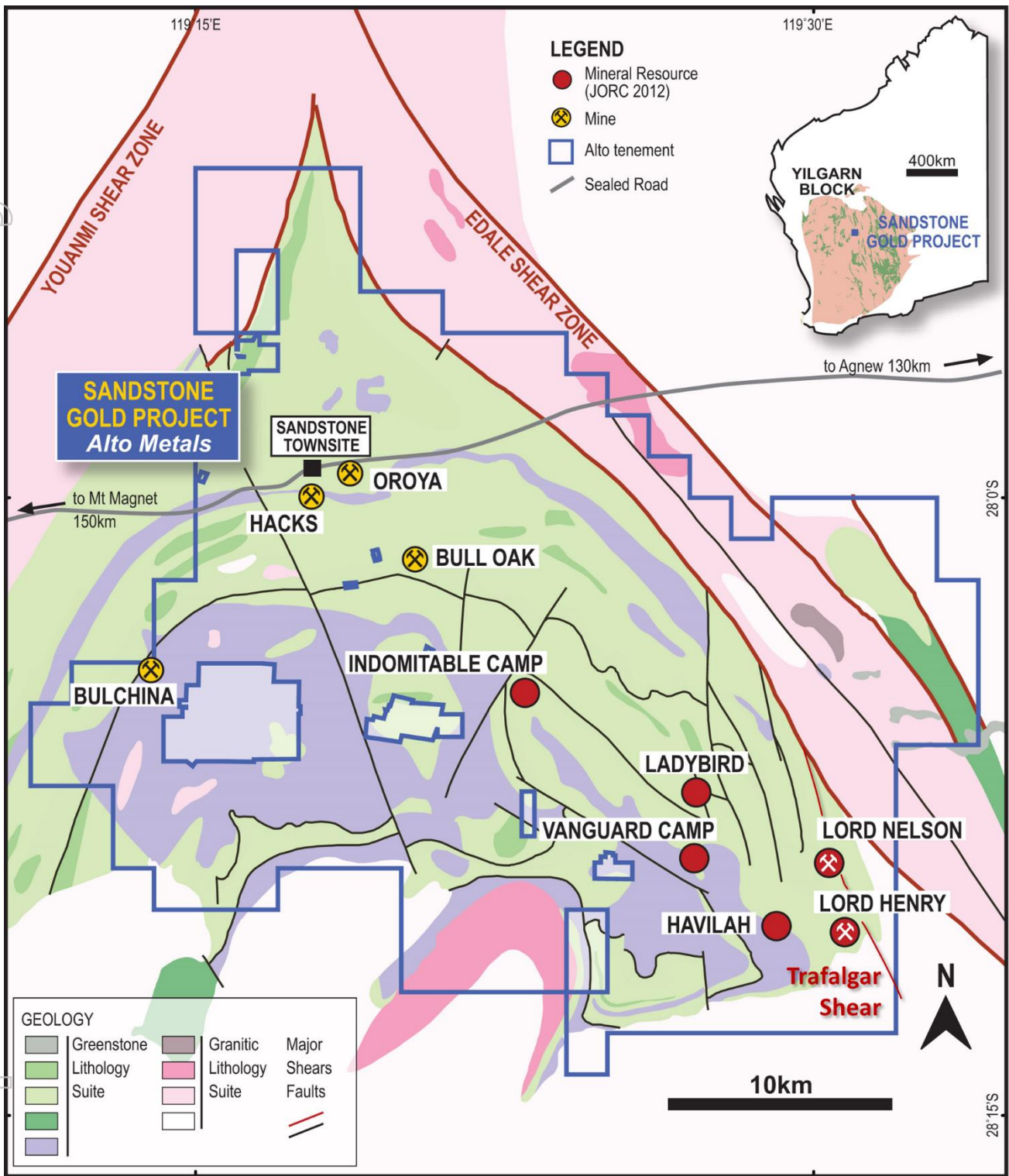


Figure 2. Mineral Deposits and Priority Targets at Sandstone Gold Project

## Lords Camp Targeting Review

Late 2019, a number of high-priority target areas were identified by Alto’s geologists and its external peer review team, including Prof. David Groves and Terra Resources. The Lord Nelson prospect was prioritised and subjected to a detailed review and reinterpretation of the geology and historical results. The review defined multiple new drill ready targets comprising depth extensions to the shallow-mined Lord Nelson and Lord Henry historical open-pits and potential near-surface ‘Lord’s style’ geological repetitions along a +3km corridor between the two pits (Figure. 3). The Lord Nelson and Lord Henry deposits, which produced 207,000oz gold and 48,000oz gold respectively, were only mined to shallow depths of 90m and 50m. This was primarily due to the inability of the former Sandstone process plant to treat large volumes of the fresh rock. Little to no systematic

# REVIEW OF OPERATIONS

work has been undertaken to test for depth extensions to the shallow Lord's mineralisation which, given that many similar orogenic gold deposits are known to extend to great depth, provides an exciting opportunity for Alto.

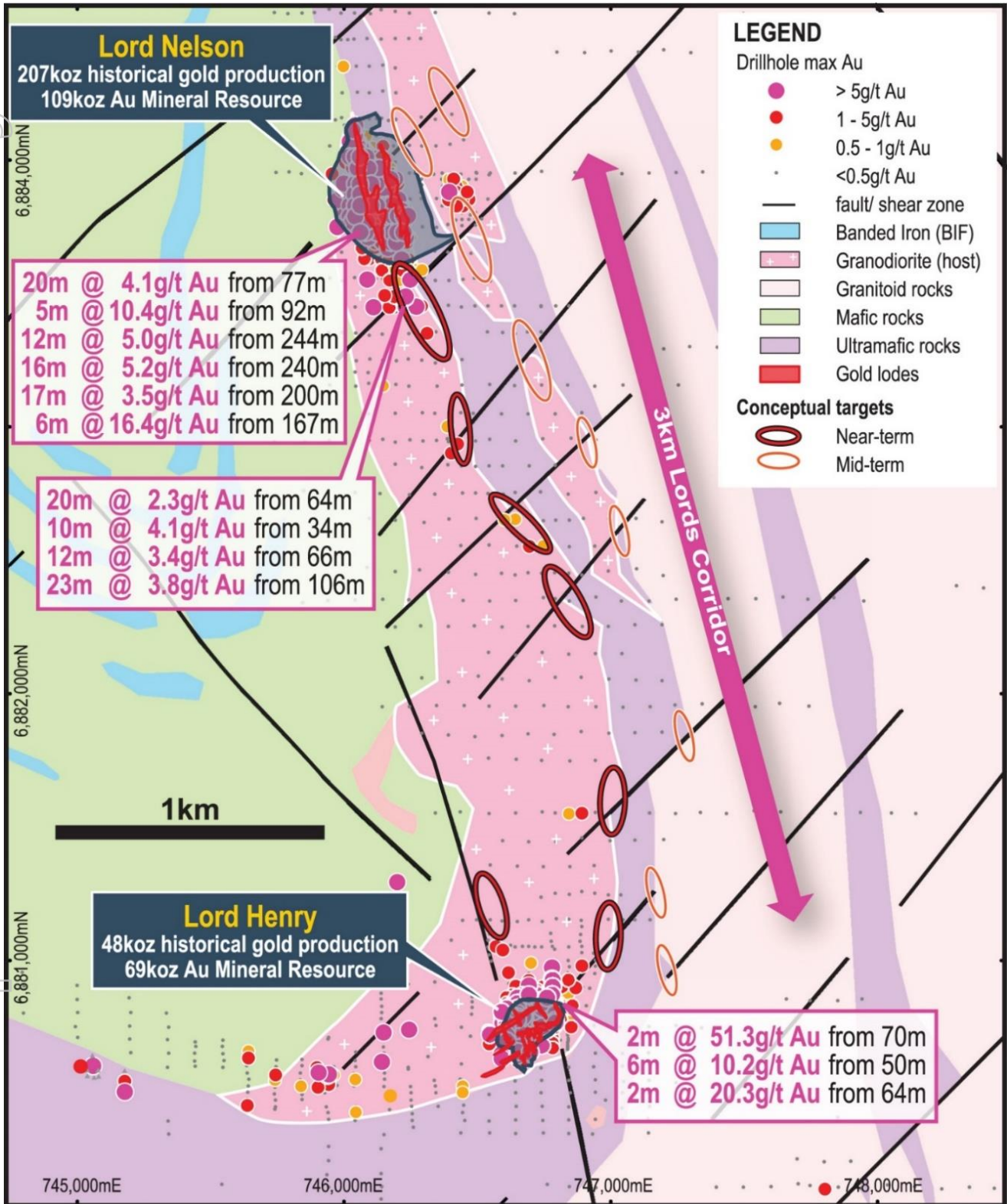


Figure 3. Lords Deposits and +3km Lords' Corridor - 1:5,000 geological interpretation (labelled drill results are from unmined zones).



## REVIEW OF OPERATIONS

### RC Drilling Campaign

During the year, the Group carried out RC drilling programs at the Lords corridor and other areas including the Bollinger prospect (Indomitable Camp) and Bulchina. These programs included 3,718m of RC drilling up to 30 June 2020 and a further 5,562m of RC drilling in July-August 2020. Significant drill intercepts included in Table 1.

Table 1 Significant RC drill results at Lords and Bollinger

Hole_ID	From(m)	To(m)	Interval(m)	Au_g/t	Comments
SRC168	106	129	23	3.8	Lords
incl.	106	112	6	4.6	
and	116	126	10	4.5	
SRC169	34	44	10	4.1	Lords
incl.	36	38	2	12.8	
SRC174	106	117	11	1.8	Lords
incl.	109	110	1	10.8	
SRC175	200	217	17	3.5	Lords
incl.	211	215	4	11.6	
incl.	214	215	1	25.5	
SRC176	228	233	5	2.8	Lords
and	240	256	16	5.2	
incl.	240	243	3	13.5	
and	247	251	4	5.5	
and	255	256	1	6.0	
SRC178	220	241	21	1.7	Lords
incl.	232	237	5	3.1	
SRC183*	64	84	20	2.26	
SRC184*	228	256	28	3.06	Lords
Incl.	244	256	12	4.99	
Incl.	244	248	4	11.34	
SRC190*	24	40	16	1.58	
Incl.	36	40	4	3.77	
SRC191*	48	76	28	2.80	Lords
Incl.	56	60	4	7.39	
SRC192*	108	124	16	3.69	Lords
Incl.	116	120	4	8.16	
SRC200*	4	32	28	2.12	Bollinger
incl.	24	28	4	6.24	
SRC205*	84	96	12	4.83	Lords
SRC209*	208	216	8	4.10	Lords
SRC214*	192	196	4	3.44	Lords

Note\* - 4m composite photon assays

Refer to: AME ASX release on 02 April 2020, 22 April 2020, 27 July 2020, 29 July 2020, 18 August 2020 and 31 August 2020

## REVIEW OF OPERATIONS

Table 2 RC drillhole collar summary (February 2020 – August 2020)

Hole_ID	Hole_Type	m_East	m_North	m_RL	Dip	Azimuth	m_MaxDepth	Prospect
SRC163	RC	746,269	6,883,380	474	-60	90	123	Lord Nelson
SRC164	RC	746,228	6,883,370	472	-60	90	176	Lord Nelson
SRC165	RC	746,291	6,883,412	471	-60	90	98	Lord Nelson
SRC166	RC	746,210	6,883,410	471	-60	90	158	Lord Nelson
SRC167	RC	746,170	6,883,410	472	-60	90	200	Lord Nelson
SRC168	RC	746,213	6,883,450	475	-60	90	140	Lord Nelson
SRC169	RC	746,270	6,883,490	473	-60	90	80	Lord Nelson
SRC170	RC	746,241	6,883,528	468	-60	90	80	Lord Nelson
SRC171	RC	746,201	6,883,528	473	-60	90	104	Lord Nelson
SRC172	RC	746,380	6,883,698	462	-60	90	158	Lord Nelson
SRC173	RC	746,196	6,883,370	473	-60	90	218	Lord Nelson
SRC174	RC	746,089	6,883,561	472	-60	90	164	Lord Nelson
SRC175	RC	746,011	6,883,570	473	-60	90	230	Lord Nelson
SRC176	RC	745,973	6,883,619	472	-60	90	266	Lord Nelson
SRC177	RC	745,903	6,883,622	473	-60	90	315	Lord Nelson
SRC178	RC	745,920	6,883,720	473	-50	90	290	Lord Nelson
SRC179	RC	745,920	6,883,720	473	-60	90	308	Lord Nelson
SRC180	RC	745,900	6,883,920	473	-60	90	302	Lord Nelson
SRC181	RC	745,900	6,883,820	473	-60	90	308	Lord Nelson
SRC182	RC	746,252	6,883,410	470	-60	90	122	Lord Nelson
SRC183	RC	746,251	6,883,447	471	-60	90	98	Lord Nelson
SRC184	RC	745,972	6,883,620	475	-55	90	260	Lord Nelson
SRC185	RC	745,938	6,883,618	474	-55	90	284	Lord Nelson
SRC186	RC	746,009	6,883,619	477	-57	90	232	Lord Nelson
SRC187	RC	746,050	6,883,569	473	-60	90	200	Lord Nelson
SRC188	RC	745,972	6,883,571	475	-60	90	260	Lord Nelson
SRC189	RC	746,232	6,883,407	473	-60	90	144	Lord Nelson
SRC190	RC	746,280	6,883,472	474	-60	90	70	Lord Nelson
SRC191	RC	746,241	6,883,470	473	-60	90	120	Lord Nelson
SRC192	RC	746,198	6,883,470	473	-60	90	138	Lord Nelson
SRC193	RC	746,270	6,883,510	476	-60	90	80	Lord Nelson
SRC194	RC	746,230	6,883,511	471	-60	90	126	Lord Nelson
SRC195	RC	746,238	6,883,568	472	-60	90	70	Lord Nelson
SRC196	RC	746,200	6,883,565	473	-60	90	100	Lord Nelson
SRC197	RC	746,189	6,883,290	471	-60	90	198	Lord Nelson
SRC198	RC	718,878	6,892,382	515	-50	90	198	Bulchina
SRC199	RC	718,912	6,892,420	511	-50	90	198	Bulchina
SRC200	RC	734,262	6,894,690	521	-60	90	100	Bollinger
SRC201	RC	733,279	6,895,039	513	-60	270	114	Bollinger
SRC202	RC	733,318	6,895,038	516	-60	270	138	Bollinger
SRC203	RC	746,200	6,883,290	470	-50	90	180	Lord Nelson
SRC204	RC	746,251	6,883,485	472	-60	90	78	Lord Nelson
SRC205	RC	746,212	6,883,485	472	-60	90	120	Lord Nelson

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## REVIEW OF OPERATIONS

Hole_ID	Hole_Type	m_East	m_North	m_RL	Dip	Azimuth	m_MaxDepth	Prospect
SRC206	RC	746,251	6,883,429	471	-60	90	120	Lord Nelson
SRC207	RC	746,212	6,883,428	472	-60	90	156	Lord Nelson
SRC208	RC	745,970	6,883,719	475	-50	90	258	Lord Nelson
SRC209	RC	745,999	6,883,660	475	-60	90	242	Lord Nelson
SRC210	RC	745,950	6,883,654	474	-60	90	264	Lord Nelson
SRC211	RC	745,918	6,883,658	476	-60	90	240	Lord Nelson
SRC212	RC	746,068	6,883,488	472	-60	90	186	Lord Nelson
SRC213	RC	745,990	6,883,490	474	-60	90	252	Lord Nelson
SRC214	RC	746,070	6,883,450	474	-60	90	216	Lord Nelson

*Refer to: AME ASX release on 02 April 2020, 22 April 2020, 27 July 2020, 29 July 2020, 18 August 2020 and 31 August 2020*

These drill programs led to:

- Discovery of a new high-grade shallow gold lode 200m south of the Lord Nelson open pit (Orion Lode);
- Confirmed Lord Nelson is a multiple lode high-grade gold system; and
- Discovery of high-grade primary zone gold mineralisation beneath the open pit.

The drilling results further strengthen the Company's exploration strategy and provide significant encouragement to test the numerous drill-ready targets (along the +3,000m Lords corridor).

### New Orion Gold Lode

The drilling programs resulted in the exciting discovery of a shallow high-grade (~70m below surface) gold lode, located approximately 200 meters south of the current Lord Nelson Pit. The Company has named this new lode the Orion Lode. The lode strikes NNW-SSE (350° Azimuth) with a moderate dip to the west (50° -70° ) (Figure 7). The Orion Lode gold is considered a repeat lode of the Lord Nelson deposit. The geology and mineralisation is identical to the mined portion of the Lord Nelson oxide mineralisation, with the majority of the mineralisation defined in shallow oxide and transitional zone. The August 2020 drilling program extended the Orion Lode up to 300m along strike, +200 down dip (Figure 2). Mineralisation remains widely open along strike, down dip and down plunge.

Significant assays from the Orion lode including:

**23m @ 3.8g/t gold** from 106m (SRC168)

**28m @ 2.8 g/t gold** from 48m, incl. **4m @ 7.4 g/t gold** from 56m (SRC191)

**16m @ 3.7 g/t gold** from 108m, incl. **4m @ 8.2 g/t gold** from 116m (SRC192)

**20m @ 2.3 g/t gold** from 64m (SRC183)

**10m @ 4.1g/t gold** from 34m, incl. **2m @12.8g/t gold** form 36m (SRC169)

**12m @ 3.4g/t gold** from 66m, incl **2m @ 8.2 g/t gold** from 70 (SRC148)



REVIEW OF OPERATIONS



Figure 4. RC Drilling at Lord Nelson, February 2020



Figure 5. RC Drilling at Lord Nelson, July 2020. Facing south with Lord Henry deposit in the background.

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REVIEW OF OPERATIONS

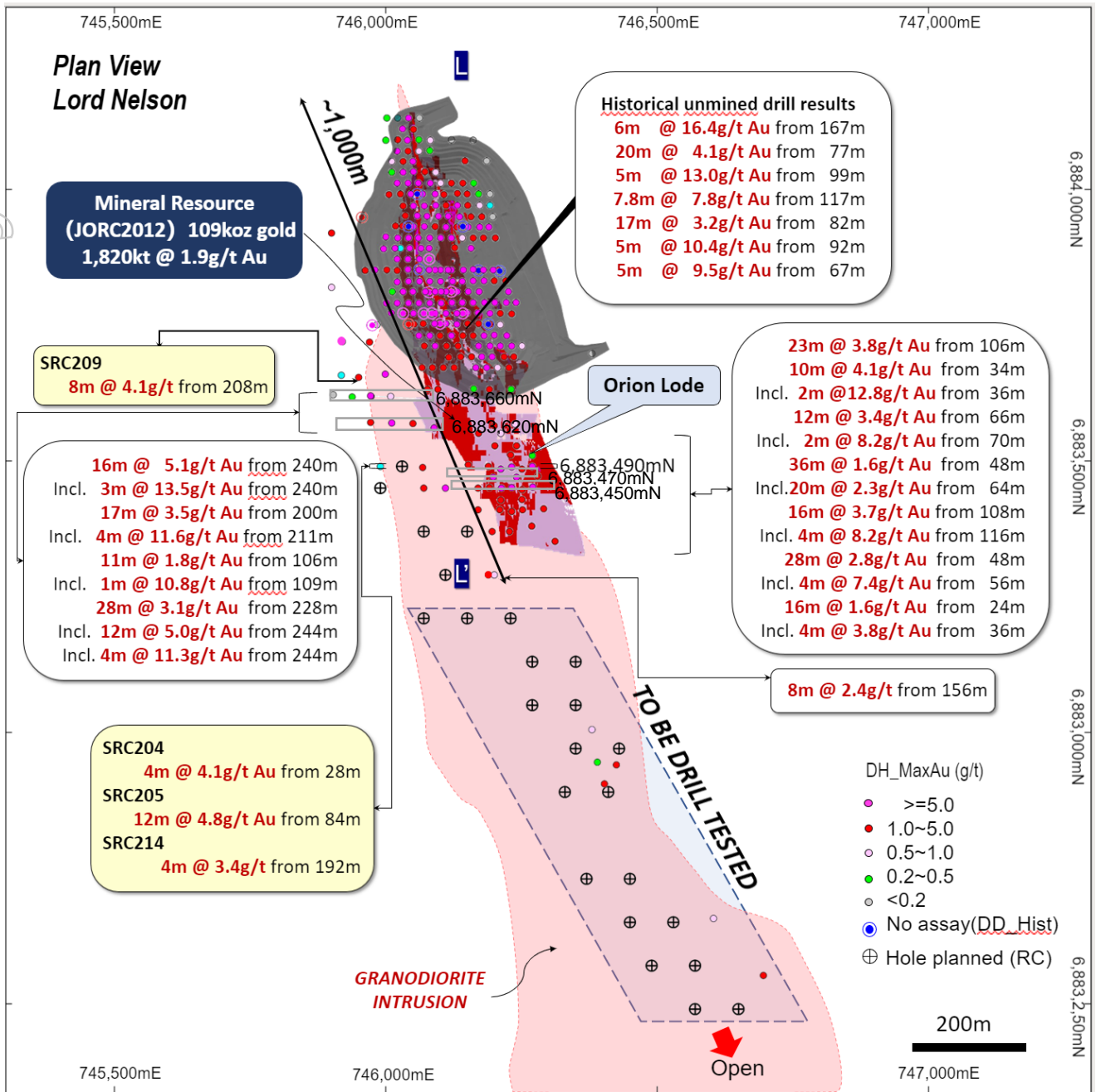


Figure 6. Lord Nelson plan view showing significant assay results (AME ASX 31 August 2020)

# REVIEW OF OPERATIONS

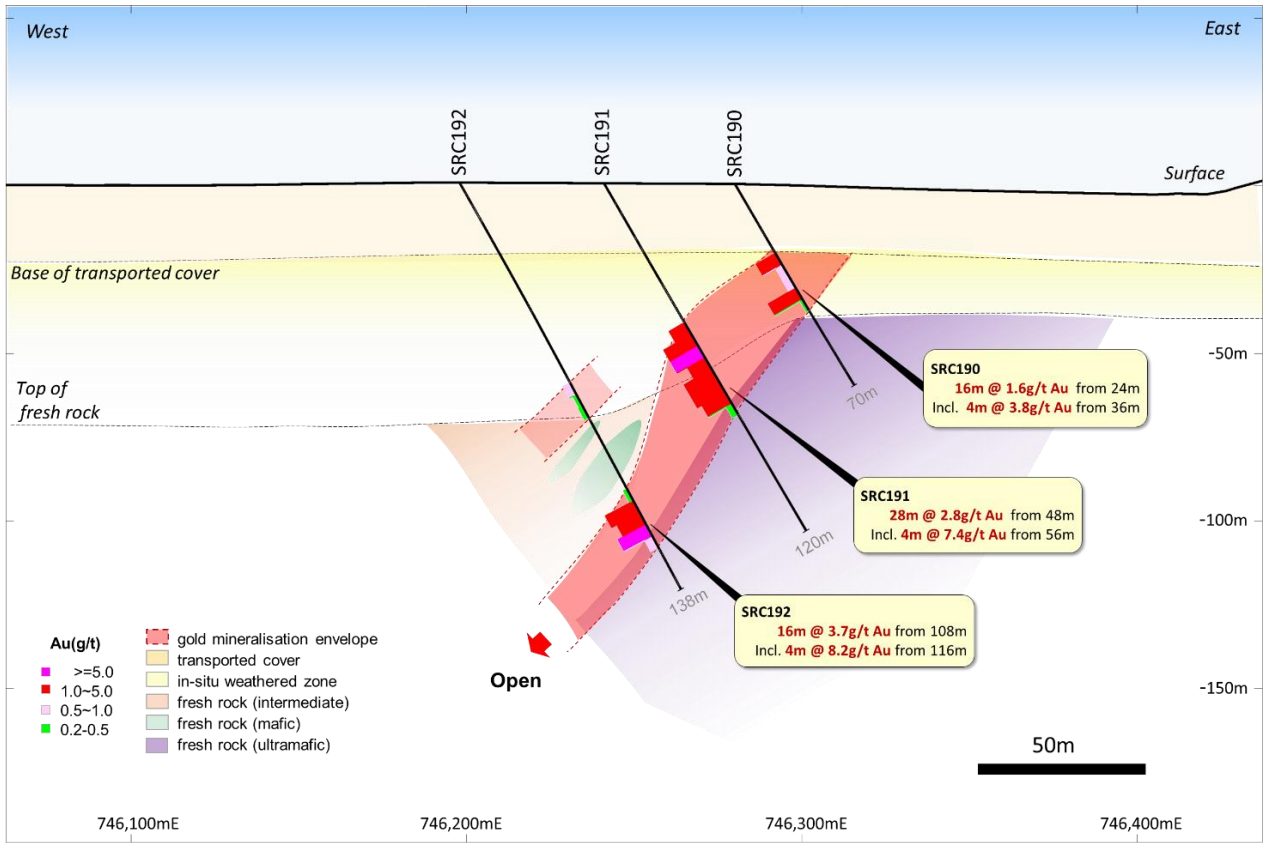


Figure 7. E-W Cross section 6,883,470mN Lord Nelson (AME ASX 18 August 2020)

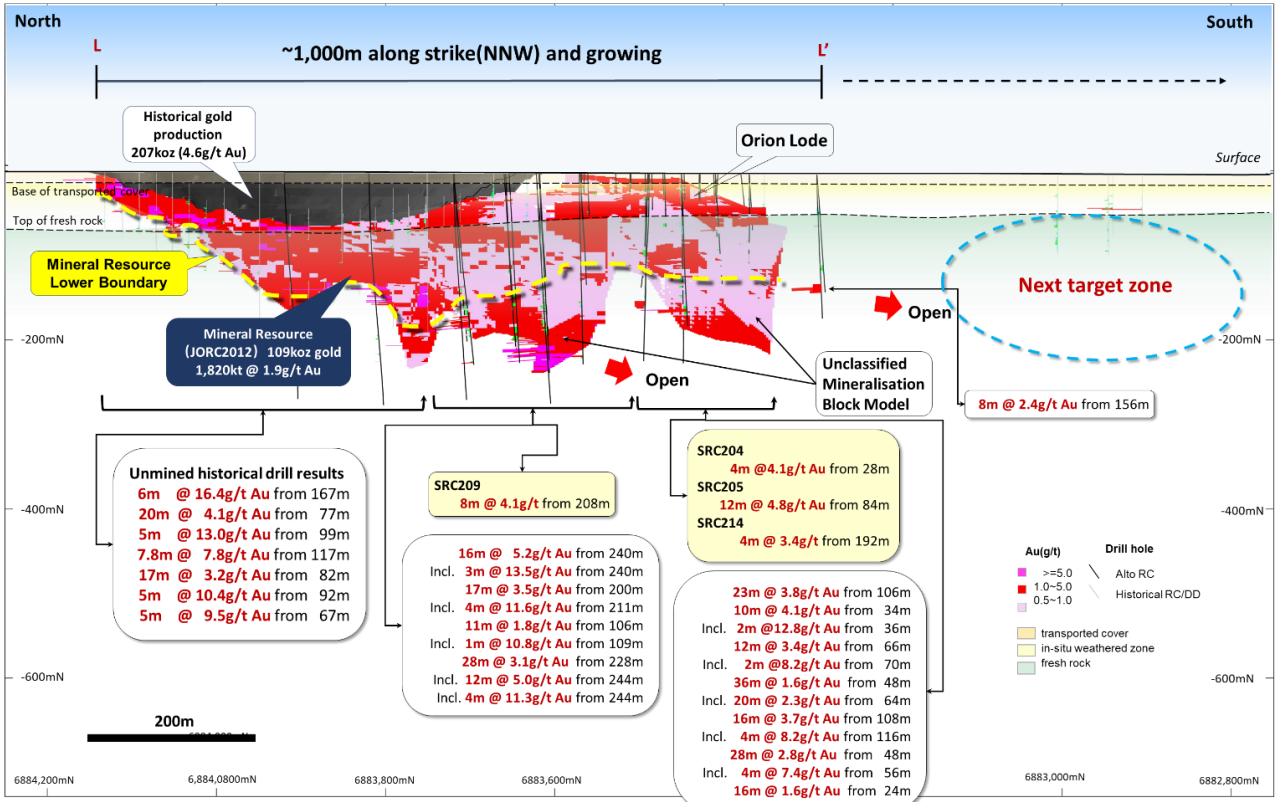


Figure 8. Longitudinal projection of Lord Nelson showing the Orion Lode and primary mineralisation beneath the open pit (AME ASX 18 August 2020)

# REVIEW OF OPERATIONS

## Mineral Resource Estimation

### Lord Nelson Resource Update

Following the Group's successful RC drilling program in February-March 2020, Snowden Mining Industry Consultants (Snowden) were engaged by the Company to update the mineral resource estimate for the Lord Nelson deposit. The updated Inferred Mineral Resource represents an increase of 840kt (+86%) for an increase of 41,000 ounces gold (+60%) from the previous mineral resource estimated by Snowden in 2017.

The updated Lord Nelson JORC 2012 Inferred Mineral Resource estimate by Snowden amounts to;

- **1.8 million tonnes at 1.9g/t Au for 109,000 ounces gold** (Table 3, Figure 9).

Table 3: Update of Mineral Resources for Lord Nelson deposit (27 May 2020)

Category	Reporting Cut-off (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Contained Gold(oz)
Inferred	0.8	1,820	1.9	109000

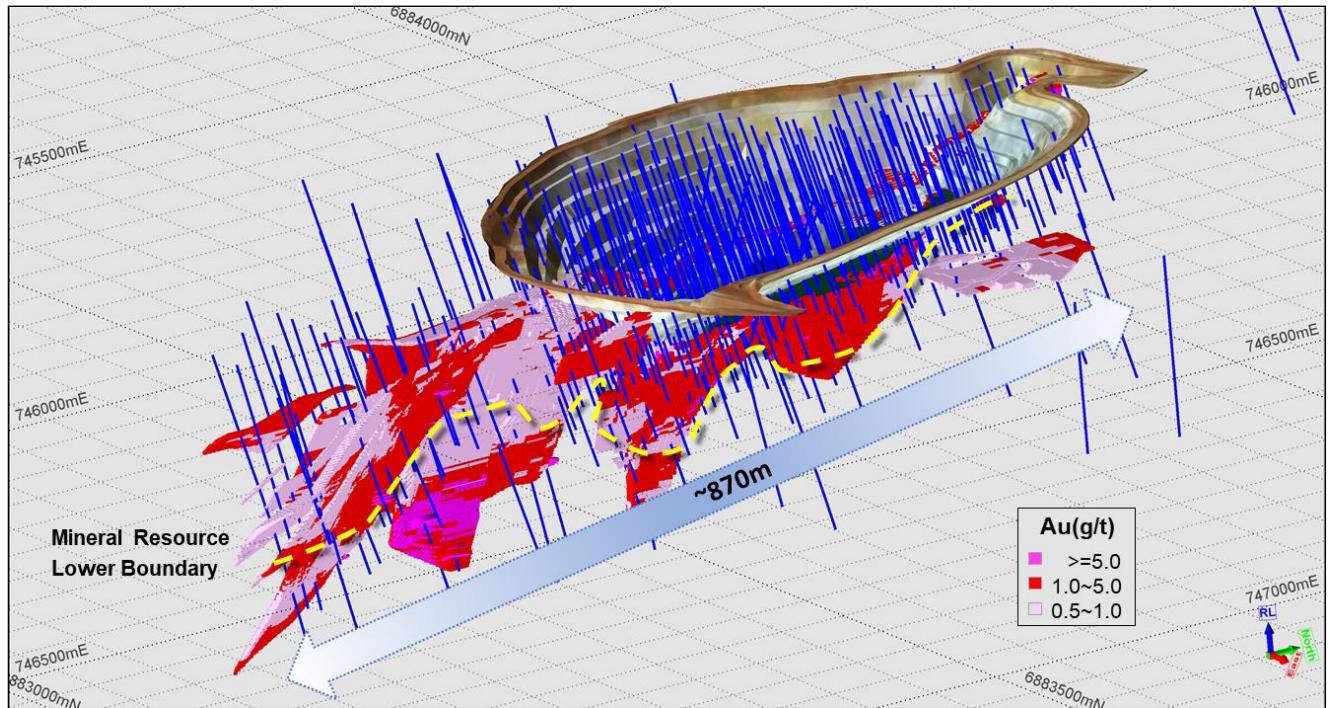


Figure 9. Mineral Resources 3D modelling at Lord Nelson showing existing drilling (Blue lines), existing open pit, and mineral resource lower boundary (yellow dashed line). The mineralisation below the yellow line is unclassified due to wide spaced drilling.

Importantly, the mineral resource is limited by drilling with significant mineralisation intersected **in the primary zone below the Lord Nelson pit outside the current resource** (refer to Figures 8, 9). These results include:

- 16m @ 5.2 g/t gold from 240m, incl. 3m @ 13.5g/t gold from 240m (SRC176)
- 17m @ 3.5 g/t gold from 200m, incl. 4m @ 11.6 g/t gold from 211m (SRC175)
- 28m @ 3.1 g/t gold from 228m, incl. 12m @ 5.0 g/t gold from 244m (SRC184)

## REVIEW OF OPERATIONS

### Sandstone Gold Project Mineral Resources as at 30 June 2020

Total Indicated and Inferred (JORC 2012) Mineral Resources for the Sandstone Gold Project has increased to;

- **6.2 Million tonnes at 1.7 g/t Au for 331,000 ounces gold** (Table 4).

Table 4: Sandstone Gold Project – Summary of Total Mineral Resources (JORC 2012)

Deposit	Category	Cut-off (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Contained gold (oz)
Lord Henry <sup>1</sup>	Indicated	0.8	1,200	1.6	65,000
<b>TOTAL INDICATED</b>			<b>1,200</b>	<b>1.6</b>	<b>65,000</b>
Lord Henry <sup>1</sup>	Inferred	0.8	110	1.3	4,000
Lord Nelson <sup>4</sup>	Inferred	0.8	1,820	1.9	109,000
Indomitable & Vanguard Camp <sup>2</sup>	Inferred	0.3-0.5	2,580	1.5	124,000
Havilah & Ladybird <sup>3</sup>	Inferred	0.5	510	1.8	29,000
<b>TOTAL INFERRED</b>			<b>5,020</b>	<b>1.7</b>	<b>266,000</b>
<b>TOTAL INDICATED AND INFERRED</b>			<b>6,220</b>	<b>1.7</b>	<b>331,000</b>

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

**Note 2.** AME ASX Release 25 Sept 2018. "Maiden Gold Resource at Indomitable & Vanguard Camps, Sandstone WA"

**Note 3.** AME ASX release 11 June 2019. "Alto increases Total Mineral Resource Estimate to 290,000oz, Sandstone Gold Project"

**Note 4.** AME ASX release 27 May 2020. "Alto increases Lord Nelson Resource by 60% to 109,000 Ounces at 1.9 g/t Gold"

### Mining Lease Applications

During the year, the Group received advice from the Department of Mines, Industry Regulation and Safety that the Company's applications for Mining Leases over its JORC 2012 mineral resources at the Vanguard Camp (M67/647), Lord Nelson deposit (M57/652), Lord Henry deposit (M57/651), and the Havilah deposit (M57/650) were granted.

The above Mining Leases complement M57/646 over the Indomitable Camp, which was granted in June 2019.

Securing these Mining Leases is part of the Group's longer-term strategy for Sandstone, however the Company's immediate focus remains the exploration of its numerous prospects within its wholly owned ~800km<sup>2</sup> project area.

## CORPORATE

### Takeover offers

During 2019 and 2020 the Group received 3 unsolicited takeover offers from different companies.

In November 2019 an offer from Middle Island Resources lapsed.

In March 2020, Goldsea Australia Mining Pty Ltd lodged a 6.5 cents per share bid on the Company (subsequently increased to 7.5 cents) which was allowed to lapse in July 2020.

In May 2020, Habrok (Alto) Pty Ltd announced it would lodge an unconditional cash offer of 6.6 cents per share for all the issued shares in the Company (subsequently increased to 7 cents) and a separate cash offer for the Company's options.



## REVIEW OF OPERATIONS

### **Forward-Looking Statements**

*This release may include forward-looking statements. Forward-looking statements may generally be identified by the use of forward-looking verbs such as anticipate, aim, expect, intend, plan or similar words, which are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Alto Metals Limited. Actual values, results or events may be materially different to those expressed or implied in this release. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this release speak only at the date of issue. Subject to any continuing obligations under applicable law and the ASX Listing Rules, Alto Metals Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this release or any changes in events, conditions or circumstances on which any such forward-looking statement is based.*

### **Competent Persons Statement**

*The information in this Report that relates to current and historical Exploration Results is based on information compiled by Dr Changshun Jia, who is an employee and security holder of Alto Metals Limited. Dr Jia is a Member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Jia consents to the inclusion in the report of the matters based on the information in the context in which it appears.*

### **Previously Reported Results**

*There is information in this report relating to Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the Mineral Resources estimates in the relevant market announcement continue to apply and have not materially changed. With regards to Exploration Results, please refer to ASX announcement for full details on these exploration results. Alto Metals Ltd is not aware of any new information or data that materially affects the information in the said announcements.*

## DIRECTORS' REPORT

Your Directors submit their report together with the annual financial statements of Alto Metals Limited ("Alto" or the "Company") and the entities it controlled (together "the Group") for the year ended 30 June 2020 and the auditor's review report thereon.

### Directors

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

Mr Richard Monti (appointed 16 March 2020)

Mr Matthew Bowles

Dr Jingbin Wang

Mr Terry Wheeler

Directors were in office for the entire year unless otherwise stated.

### Information on Directors

**Richard Monti** (Non-Executive Chairman, appointed 16 March 2020)

Mr Monti is a geologist with a successful career of over 50 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 50 years of experience as a Director on 15 ASX and TSX listed companies, covering exploration and mining activities. Directorships include 4 as Chairman and sitting on numerous sub-committees. Richard 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. Richard 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.

Directorships held in other listed entities: Pacifico Minerals Ltd, Zinc of Ireland NL, Black Dragon Gold Corp and Caravel Minerals Ltd.

There have been no other listed entity directorships in the last 3 years.

**Matthew Bowles** (Managing Director and Chief Executive Officer, appointed 13 July 2020, previously Non-Executive Director from 27 February 2019 to 13 July 2020)

Mr Bowles is a senior corporate finance executive with extensive corporate advisory, private equity and capital markets experience within the resources sector. He has a depth of experience in domestic and cross border financing, joint venture and M&A transactions in Africa, the Americas and Australia.

Mr Bowles was previously the Chief Development Officer for a West African focused gold company. He commenced his career with Rio Tinto where he worked for nine years in various corporate and commercial roles, before moving to London to work in resources banking and finance. Since his return to Australia he has held senior roles with global advisory firms focused on the resources sector.

Directorships held in other listed entities: Tanga Resources Limited (resigned 8 September 2020).

**Dr Jingbin Wang** (Non-Executive Director, appointed 12 October 2016, previously held position of Chairman from 12 October 2016 to 13 March 2018)

Dr. Wang is a senior geologist with extensive international minerals experience, and has been Chairman of Sinotech Minerals Exploration Co. Ltd since March 2004. He has a B.Sc in Mineral Prospecting & Exploration from Central South University of Technology in Changsha, China, and a MSc and PhD in Magmatic Petrology & Metallogeny and Geotectonics & Metallogeny from the same university.

He has been President of the prestigious Beijing Institute of Geology for Mineral Resources in China since 2002 and is an accomplished mining team leader with excellent 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 resources exploration and mining.

Directorships held in other listed entities: There have been no listed entity directorships in the last 3 years.

## DIRECTORS' REPORT

**Terry Wheeler** (Non-Executive Director, appointed 8 November 2018, previously held position of Chairman, from 8 November 2018 to 16 March 2020)

Mr Wheeler commenced employment as a laboratory assistant 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.

Terry 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.

Directorships held in other listed entities: There have been no listed entity directorships in the last 3 years.

### Company Secretary

**Graeme Smith** Mr Smith is a corporate governance & finance professional with over 25 years' experience in accounting and company administration. He is a Fellow of the Australian Society of Certified Practising Accountants, the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia. He is the principal of Wembley Corporate which provides Company Secretarial, CFO, and Corporate Governance services to public and private companies.

### Principal Activities

The principal activities of the Group during the financial period were the exploration of a number of gold tenements in Western Australia.

### Operating Results

The consolidated loss of the Group after providing for income tax amounted to \$1,393,043 (2019: \$1,147,517).

### Financial Position

The net assets of the Group at 30 June 2020 are \$10,854,306 (2019: \$11,360,281).

### Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board. The Board believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

### COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people (like social distancing and working from home).

At this stage, the impact on our business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

### Significant Changes in State of Affairs

There have been no significant changes in the affairs of the Group during the year.

## DIRECTORS' REPORT

### Significant Events After the Reporting Date

On 13 July 2020, Non-Executive Director Matthew Bowles was appointed as Managing Director and Chief Executive Officer.

On 13 July 2020, major shareholder, Windsong Valley Pty Ltd agreed to vary the terms of the Loan Agreement to increase the unsecured amount available under the facility to \$1 million.

On 11 August 2020, the Company entered into a Loan Facility Agreement with major shareholder, Harvest Lane Asset Management Pty Ltd for up to \$1 million. The loan can be drawn down upon between 11 August 2020 and 10 August 2021, interest is payable on the loan at a rate of 8% per annum and the loan is repayable in full by 11 August 2021.

On 22 September 2020, the Company announced it had received firm commitments from professional and sophisticated investors for a placement of \$5.5 million through the issue of 66,666,666 shares at \$0.075 per share.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Likely Developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

### Exploration Risk

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Group.

### Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the year under review.

### Dividends Paid or Recommended

No dividend has been paid or recommended.

### Meetings of Directors

During the financial period, the following meetings of Directors were held. Attendances by each Director during the period were as follows:

	Directors' Meetings		Committee Meetings <sup>(2)</sup>
	Number eligible to attend	Number attended	
R Monti <sup>(1)</sup>	8	8	-
M Bowles	17	17	-
J Wang	17	15	-
T Wheeler	16	16	-

(1) Appointed Non-Executive Chairman on 16 March 2020

(2) Remuneration and audit risk committee performed by full board.



## DIRECTORS' REPORT

### Indemnifying Officers or Auditor

During or since the end of the financial period, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$11,476 (2019: \$9,523).
- No indemnity has been given to the Company's auditors.

### Options

At the date of this report, the following options were on issue over ordinary shares of Alto Metals Limited (2019: 63,009,234).

Date options granted	Number of unissued shares under option	Exercise price per option	Expiry date of options
13 May 2019	28,059,745	\$0.07	13 November 2020
12 July 2019	30,000,000	\$0.07	9 March 2021
18 July 2019	8,333,333	\$0.07	18 January 2021
29 November 2019	7,500,000	\$0.07	29 November 2023
<b>Total options on issue</b>	<b>73,893,078</b>		

No options were cancelled, lapsed or were forfeited during the financial year. No shares were issued as a result of the exercise of options during the year.

### Performance Shares

In the fiscal 2016 reporting period, the Company completed an asset acquisition of the Sandstone Project. As part of the Share Sale Agreement, the Company issued 25,000,000 Performance Shares to the vendors, which will convert on a one-for-one basis into fully paid ordinary shares upon the Group confirming a combined inferred and /or indicated mineral resource and/or reserve of at least 500,000oz gold in aggregate, on one or more of the Sandstone Tenements any time prior to 23 June 2021.

### Performance Rights

During the current financial year, 1,000,000 performance rights expired. As at reporting date there are nil performance rights on issue (2019: 1,000,000).

### Non-audit Services

The following non-audit services were provided by the entity's auditor, Pitcher Partners BA&A Pty Ltd, or associated entities. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

## DIRECTORS' REPORT

Pitcher Partners BA&A Pty Ltd, or associated entities, received or are due to receive the following amounts for the provision of non-audit services:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Tax compliance services	5,000	-

The following non-audit services were provided by the entity's previous auditor, Grant Thornton Audit Pty Ltd, or associated entities.

Grant Thornton Audit Pty Ltd, or associated entities, received or are due to receive the following amounts for the provision of non-audit services:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Tax compliance services	-	10,075

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# REMUNERATION REPORT

## REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Alto Metals Limited and other key management personnel ("KMP").

### A. Remuneration Policy

The remuneration policy of Alto Metals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of Alto Metals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages periodically by reference to the Company's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration periodically based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. To align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and executives' performance. The Company believes this policy will be effective in increasing shareholder wealth. There is no direct link between remuneration paid to Non-Executive Directors and corporate performance.

### Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial period ended 30 June 2020.

### Voting and comments made at the Company's 2019 Annual General Meeting

The Company received approximately 99% of "yes" votes based on the number of proxy votes received on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### B. Details of Remuneration for Period Ended 30 June 2020

There were no cash bonuses paid during the period and there are no set performance criteria for achieving cash bonuses. The following table outlines benefits and payment details, in respect to the financial period, as well as the components of remuneration for each member of the key management personnel of the Company.

As a result of COVID-19, the Non-Executive Directors did not draw fees during the period 1 April 2020 to year end.

## REMUNERATION REPORT

Table of Benefits and Payments for the Period Ended 30 June 2020

	Short-term benefits		Post-employment benefits	Equity-settled share-based payments	Total	Remuneration performance based
	Salary, fees and leave	Cash bonuses	Superannuation	Options and LTI Rights		
	\$	\$	\$	\$		
<b>2020</b>						
R Monti <sup>(1)</sup>	14,000	-	1,330	-	15,330	-
T Wheeler	37,397	-	2,603	-	40,000	-
J Wang	40,000	-	-	-	40,000	-
M Bowles <sup>(2)</sup>	203,242	-	-	238,905	442,147	-
	<b>294,639</b>	<b>-</b>	<b>3,933</b>	<b>238,905</b>	<b>537,477</b>	<b>-</b>
<b>2019</b>						
T Wheeler	36,530	-	3,470	-	40,000	-
J Wang	40,000	-	-	-	40,000	-
M Bowles <sup>(2)</sup>	13,332	-	-	-	13,332	-
D Ryan <sup>(3)</sup>	145,356	-	-	-	145,356	-
T Streeter <sup>(4)</sup>	50,157	-	-	-	50,157	-
S Stone <sup>(5)</sup>	1,720	-	-	-	1,720	-
P Holywell <sup>(6)</sup>	51,562	-	-	-	51,562	-
	<b>338,657</b>	<b>-</b>	<b>3,470</b>	<b>-</b>	<b>342,127</b>	<b>-</b>

(1) Mr Monti was appointed to the board on 16 March 2020.

(2) Mr Bowles was appointed to the board on 27 February 2019. All fees paid to Mr Bowles are paid to his private company Atlantic Capital Pty Ltd. During the year, Mr Bowles was issued 7,500,000 options under the ESOP and 6,250,000 LTI rights.

(3) Mr Ryan resigned from the board on 27 February 2019. All fees paid to Mr Ryan are paid to his private company Xserv Pty Ltd.

(4) Mr Streeter resigned from the board on 8 November 2018.

(5) Mr Stone resigned from the board on 17 July 2018. All fees paid to Mr Stone are paid to his private company Stepstone Pty Ltd.

(6) Mr Holywell left his position as Company Secretary on 27 February 2019.

### Equity instrument disclosures relating to KMP

#### Ordinary Shares

The number of ordinary shares held by each KMP of the Company during the financial period is as follows:

	Balance at the start of the period	Received during the period as compensation LTI Rights	Other changes during the period <sup>(1)</sup>	Balance at the end of the period
<b>2020</b>				
<b>Ordinary Shares</b>				
R Monti	-	-	-	-
T Wheeler	40,708,175	-	16,666,666	57,374,841
J Wang	-	-	-	-
M Bowles	-	6,250,000	-	6,250,000
<b>Total</b>	<b>40,708,175</b>	<b>6,250,000</b>	<b>16,666,666</b>	<b>63,624,841</b>

(1) Purchase pursuant to shareholder approval at a general meeting held on 12 July 2019.



## REMUNERATION REPORT

### Options

The number of options on issue over ordinary shares of Alto Metals Limited held by each KMP of the Company during the financial period is as follows:

	Balance at the start of the period	Received during the period as compensation	Other changes during the period <sup>(1)</sup>	Balance at the end of the period	Vested and exercisable
<b>2020</b>					
<b>Unlisted Options</b>					
R Monti	-	-	-	-	-
T Wheeler	1,447,221	-	8,333,333	9,780,554	9,780,554
J Wang	-	-	-	-	-
M Bowles	-	7,500,000	-	7,500,000	7,500,000
<b>Total</b>	<b>1,447,221</b>	<b>7,500,000</b>	<b>8,333,333</b>	<b>17,280,554</b>	<b>17,280,554</b>

(1) Purchase pursuant to shareholder approval at a general meeting held on 12 July 2019.

### Performance Rights

The number of performance rights in Alto Metals Limited held by each KMP of the Company during the financial period is as follows:

	Balance at the start of the period	Received during the period as compensation	Other changes during the period <sup>(1)</sup>	Balance at the end of the period
<b>2020</b>				
<b>Performance Rights</b>				
R Monti	-	-	-	-
T Wheeler	-	-	-	-
J Wang	250,000	-	(250,000)	-
M Bowles	-	-	-	-
<b>Total</b>	<b>250,000</b>	<b>-</b>	<b>(250,000)</b>	<b>-</b>

(1) Cancellation of performance rights following expiration of term.

### Loans to KMP

There were no loans to KMP as at 30 June 2020, nor were any made during the reporting period.

### Service Agreements

The Company had service agreements with the following key management personnel during the year:

Matthew Bowles – Managing Director and Chief Executive Officer (appointed 13 July 2020, previously Non-Executive Director from 27 February 2019 to 13 July 2020)

Mr Bowles' remuneration for his services as Non-Executive Director increased from \$10,000 per month to \$20,000 per month from 1 March 2020. Fees were paid directly to his related party, Atlantic Capital Pty Ltd.

Subsequent to year end, on 13 July 2020, Mr Bowles was appointed managing director for an indefinite term, and his remuneration was increased to \$260,000 per annum plus statutory contributions.

## C. Share-based compensation

### Incentive Option Scheme

Options, where appropriate, may be granted under the Alto Metals Limited Employee Share Option Plan ("ESOP"). Options are granted under the plan for no consideration on terms and conditions considered appropriate by the Board at the time of issue. Options are granted for up to a five year period. Options granted under the plan carry no dividend or voting rights.

The ability for the employee to exercise the options is restricted in accordance with the terms and conditions detailed in the ESOP. Each option will automatically lapse if not exercised within five years of the date of issue. The exercise period may also be affected by other events as detailed in the terms and conditions in the ESOP.

## REMUNERATION REPORT

The options vest as specified when the options are issued. 7,500,000 options have been issued under the ESOP in the current period.

### Long term incentive rights (LTI)

LTI rights to directors and employees are delivered under an Employee Share Plan (the "Plan") that was adopted by the Group pursuant to approval by shareholders at the Annual General Meeting held of 29th November 2019.

A material feature of the Plan is that the issue of ordinary shares to directors and employees can be by way of provision of a limited-recourse, interest free loan, to be used for the purpose of subscribing for the shares. The offer of a limited-recourse, interest free loan is based on a share price not less than the volume weighted average price at which shares are traded on the ASX over the 10 trading days up to and including the date of the issue of shares offered under the Plan, or such other price as the Board of Directors determines. The term of each loan will be 3 years from the date of issue of the shares, subject to the earlier repayment in accordance with the terms of the Plan.

After subscription, the shares are issued as ordinary shares, and the directors and employees enjoy the same rights and benefits as other shareholders, apart from any vesting conditions that are attached and the fact the shares cannot be sold until the loan is settled. Shares may be issued subject to vesting conditions relating to achievement of milestones (such as period of employment) or escrow restrictions which must be satisfied before the shares can be sold, transferred, or encumbered.

The nature of the Plan is to provide an incentive to cause the share price to rise over the term of a director's and employee's service, as well as retaining the director's and employee's service, and hence there are no specific performance conditions attaching to these shares. The shares are considered to be "in substance options" or "long-term incentive rights" ("LTI rights") under generally accepted accounting principles, and accordingly are accounted for similar to options. The fair value of the LTI rights is estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the LTI rights are granted and factors such as the share price at grant date, volatility of the share price and risk free rate. Accounting standards require the value of the LTI rights to be brought to account over the expected term of vesting the benefits to the holder.

During the year 6,250,000 LTI rights were issued to Director M Bowles, the shares have been issued with no vesting conditions attached and are retained by Mr Bowles even if employment with the Group ceases, in all circumstances other than a case of gross misconduct. As there were no vesting conditions attached, the expense of \$118,004 was recognised in full in the reporting period.

A summary of the key assumptions used in applying the Black Scholes model to the share based payments recognised in the period is as follows:

	<b>LTI rights issued to Director</b>
Number of rights	6,250,000
Date of grant	29-Nov-19
Share price at grant date	\$0.04
Volatility factor	76.00%
Risk free rate	0.65%
Expected life of right (years)	3 years
Valuation per right	\$0.02
Exercise price per right	\$0.03
Vesting conditions	None
Number of rights exercisable as at 30 June 2020	6,250,000

## REMUNERATION REPORT

### Director and Key Management Personnel Options

During the year the following options were issued to Director M Bowles.

7,500,000 unlisted options exercisable at \$0.07, fully vested and expiring on 29 November 2023.

As there were no vesting conditions attached, the expense of \$120,901 was recognised in full in the reporting period.

A summary of the key assumptions used in applying the Black Scholes model to the share based payments recognised in the period is as follows:

	Options issued to Director
Number of options	7,500,000
Date of grant	29-Nov-19
Share price at grant date	\$0.04
Volatility factor	84.00%
Risk free rate	0.65%
Expected life of option (years)	4 years
Valuation per option	\$0.02
Exercise price per option	\$0.07
Vesting conditions	None
Number of options exercisable as at 30 June 2020	7,500,000

### Performance Rights

No performance rights were issued to Directors and KMP during the 2020 financial period (2019: nil).

### D. Other Transactions with Directors and Key Management Personnel

On 11 March 2020, the Company entered into a loan facility agreement ("Loan") with Windsong Valley Pty Ltd a related party of the director Terry Wheeler. Under the terms of the Loan, the Company may issue drawdown notices to the Lender for an aggregate amount of \$500,000. The Company was not required to provide any security for the Loan. Interest is accruable on the Loan at a rate of 8% per annum. The loans and all accrued interest must be repaid on or before maturity date, being 10 March 2021.

On 15 June 2020, the Company drew down an amount of \$250,000 from the Loan, these funds and accrued interest remain owing to Windsong Valley Pty Ltd at year end.

During the year, the spouse of M Bowles, a Director of the Company provided media consulting services to the Company, all fees paid for such services were at market rates and on a normal arm's length basis. Total fees paid during the year were \$2,200 (2019: \$Nil). As at 30 June 2020 \$Nil (2019: \$Nil) was payable to M Bowles' spouse.

### Group's Performance

The table below sets out information about the Group's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

	2020	2019	2018	2017	2016
Net loss after tax (\$)*	(1,393,043)	(1,147,517)	(624,026)	(1,482,442)	(1,921,795)
Basic loss per share (cents)*	(0.48)	(0.55)	(0.36)	(1.0)	(2.4)
Share Price at year end (cents)	6.8	3.3	6.4	2.6	7.1
Total dividends (cps)	-	-	-	-	-

\*Historical results have not been assessed and adjusted for the impact of new accounting standards.

----- End of Audited Remuneration Report -----

### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the period ended 30 June 2020 has been received and can be found on the following page.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



**Richard Monti**  
Non-Executive Chairman

Dated this 30th day of September 2020

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ALTO METALS LIMITED**

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Alto Metals Limited and the entities it controlled during the year.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN  
Executive Director  
Perth, 30 September 2020

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 \$	2019 \$
Other income	2	57,690	8,174
Accounting and audit fees		(37,574)	(20,341)
Share registry and listing fees		(66,055)	(80,117)
Employee benefits expense		(435,423)	(397,267)
Consulting expense		(235,934)	(217,510)
Computers and software		(45,047)	(47,803)
Depreciation	3	(20,758)	(23,997)
Insurance		(25,763)	(20,835)
Investor relations		(22,359)	(57,753)
Legal fees		(139,607)	(102,984)
Office rental and occupation expenses	3	(63,524)	(97,344)
Travel and accommodation		(3,921)	(18,138)
Share based payments	4	(288,905)	-
Impairment of exploration and evaluation	3	(6,519)	(5,196)
Other expenses		(59,344)	(66,406)
<b>Loss before income tax</b>		<b>(1,393,043)</b>	<b>(1,147,517)</b>
Income tax (expense) / benefit	5	-	-
<b>Loss for the year</b>		<b>(1,393,043)</b>	<b>(1,147,517)</b>
<b>Other comprehensive income, net of tax</b>			
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
Changes in the fair value of equity instruments carried at fair value through other comprehensive income	10	5,000	(32,500)
<b>Other comprehensive income / (loss) for the period</b>		<b>5,000</b>	<b>(32,500)</b>
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(1,388,043)</b>	<b>(1,180,017)</b>
Basic loss per share (cents per share)	7	(0.48)	(0.55)
Diluted loss per share (cents per share)	7	(0.48)	(0.55)

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020 \$	2019 restated <sup>(i)</sup> \$
<b>Current Assets</b>			
Cash and cash equivalents	8	126,834	1,327,148
Trade and other receivables	9	79,971	140,929
Prepayments		9,315	160,955
<b>Total Current Assets</b>		<b>216,120</b>	<b>1,629,032</b>
<b>Non-Current Assets</b>			
Equity instruments at fair value through other comprehensive income	10	25,000	20,000
Plant and equipment	11	95,971	103,092
Intangible assets	12	-	10,637
Exploration and evaluation	13	11,354,999	10,337,937
<b>Total Non-Current Assets</b>		<b>11,475,970</b>	<b>10,471,666</b>
<b>TOTAL ASSETS</b>		<b>11,692,090</b>	<b>12,100,698</b>
<b>Current Liabilities</b>			
Trade and other payables	14	530,014	726,476
Loans and borrowings	15	250,000	-
Provisions		57,770	13,941
<b>Total Current Liabilities</b>		<b>837,784</b>	<b>740,417</b>
<b>TOTAL LIABILITIES</b>		<b>837,784</b>	<b>740,417</b>
<b>NET ASSETS</b>		<b>10,854,306</b>	<b>11,360,281</b>
<b>Equity</b>			
Issued capital	16	24,583,726	23,990,563
Reserves	17	489,371	195,466
Accumulated losses		(14,218,791)	(12,825,748)
<b>TOTAL EQUITY</b>		<b>10,854,306</b>	<b>11,360,281</b>

(i) Certain amounts shown here do not correspond to the 30 June 2019 financial statements and reflect adjustments disclosed in Note 27.

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Share Based Payments Reserve	Equity Instruments at FVOCI Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	21,169,278	-	-	(11,678,231)	<b>9,491,047</b>
<b>Loss attributable to members of the entity for the period</b>					
Loss for the period	-	-	-	(1,147,517)	(1,147,517)
Other comprehensive income, net of tax	-	-	(32,500)	-	(32,500)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(32,500)</b>	<b>(1,147,517)</b>	<b>(1,180,017)</b>
<b>Transaction with owners, directly in equity</b>					
Shares issued during the period	3,245,287	-	-	-	3,245,287
Share issue transaction costs <sup>(i)</sup>	(424,002)	227,966	-	-	(196,036)
<b>Restated at 30 June 2019<sup>(i)</sup></b>	<b>23,990,563</b>	<b>227,966</b>	<b>(32,500)</b>	<b>(12,825,748)</b>	<b>11,360,281</b>
<b>Loss attributable to members of the entity for the period</b>					
Loss for the period	-	-	-	(1,393,043)	(1,393,043)
Other comprehensive income, net of tax	-	-	5,000	-	5,000
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>(1,393,043)</b>	<b>(1,388,043)</b>
<b>Transaction with owners, directly in equity</b>					
Shares issued during the period	600,000	-	-	-	600,000
Options issued to Director	-	120,901	-	-	120,901
LTI rights issued to Director	-	118,004	-	-	118,004
Shares issued to creditors	-	50,000	-	-	50,000
Share issue transaction costs	(6,837)	-	-	-	(6,837)
<b>Balance at 30 June 2020</b>	<b>24,583,726</b>	<b>516,871</b>	<b>(27,500)</b>	<b>(14,218,791)</b>	<b>10,854,306</b>

(i) Certain amounts shown here do not correspond to the 30 June 2019 financial statements and reflect adjustments disclosed in Note 27.

*The accompanying notes form part of these financial statements.*



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		6,963	7,573
Payments to suppliers and employees		(1,057,557)	(866,530)
Other receipts		50,000	-
<b>Net cash used in operating activities</b>	<b>18a</b>	<b>(1,000,594)</b>	<b>(858,957)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of available for sale asset		-	-
Purchase of plant and equipment		(3,000)	-
Payments for exploration and evaluation expenditure		(1,039,883)	(1,257,801)
<b>Net cash used in investing activities</b>		<b>(1,042,883)</b>	<b>(1,257,801)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares during the period		600,000	2,471,385
Costs associated with shares issued during the period		(6,837)	(183,824)
Proceeds from related party loan		250,000	300,000
<b>Net cash provided by financing activities</b>		<b>843,163</b>	<b>2,587,561</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(1,200,314)</b>	<b>470,803</b>
Cash and cash equivalents at beginning of the period		1,327,148	856,345
<b>Cash and cash equivalents at 30 June</b>	<b>8</b>	<b>126,834</b>	<b>1,327,148</b>

*The accompanying notes form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Alto Metals Limited (“the Company”) and controlled entities (“the Group”). Alto Metals Limited is a listed public company, incorporated and domiciled in Australia. The financial information is presented in Australian dollars.

#### Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Alto Metals Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

The financial statements were authorised for issue by the Directors. The Directors have the power to amend and reissue the financial statements.

#### Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Group’s assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report, the Group recorded an operating loss of \$1,393,043 (2019: \$1,147,517), net current liabilities of \$621,664 (2019: net current assets \$888,615), net cash outflows used in operating activities of \$1,000,594 (2019: \$858,957), net cash outflows used in investing activities of \$1,042,883 (2019: \$1,257,801) and had cash and cash equivalents of \$126,834 (2019: \$1,327,148) for the year ended 30 June 2020.

The board considers that the Group is a going concern. In arriving at this position the Directors have had regard to the fact that based on the matters noted below the Group has, or in the Directors opinion, will have access to, sufficient cash to fund administrative and other committed expenditure for a period of at least 12 months from the date of signing this report.

In forming this view the Directors have taken into consideration the following:

- The planned completion of a \$5.5 million capital raising in October 2020 at a level that provides sufficient financial resources, combined with funds raised from the matters noted below, to fund forecasted operational expenditure for a period for 12 months from the date of signing this financial report (Refer Note 20);
- Entering into a loan facility agreement (the “Loan”) on 11 March 2020 with Windsong Valley Pty Ltd, a related entity of the Group, for the amount of \$1,000,000. As per the terms of the Loan, any amounts drawn on the Loan must be repaid by 11 March 2021 (Refer to Note 15);  
Entering into a loan facility agreement (the “Loan”) on 11 August 2020 with Harvest Lane Asset Management Pty Ltd, a major shareholder of the Group, for the amount of \$1,000,000. As per the terms of the Loan, any amounts drawn on the Loan must be repaid by 11 August 2021; and,
- Reducing both administrative and exploration expenditure (on the basis exploration expenditure is discretionary and expenditure requirements are minimal) as required through careful cash management.

The Group’s ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- Obtaining additional funding as outlined above; and
- Receiving the continued support of its shareholders and creditors.

Should the Group not achieve the matters set out above there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include

## NOTES TO THE FINANCIAL STATEMENTS

any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern and meet its debts as and when they fall due.

### (A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Alto Metals Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 19.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

### (B) INCOME TAX

The income tax expense for the period comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## NOTES TO THE FINANCIAL STATEMENTS

### (C) PROPERTY, PLANT & EQUIPMENT

#### Property, Plant, and Equipment

Each class of property, plant, and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### Plant and equipment

Plant and equipment are measured on the historical cost basis.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs, and an appropriate proportion of fixed and variable overheads.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	25%
Computers and software	25-33%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

### (D) INTANGIBLE ASSETS

#### Recognition of intangible assets

##### *Acquired intangible assets*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

#### Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

The following useful lives are applied:

Software: 4 years

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

### (E) EXPLORATION & EVALUATION EXPENDITURE

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.



## NOTES TO THE FINANCIAL STATEMENTS

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The Company receives R&D grants from the Australian Taxation Office. Where an R&D rebate can be directly attributable to an area of interest the R&D rebate is applied against the area of interest. For any amounts that cannot be directly attributable to an existing area of interest the amount will be recognised as grant income in the Statement of Profit or Loss and Other Comprehensive income.

### (F) LEASES

As mentioned in Note 1(T), AASB 16 replaces AASB 117 Leases for annual periods beginning on or after 1 January 2019.

In accordance with the transition requirements of AASB 16, the Group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect of initially applying the new standard recognised at the beginning of the current reporting period (i.e. at 1 July 2019). Accordingly, comparative information has not been restated.

#### Accounting policy applicable from 1 July 2019

##### Initial recognition

AASB 16 requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis.

##### Subsequent measurement

Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - 1. investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or
  - 2. property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

#### Accounting policy applicable before 1 July 2019

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

### (G) FINANCIAL INSTRUMENTS

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash

## NOTES TO THE FINANCIAL STATEMENTS

flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

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

### Subsequent measurement of financial assets

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

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

### Classification is determined by both:

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

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

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

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

### Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss (FVPL). Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The Group has not designated any financial liabilities at FVPL.

### (H) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

### (I) EMPLOYEE BENEFITS

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

## NOTES TO THE FINANCIAL STATEMENTS

### Equity-settled compensation

The Company operates an Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the Consolidated Statement of Profit of Loss and Other Comprehensive Income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted. The issue of Shares pursuant to the plan may be undertaken by way of provision of a limited-recourse, interest-free loan to be used for the purposes of subscribing for the Shares. The Shares issued are fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares, other than being subject to any Loan being extinguished or repaid under the terms of the Plan.

Although these are shares for legal and taxation purposes, Accounting Standards require they be treated as options for accounting purposes.

### (J) PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Consolidated Statement of Financial Position.

### (L) OTHER INCOME

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received, and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

All other income is stated net of the amount of goods and services tax (GST).

### (M) TRADE AND OTHER PAYABLES

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

### (N) GOODS AND SERVICES TAX (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of financing activities, which are disclosed as operating cash flow.

### (O) LOANS AND BORROWINGS

Borrowings are recognised initially at fair value net of transaction costs.

Subsequent to initial recognition, borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis. Transaction costs are capitalised initially and included in the effective interest rate calculation and unwound over the expected term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

Interest expense is recognised as interest accrues using the effective interest rate and if not paid at balance date, is reflected in the balance sheet as a payable.

### (P) EQUITY AND RESERVES

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Retained earnings include all current and prior period retained profits.
- Performance rights reserves – comprises expenses recorded for share based payments.
- Equity instruments at FVOCI reserve – comprises gains and losses relating to these types of financial instruments.

### (Q) EARNINGS PER SHARE

#### Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

#### Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (R) PERFORMANCE RIGHTS

The Company measures the value of its performance rights using the listed price of the Company's shares at the date of granting of the rights, as the rights convert to ordinary shares at a ratio of 1:1. The Company then determines the probability that performance conditions attaching to the rights will be met and the rights will convert. Where the probability is greater than 50%, the full value is assigned to the rights. Where the probability is less than 50%, no value is assigned to the rights. The value of the rights are then amortised into expense evenly over the service period to the date of expiry, resulting in a share based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and accumulating in the performance rights reserves in equity on the Consolidated Statement of Financial Position.

### (S) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### Key Estimates — Impairment of Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recorded for the period, except for in relation to exploration and evaluation expenditure.

#### Key Estimates – Performance Share Probability

In the fiscal 2016 reporting period, the Company completed an asset acquisition of the Sandstone Project. As part of the Share Sale Agreement, the Company issued 25,000,000 Performance Shares to the vendors, which will convert on a one-for-one basis into fully paid ordinary shares upon the Group confirming a combined inferred and /or indicated mineral resource and/or reserve of at least 500,000oz gold in aggregate, on one or more of

## NOTES TO THE FINANCIAL STATEMENTS

the Sandstone Tenements any time prior to 23 June 2021. Management and the Board have assessed the probability of the Group meeting these triggers as greater than probable and accordingly the full value of the performance shares has been booked in these financials.

### Key Estimates – Performance Rights Probability

In the fiscal 2017 report period, the Company issued 10,750,000 performance rights to its key management personnel and employees. The rights convert on a one-to-one basis into fully paid ordinary shares as specified in note 16. Where management has estimated that the performance condition has a greater than 50% probability of being achieved, the full value of the relevant performance rights have been recorded. In respect of these performance rights, at 30 June 2019 management estimated that the remaining performance conditions were not probable to be achieved. During the period, these performance rights expired, and the performance conditions were not met.

### Key Judgments – Benefit from Deferred Tax Losses

The future recoverability of the carried forward tax losses are dependent upon Group's ability to generate taxable profits in the future in the same tax jurisdiction in which the losses arise. This is also subject to determinations and assessments made by the taxation authorities. The recognition of a deferred tax asset on carried forward tax losses (in excess of taxable temporary differences) is dependent on management's assessment of these two factors. The ultimate recoupment and the benefit of these tax losses could differ materially from management's assessment.

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2020 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the Group continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

### (T) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP IN THIS FINANCIAL REPORT

The following significant Australian Accounting Standard has been issued and is applicable to the financial statements of the Group:

AASB No.	Standard / Interpretation	Effective date for the group
AASB 16	Leases	1 July 2019

The Group has assessed its leases and concluded that per the guidance provided by AASB 16 they are short term leases or of low value, and as such the Group has elected to apply the practical expedients included with AASB 16 and not recognise a right-of-use asset or lease liability in the financial statements. In addition, leases relating to exploration assets are outside the scope of AASB 16 and hence have also not been recognised in the financial statements.

### Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

The Group leases office and storage premises with lease terms of 12 months or less and leases office equipment of low value.

Expenses relating to these leases, recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income are as follows:



## NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	\$	\$
Expense relating to short-term leases	52,331	82,133
Expense relating to leases of low-value assets	3,120	3,120
	55,451	85,253

Reconciliation between AASB 16 right-of-use asset and lease liability and lease commitments as at 30 June 2019 is as follows:

	2020
	\$
Aggregate non-cancellable lease commitments as at 30 June 2019	68,042
Less:	
Payments previously included in non-cancellable lease commitments for leases with remaining terms less than 12 months	(68,042)
Carrying amount of right-of-use asset and lease liability recognised as at 1 July 2019	-

### (U) IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

There are a number of new standards, amendments to standards and interpretations issued by the AASB which are applicable to future reporting periods. The Group has not early adopted any of these standards or interpretations. Details of these standards and interpretations are set out below:

AASB No.	Standard / Interpretation	Effective date for the group
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 July 2020

AASB 2018-7 principally amends AASB 101: *Presentation of Financial Statements* and AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

AASB 2018-7 mandatorily applies to annual reporting periods commencing on or after 1 January 2020 and will be first applied by the Group in the financial year commencing 1 July 2020.

AASB No.	Standard / Interpretation	Effective date for the group
AASB 2019-3	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 July 2020

The reliefs apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

AASB 2019-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2020 and will be first applied by the Group in the financial year commencing 1 July 2020.

AASB No.	Standard / Interpretation	Effective date for the group
AASB 2019-5	Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020

AASB 2019-5 makes amendments to AASB 1054 *Australian Additional Disclosures* by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information required by paragraph 30 of AASB 108 (regarding disclosing the effect of new standards not yet issued) to IFRS Standards that have not yet been issued by the Australian Accounting Standards Board.

AASB 2019-5 mandatorily applies to annual reporting periods commencing on or after 1 January 2020 and will be first applied by the Group in the financial year commencing 1 July 2020.

## NOTES TO THE FINANCIAL STATEMENTS

AASB No.	Standard / Interpretation	Effective date for the group
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2022

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the Statement of Financial Position as current or non-current.

AASB 2020-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

AASB No.	Standard / Interpretation	Effective date for the group
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments	1 January 2022

AASB 2020-3 amends AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 3 *Business Combinations*, AASB 9 *Financial Instruments*, AASB 116 *Property, Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 141 *Agriculture* as a consequence of the recent issuance by IASB of the following IFRS: *Annual Improvements to IFRS Standards 2018-2020*, *Reference to the Conceptual Framework*, *Property, Plant and Equipment: Proceeds before Intended Use* and *Onerous Contracts – Cost of Fulfilling a Contract*.

AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

AASB No.	Standard / Interpretation	Effective date for the group
AASB 2020-4	Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions	1 June 2020

AASB 2020-4 amends AASB 16: *Leases* to provide an optional practical expedient to lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

AASB 2020-4 mandatorily applies to annual reporting periods commencing on or after 1 June 2020 and is available for earlier application. It will be applied by the Group in the financial year commencing 1 July 2020.

The Group has reviewed the above amended standards and interpretations and concludes that none are expected to have a significant impact on the Groups consolidated financial statements.

### NOTE 2: OTHER INCOME

	2020	2019
	\$	\$
Interest received	7,690	8,174
Government grants	50,000	-
	<u>57,690</u>	<u>8,174</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3: LOSS FOR THE PERIOD

Included in the loss for the period are the following items of revenue and expenses:

	2020	2019
	\$	\$
Depreciation expense	20,758	23,997
Superannuation expense	46,258	52,945
Office short term lease expenses	63,524	97,344
Impairment of exploration and evaluation	13	6,519
	6,519	5,196

### NOTE 4: SHARE-BASED PAYMENTS

Share based payments recognised during the year are:

	2020	2019
	\$	\$
Options issued to Director <sup>(i)</sup>	120,901	-
LTI rights issued to Director <sup>(ii)</sup>	118,004	-
Shares issued to creditors for services received <sup>(iii)</sup>	50,000	-
	<u>288,905</u>	<u>-</u>

- (i) On 29 November 2019, Shareholders approved the issue of 7,500,000 options with an exercise price of \$0.07 to Mr Matthew Bowles expiring 29 November 2023, a Director of the Group. The fair value of the options granted was estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted and factors such as the share price at grant date, volatility of the share price and risk free rate. As there were no vesting conditions attached, the expense of \$120,901 was recognised in full in the reporting period.
- (ii) On 29 November 2019, Shareholders approved the provision of a limited-recourse, interest-free loan to Mr Matthew Bowles, a Director of the Group, for the purpose of subscribing for 6,250,000 shares at \$0.032 per share. Although these are shares for legal and taxation purposes, Accounting Standards require they be treated as options for accounting purposes. As there were no vesting conditions attached, the expense of \$118,004 was recognised in full in the reporting period.
- (iii) Equity settled share based payment measured at fair value of services received in accordance with accounting standard AASB 2. As at 30 June 2020, the shares remain to be issued. On issue, an amount of \$50,000 will be transferred from share-based payments reserve to issued capital.

### Valuation of Share Based Payments

A summary of the key assumptions used in applying the Black Scholes model to the share based payments recognised in the period is as follows:

	Options issued to Director	LTI rights issued to Director
Number of options/rights	7,500,000	6,250,000
Date of grant	29-Nov-19	29-Nov-19
Share price at grant date	\$0.04	\$0.04
Volatility factor	84.00%	76.00%
Risk free rate	0.65%	0.65%
Expected life of option/right (years)	4 years	3 years
Valuation per option/right	\$0.02	\$0.02
Exercise price per option/right	\$0.07	\$0.03
Vesting conditions	None	None
Number of options/rights exercisable as at 30 June 2020	7,500,000	6,250,000

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5: INCOME TAX

#### (a) Income tax (benefit)/expense

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

#### Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on operating loss at 30% (2019: 30%)	(417,914)	(344,255)
Add / (Less) tax effect of:		
Entertainment	210	-
Penalties and Fines	180	-
Share based payments	86,672	-
Cash flow boost payment	(15,000)	-
Deferred tax asset not brought to account	345,582	344,255
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>

The applicable weighted average effective tax rates are as follows:

nil%	nil%
------	------

#### (b) Deferred tax assets

Tax Losses	4,540,171	3,883,940
Provisions and Accrual	33,271	102,259
Capital Raising and business-related costs	59,515	39,230
Investments revalued through equity	24,000	22,500
	<u>4,656,957</u>	<u>4,047,929</u>
Set-off deferred tax liabilities	4(c) (4,656,957)	(4,047,929)
Net deferred tax assets	<u>-</u>	<u>-</u>

#### (c) Deferred tax liabilities

Exploration expenditure	(3,406,499)	(3,101,381)
Prepayments	(2,795)	(48,287)
	<u>(3,409,294)</u>	<u>(1,358,588)</u>
Set-off deferred tax assets	3,409,294	1,358,588
Net deferred tax liabilities	<u>-</u>	<u>-</u>

#### (d) Deferred tax assets not brought to account

Unused tax losses for which no deferred tax asset has been recognised	4,540,171	1,808,407
Temporary differences for which no deferred tax asset has been recognised	(3,292,507)	15,750

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2020 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the Company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6: AUDITORS' REMUNERATION

	2020	2019
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report by Pitcher Partners BA&A Pty Ltd	25,500	-
- Auditing or reviewing the financial report by Grant Thornton Audit	-	27,114
	<hr/>	<hr/>
Remuneration of the auditor, or associated entities, of the parent entity for non-audit services:		
- Tax compliance services	5,000	10,075
	<hr/>	<hr/>

### NOTE 7: LOSS PER SHARE

	2020	2019
	\$	\$
(a) Reconciliation of earnings to loss		
Earnings used in the calculation of basic EPS	(1,393,043)	(1,147,517)
(b) Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	289,540,448	207,685,167
Basic / Diluted loss per share (cents per share)	(0.48)	(0.55)

### NOTE 8: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash at bank	126,834	1,327,148
	<hr/>	<hr/>
Reconciliation of cash		
Cash at the end of the financial period as shown in the Statement Of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	126,834	1,327,148
	<hr/>	<hr/>

### NOTE 9: TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
<b>CURRENT</b>		
GST receivable	29,169	73,613
Trade and other receivables	50,802	66,656
Interest receivable	-	660
	<hr/>	<hr/>
	79,971	140,929
	<hr/>	<hr/>

There are no balances within trade and other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due.

Included in trade and other receivables is a security bond of \$26,365 (2019: \$26,365) which is subject to an indemnity guarantee for a rental agreement.

### NOTE 10: FINANCIAL INSTRUMENTS

Note 1(G) provides a description of each category of financial instrument and related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:



## NOTES TO THE FINANCIAL STATEMENTS

	Amortised Cost \$	FVOCI \$
<b>30 June 2020</b>		
<b>Financial assets</b>		
Cash and cash equivalents <sup>(i)</sup>	126,834	-
Trade and other receivables <sup>(i)</sup>	79,971	-
Equity instruments <sup>(ii)</sup>	-	25,000
<b>Total financial assets</b>	<u>206,805</u>	<u>25,000</u>
<b>Financial liabilities</b>		
Trade and other payables <sup>(i)</sup>	530,014	-
Loans and borrowings <sup>(iii)</sup>	250,000	-
<b>Total financial liabilities</b>	<u>780,014</u>	<u>-</u>
<b>Financial assets</b>		
Cash and cash equivalents <sup>(i)</sup>	1,327,148	-
Trade and other receivables <sup>(i)</sup>	140,929	-
Equity instruments <sup>(ii)</sup>	-	20,000
<b>Total financial assets</b>	<u>1,468,077</u>	<u>20,000</u>
<b>Financial liabilities</b>		
Trade and other payables <sup>(i)</sup>	726,476	-
Loans and borrowings <sup>(iii)</sup>	-	-
<b>Total financial liabilities</b>	<u>726,476</u>	<u>-</u>

- (i) The carrying amount of the following financial assets and liabilities is considered reasonable approximation of fair value:
- cash and cash equivalents
  - trade and other receivables
  - trade and other payables

- (ii) Equity instruments at fair value through other comprehensive income

	2020 \$	2019 \$
At the beginning of the reporting period	20,000	-
Reclassification arising from the adoption of AASB 9	-	52,500
Add revaluation increments/(decrements), net of tax	5,000	(32,500)
	<u>25,000</u>	<u>20,000</u>

Equity instruments are shares held in an ASX listed entity, Enterprise Metals Ltd, and were revalued in the current period based on the share sale price at reporting date. Fair value has been determined by reference to quoted market prices.

- (iii) Loans and borrowings – refer to note 15 for details

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11: PLANT AND EQUIPMENT

	2020	2019
	\$	\$
<b>NON-CURRENT</b>		
Plant and equipment – cost	139,588	136,588
Accumulated depreciation	(137,898)	(134,044)
	<u>1,690</u>	<u>2,544</u>
Motor vehicle – cost	25,000	25,000
Accumulated depreciation	(18,767)	(12,500)
	<u>6,233</u>	<u>12,500</u>
Property – cost	88,048	88,048
Accumulated depreciation	-	-
	<u>88,048</u>	<u>88,048</u>
<b>Total property, plant and equipment</b>	<b><u>95,971</u></b>	<b><u>103,092</u></b>

#### a) Reconciliation of Carrying Amounts

##### Plant and Equipment

Opening balance	2,544	5,330
- Additions	3,000	2,556
- Depreciation expense	(3,854)	(5,342)
Carrying amount at the end of the period	<u>1,690</u>	<u>2,544</u>

##### Motor Vehicles

Opening balance	12,500	18,750
- Additions	-	-
- Depreciation expense	(6,267)	(6,250)
Carrying amount at the end of the period	<u>6,233</u>	<u>12,500</u>

##### Land and Buildings

Opening balance	88,048	87,708
- Additions	-	340
- Depreciation expense	-	-
Carrying amount at the end of the period	<u>88,048</u>	<u>88,048</u>

##### Totals

Opening balance	103,092	111,788
- Additions	3,000	2,896
- Depreciation expense	(10,121)	(11,592)
<b>Carrying amount at the end of period</b>	<b><u>95,971</u></b>	<b><u>103,092</u></b>

### NOTE 12: INTANGIBLE ASSETS

	2020	2019
	\$	\$
<b>NON-CURRENT</b>		
Software – cost	75,137	75,137
Accumulated amortisation	(75,137)	(64,500)
	<u>-</u>	<u>10,637</u>
<b>Reconciliation of Carrying Amounts</b>		
Opening balance	10,637	23,043
Amortisation expense	(10,637)	(12,406)
Carrying amount at the end of the period	<u>-</u>	<u>10,637</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13: EXPLORATION AND EVALUATION

	2020	2019
	\$	\$
Exploration and evaluation phases – at cost	11,354,999	10,337,937
<b>Exploration and evaluation - movement</b>		
Opening balance	10,337,937	8,727,068
Exploration expenditure	1,023,581	1,616,065
Impairment of exploration and evaluation	(6,519)	(5,196)
Closing balance	11,354,999	10,337,937

The Directors' assessment of the carrying amount for the Group's exploration properties was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Group's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole or part of the Group's interests in these exploration properties for an amount at least equal to the carrying value. There may exist on the Group's exploration properties, areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people. As a result, the Group's exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

As at 30 June 2020, the Directors have concluded that there remains an expectation that the carrying amount of the Group's exploration and evaluation assets will be recovered in full on the basis of the above factors, and hence no impairment triggers exist. Consequently, no detailed impairment assessment has been performed. During the year, an impairment of \$6,519 (2019: \$5,196) was recognised due to the surrender of tenements.

### NOTE 14: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
<b>CURRENT – UNSECURED LIABILITIES</b>		
Trade and other payables	486,531	407,893
Accrued expenses	43,483	318,583
	530,014	726,476

All amounts in trade and other payables are short term and the carrying values are considered a reasonable approximation of fair value. Refer to Note 21 related party transactions for payable balances with related parties.

### NOTE 15: LOANS AND BORROWINGS

	2020	2019
	\$	\$
Loan from related party <sup>(i)</sup>	250,000	-

(i) On 11 March 2020, the Company entered into a Loan Facility Agreement ("Loan Agreement" or "Facility") for up to A\$1 million with its largest shareholder, Windsong Valley Pty Ltd (Windsong), an entity associated with Non-Executive Director, Terry Wheeler. The Facility provides Company with the flexibility to draw down for working capital as required to ensure the continuation of planned exploration at Lord Nelson.

The key terms of the Facility are set out below:

- The Company may drawdown up to \$500,000 during the period 11 March 2020 to 10 March 2021 (Availability Period);
- Subject to the Company receiving the shareholder approval for the granting of a security interest in all of the Company's present and after acquired property for all monies outstanding under the Facility (including interest) by 8 May 2020, the Company may drawdown up to an additional \$500,000 during the Availability Period (for a maximum drawdown of \$1 million under the Facility);
- In the event that Shareholder Approval is not obtained, the maximum drawdown under the Facility will reduce to \$500,000 and no security will be granted;
- The interest rate applicable on outstanding monies is 8% per annum, accrued monthly and calculate monthly;

## NOTES TO THE FINANCIAL STATEMENTS

- All outstanding monies and interest under the Facility are payable on or before 11 March 2021 (Maturity Date); and
- The Facility is repayable immediately in the event that the Company is subject to a change of control.

As the Company did not seek shareholder approval for the granting of a security interest in all of the Company's present and after acquired property, the loan facility available remains at \$500,000 unsecured. At the end of the period, the Company has drawn down \$250,000.

### NOTE 16: ISSUED CAPITAL

#### (a) Issued capital

	2020	2019 restated <sup>(i)</sup>
	\$	\$
293,373,781 (2019: 270,457,115) Fully paid ordinary shares at no par value	22,408,726	21,815,563
25,000,000 (2019: 25,000,000) Performance shares	2,175,000	2,175,000
	<u>24,583,726</u>	<u>23,990,563</u>

Fully paid ordinary shares have no par value, carry one vote per share and carry the right to dividends.

#### (b) Ordinary shares

	2020	2019 restated <sup>(i)</sup>
	\$	\$
The following movements in ordinary share capital occurred during the reporting period:		
Balance at beginning of the period	21,815,563	18,994,278
Shares issued during the period		
16,666,666 on 3 December 2019 at \$0.036 per share <sup>(ii)</sup>	600,000	-
Prior year		
9,595,141 on 27 August 2018 at \$0.047 per share	-	451,019
3,000,000 on 18 January 2019 at \$0.039 per share <sup>(vi)</sup>	-	117,600
9,143,474 on 18 February 2019 at \$0.036 per share	-	329,166
6,382,948 on 6 March 2019 at \$0.047 per share <sup>(vi)</sup>	-	300,000
56,875,060 on 13 May 2019 at \$0.036 per share <sup>(vi)</sup>	-	2,047,502
Costs associated with equity raisings restated <sup>(i)</sup>	(6,837)	(424,002)
Balance at end of the period	<u>22,408,726</u>	<u>21,815,563</u>

	No.	No.
Balance at beginning of the period	270,457,115	185,459,462
Shares issued during the period		
16,666,666 on 3 December 2019 at \$0.036 per share <sup>(ii)</sup>	16,666,666	-
Prior year		
9,595,141 on 27 August 2018 at \$0.047 per share	-	9,595,141
3,000,000 on 18 January 2019 at \$0.039 per share <sup>(vi)</sup>	-	3,000,000
9,143,474 on 18 February 2019 at \$0.036 per share	-	9,143,474
6,382,948 on 6 March 2019 at \$0.047 per share <sup>(vi)</sup>	-	6,382,948
56,875,060 on 13 May 2019 at \$0.036 per share <sup>(vi)</sup>	-	56,875,060
Balance at end of the period	<u>293,373,781</u>	<u>270,457,115</u>

## NOTES TO THE FINANCIAL STATEMENTS

### (c) Performance shares

	2020 \$	2019 \$
The following movements in performance shares occurred during the reporting period:		
Balance at beginning of the period	2,175,000	2,175,000
Performance shares issued during the period	-	-
Balance at end of the period <sup>(iv)</sup>	2,175,000	2,175,000
	<b>No.</b>	<b>No.</b>
Balance at beginning of the period	25,000,000	25,000,000
Performance shares issued during the period	-	-
Balance at end of the period <sup>(iv)</sup>	25,000,000	25,000,000

### (d) Performance rights

	2020 No.	2019 No.
The following movements in performance rights occurred during the reporting period:		
Balance at beginning of the period	1,000,000	7,312,500
Performance rights issued during the period	-	-
Performance rights expired during the period	(1,000,000)	(6,312,500)
Balance at end of the period <sup>(vii)</sup>	-	1,000,000

### (e) LTI rights

	2020 No.	2019 No.
The following movements in LTI rights occurred during the reporting period:		
Balance at beginning of the period	-	-
LTI rights issued during the period <sup>(iii)</sup>	6,250,000	-
LTI rights expired during the period	-	-
Balance at end of the period	6,250,000	-

### (f) Unlisted Options

	2020 \$	2019 \$ restated <sup>(i)</sup>
The following movements in performance rights occurred during the reporting period:		
Balance at beginning of the period restated <sup>(i) (vi)</sup>	227,966	-
Options issued during the period:		
\$0.07 Options expiring 9 March 2021 <sup>(i)</sup>	-	227,966
\$0.07 Options expiring 29 November 2023 <sup>(v)</sup>	120,901	-
Balance at end of the period	348,867	227,966



## NOTES TO THE FINANCIAL STATEMENTS

	No.	No. restated <sup>(i)</sup>
Balance at beginning of the period	63,009,234	-
Options issued during the period:		
\$0.07 Options expiring 17 August 2020	-	4,571,711
\$0.07 Options expiring 13 November 2020	-	28,437,523
\$0.07 Options expiring 9 March 2021 <sup>(i)</sup>	-	30,000,000
\$0.07 Options expiring 18 January 2021 <sup>(ii)</sup>	8,333,333	-
\$0.07 Options expiring 29 November 2023 <sup>(v)</sup>	7,500,000	-
Balance at end of the period	78,842,567	63,009,234

- (i) Prior to restatement, costs associated with equity raisings was \$196,036. This has been restated to \$424,002, following the valuation of options issued as partial consideration for capital raising services. Refer to note 27 for details on restatement to prior period and summary of key assumptions used in applying the Black Scholes model to the share-based payment.
- (ii) On 12 July 2019, following Shareholder approval, the Company raised \$600,000 through a placement of 16,666,666 ordinary shares together with 8,333,333 options, to Alto's then Chairman and major shareholder Mr Terry Wheeler. The options have been issued to shareholders of the Company and therefore do not fall within the scope of AASB 2 *Share-based payment*. Accordingly, the options have a \$nil value.
- (iii) On 24 December 2019, following Shareholder approval at the 2019 AGM, the Company issued 6,250,000 shares to Atlantic Capital Pty Ltd, the private company of Mr Matthew Bowles. Details are set out in Note 4.
- (iv) The above Performance Shares will convert into 25,000,000 on a one-for-one basis into fully paid ordinary shares upon the Group confirming a combined inferred and /or indicated mineral resource and/or reserve of at least 500,000oz gold in aggregate, on one or more of the Sandstone Tenements any time prior to 23 June 2021.
- (v) On 24 December, following Shareholder approval at the 2019 AGM the Company issued 7,500,000 options to a Director under the Employee Share Option Plan. Details are set out in Note 4.
- (vi) Share based payments:
- 3,000,000 shares issued on 18 January 2019 as consideration for two meter prospecting and fossicking rights at Sandstone. The shares issues have a six month escrow period, these shares were released from escrow on 17 July 2019.
  - 6,382,948 shares issued on 6 March 2019 being conversion of \$300,000 convertible loan with Windsong Valley Pty Ltd a related party of the director Terry Wheeler.
  - 9,897,278 shares issued on 13 May 2019 at \$0.036 per share in lieu of cash payment to trade creditors.
- (vii) During the period, the 1,000,000 performance rights issued to key management personnel and employees have now all expired, and the performance conditions were not met.

### (g) Capital Management

The Directors' objectives when managing capital are to ensure that the Company can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The Company has no debt therefore has no externally imposed capital restrictions.

The focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings or alternative funding arrangements as required. The Group's working capital position, being current assets less current liabilities as at 30 June 2020 is a deficit of \$621,664 (2019: surplus \$888,615).

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17: RESERVES

	2020	2019 restated <sup>(i)</sup>
	\$	\$
Equity instruments at FVOCI Reserve	(27,500)	(32,500)
Share based payments reserve	516,871	227,966
	<u>489,371</u>	<u>195,466</u>

#### Movements in reserves

	2020	2019
	\$	\$
<b>Equity instruments at FVOCI Reserve</b>		
Balance at beginning of the period	(32,500)	-
Add revaluation increments, net of tax, during the period	5,000	(32,500)
Balance at end of the period	<u>(27,500)</u>	<u>(32,500)</u>

This reserve is used to record the fair value movements of the Group's equity instruments in accordance its accounting policy.

	2020	2019 restated <sup>(i)</sup>
	\$	\$
<b>Share-based payments reserve</b>		
Balance at beginning of the period restated <sup>(i)</sup>	227,966	-
Issue of option to Brokers during the period <sup>(i)</sup>	-	227,966
Issue of options to Director during the period <sup>(ii)</sup>	118,004	-
Issue of LTI rights to Director during the period <sup>(ii)</sup>	120,901	-
Issue of shares to creditors for services received	50,000	-
Balance at end of the period	<u>516,871</u>	<u>227,966</u>

This reserve is used to record the value of equity benefits provided to Directors, employees and third parties of the Group in accordance with its accounting policy.

(i) Refer to Note 27 for details.

(ii) Refer to Note 4 for details of share-based payments made during the reporting period.

### NOTE 18: CASH FLOW INFORMATION

#### (a) Reconciliation of Cash Flow from Operations with loss after Income Tax

	2020	2019
	\$	\$
Loss after income tax	(1,393,043)	(1,147,517)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss from ordinary activities:		
Depreciation	20,758	23,997
Share based payments	288,905	-
Impairment of Exploration and Evaluation	6,519	5,196
Changes in assets and liabilities:		
(Increase) / Decrease in receivables	60,958	77,652
(Increase) / Decrease in prepayments	13,535	-
(Increase) / Decrease in other assets	-	-
Increase / (Decrease) in payables	1,774	181,715
Cash flow used in operations	<u>(1,000,594)</u>	<u>(858,957)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Credit Standby Facilities

The Group had credit standby facilities of \$250,000 (unsecured) as at 30 June 2020 (2019: \$nil). Refer to Note 15 for details on the Loan Facility Agreement with Windsong Valley Pty Ltd.

### NOTE 19: CONTROLLED ENTITIES

Details of Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned %	
			2020	2019
Cue Metals Pty Ltd	Australia	Ordinary	100	100
Sandstone Exploration Pty Ltd	Australia	Ordinary	100	100

### NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

On 13 July 2020, Non-Executive Director Matthew Bowles was appointed as Managing Director and Chief Executive Officer.

On 13 July 2020, major shareholder, Windsong Valley Pty Ltd agreed to vary the terms of the Loan Agreement to increase the unsecured amount available under the facility to \$1 million.

On 11 August 2020, the Company entered into a Loan Facility Agreement with major shareholder, Harvest Lane Asset Management Pty Ltd for up to \$1 million. The loan can be drawn down upon between 11 August 2020 and 10 August 2021, interest is payable on the loan at a rate of 8% per annum and the loan is repayable in full by 11 August 2021.

On 22 September 2020, the Company announced commitments had been received for a placement to professional and sophisticated investors to raise up to \$5.5 million through the issue of 66,666,666 shares.

### NOTE 21: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

#### Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2020. The totals of remuneration paid to KMP during the year are as follows:

	2020	2019
	\$	\$
Short-term employee benefits <sup>(i)</sup>	294,639	338,657
Post-employment benefits	3,933	3,470
Share based payments	238,905	-
	<u>537,477</u>	<u>342,127</u>

(i) A portion of short-term employee benefits are paid to director-related parties.

#### Other Related Party Transactions

During the reporting period the Company shared office space with Enterprise Metals Ltd ("Enterprise"), Enterprise was a significant shareholder of the Company during the reporting period, in addition the Company holds 2,500,000 shares in Enterprise at a fair value of \$25,000 (2019: \$20,000). Enterprise Metals reimbursed the Company in full for its share of office space. Total reimbursement received from Enterprise Metals Ltd during the year was \$21,900 (2019: \$47,861). At the end of the reporting period \$4,022 (2019: \$22,510) was receivable.

During the year, the spouse of Matthew Bowles, a director of the Company provided media consulting services to the Company, all fees paid for such services were at market rates and on a normal arm's length basis. Total

## NOTES TO THE FINANCIAL STATEMENTS

fees paid during the year were \$2,200 (2019: \$Nil). As at 30 June 2020 \$Nil (2019: \$Nil) was payable to M Bowles' spouse.

During the year, the Company entered into a Loan Facility Agreement ("Loan Agreement" or "Facility") for up to A\$1m with its largest shareholder, Windsong Valley Pty Ltd (Windsong), an entity associated with Non-Executive Director, Terry Wheeler. The Facility provides Alto with the flexibility to draw down for working capital as required to ensure the continuation of planned exploration at Lord Nelson. Refer to Note 15 for key terms of the facility. At the end of the period \$250,000 was payable to Windsong Valley Pty Ltd (2019: Nil).

During the previous financial year, Windsong Valley Pty Ltd issued a Convertible Loan of \$300,000 to the Company, the loan was repaid in full during the previous financial year. In addition, in the previous financial year, Windsong Valley made a one-off cash advance to the Company, the advance was also repaid in full during the previous financial year. No interest was incurred on the advance.

### NOTE 22: CAPITAL AND LEASING COMMITMENTS

#### Expenditure commitments

The Group has entered into certain obligations to perform minimum work on mineral tenements held. The Group is required to meet tenement minimum expenditure requirement which are set out below. These may be varied or deferred on application and are expenditures expected to be met in the normal course of business.

	2020	2019
	\$	\$
- not later than 12 months	629,020	465,820
- between 12 months and 5 years	2,516,080	1,863,280
	<u>3,145,100</u>	<u>2,329,100</u>

#### Operating lease commitments:

Operating lease commitments contracted for rental of the Company's Registered Office and storage premises.

	2020	2019
	\$	\$
Amounts payable:		
- not later than 12 months	-	68,042
- between 12 months and 5 years	-	-
	<u>-</u>	<u>68,042</u>

### NOTE 23: FINANCIAL INSTRUMENT RISK

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and short-term fixed rate loans. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The Group does not speculate in the trading of derivative instruments.

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

#### (a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the Group.

#### *Credit risk exposures*

## NOTES TO THE FINANCIAL STATEMENTS

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Financial Statements.

There are no other material amounts of collateral held as security at 30 June 2020. Trade and other receivables are expected to be settled within 30 days and there is no history of credit losses.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
Cash and cash equivalents			
- AA Rated	8	126,834	1,327,148

### (b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings or alternative funding arrangements as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group include trade and other payables, and loans and borrowings, as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date. All loans and borrowings are interest bearing and due within 12 months of the reporting date.

### (c) Market risk

The Board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

#### (i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. Interest rate risk is managed by closely monitoring the interest rates at various financial institutions and using fixed rate debt.

A summary of the Group's financial assets and liabilities exposed to interest rate risk, and contractual maturity analysis, is shown below:



## NOTES TO THE FINANCIAL STATEMENTS

	Floating Interest Rate	Fixed Int maturing in 1 year or less	Fixed Int maturing over 1 to 5 years	Non-interest bearing	Total
	\$	\$	\$	\$	\$
<b>2020</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	126,834	-	-	-	126,834
<b>Total Financial Assets</b>	126,834	-	-	-	126,834
Weighted ave int rate – cash	1.54%				
<b>Financial Liabilities at cost</b>					
Loans and borrowings	-	250,000	-	-	250,000
<b>Total Financial Liabilities</b>	-	250,000	-	-	250,000
<b>Net financial assets</b>	126,834	(250,000)	-	-	(123,166)
<b>2019</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	1,327,148	-	-	-	1,327,148
<b>Total Financial Assets</b>	1,327,148	-	-	-	1,327,148
Weighted ave int rate – cash	1.75%				
<b>Total Financial Liabilities</b>	-	-	-	-	-
<b>Net financial assets</b>	1,327,148	-	-	-	1,327,148

### (ii) **Sensitivity Analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
	\$	\$
<b>Period ended 30 June 2020</b>		
+/-1% in interest rates	+/- 127	+/- 127
<b>Period ended 30 June 2019</b>		
+/-1% in interest rates	+/- 13,271	+/- 13,271

### (d) **Equity price risk**

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the Consolidated Statement of Financial Position as equity instruments at fair value through other comprehensive income.

Listed investments have been valued at the quoted market bid price at the end of reporting period, adjusted for transaction costs expected to be incurred. At 30 June 2020, the effect on profit and equity as a result of changes in listed equity prices, with all other variables remaining constant would be as follows:

## NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amount	Listed equity price -10%		Listed equity price +10%	
		Net Loss	Equity	Net Loss	Equity
	\$	\$	\$	\$	\$
30 June 2020	25,000	(2,500)	(2,500)	2,500	2,500
30 June 2019	20,000	(2,000)	(2,000)	2,000	2,000

### (e) Net Fair Values

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

### Fair value measurement hierarchy

AASB 13 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted priced within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

The table below classifies financial instruments recognised in the Consolidated Statement of Financial Position according to the fair value measurement hierarchy stipulated in AASB 13 Financial Instruments: Disclosures.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2020</b>				
<b>Financial Assets</b>				
Equity instruments at FVOCI	25,000	-	-	25,000
<b>Year ended 30 June 2019</b>				
<b>Financial Assets</b>				
Equity instruments at FVOCI	20,000	-	-	20,000

### Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market data existing at each reporting period. The Group does not have any level 3 assets or liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 24: PARENT ENTITY DISCLOSURES

#### (a) Financial Position of Alto Metals Limited

	2020	2019
	\$	restated <sup>(i)</sup>
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	126,832	1,327,146
Trade and other receivables	79,971	132,084
Prepayments	9,315	160,955
<b>TOTAL CURRENT ASSETS</b>	<u>216,118</u>	<u>1,620,185</u>
<b>NON-CURRENT ASSETS</b>		
Equity instruments at fair value through other comprehensive income	25,000	20,000
Plant and equipment	95,971	103,092
Intangible assets	-	10,637
Exploration and evaluation	-	-
Other assets	11,361,761	10,346,784
<b>TOTAL NON-CURRENT ASSETS</b>	<u>11,482,732</u>	<u>10,480,513</u>
<b>TOTAL ASSETS</b>	<u>11,698,850</u>	<u>12,100,698</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	530,014	726,476
Loans and borrowings	250,000	-
Provisions	57,770	13,941
<b>TOTAL CURRENT LIABILITIES</b>	<u>837,784</u>	<u>740,417</u>
<b>TOTAL LIABILITIES</b>	<u>837,784</u>	<u>740,417</u>
<b>NET ASSETS</b>	<u>10,861,066</u>	<u>11,360,281</u>
<b>EQUITY</b>		
Issued capital	24,583,726	23,990,563
Reserves	489,371	195,466
Accumulated losses	(14,212,031)	(12,825,748)
<b>TOTAL EQUITY</b>	<u>10,861,066</u>	<u>11,360,281</u>

#### (b) Financial Performance of Alto Metals Limited

Loss for the year	(1,386,283)	(1,141,717)
Other comprehensive income	5,000	(32,500)
<b>Total comprehensive loss</b>	<u>(1,381,283)</u>	<u>(1,174,217)</u>

The parent entity has no commitments at year end (2019: Nil)

(i) Refer to Note 27 for details.

### NOTE 25: CONTINGENT LIABILITIES

As at 30 June 2020 the Group has bank guarantees to the value of \$26,365 (2019: \$26,365) to secure rental bonds.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 26: OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments. The Group remains focused on mineral exploration over areas of interest solely in Western Australia.

### NOTE 27: RESTATEMENT OF PRIOR PERIOD

The Directors, while preparing the financial statements of the Group for the year ended 30 June 2020, identified that due to an oversight, following Shareholders approval of the issue of 30,000,000 options with an exercise price of \$0.07 as partial consideration for capital raising services provided to the Group during the year ended 30 June 2019, the associated share based payment had not been recognised in the financial statements at the date the services were received (being 12 May 2019) in accordance with the requirements of AASB 2 *Share Based Payment*.

The fair value of the options granted was estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted and factors such as the share price at grant date, volatility of the share price and risk free rate. The fair value as at the date of grant is materially consistent with the fair value as at the date the services were received.

This resulted in restatement of the following line items in the financial statements for the year ended 30 June 2019:

- Issued capital was decreased by \$227,966; and
- Share based payment reserve was increased by \$227,966.

There is no impact on net assets as at 30 June 2019, nor on the Consolidated Statement of Profit or Loss and Other Comprehensive Income as at 30 June 2019.

The above adjustment had the following impact on the 30 June 2019 Consolidated Statement of Financial Position:

<b>Financial report line item / balance affected</b>	<b>Actual 30 June 2019 \$</b>	<b>Adjustment \$</b>	<b>Restated Actual 30 June 2019 \$</b>
<b>Consolidated Statement of Financial Position extract</b>			
<b>EQUITY</b>			
Issued capital	(24,218,529)	227,966	(23,990,563)
Reserves	(32,500)	(227,966)	(195,466)
<b>NET ASSETS</b>	<b>11,360,281</b>	<b>-</b>	<b>11,360,281</b>

### Valuation of Share Based Payments

A summary of the key assumptions used in applying the Black Scholes model to the share based payment is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

### Options issued to Brokers

Number of options/rights	30,000,000
Date of grant	12 July 2019
Share price at grant date	\$0.036
Volatility factor	84.00%
Risk free rate	0.85%
Expected life of option/right (years)	1.5 years
Valuation per right	\$0.076
Exercise price per right	\$0.07
Vesting conditions	None
Number of options exercisable as at 30 June 2019	30,000,000

### Year in which Vesting and Expense occurs

### Options issued to Brokers

Year ended 30 June 2019	227,966
Total valuation	<u>227,966</u>

### NOTE 28: COMPANY DETAILS

The registered office and principal place of business of the Company is:

Alto Metals Limited  
Level 2, Suite 9  
12-14 Thelma Street  
WEST PERTH WA 6005

## DIRECTORS' DECLARATION

The Directors declare that:

1. The financial statements and notes set out on pages 29 to 60 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 30 June 2020 and of their performance for the financial year ended on that date;
2. In their opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. A statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Richard Monti**  
Non-Executive Chairman

Dated this 30th day of September 2020



ALTO METALS LIMITED  
ABN 62 159 819 173  
INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ALTO METALS LIMITED

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Alto Metals Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 to the financial report which indicates that the Group recorded an operating loss of \$1,393,043 (2019: \$1,147,517), net current liabilities of \$621,664 (2019: net current assets \$888,615), net cash outflows used in operating activities of \$1,000,594 (2019: \$858,957), net cash outflows used in investing activities of \$1,042,883 (2019: \$1,257,801) and had cash and cash equivalents of \$126,834 (2019: \$1,327,148) for the year ended 30 June 2020.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**ALTO METALS LIMITED  
ABN 62 159 819 173  
INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ALTO METALS LIMITED**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Capitalisation of exploration and evaluation expenditure</b></p> <p>Refer to Note 13 to the financial report.</p> <p>As at 30 June 2020, the Group held capitalised exploration and evaluation expenditure of \$11,354,999.</p> <p>The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the capitalised exploration and evaluation expenditure may exceed its recoverable amount.</p> <p>The determination as to whether there are any indicators to require the capitalised exploration and evaluation expenditure to be assessed for impairment involves a number of judgments including but not limited to:</p> <ul style="list-style-type: none"> <li>• Whether the Group has tenure of the relevant area of interest;</li> <li>• Whether the Group has sufficient funds to meet the relevant area of interest minimum expenditure requirements; and</li> <li>• Whether there is sufficient information for a decision to be made that the relevant area of interest is not commercially viable.</li> </ul> <p>Due to the significance to the Group's financial report and the level of judgment involved in assessing whether there are impairment indicators present and in the calculation of the recoverable amount of the capitalised exploration and evaluation expenditure, we consider this to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understating of and evaluating the processes and controls associated with the capitalisation of exploration and evaluation expenditure, and those associated with the assessment of impairment indicators.</p> <p>Examining the Group's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation. We also considered the status of the exploration licences as it related to tenure.</p> <p>Considering the Group's intention to carry out significant exploration and evaluation activity in the relevant area of interest, including an assessment of the Group's cash-flow forecast models, discussions with senior management and directors as to the intentions and strategy of the Group.</p> <p>Reviewing management's evaluation and judgement as to whether the exploration activities within each relevant area of interest have reached a stage where the commercial viability of extracting the resource could be determined.</p> <p>Assessing the adequacy of the disclosures included within the financial report.</p>
<p><b>Share-based Payments</b></p> <p>Refer to Note 1(i) &amp; 4</p> <p>Share-based payments represent \$288,905 of the Group's expenditure.</p> <p>Share-based payments must be recorded at fair value of the service provided, or in the absence of</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding of the relevant controls and evaluating the controls associated with the preparation of the</p>

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ALTO METALS LIMITED  
ABN 62 159 819 173

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ALTO METALS LIMITED

such, at the fair value of the underlying equity instrument granted.

Under Australian Accounting Standards, equity settled awards are measured at fair value on the measurement date taking into consideration the probability of the vesting conditions (if any) attached. This amount is recognised as an expense either immediately if there are no vesting conditions, or over the vesting period if there are vesting conditions.

In calculating the fair value there are a number of judgements management must make, including but not limited to:

- Estimating the likelihood that the equity instruments will vest;
- Estimating expected future share price volatility;
- Expected dividend yield; and
- Risk-free rate of interest.

Due to the significance to the Group's financial report and the level of judgment involved in determining the valuation of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter.

valuation model used to assess the fair value of share-based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation.

Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation model, including management's assessment of likelihood of vesting, agreeing inputs to internal and external sources of information as appropriate.

Assessing the Group's accounting policy as set out within Note 1(i) for compliance with the requirements of AASB 2 Share-based Payment.

Assessing the adequacy of the disclosures included in the financial report.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Report*

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

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**ALTO METALS LIMITED  
ABN 62 159 819 173**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ALTO METALS LIMITED**

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

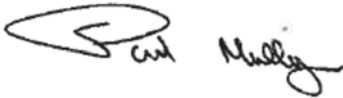
We have audited the Remuneration Report included in pages 22 to 26 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Alto Metals Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN  
Executive Director  
Perth, 30 September 2020

## ADDITIONAL ASX INFORMATION

Additional information required by the ASX Listing Rules and not shown elsewhere in the report is as follows. The information is current as at 15 September 2020.

### (a) Twenty largest holders of quoted equity securities

Position	Holder Name	Holding	% IC
1	WINDSONG VALLEY PTY LTD	56,908,175	19.14%
2	ADAMAN MINERALS PTY LTD	31,825,000	10.70%
3	GS GROUP AUSTRALIA PTY LTD	29,450,863	9.91%
4	NATIONAL NOMINEES LIMITED	24,932,749	8.39%
5	SINOTECH (HONG KONG) CORPORATION LIMITED	15,900,000	5.35%
6	OLGEN PTY LIMITED	9,722,222	3.27%
7	SILVERLIGHT HOLDINGS PTY LTD	8,333,334	2.80%
8	CROWNLUXE INVESTMENT LTD	7,500,000	2.52%
9	ATLANTIC CAPITAL PTY LTD	6,250,000	2.10%
10	MS XIAOXIA LIU	5,115,881	1.72%
11	MOSTIA DION NOMINEES PTY LTD	5,000,000	1.68%
12	AJAVA HOLDINGS PTY LTD	4,000,000	1.35%
12	PETER ERMAN PTY LIMITED	4,000,000	1.35%
13	MR DERMOT MICHAEL RYAN & MRS VIVIENNE ELEANOR RYAN	3,059,029	1.03%
14	MR BIN LI	2,906,509	0.98%
15	MRS LUCY FEI	2,777,778	0.93%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,500,000	0.84%
17	WERSMAN NOMINEES PTY LTD	2,266,666	0.76%
18	SPACETIME PTY LTD	2,088,820	0.70%
19	DR JOSHUA EHRLICH	1,754,062	0.59%
20	BC ASSET MANAGEMENT (WA) PTY LTD	1,500,000	0.50%
20	MR GREGORY ROLLAND CUNNOLD & MS LARA CHERYL GROVES	1,500,000	0.50%
	<b>Total</b>	<b>229,291,088</b>	<b>77.12%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>297,320,055</b>	<b>100.00%</b>



## ADDITIONAL ASX INFORMATION

### (b) Substantial Shareholders

The names of the substantial shareholders and the number of shares in which they have a relevant interest are:

Holder Name	Holding Balance	% IC
WINDSONG VALLEY PTY LTD	56,908,175	19.14%
ADAMAN MINERALS PTY LTD	31,825,000	10.70%
GS GROUP AUSTRALIA PTY LTD	29,450,863	9.91%
NATIONAL NOMINEES LIMITED	24,932,749	8.39%
SINOTECH (HONG KONG) CORPORATION LIMITED	15,900,000	5.35%

### (c) Distribution of equity securities

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	318	143,193	0.05%
above 1,000 up to and including 5,000	444	1,170,252	0.39%
above 5,000 up to and including 10,000	237	1,872,761	0.63%
above 10,000 up to and including 100,000	379	14,610,135	4.91%
above 100,000	166	279,523,714	94.01%
<b>Totals</b>	<b>1,544</b>	<b>297,320,055</b>	<b>100.00%</b>

The number of fully paid ordinary shareholdings held in less than marketable parcels is 796 (based on a share price of \$0.085).

### (d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

### (e) Unquoted securities

The names of the security holders holding more than 20% or more of any unlisted class of security, other than those securities issued or acquired under an employee incentive scheme, are listed below:

	PERFORMANCE SHARES - VENDOR	UNLISTED OPTIONS \$0.07 EXP 18/01/2021	UNLISTED OPTIONS \$0.07 EXP 09/03/2021	UNLISTED OPTIONS \$0.07 EXP 29/11/2023
MR STEPHEN STONE	12,500,000	-	-	-
MR BRUCE ROBERT LEGENDRE	12,500,000	-	-	-
WINDSONG VALLEY PTY LTD	-	8,333,333	-	-
SILVERLIGHT HOLDINGS PTY LTD	-	-	10,000,000	-
BLUEBIRD CAPITAL PTY LTD	-	-	10,000,000	-
LONGREACH CAPITAL PTY LTD	-	-	10,000,000	-
ATLANTIC CAPITAL PTY LTD	-	-	-	7,500,000
<b>TOTAL HOLDERS</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>

## ADDITIONAL ASX INFORMATION

### **(f) Corporate governance statement**

The Directors support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the Appendix 4G released to ASX and posted on the Company website. The Directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 3rd Edition" established by the ASX Corporate Governance Council. Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which enables it to meet the principles of good corporate governance. The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.

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## ADDITIONAL ASX INFORMATION

### TENEMENT REPORT

As at 30 June 2020

Tenement	Location	Interest Held	Registered Holder	Lease Status
E57/1029	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1030	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1031	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1033	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1044	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1072	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1101	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
E57/1153	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Application
P57/1377	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
P57/1378	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
M57/646	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
M57/647	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
M57/650	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
M57/651	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted
M57/652	Sandstone, WA	100%	Sandstone Exploration Pty Ltd	Granted

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