



2016

Contents

| | |
|---|-----------|
| Corporate Directory | |
| Chairman's Letter | 1 |
| Introduction | 2 |
| Corporate Objective & Strategy | 3 |
| Directors' Review of Operations | 4 |
| Directors' Report | 5 |
| Auditor's Independence Declaration | 17 |
| Consolidated Statement of Profit and Loss and Other Comprehensive Income | 18 |
| Consolidated Statement of Financial Position | 19 |
| Consolidated Statement of Changes in Equity | 20 |
| Consolidated Statement of Cashflows | 21 |
| Notes to the Financial Statements | 22 |
| Directors' Declaration | 48 |
| Independent Auditor's Report | 49 |
| Additional ASX Information | 52 |

Corporate Directory

Directors

| | |
|----------------------|-------------------------|
| Dr Jingbin Wang | Non-Executive Chairman |
| Mr Dermot Ryan | Executive Director |
| Mr William Robertson | Non-Executive Director |
| Mr Stephen Stone | Non-Executive Director. |

Company Secretary

Mr Sam Middlemas

Principal registered office

Suite 2,
91 Hay Street,
SUBIACO, WA, 6008
Telephone 08 9381 2808
Facsimile 08 9381 5545
Website: www.altometals.com.au
email: info@altometals.com.au

Auditor

Grant Thornton Audit Pty Ltd
Level 1
10 Kings Park Road
West Perth WA 6005
Telephone 08 9480 2000
Facsimile 08 9322 7787
Website: www.grantthornton.com.au
Email: admin@grantthornton.com.au

Share Registry

Computershare Registry Services
Level 11, 172 St Georges Terrace,
PERTH, WA, AUSTRALIA, 6000

Australian Securities Exchange

ASX Code – AME

Chairman's Letter

Dear Shareholders,

Early in 2016, with the acquisition of the Sandstone Gold Project, the Company has transitioned from a dormant greenfields uranium explorer and investor into an active Western Australian gold explorer with an exciting brownfields project. This transition did not take place by accident, but was the outcome of a deliberate strategy put in place by your Board to seek out an attractive advanced gold project that had potential for discovery of over a million ounces of gold.

The acquisition of Sandstone is the result of diligent reviews of many projects over the past 18 months to find such a project. Sandstone was selected by our technical team because it has favourable Archaean geology, an established history of mining high grade mineralisation, has good infrastructure and is relatively underexplored compared to many other greenstone belts in Western Australia.



Throughout 2015, commodity prices in general fell as growth in global industrial production flattened and supply of commodities surpassed demand. However, gold has moved against the trend, increasing in price as global interest rates and bond yields fell, and investors rebalanced their portfolios. In Australia, we have seen a buoyant Australian dollar gold price, and lower labour and capital costs as a result of the end of the so-called "mining boom". The Board and I are very excited about the potential of our Sandstone Gold Project.

I am pleased to report that our exploration team is currently preparing for the commencement of geophysical programs at Sandstone, to be followed by a maiden 5,000m drilling program in November, and larger drilling programs in the first half of 2017.

Over the past year, the Company has also reduced overheads and exposure to uranium, but still holds tenure to five high quality exploration projects that have potential for sand hosted "in situ-recovery" (ISR) style deposits.

In 2015, while seeking an advanced gold project, the Company purchased approximately 25.57 million \$0.01 Options in ASX listed Antipa Minerals Limited (ASX: AZY), a company which holds over 4,000km² of tenements in the Proterozoic Paterson Province of Western Australia and whose main Citadel copper-gold project is located 75km north of Newcrest's Telfer gold mine. In October 2015, Antipa announced that Rio Tinto Pty Exploration Pty Ltd (Rio) had entered into a farm-in and joint venture agreement with Antipa on the Citadel project,

whereby Rio would spend \$3 million within 18 months, and could spend a total of \$60 million on the property to earn a 75% interest. Rio's exploration at Citadel has the potential to add significant value to Alto's investment in Antipa. In May 2016, Alto paid \$255,738 to exercise those options, and as a result, now holds 25.57 million Antipa shares, currently worth approximately \$790,000.

In August 2015, the Company also sold on market its remaining 8.5 million Energia Minerals Ltd (ASX: EMX) shares for a net consideration of \$422,974, realising a profit of \$550,898 over the three year period.

I would like to take this opportunity to thank the Company's former Chairperson Ms Anna Mao, who resigned on 12 October 2016, for her contribution to the growth of the Company, and to thank all of our shareholders and staff for their ongoing support towards our primary objective of first becoming a successful explorer, and then a successful miner within the next several years.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jingbin Wang". The signature is fluid and cursive.

Dr Jingbin Wang
Chairman
12 October 2016

Introduction

Alto Metals Limited (ASX: AME) is an Australian public company which listed on the Australian Securities Exchange on the 20 December 2012 as Enterprise Uranium Limited (ASX: ENU). Between 2013 and 2014, uranium was the primary exploration target and a portfolio of projects prospective for sand hosted uranium deposits was assembled and explored.

During 2015, the Company commenced an active search for an advanced gold and/or base metals project. On 23 March 2016, an agreement was signed to purchase Sandstone Exploration Pty Ltd, the owner of the Sandstone Gold Project, located 600km northeast of Perth in Western Australia. Shareholders subsequently approved a company name change from Enterprise Uranium Limited to Alto Metals Limited, and in June 2016 Alto completed the purchase of Sandstone Exploration Pty Ltd.

Alto presently has 144,475,415 shares on issue, 100% ownership of the Sandstone Gold Project and a small portfolio of uranium projects. The Company's immediate objective at Sandstone is to discover mineral resources containing at least one million ounces of gold, and to establish a profitable mining operation.

Alto has an experienced Board of Directors with extensive skills in exploration, mining, accounting, corporate governance and provision of corporate advice. The Company currently has 724 km² under granted title at Sandstone for gold, and a further 945km² under title for uranium at four prospects.



Corporate Objective & Strategy

The Company's primary objective is the "discovery and/or acquisition of projects with potential for plus million ounce gold deposits that can form the basis of a highly profitable mining company providing superior returns to Shareholders."

The key elements of the Company's strategy to achieve this objective are:

- the generation and/or identification of a number of highly prospective projects and prospects with potential for plus million ounce gold resources, and
- the application of best practice mineral exploration technology (with strong drilling and geophysics components) and the support of an experienced team of people with strong technical, management and leadership skills and a proven track record of discovery.

The Company's Sandstone Gold is located within the Archaean Yilgarn Craton, where infrastructure is reasonably good relative to other more remote parts of Australia.

Alto believes there is still potential to find major new plus million ounce gold deposits in areas of shallow cover in Western Australia. The Company makes extensive use of airborne geophysics to "see through" shallow cover and identify conceptual geological targets.



“

discovery and/or acquisition of projects with potential for plus million ounce gold deposits that can form the basis of a highly profitable mining company providing superior returns to Shareholders.

”

Directors' Review of Operations

During 2015, the Company commenced an active search for an advanced gold and/or base metals project in Australia. Following numerous project reviews and due diligence, an agreement was signed on 23 March 2016 to purchase Sandstone Exploration Pty Ltd, the owner of the Sandstone Gold Project, located 600km northeast of Perth in Western Australia.

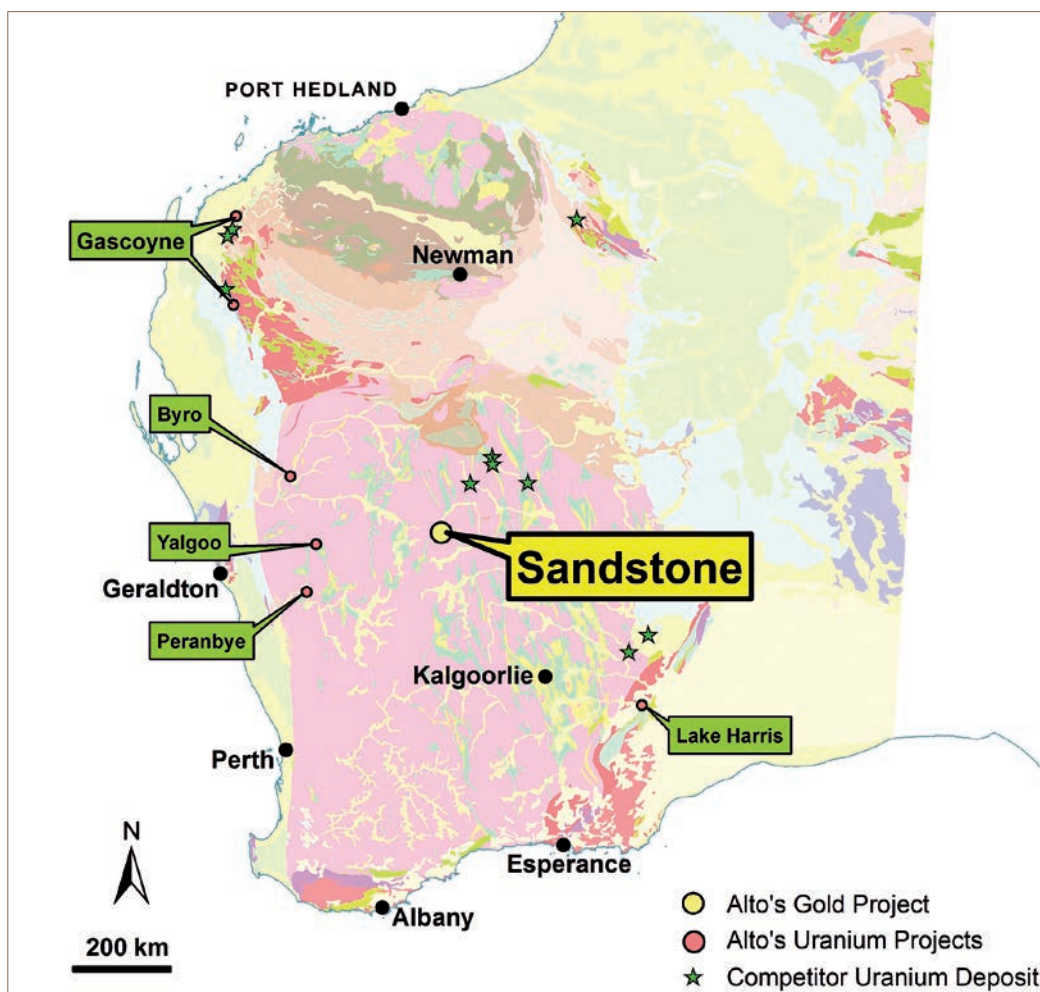
Shareholders subsequently approved a company name change from Enterprise Uranium Limited to Alto Metals Limited, and in June 2016 Alto completed the purchase of Sandstone Exploration Pty Ltd. The Company's immediate objective at Sandstone is to discover mineral resources containing at least one million ounces of gold, and to establish a profitable mining operation.

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 2010 from the open-pit mining of shallow oxide ore by ASX listed companies Herald Resources Ltd and Troy Resources Ltd.

The numerous former open pits, prospects and gold occurrences acquired by Alto include Lord Nelson, Lord Henry, Havilah, Bull Oaks Reef, Vanguard, Ladybird, Maninga Marley, Sandstone North, Oroya, Tiger Moth, Musketeer, Piper and Bulchina.

Between 1994 and 2010, the focus was largely on exploring for and mining shallow oxide ore to feed the Herald/Troy Nunggarra Mill, at a time when the Australian dollar gold price was substantially lower than it is today. Alto considers that the robust Australian gold price and competitive cost environment will enable it to consider, following further exploration, several areas for early recommencement of mining.

Alto plans to mount a substantial exploration program at Sandstone, following the grant of the tenements in late September 2016. The immediate program will include Induced Polarisation (IP) surveys to detect sulphide mineralisation at depth (likely to be associated with gold mineralisation), detailed airborne magnetic surveys to map lithology, structure and alteration zones, and reverse circulation (RC) drilling. More extensive geophysical and drilling programs will be implemented in 2017, following the completion of the compilation and review of Alto's Sandstone database.



Directors' Report

Your Directors present their report on Alto Metals Limited ("Alto" or "Company") and its controlled entities ("Group") for the financial year ended 30 June 2016.

Directors

The names of Directors in office at any time during or since the end of the period are:

Ms Anna Mao

Mr Dermot Ryan

Mr William Robertson

Mr Stephen Stone (appointed 23 June 2016)

Dr Zhen Huang (resigned 1 October 2015)

Directors have been in office since the start of the financial period to the date of this Report unless otherwise stated.

Information on Directors

Ms Anna Mao

Experience

— Non-Executive Chairman, appointed 14 September 2012

— Ms Mao is a creative leader and entrepreneur with 19 years' experience and knowledge in finance and operation. She co-founded and developed several successful businesses both in China and Canada. Ms Mao graduated from Beijing Institute of Technology University in 1991, and obtained her MBA from Richard Ivey Business School of Western Ontario University in 2001.

Special Responsibilities

— Chair of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee.

Directorships held in other listed entities

— Enterprise Metals Ltd (July 2011 – 30 May 2015)
 East Africa Metals Limited (TSX) (June 2014 – present)
 Golden Share Mining Corp (TSX) (July 2013 – present)
 Nickel North Exploration Corp. (TSX) (February 2013 – present)

Mr Dermot Ryan

Experience

— Executive Director, appointed 8 August 2012

— Mr Ryan spent 20 years with CRA Ltd from 1977-1996, including 10 years as Chief Geologist for CRA Exploration in various states of Australia. He was GM Exploration for Great Central Mines Ltd (later Normandy Yandal Operations Ltd) from late 1996-2001, and for the past 10 years has run a private mineral exploration consulting Company (XServ Pty Ltd). He is a Fellow of the AusIMM, (CP), a Fellow of the AIG, and holds a BApSc (Geol). Acting CEO since 26 June 2013.

Special Responsibilities

— Member of the Remuneration & Nomination Committee

Directorships held in other listed entities

— Legend Mining Limited (May 2005 – October 2013)
 Enterprise Metals Limited (October 2008 – present). There have been no other listed entity directorships in the last 3 years.

Directors' Report

Mr William Robertson

Experience

- Independent Non-Executive Director, appointed 9 September 2014
- Mr Robertson has B.Ap.Sc (Geophysics), a Diploma in Applied Physics (Mining and Hydrology) and over 25 years' experience as a professional geoscientist.

For the past 15 years, Mr Robertson has been the Director and Principal Consultant of Value Adding Resources, providing services to the mineral exploration industry. He is a Member of the Australian Society of Exploration Geophysicists and Australian Institute of Geoscientists.

His experience includes 11 years multi-commodity exploration experience with CRA Exploration Pty Ltd and North Limited, and 15 years as an independent consultant. He has provided geophysical support to exploration and evaluation programs in Western Australia, NSW, Tasmania, Victoria, Queensland and the Northern Territory, Africa, Asia, South America and Europe.

Bill has extensive experience in the exploration for and evaluation of uranium deposits, including Kintyre in Western Australia and Westmoreland in Queensland. He has played a major role in generating Enterprise's uranium projects in Western Australia, and has extensive experience in the exploration for base metals, copper-gold, diamonds, iron and rare earth.

Special Responsibilities

- Chair of the Audit and Risk Committee

Directorships held in other listed entities

- Nil

Mr Stephen Stone

Experience

- Non-Executive Director, appointed 23 June 2016

- Mr Stone is currently Managing Director of the ASX Listed Azumah Resources Limited. He graduated with honours in Mining Geology from University of Wales, Cardiff and has since gained more than 30 years' operating, project evaluation, executive management and corporate development experience in the international mining and exploration industry.

Mr Stone worked for several years at the large open pit and underground copper mines of the Zambian Copperbelt. He came to Australia in 1986 and since then has been involved in the formation and management of several junior ASX listed exploration companies.

Mr Stone is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Company Directors and a member of the Editorial Board of International Mining Magazine.

Special Responsibilities

- Member of Remuneration & Nomination Committee

Directorships held in other listed entities

- Managing Director of Azumah Resources Limited since November 2006
Director of Castle Minerals Limited since 18 January 2016.

Dr Zhen Huang resigned from the board on 1 October 2015.

Company Secretary

The following persons held the position of Company Secretary during or since the end of the financial period:

Sam Middlemas was appointed Company Secretary and Chief Financial Officer on 15 July 2016. Sam is a chartered accountant with more than 15 years experience in various financial and company secretarial roles with a number of listed public companies operating in the resources sector. He is the principal of a corporate advisory company which provides financial and secretarial services specialising in capital raisings and initial public offerings. Previously Mr Middlemas worked for an international accountancy firm. His fields of expertise include corporate secretarial practice, financial and management reporting in the mining industry, treasury and cash flow management and corporate governance.

Mrs Susan Hunter resigned as Company Secretary 15 July 2016.

Principal Activities

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

Significant Changes in State of Affairs

During the year, the Group acquired a 100% interest in Sandstone Exploration Pty Ltd, the owner of the Sandstone gold project for a cash consideration of \$500,000, the issue of 19,000,000 fully paid ordinary shares and 25,000,000 Performance Shares subject to the Group achieving a resource of 500,000 ounces of gold. As a consequence of this purchase, the Company has refocused its activities on the gold sector, and changed its name from Enterprise Uranium Limited to Alto Metals Limited.

The Company raised \$1.1 million in additional funds through a placement in June 2016, to sophisticated investors and a further \$1.7m through a share purchase plan which was completed post balance date on 25 July 2016. The Company will continue to keep its Uranium tenements in good standing and undertake minimal exploration while the Uranium price continues at its low price point.

Exploration activities will be increased significantly in the next financial reporting period as drilling commences at the Sandstone Gold project to increase the current resource base.

Operating Results

The consolidated loss of the Group after providing for income tax amounted to \$1,921,795 (2015: \$3,700,177). The consolidated loss includes an amount of \$1,942,656 (2015: \$3,255,355) related to exploration expenses which have been written off during the year following a detailed exploration review.

Dividends Paid or Recommended

No dividend has been recommended.

REVIEW OF OPERATIONS

At the start of the year, the Company held granted tenements and tenement applications over six project areas prospective for sand hosted "*in situ recovery*" style (ISR) and calcrete hosted uranium deposits in Western Australia. With the continuing low uranium price, the Company commenced the search for an advanced gold project in Western Australia, and reviewed a number of opportunities.

In late 2015, the Sandstone Gold Project was identified as an excellent exploration opportunity for the Company, and following a period of due diligence, a purchase agreement was signed with the vendors on 23 March 2016. The Group's corporate objective for this acquisition is the discovery of a mineral resource of at least one million ounces of gold, which would lead to the development of a mining operation.

The future of the Group's uranium landholdings is currently under review in light of the acquisition of the Sandstone Gold Project. The Company's core uranium projects have been retained under title pending the outcome of this review.

Directors' Report

SANDSTONE GOLD PROJECT

On 23 March 2016, Alto Metals Ltd announced that it had entered into a share sale and purchase agreement to acquire all of the issued capital of Sandstone Exploration Pty Ltd (Sandstone). Sandstone's only asset, the Sandstone Gold Project, is located approximately 600km northeast of Perth in the East Murchison Mineral Field in Western Australia and is centred on the small township of Sandstone.

The Sandstone Gold Project tenure covers approximately 75% of the Archaean Sandstone Greenstone Belt and comprises five Exploration Licence applications [E57/1029 – 1031, E57/1033 & E57/1041] and two Prospecting Licences [P57/1377-1378] for a total landholding of ~723km². The agreement to acquire Sandstone was consistent with Alto's stated 2015 strategy to assess non-uranium assets given the continuing low uranium price.

The area covered by the Sandstone Gold Project tenements was formerly part of Troy Resources Ltd's (ASX: TRY) Sandstone Gold Operations, which was highly profitable up until the cessation of mining in late 2007.

Alto's first priority at Sandstone is to delineate relatively shallow oxide gold mineralisation that can be economically mined and trucked to one of several gold treatment facilities in the region. To support this work Alto is undertaking a variety of broader exploration initiatives comprising acquisition of high-resolution airborne magnetic and radiometric data, litho-structural interpretation and targeting, Induced Polarisation surveying where appropriate (to detect large deep sulphide systems) and aircore drilling and RC drilling. The second priority is to delineate deeper and more extensive high-grade sulphide-hosted gold mineralisation using RC and diamond drilling.

Summary of Key Terms of Sandstone Purchase Agreement

- Upon execution of the Agreement, Alto was to pay the two individual Vendors of Sandstone a non-refundable amount of \$100,000.
- Upon completion, Alto was to pay to the Vendors \$400,000 cash, issue 19 million Alto fully paid ordinary shares, and issue 25 million performance shares, converting on a one-for-one basis into Alto fully paid ordinary shares upon Alto confirming total combined Inferred and / or Indicated Mineral Resources and / or Ore Reserves of at least 500,000oz gold (or equivalent for other minerals or metals) in aggregate, on one or more of the Tenements.
- Completion of the acquisition of Sandstone ("Completion") was subject to:
 - (a) Alto completing due diligence enquiries to its satisfaction within 10 business days of execution of the Agreement;
 - (b) Alto obtaining by 31 May 2016 shareholder approval under Listing Rule 7 and ASX approval of the terms of the 25 million Performance Shares to be issued by way of contingent deferred consideration; and
 - (c) grant of all of the Tenement applications by 31 December 2016 (Alto may waive this condition).
- Upon completion, the Vendors had the right to nominate one Non-Executive Director to the Board of Alto;
- Upon completion Sandstone would grant the Vendors a 2% gross revenue royalty on all minerals produced from the Tenements and the right to fossick down to 2m below surface for all minerals and metals including gold nuggets;
- Alto agreed to incur a minimum \$300,000 per annum on exploration expenditure on the Tenements in the first two years following completion; and
- Usual and appropriate warranties and covenants applied to the parties including pre-emptive rights upon surrender or sale of the Tenements by Sandstone.

A general meeting of Alto shareholders on 20 May 2016 approved the issue of the Shares and the Performance Shares to the Vendors, and agreed to change the name of the company from Enterprise Uranium Ltd to Alto Metals Ltd. The Company received a new Certificate of Registration for Alto Metals Limited from the Australian Securities and Investments Commission on 23 May 2016.

On 23 June 2016, Alto announced that it had completed early the acquisition of the Sandstone Gold Project and experienced explorer, geologist and mining executive Mr Stephen Stone had joined the Alto board.

Under the Sandstone Sale and Purchase Agreement, Alto paid the vendors a deposit of \$100,000, and was required to pay a further \$400,000 and issue 19 million fully paid Alto shares to the vendors upon grant of the Exploration Licences and Prospecting Licences comprising the project. Following the successful negotiation of a heritage agreement with the holders of Native Title in

Directors' Report

the Sandstone area, and the removal of an objection to the grant of tenements, the Company waived the condition of tenement grant before completion, to bring forward the acquisition of Sandstone Exploration Pty Ltd.

The Company issued 19 million fully paid Alto shares to the vendors, and a sum of \$200,000 cash, to complete the acquisition. A further payment of \$200,000 cash will be made upon the grant of the tenements, which has subsequently occurred on 23 September 2016.

CUE GOLD AND BASE METALS PROJECT

On 21 December 2015, the Company entered into an Option Agreement with AM-Australian Minerals Exploration Pty Ltd (AAM) over the Cue Project in Western Australia which consists of five Exploration Licence applications [20/888, 20/889, 20/890, 20/891 and 20/892] held in the name of Cue Metals Pty Ltd. The tenement applications lie along strike to the north of the former Big Bell and Cuddingwarra gold mines and are considered prospective for gold and copper/zinc base metals deposits.

AAM has granted Alto an option to purchase a 90% interest* in the Tenements if and when they are granted during a 12 month period commencing on 21 December 2015 for a consideration of a non-refundable "Option Fee" of \$50,000. The option may be exercised at any time if grant of one or more of the Tenements has not yet occurred during the option period, and only in respect of all of the Applications and/or Tenements. If Alto exercises the option then Alto will pay to AAM \$50,000 cash at completion and issue to AAM fully paid ordinary shares in Alto to the value of \$50,000 at a deemed issue price which equates to the volume weighted average price of Alto shares traded over the last 5 Business Days on which Alto shares traded.

Alto is currently conducting due diligence on the project.

**AAM's 10% interest will be free carried by Alto to completion of the first bankable feasibility study and decision to mine, and thereafter AAM will contribute 10% of the future exploration and mining joint venture costs.*

URANIUM PROJECTS

During the earlier half of the past year, the Company refined its portfolio of uranium projects by the addition of several new tenements and projects with high uranium prospectivity, and reduced its granted landholdings by the surrender of non-core tenements. In light of the acquisition of the Sandstone Gold Project, the future of Alto's uranium landholdings is currently under review.

Directors' Report

CAPITAL RAISING AND INVESTMENT ACTIVITY

Between October 2013 and June 2014, Alto purchased approximately 41.5 million shares in ASX listed Energia Minerals Limited (ASX: EMX). Alto's interest in this company stemmed from Energia's advanced Carley Bore uranium project in the Carnarvon Basin of Western Australia. Following Energia's change in focus to pursue zinc in Italy in early 2015, Alto began a gradual divestment of its Energia shareholdings. On 12 August 2015, Alto sold on market its remaining 8.5 million EMX shares for a net consideration of \$422,974, realising a profit of \$550,898 over the three year period.

In May 2016 Alto raised \$1.141 million from a share placement of 19,339,158 fully paid ordinary shares at 5.9 cents per share to professional and sophisticated investors as defined under Section 708 of the Corporations Act (2001). The issue price of 5.9 cents per share represented a 22% discount to the 15 day traded VWAP. These funds will be used to initiate gold exploration at Sandstone and for working capital.

Also during May 2016, Alto exercised 25.5 million options in Antipa Minerals Ltd (ASX: AZY) that it had held for over 12 months on the basis of Antipa's attractive Minyari and Calibre gold/copper projects in the Paterson Province of Western Australia.

On 16 June 2016, Alto announced a proposed Shareholder Purchase Plan (SPP) to raise \$1.7 million at an issue price of 5.9 cents per share representing a discount of 18% to the volume weighted average price of Alto fully paid ordinary shares calculated over the last 5 days on which sales in Shares were recorded before the SPP was announced. The SPP closed fully subscribed and the Company received valid applications from eligible shareholders for 28,745,705 new shares, thereby raising \$1,703,000. The new Alto shares issued pursuant to the SPP began trading on the ASX on 26 July 2016.

IMPORTANT INFORMATION AND DISCLAIMER

Competent Persons Statement

The information in this report that relates to exploration results and mineral resources is based on information compiled by Mr Dermot Ryan, who is an employee of XServ Pty Ltd and a Director and security holder of the Company. Mr Ryan is a Fellow of the Australasian Institute of Mining and Metallurgy and 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 defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Ryan consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Exploration and Resource Targets

Any discussion in relation to the potential quantity and grade of exploration targets is only conceptual in nature. There has been insufficient exploration to date to define any mineral resources and it is uncertain if further exploration will result in the determination of any JORC compliant Mineral Resources.

Directors' Report

Financial Position

The net assets of the Group at 30 June 2016 are \$7,117,768 (2015: \$3,686,940).

After Reporting Date Events

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, expect for:

On 25 July 2016 the Company completed a Share Purchase Plan to raise an additional \$1.697m through the issue of 28,779,603 new shares at a share price of 5.9 cents per share.

Future developments, prospects and business strategies

The next year exploration activities will be focussed on building up the gold resource at the Sandstone Gold Project. Minimal work is expected to be undertaken on the Company's Uranium assets.

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 Company 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 Company.

Meetings of Directors

During the financial period, six meetings of Directors (including committees of Directors) were held. Attendances by each Director during the period were as follows:

| | DIRECTORS' MEETINGS | | REMUNERATION & NOMINATION COMMITTEE | | AUDIT & RISK COMMITTEE | |
|------------------------------|---------------------------|-----------------|-------------------------------------|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended |
| Anna Mao | 4 | 4 | 1 | 1 | 1 | 1 |
| Dermot Ryan | 4 | 4 | 1 | 1 | 1 | 1 |
| Dr Zhen Huang ⁽¹⁾ | 1 | 0 | 0 | 0 | 0 | 0 |
| William Robertson | 4 | 4 | 1 | 1 | 1 | 1 |
| Stephan Stone ⁽²⁾ | 1 | 0 | 0 | 0 | 0 | 0 |

⁽¹⁾ Resigned 1 October 2015.

⁽²⁾ Appointed 23 June 2016.

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 \$6,742 (2015: \$8,956).
- No indemnity has been given to the Company's auditors.

Options/Performance Shares

At the date of this report, there are nil options on issue over ordinary shares of Alto Metals Limited (2015 – Nil).

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

The Company issued 25,000,000 performance shares for nil consideration to the vendors of Sandstone Exploration Pty Ltd following approval at a shareholders meeting on 20 May 2016. These performance shares will convert into 25,000,000 fully paid ordinary shares once an announcement of an inferred JORC 2012 Mineral Resource is made of a tonnage and grade to establish contained metal of at least 500,000 ounces of gold (or other metal equivalent) on the Sandstone tenements any time prior to 23 June 2021.

Environmental Regulations

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company 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 period under review.

Non-audit Services

The following nonaudit services were provided by the entity's auditor, Grant Thornton Audit Pty Ltd, or associated entities. The directors are satisfied that the provision of nonaudit 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 audit committee 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*.

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

| | 2016 | 2015 |
|-------------------------|-------|-------|
| | \$ | \$ |
| Tax compliance services | 5,150 | 5,050 |

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

REMUNERATION REPORT (AUDITED)

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

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 by the Remuneration & Nomination Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, and options as performance incentives. The Remuneration & Nomination Committee reviews executive packages annually 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 Remuneration & Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration annually 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. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

There is no relationship between KMP remuneration and the performance of 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. No options have been issued to Directors in the period under review to the date of this report.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial period ended 30 June 2016.

Voting and comments made at the Company's 2015 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 2015 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 2016

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

Directors' Report

Table of Benefits and Payments for the Period Ended 30 June 2016

2016

Key Management Personnel

| | Short-term benefits | | Post-employment benefits | Equity-settled share-based payments | Total | Remuneration performance based |
|---|------------------------|----------------------------|--------------------------|-------------------------------------|---------|--------------------------------|
| | Salary, fees and leave | Cash from other activities | Super-annuation | Equity | | % |
| | \$ | \$ | \$ | \$ | \$ | |
| Anna Mao – Chairperson ⁽¹⁾ | 49,000 | - | - | 7,000 | 56,000 | - |
| Dermot Ryan – Managing Director ⁽²⁾ | 148,577 | - | - | - | 148,577 | - |
| Dr Zhen Huang – Non-Executive Director ⁽¹⁾ | 10,000 | - | - | - | 10,000 | - |
| William Robertson – Non-Executive Director ⁽³⁾ | 31,530 | 5,400 | 3,470 | 5,000 | 45,400 | - |
| Stephen Stone – Non-Executive Director ⁽⁴⁾ | 765 | - | - | - | 765 | - |
| Susan Hunter – Company Secretary ⁽⁵⁾ | 32,968 | - | - | - | 32,968 | - |
| | 272,840 | 5,400 | 3,470 | 12,000 | 293,710 | - |
| 2015 | | | | | | |
| Anna Mao – Chairperson ⁽¹⁾ | 56,000 | - | - | - | 56,000 | - |
| Dermot Ryan – Managing Director ⁽²⁾ | 131,953 | - | - | - | 131,953 | - |
| Dr Zhen Huang – Non-Executive Director ⁽¹⁾ | 40,000 | - | - | - | 40,000 | - |
| William Robertson – Non-Executive Director ⁽³⁾ | 29,598 | - | 2,812 | - | 32,410 | - |
| Damian Delaney – Company Secretary ⁽⁶⁾ | 27,607 | - | - | - | 27,607 | - |
| | 285,158 | - | 2,812 | - | 287,970 | - |

⁽¹⁾ The amounts shown above are the amounts paid for services provided by Anna Mao and Zhen Huang through their private company Mega Capital Resources Ltd. Zhen Huang resigned from the Board on 1 October 2015.

⁽²⁾ The amount shown above is the amount paid for services provided by Dermot Ryan through his private company Xserv Pty Ltd.

⁽³⁾ The amounts shown above for William Robertson includes \$5,400 paid to his private company Value Added Resources Pty Ltd for geophysical consulting services. Mr Robertson was appointed to the Board on 9 September 2014.

⁽⁴⁾ Stephen Stone was appointed to the Board on 23 June 2016.

⁽⁵⁾ Fees paid to Susan Hunter were paid to her private company Hunter Corporate Pty Ltd.

⁽⁶⁾ Damian Delaney resigned as a Director and Company Secretary on 9 September 2014.

Directors' Report

Equity instrument disclosures relating to KMP*(i) Option holdings*

No options are held by Key Management Personnel.

(ii) Shareholdings

The number of ordinary shares 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 | Received during the period on exercise of options | Other changes during the period | Balance at the end of the period |
|-------------------------------|------------------------------------|--|---|---------------------------------|----------------------------------|
| 2016 | | | | | |
| <i>Directors</i> | | | | | |
| Ordinary Shares | | | | | |
| Anna Mao | – | 318,182 | – | – | 318,182 |
| Dermot Ryan | 2,415,000 | – | – | – | 2,415,000 |
| Zhen Huang ⁽¹⁾ | – | – | – | – | – |
| William Robertson | 1,874,521 | 227,273 | – | 36,000 | 2,137,794 |
| Stephen Stone ⁽²⁾ | – | – | – | 9,500,000 | 9,500,000 |
| Total | 4,289,521 | 545,455 | – | 9,536,000 | 14,370,976 |
| 2015 | | | | | |
| Anna Mao | 300,000 | – | – | (300,000) | – |
| Dermot Ryan | 2,415,000 | – | – | – | 2,415,000 |
| Zhen Huang | – | – | – | – | – |
| William Robertson | 1,874,521 | – | – | – | 1,874,521 |
| Damian Delaney ⁽³⁾ | 35,490 | – | – | (35,490) | – |
| Total | 4,625,011 | – | – | (335,490) | 4,289,521 |

⁽¹⁾ Dr Huang resigned from the Board on 1 October 2014.

⁽²⁾ Stephen Stone was appointed to the Board on 23 June 2016. The changes during the period reflect Mr Stone's shares received as part of the acquisition of the Sandstone Project.

Mr Stone was also issued 12,500,000 performance shares as part of the transaction with total value attributed of \$0.087 per share, or \$1.087m. The performance share 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. Management and the Board have assessed the probability of the Group meeting these triggers as greater than 50% and accordingly the full value of the performance shares has been booked in these financials.

⁽³⁾ Damian Delaney resigned from the Board on 9 September 2014. The other changes reflect Mr Delaney's shareholding at the date he ceased to be a KMP of the Company.

Loans to KMP

There are no loans made to KMP as at 30 June 2016, nor were any made during the reporting period.

Directors' Report

C. Service Agreements

Mr Ryan commenced as a Non-Executive Director on 8th October 2012, and on 26th June 2013 was appointed Executive Director and Acting CEO. Mr Ryan is remunerated at normal commercial rates pursuant to the terms of an ongoing Consultancy Agreement with Xserv Pty Ltd to fulfil the duties of Director and Acting CEO. Fees attributable to Mr Ryan's services for the year ended 30 June 2016 were charged at the rate of \$1,039 per day and totalled \$148,577. The agreement may be terminated (other than for gross misconduct) by either party on three months' written notice.

D. Share-based compensation

Incentive Option Scheme

Options, where appropriate, may be granted under the Alto Metals Limited Employee Share Option Plan (ESOP) adopted on the 5th of October 2012. 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.

The options vest as specified when the options are issued. No options have been issued under the ESOP in the current period.

Director and Key Management Personnel Options

There were no options issued to Directors and Key Management Personnel during the 2016 financial period.

End of Audited Remuneration Report

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2016 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.



Dermot Ryan
Executive Director

Dated this 28th day of September 2016

Auditor's Independence Declaration



Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of Alto Metals Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alto Metals Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

MAREK

M A Petricevic
Partner - Audit & Assurance

Perth, 28 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|--------------------|--------------------|
| Other Income | 2 | 312,641 | 332,132 |
| Accounting and Audit Fees | | (31,920) | (41,151) |
| Share Registry and Listing Fees | | (33,598) | (26,563) |
| Employee Benefits Expense | | (40,765) | (40,379) |
| Corporate and Consulting expense | | (233,750) | (414,927) |
| Computers and Software | | (13,833) | (13,626) |
| Depreciation | 3 | (36,089) | (36,780) |
| Insurance | | (14,660) | (17,267) |
| Investor Relations | | (46,517) | (10,760) |
| Legal Fees | | (15,650) | (20,183) |
| Office Rental and Occupation Expenses | 3 | (30,625) | (64,244) |
| Travel and Accommodation | | (15,937) | (41,693) |
| Impairment of AFS Financial Asset | 10 | (42,500) | - |
| Impairment of Exploration and Evaluation Expenses | 3 | (1,942,656) | (3,255,355) |
| Other Expenses | | (50,432) | (49,381) |
| Loss before income tax | | (2,236,291) | (3,700,177) |
| Income tax (expense) / benefit | 4 | 314,496 | - |
| Loss from operations | | (1,921,795) | (3,700,177) |
| Other comprehensive income, net of tax | | | |
| Items that may be reclassified to profit or loss | | | |
| Transfer to profit or loss on disposal of AFS financial assets | | (294,286) | 260,650 |
| Revaluation of financial asset | 18 | 682,858 | 260,650 |
| Total comprehensive income / (loss) for the period | | 388,572 | (3,439,527) |
| Total comprehensive loss attributable to members of the parent entity | | (1,533,223) | (3,439,527) |
| Overall Operations | | | |
| Basic loss per share (cents per share) | 7 | (2.4) | (4.8) |
| Diluted loss per share (cents per share) | 7 | (2.4) | (4.8) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|-------------------------------------|-------|------------------|------------------|
| Current Assets | | | |
| Cash and cash equivalents | 8 | 1,122,691 | 965,197 |
| Trade and other receivables | 9 | 56,918 | 47,379 |
| Available for sale financial assets | 10 | - | 425,314 |
| Financial assets | 11 | - | 127,866 |
| Total Current Assets | | 1,179,609 | 1,565,756 |
| Non-Current Assets | | | |
| Available for sale financial assets | 10 | 1,415,952 | 77,500 |
| Plant and equipment | 12 | 22,034 | 48,712 |
| Intangible assets | 13 | 8,269 | 17,395 |
| Exploration and evaluation | 14 | 4,816,377 | 2,074,419 |
| Other financial assets | 15 | - | 29,300 |
| Total Non-Current Assets | | 6,262,632 | 2,247,326 |
| TOTAL ASSETS | | 7,442,241 | 3,813,082 |
| Current Liabilities | | | |
| Trade and other payables | 16 | 324,473 | 126,142 |
| Total Current Liabilities | | 324,473 | 126,142 |
| TOTAL LIABILITIES | | 324,473 | 126,142 |
| NET ASSETS | | 7,117,768 | 3,686,940 |
| Equity | | | |
| Issued capital | 17 | 16,008,208 | 11,044,157 |
| Reserves | 18 | 681,323 | 292,751 |
| Accumulated losses | | (9,571,763) | (7,649,968) |
| TOTAL EQUITY | | 7,117,768 | 3,686,940 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Period ended 30 June 2016

| | Issued Capital | Reserves | Accumulated Losses | Total |
|---|-------------------|----------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 11,024,157 | 32,101 | (3,949,791) | 7,106,467 |
| Loss attributable to members of the entity for the period | - | - | (3,700,177) | (3,700,177) |
| Other comprehensive income, net of tax | - | 260,650 | - | 260,650 |
| Total comprehensive loss for the period | - | 260,650 | (3,700,177) | (3,439,527) |
| Transaction with owners, directly in equity | | | | |
| Shares issued during the period | 20,000 | - | - | 20,000 |
| Share issue transaction costs | - | - | - | - |
| Balance at 30 June 2015 | 11,044,157 | 292,751 | (7,649,968) | 3,686,940 |
| | | | | |
| | Issued Capital | Reserves | Accumulated Losses | Total |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 11,044,157 | 292,751 | (7,649,968) | 3,686,940 |
| Loss attributable to members of the entity for the period | - | - | (1,921,795) | (1,921,795) |
| Other comprehensive income, net of tax | - | 388,572 | - | 388,572 |
| Total comprehensive loss for the period | - | 388,572 | (1,921,795) | (1,533,223) |
| Transaction with owners, directly in equity | | | | |
| Shares issued during the period | 4,981,010 | - | - | 4,981,010 |
| Share issue transaction costs | (16,959) | - | - | (16,959) |
| Balance at 30 June 2016 | 16,008,208 | 681,323 | (9,571,763) | 7,117,768 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Period Ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | | 17,808 | 35,594 |
| Payments to suppliers and employees | | (553,912) | (705,204) |
| Net cash used in operating activities | 19a | (536,104) | (669,610) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of available-for-sale financial assets | | (255,734) | (178,934) |
| Proceeds from sale of available for sale asset | | 425,314 | 1,008,423 |
| Purchase of plant and equipment | | - | (9,070) |
| Payments for exploration and evaluation expenditure | | (602,005) | (523,665) |
| Net cash provided by/(used in) investing activities | | (432,425) | 296,754 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares during the period | | 1,141,010 | - |
| Costs associated with shares issued during the period | | (16,959) | - |
| Net cash provided by financing activities | | 1,124,051 | - |
| Net increase / (decrease) in cash and cash equivalents held | | 155,522 | (372,856) |
| Cash and cash equivalents at beginning of the period | | 965,197 | 1,338,053 |
| Cash acquired from subsidiary purchased | | 1,972 | - |
| Cash and cash equivalents at 30 June | 8 | 1,122,691 | 965,197 |

The accompanying notes form part of these financial statements.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Alto Metals Limited, formerly Enterprise Uranium Limited (“the Company”) and controlled entities (“the Consolidated Group” or “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 Company’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 \$1,921,795 (2015: \$3,700,177) and a cash outflow from operating activities of \$536,104 (2015: \$669,610) for the year ended 30 June 2016 and at reporting date, had a net current asset balance of \$855,136 (2015: \$886,434).

The Board considers that the Company is a going concern and recognises that selling some of the investments or farming out some of its tenements or additional funding will be required to ensure that the Company can continue to fund its operations for the 12 month period from the date of this financial report. It has started this process with the successful Share Purchase Plan contributing a further \$1,697,997 (before costs) to its cash resources. Refer Note 22. The Directors believe it is appropriate to prepare the financial report on a going concern basis because:

- The Company has the ability to issue additional equity under the Corporations Act 2001 and ASX Listing Rule 7.1 or otherwise; and
- The Company’s commitment to exploration expenditure is discretionary and expenditure requirements are minimal.

Accordingly, the Directors believe that the Company will have sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

(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 20.

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.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the profit or loss unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

(b) Income Tax

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

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 as unused tax losses.

Current and deferred income tax expense (income) 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.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

(c) 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:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Plant and equipment | 25% |
| Computers and software | 25-33% |

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.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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 and 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.

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 comprehensive income.

(f) Leases

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.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Available-for-sale "AFS" financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include listed securities.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss unless they are designated as hedges.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Derecognition

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(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 Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled 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.

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 statement of 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.

(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 results 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 statement of financial position.

(l) Revenue and Other Income

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

Rental income is recognised on an accrual basis.

Management fees are recognised on portion of completion basis.

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

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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 statement of financial position are shown inclusive of GST.

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

(o) 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:

- *AFS financial assets reserves* – comprises gains and losses relating to these types of financial instruments. Retained earnings include all current and prior period retained profits.

(p) Earnings Per Share

i. 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.

ii. 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.

(q) 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

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.

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

Key Estimates – Performance Share Probability

During the reporting period, the Company completed an asset acquisition of the Sandstone Project. As part of the Share Sale Agreement, the Company is to issue 25m 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. Management and

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

the Board have assessed the probability of the Group meeting these triggers as greater than 50% and accordingly the full value of the performance shares has been booked in these financials.

Key Judgments – Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$4,816,377. An impairment of \$1,942,656 was recognised during the period ended 30 June 2016.

(r) New and amended standards adopted by the Group in this financial report

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. Those that are considered relevant are:

- Amendments to Australian Accounting Standards – *Conceptual Framework, Materiality and Financial Instruments* (Part C: Financial Instruments)
- AASB 2014-1 *Amendments to Australian Accounting Standards* (Part E: Financial Instruments)
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

(s) Impact of standards issued but not yet applied by the Group

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. The new or revised accounting standards and interpretations that are currently issued for future reporting periods that are relevant to the Group are considered to be:

| | |
|--------------|--|
| AASB 9 | <i>Financial Instruments</i> |
| AASB 16 | <i>Leases</i> |
| AASB 1057 | <i>Application of Australian Accounting Standards</i> |
| AASB 2014-3 | <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i> |
| AASB 2014-4 | <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| AASB 2014-9 | <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> |
| AASB 2014-10 | <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> |

The entity is yet to undertake a detailed assessment of the impact of any of these new standards, however, based on the entity's preliminary assessment, none of the Standards are expected to have a material impact on the transactions and balances recognised in the financial statements when they are first adopted for the years 1 January 2016 through to the year ending 30 June 2019.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 2: OTHER INCOME

| | Notes | 2016 \$ | 2015 \$ |
|--------------------------------------|-------|------------|------------|
| Interest received from other parties | | 17,808 | 34,161 |
| Gain on disposal of AFS assets | | 294,833 | 297,971 |
| Total Other Income | | 312,641 | 332,132 |

NOTE 3: LOSS FOR THE PERIOD

(a) Expenses

| | | | |
|--|--|--------|--------|
| Depreciation of plant and equipment | | 36,089 | 36,780 |
| Office rental and occupation expenses | | 30,625 | 64,244 |
| Defined benefit superannuation expense | | 3,470 | 3,173 |

(b) Significant Revenues and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

| | | | |
|--|----|-----------|-----------|
| Exploration and Evaluation expenditure written off | 14 | 1,942,656 | 3,255,355 |
|--|----|-----------|-----------|

NOTE 4: INCOME TAX

(a) Income tax (benefit)/expense

| | | | |
|--------------|--|------------------|---|
| Current tax | | - | - |
| Deferred tax | | (314,496) | - |
| | | (314,496) | - |

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% | | (670,887) | (1,110,053) |
| Add / (Less) tax effect of: | | | |
| Other non-deductible/ (assessable) items | | 6,738 | 6,153 |
| Deferred tax asset not brought to account | | 349,655 | 1,103,900 |
| Income tax benefit attributable to operating loss | | (314,496) | - |

The applicable weighted average effective tax rates are as follows:

| | |
|------|------|
| nil% | nil% |
|------|------|

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 4: INCOME TAX (Cont.)

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|------------|------------|
| (b) Deferred tax assets | | | |
| Tax Losses | | 391,866 | 653,741 |
| Provisions and Accrual | | 6,900 | 5,323 |
| Other – P&L | | – | 1,682 |
| Other - Equity | | 26,521 | 39,199 |
| | | 425,287 | 699,945 |
| Set-off deferred tax liabilities | 4(c) | (425,287) | (699,945) |
| Net deferred tax assets | | – | – |
| (c) Deferred tax liabilities | | | |
| Exploration expenditure | | (110,281) | (615,541) |
| Financial asset | | (314,496) | (84,075) |
| Other – P&L | | (510) | (329) |
| | | (425,287) | (699,945) |
| Set-off deferred tax assets | | 425,287 | 699,945 |
| Net deferred tax liabilities | | – | – |
| (d) Tax losses | | | |
| Unused tax losses for which no deferred tax asset has been recognised | | 1,904,942 | 514,643 |
| Temporary differences for which no deferred tax asset has been recognised – Equity | | 34,500 | – |

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2016 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

For the Period Ended 30 June 2016

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel (KMP) compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid to each member of the Company's KMP for the period ended 30 June 2016.

The totals of remuneration paid to KMP during the period are as follows:

| | 2016 \$ | 2015 \$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 289,340 | 189,158 |
| Post-employment benefits | 3,470 | 2,812 |
| Total | 292,810 | 191,970 |

NOTE 6: AUDITORS' REMUNERATION

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| Remuneration of the auditor of the parent entity for: | | |
| - Auditing or reviewing the financial report by Grant Thornton Audit Pty Ltd | 27,020 | 30,676 |
| Remuneration of the auditor, or associated entities, of the parent entity for non-audit services: | | |
| - Tax compliance services | 5,150 | 5,050 |

NOTE 7: LOSS PER SHARE

| | 2016 \$ | 2015 \$ |
|---|-------------|-------------|
| (a) Reconciliation of earnings to loss | | |
| Earnings used in the calculation of basic EPS | (1,921,795) | (3,700,177) |
| (b) Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS | 79,019,962 | 77,182,206 |
| Basic / Diluted loss per share (cents per share) | (2.4) | (4.8) |

As at 30 June 2016, the Company did not have any options outstanding.

NOTE 8: CASH AND CASH EQUIVALENTS

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| Cash at bank | 1,122,691 | 965,197 |
| | 1,122,691 | 965,197 |
| 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 | 1,122,691 | 965,197 |

Cash at bank earns an effective interest rate of 1.9%.

Cash in term deposit rolls every 30 days and earns an effective interest rate of 1.8%.

Included in cash and cash equivalents is an amount of \$nil (2015: nil) that is restricted cash in relation to a security deposit.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 9: TRADE AND OTHER RECEIVABLES

| | 2016 \$ | 2015 \$ |
|-----------------------------|------------|------------|
| CURRENT | | |
| GST receivable | 22,188 | 6,947 |
| Trade and other receivables | 29,889 | 35,382 |
| Interest receivable | 1,098 | 1,098 |
| Prepayments | 3,743 | 3,952 |
| | 56,918 | 47,379 |

There are no balances within trade and other receivables that contain assets that are impaired and are past due. The trade receivables relate to reimbursed expenditures receivable and interest receivable. It is expected these balances will be received when due. Refer to note 23 related party transactions for receivable balances with related parties.

NOTE 10: AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2016 \$ | 2015 \$ |
|-------------|------------|------------|
| Current | – | 425,314 |
| Non-Current | 1,415,952 | 77,500 |
| | 1,415,952 | 502,814 |

There was a re-classification of a portion of AFS financial assets from non-current assets to current assets on 30 June 2015 when the Company made a decision to sell a portion of the assets within the next 12 months. Those shares were sold during the year.

Movement for the period:

| | | |
|-----------------------------------|-----------|-----------|
| Opening balance | 502,814 | 914,047 |
| Additions | 383,598 | 102,033 |
| Disposals | (425,314) | (710,451) |
| Revaluations, prior to tax effect | 997,354 | 209,685 |
| Impairment | (42,500) | (12,500) |
| | 1,415,952 | 502,814 |

Available-for-sale financial assets are shares held in an ASX listed entities. Fair value as per note 25 (i) is determined by reference to the quoted market price at reporting date.

NOTE 11: FINANCIAL ASSETS

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| CURRENT | | |
| Financial assets at fair value through profit and loss | – | 127,866 |
| | – | 127,866 |

Financial assets are options held in an ASX listed entity. During the year the options were converted into fully paid shares and have now been classified in Available for Sale financial assets. Fair value as per note 25 (i) is determined by reference to the quoted market price at reporting date.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 12: PLANT AND EQUIPMENT

| | 2016 \$ | 2015 \$ |
|----------------------------|------------|------------|
| NON-CURRENT | | |
| Computer equipment – cost | 11,848 | 11,848 |
| Accumulated depreciation | (11,848) | (9,966) |
| | – | 1,882 |
| Plant and equipment – cost | 98,913 | 98,913 |
| Accumulated depreciation | (76,879) | (52,083) |
| | 22,034 | 46,830 |
| Total plant and equipment | 22,034 | 48,712 |

(a) Reconciliation of Carrying Amounts

Computer equipment

| | | |
|--|---------|---------|
| Opening balance | 1,882 | 5,827 |
| – Additions | – | – |
| – Depreciation expense | (1,882) | (3,945) |
| Carrying amount at the end of the period | – | 1,882 |

Plant and equipment

| | | |
|--|----------|----------|
| Opening balance | 46,830 | 61,208 |
| – Additions | – | 9,071 |
| – Depreciation expense | (24,796) | (23,449) |
| Carrying amount at the end of the period | 22,034 | 46,830 |

Totals

| | | |
|--------------------------------------|----------|----------|
| Opening balance | 48,712 | 67,035 |
| – Additions | – | 9,071 |
| – Depreciation expense | (26,678) | (27,394) |
| Carrying amount at the end of period | 22,034 | 48,712 |

NOTE 13: INTANGIBLE ASSETS

| | 2016 \$ | 2015 \$ |
|--------------------------|------------|------------|
| NON-CURRENT | | |
| Software – cost | 37,545 | 37,545 |
| Accumulated amortisation | (29,561) | (20,150) |
| | 7,984 | 17,395 |
| Formation Expenses | 285 | – |
| Total | 8,269 | 17,395 |

(a) Reconciliation of Carrying Amounts

| | | |
|--|---------|---------|
| Opening balance | 17,395 | 26,782 |
| – Additions | – | – |
| – Disposals | – | – |
| – Amortisation expense | (9,411) | (9,387) |
| Carrying amount at the end of the period | 7,984 | 17,395 |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 14: EXPLORATION AND EVALUATION

| | | 2016 \$ | 2015 \$ |
|---|----|-------------|-------------|
| Exploration and evaluation phases – at cost | | 4,816,377 | 2,074,419 |
| (a) Exploration and evaluation | | | |
| Opening balance | | 2,074,419 | 4,786,973 |
| Exploration expenditure | | 481,702 | 542,801 |
| Purchase of Sandstone exploration properties | 20 | 4,202,633 | - |
| Impairment of exploration and evaluation expenses | | (1,942,656) | (3,255,355) |
| Closing balance | | 4,816,377 | 2,074,419 |

Impairment losses have been recognised in relation to a number of projects given drilling and exploration expenditure has not resulted in a discovery of significance. The Directors believe that given the continued difficult market conditions, it is prudent to impair the carrying values of a number of projects.

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.

NOTE 15: OTHER FINANCIAL ASSETS

| | 2016 \$ | 2015 \$ |
|---------------|------------|------------|
| Term Deposits | - | 29,300 |

NOTE 16: TRADE AND OTHER PAYABLES

| | | 2016 \$ | 2015 \$ |
|---|----|------------|------------|
| CURRENT – unsecured liabilities | | | |
| Trade and other payables | | 101,209 | 88,582 |
| Accrued expenses | | 23,264 | 37,560 |
| Deferred payment on purchase of Sandstone Exploration Pty Ltd | 20 | 200,000 | - |
| | | 324,473 | 126,142 |

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 23 related party transactions for payable balances with related parties.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 17: ISSUED CAPITAL

| | Note | 2016 \$ | 2015 \$ |
|--|------|------------|------------|
| 115,695,812 (2015:76,811,197) | | | |
| Fully paid ordinary shares at no par value | | 16,008,208 | 11,044,157 |

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

| (a) Ordinary shares | Note | 2016 \$ | 2015 \$ |
|--|------|------------|------------|
| At the beginning of the reporting period | | 11,044,157 | 11,024,157 |
| Shares issued during the period | | | |
| 526,315 on 22 August 2014 at \$0.038 for settlement of third party consultancy fees | | - | 20,000 |
| 545,455 on 9 December 2015 at \$0.022 for settlement of third party consultancy fees | | 12,000 | - |
| 19,339,160 on 2 June 2016 at \$0.059 – Placement to Sophisticated Investors | | 1,141,010 | - |
| Costs associated with equity raisings | | (16,959) | - |
| 19,000,000 on 24 June 2016 to purchase Sandstone Project at \$0.087 (1) | 20 | 1,653,000 | - |
| 25,000,000 Performance Shares also at \$0.087(1) | 20 | 2,175,000 | - |
| At reporting date | | 16,008,208 | 11,044,157 |

| | 2016 No | 2015 No. |
|--|-------------|-------------|
| At the beginning of the reporting period | 76,811,197 | 76,284,882 |
| Shares issued during the period: | | |
| 526,315 on 22 August 2014 at \$0.038 for settlement of third party consultancy fees | - | 526,315 |
| 545,455 on 9 December 2015 at \$0.022 for settlement of third party consultancy fees | 545,455 | - |
| 19,339,160 on 2 June 2016 at \$0.059 – Placement to Sophisticated Investors | 19,339,160 | - |
| 19,000,000 on 24 June 2016 to Purchase Sandstone Project at \$0.087 (1) | 19,000,000 | - |
| At reporting date | 115,695,812 | 76,811,197 |

(1) On 24 June 2016, the Company finalised the purchase of the investment in Sandstone Exploration Pty Ltd (“the Entity”) through the issue of 19,000,000 Fully Paid Ordinary Shares and 25,000,000 Performance Shares. These Ordinary Shares and the Performance Shares (refer (b) below for additional information and conversion conditions), have been valued at the Share Price of 8.7 cents per share on the date the Company gained control of the Entity in accordance with the Accounting Standards.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 17: ISSUED CAPITAL (cont.)

(b) Movement in Options/Performance Shares on issue

There were no Options issued during the financial year and no Options on issue by the Company (2015 – Nil)

The Company issued 25,000,000 Performance Shares for Nil consideration to the vendors of Sandstone Exploration Pty Ltd following approval at a Shareholders meeting on 20 May 2016. These Performance Shares will convert into 25,000,000 fully paid ordinary shares once an announcement of an Inferred JORC 2012 Mineral Resource is made of a tonnage and grade to establish contained metal of at least 500,000 Ounces of Gold (or other metal equivalent) on the Sandstone tenements any time prior to 23 June 2021.

(c) 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.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, 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 as required. The working capital position of the Company at 30 June 2016 is as follows:

| | 2016 \$ | 2015 \$ |
|-----------------------------|------------|------------|
| Cash and cash equivalents | 1,122,691 | 965,197 |
| Trade and other receivables | 56,918 | 47,379 |
| Trade and other payables | (324,473) | (126,142) |
| Working capital position | 855,136 | 886,434 |

NOTE 18: RESERVES

| | | |
|-------------------------|---------|---------|
| Financial Asset Reserve | 681,323 | 292,751 |
|-------------------------|---------|---------|

(a) Movement in Reserves

| | | |
|---|-----------|---------|
| At the beginning of the reporting period | 292,751 | 32,101 |
| Add revaluation increments, net of tax | 682,858 | 260,650 |
| Less disposal of AFS shares transferred to profit or loss | (294,286) | - |
| At reporting date | 681,323 | 292,751 |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 19: CASH FLOW INFORMATION

| | 2016 \$ | 2015 \$ |
|---|------------------|------------------|
| (a) Reconciliation of Cash Flow from Operations with loss after Income Tax | | |
| Loss after income tax | (1,921,795) | (3,700,177) |
| Cash flows excluded from loss attributable to operating activities | | |
| Non-cash flows in loss from ordinary activities: | | |
| Gain on disposal of AFS asset | (252,333) | (297,971) |
| Impairment of AFS asset | - | 12,500 |
| Depreciation | 36,089 | 36,780 |
| Tax Expense | (314,496) | - |
| Share based payment | - | 20,000 |
| Impairment of Exploration and Evaluation | 1,942,656 | 3,255,355 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| (Increase) / Decrease in receivables | (5,517) | (20,324) |
| (Increase) / Decrease in other assets | 6,610 | - |
| Increase / (Decrease) in payables | (27,318) | 24,227 |
| Cash flow used in operations | <u>(536,104)</u> | <u>(669,610)</u> |

(b) Credit Standby Facilities

The Group had no credit standby facilities as at 30 June 2016.

(c) Non-Cash Financing and Investing Activities

Share Issues

For the period ended 30 June 2016

On 9 December 2015, 545,455 ordinary shares were issued at \$0.022 each for the settlement of third party consultancy fees.

On 24 June 2016, 19,000,000 ordinary shares and 25,000,000 Performance Shares were issued for \$0.087 each for settlement of the purchase of Sandstone Exploration Pty Ltd.

For the period ended 30 June 2015

On 24 August 2014, 526,315 ordinary shares were issued at \$0.038 each for the settlement of third party consultancy fees.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 20: CONTROLLED ENTITIES

| Details of Controlled Entities | Country of Incorporation | Class of Shares | Percentage Owned % | |
|--|--------------------------|-----------------|--------------------|------|
| | | | 2016 | 2015 |
| Cue Metals Pty Ltd ⁽¹⁾ | Australia | Ordinary | 100 | - |
| Sandstone Exploration Pty Ltd ⁽²⁾ | Australia | Ordinary | 100 | - |

⁽¹⁾ Cue Metals Pty Ltd was incorporated on 14 September 2015 as a wholly owned subsidiary of Alto Metals Limited.

⁽²⁾ Alto Metals Limited acquired 100% of the issued capital of Sandstone Exploration Pty Ltd ("the Entity") following shareholder approval on 24 June 2016. The acquisition was undertaken through the issue of 19,000,000 fully paid ordinary shares (share price at the date of acquisition 8.7 cents per share), and 25,000,000 Performance Shares (refer note 18(a)). The Performance Shares have been valued at the same price as the fully paid ordinary shares based on the probability of the hurdle conditions being achieved to be greater than 50% as determined by management. In addition to the shares there was also \$500,000 payable, of which \$300,000 has been paid at 30 June 2016, with the balance payable when the exploration tenement applications are granted (included under Note 17).

The acquisition has not been accounted for as a business combination under AASB 3, "Business Combinations" as it was determined that the Entity was not considered to be a business. Accordingly, the acquisition was accounted for as an acquisition of assets at cost based on the fair value of the consideration transferred. The purchase price allocated to the identifiable assets and liabilities at the date of acquisition was as follows:

| | Note | \$ |
|---|------|------------------|
| Cash and cash equivalents | | 1,973 |
| Trade and other receivables | | 473 |
| Exploration and evaluation | | 179,699 |
| Trade and other payables | | (56,778) |
| Total identifiable net assets acquired | | 125,367 |
| Purchase price for acquisition | | |
| Cash consideration | | 500,000 |
| 19,000,000 ordinary share consideration | 17 | 1,653,000 |
| 25,000,000 performance share consideration | 17 | 2,175,000 |
| Total consideration | | 4,328,000 |
| Value assigned to exploration and evaluation | | 4,202,633 |

NOTE 21: SHARE-BASED PAYMENTS

The following share based payments took place during the financial period:

On 9 December 2015, 545,455 ordinary shares were issued at \$0.022 each for the settlement of third party consultancy fees.

On 24 June 2016, 19,000,000 ordinary shares and 25,000,000 Performance Shares were issued for \$0.087 each for settlement of the purchase of Sandstone Exploration Pty Ltd. Refer Note 20.

The following share based payments took place during the 2015 financial period:

On 22 August 2014, 526,315 ordinary shares were issued at \$0.038 each for the settlement of third party consultancy fees.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, other than:

During July 2016 the Company completed a Share Purchase Plan to its current shareholders and issued 28,779,603 ordinary shares at a price of \$0.059 to raise \$1,697,997 before costs.

Subsequent to balance date the fair value of the Company's available for sale financial assets have declined from \$0.054 per instrument at 30 June 2016 to \$0.030 per instrument at the date of this report. The estimate of the financial impact of this on the financial report would be a reduction in the carrying value of the financial assets of \$613,755.

NOTE 23: RELATED PARTY TRANSACTIONS

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| XServ Pty Ltd | | |
| Mr Ryan is a Director and Shareholder of Xserv Pty Ltd. Mr Ryan's company provides geological consulting services to Alto Metals Limited in addition to his Directors fees. The services include the provision of geological and technical staff, field equipment and vehicles as well as computer, database and administrative support services and interim management services. | 148,577 | 54,063 |
| As at 30 June 2016 \$Nil (2015: \$11,429) was payable to Xserv Pty Ltd | | |
| Mega Capital Resources Ltd | | |
| Ms Mao was until 4 August 2014 the sole director of Mega Capital Resources Ltd. Mega Capital Resources Ltd provides consulting services to Alto Metals Limited. | | |
| Consulting Services | 66,000 | 96,006 |
| As at 30 June 2016, \$28,000 (2015: \$16,000) was payable to Mega Capital Resources Ltd. | | |
| Enterprise Metals Ltd | | |
| Enterprise Metals Ltd is a significant shareholder in the Company and provides office space in which the Company operates as well as accounting and office administration services including telephone, electricity and office equipment. | | |
| Reimbursement of shared costs of staff and office premises charged to Enterprise Metals Ltd. | - | 33,422 |
| Rental of office space, purchase of plant and equipment and office administration expenses charged to Alto Metals Ltd. | 44,256 | 156,691 |
| As at 30 June 2016 \$11,939 (2015: \$30,870) was receivable and \$12,546 (2015: \$32,687) was payable to Enterprise Metals Ltd. | | |
| At reporting date the Company holds 2,500,000 ordinary shares in Enterprise Metals Limited at a fair value of \$35,000 (2015 - \$77,500). | | |
| Value Adding Resources Pty Ltd | | |
| Mr Robertson is a Director and Shareholder of Value Adding Resources Pty Ltd. Mr Robertson's company provides directors fee and geophysical consulting services to Alto Metals Limited. | 40,000 | 44,800 |
| As at 30 June 2016 \$nil (2015: \$nil) was payable to Value Adding Resources Pty Ltd | | |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 24: CAPITAL AND LEASING COMMITMENTS

| Expenditure commitments | 2016 \$ | 2015 \$ |
|--|-------------------|-------------------|
| The Group is planning exploration work on its exploration tenements in order to retain the rights of tenure. These obligations will be met, subject to availability of funds and can be reduced by selective relinquishment of exploration tenure or application for expenditure exemptions. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is very difficult to forecast the nature and amount of future expenditure. The Group's planned exploration and expected commitments, subject to available funds – refer note 1, for the next year are as follows: | | |
| Australian tenements | 404,320 | 406,501 |
| In addition, under the acquisition agreement, upon completion Sandstone would grant the Vendors of the Company a 2% gross revenue royalty on all minerals produced from the Tenements and the right to fossick down to 2m below surface for all minerals and metals including gold nuggets. At the date of this report this has not been recognised given the timing and amount cannot be determined. | | |
| The Group also agreed to incur a minimum \$300,000 per annum on exploration expenditure on the Sandstone tenements in the first two years following completion, of which \$271,320 is included in the expenditure commitments above for Australian tenements. The expenditure will be subject to future drilling success. | | |
| Operating lease commitments: | | |
| Operating lease commitments contracted for Rental of the Company's Registered Office | | |
| Amounts payable: | | |
| - not later than 12 months | 24,312 | 28,600 |
| - between 12 months and 5 years | - | 16,683 |
| | 24,312 | 45,283 |

NOTE 25: FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, and accounts receivable and payable.

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.

A summary of the Group's financial assets and liabilities is shown below using level inputs measured at fair value or a recurring basis.

| 2016 | Floating Interest Rate \$ | Fixed Int maturing in 1 year or less \$ | Fixed Int maturing over 1 to 5 years \$ | Non-interest bearing \$ | Total \$ |
|--------------------------------------|---|---|---|---------------------------------------|--------------------|
| Financial Assets | | | | | |
| Cash and cash equivalents | 1,122,691 | - | - | - | 1,122,691 |
| Loans and receivables | - | - | - | 56,918 | 56,918 |
| Total Financial Assets | 1,122,691 | - | - | 56,918 | 1,179,609 |
| Weighted ave int rate – cash | 2.00% | | | | |
| Financial Liabilities at cost | | | | | |
| Trade and other payables | - | - | - | (124,173) | (124,173) |
| Total Financial Liabilities | - | - | - | (124,173) | (124,173) |
| Net financial assets | 1,122,691 | - | - | (67,255) | 1,055,436 |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 25: FINANCIAL INSTRUMENTS (Cont.)

| 2015 | Floating Interest Rate \$ | Fixed Int maturing in 1 year or less \$ | Fixed Int maturing over 1 to 5 years \$ | Non-interest bearing \$ | Total \$ |
|--------------------------------------|------------------------------|--|--|----------------------------|------------------|
| Financial Assets | | | | | |
| Cash and cash equivalents | 965,197 | - | - | - | 965,197 |
| Loans and receivables | - | - | - | 47,379 | 47,379 |
| Available for sale financial assets | - | - | - | 502,814 | 502,814 |
| Financial assets | | | | 127,866 | 127,866 |
| Other financial assets | - | 29,300 | - | - | 29,300 |
| Total Financial Assets | 965,197 | 29,300 | - | 678,059 | 1,672,556 |
| Weighted ave int rate – cash | 2.42% | 2.76% | | | |
| Financial Liabilities at cost | | | | | |
| Trade and other payables | - | - | - | (126,142) | (126,142) |
| Total Financial Liabilities | - | - | - | (126,142) | (126,142) |
| Net financial assets | 965,197 | 29,300 | - | 551,917 | 1,546,414 |

(i) Fair value measurement hierarchy

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

- (a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
- (b) 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
- (c) 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 \$ |
|-------------------------------------|------------------|---------------|---------------|------------------|
| Year ended 30 June 2016 | | | | |
| Financial assets | | | | |
| Available for sale financial assets | 1,415,952 | - | - | 1,415,952 |
| Financial assets | - | - | - | - |
| | 1,415,952 | - | - | 1,415,952 |
| Year ended 30 June 2015 | | | | |
| Financial assets | | | | |
| Available for sale financial assets | 502,814 | - | - | 502,814 |
| Financial assets | 127,866 | - | - | 127,866 |
| | 630,680 | - | - | 630,680 |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 25: FINANCIAL INSTRUMENTS (Cont.)

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

The fair value of financial instruments traded in active markets is based upon quoted market prices at the end of the reporting period.

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.

Specific Financial Risk Exposures and Management

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

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 statement of financial position and notes to the financial statements.

There are no other material amounts of collateral held as security at 30 June 2016. Trade and other receivables are expected to be settled within 30 days.

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.

| | Note | 2016 \$ | 2015 \$ |
|---------------------------|------|------------|------------|
| Cash and cash equivalents | | | |
| - AA Rated | 8 | 1,122,691 | 965,197 |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 25: FINANCIAL INSTRUMENTS (Cont.)

(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. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. 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 as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables 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.

(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. The Group has no debt and as such the interest rate risk is limited to the Group's investments in term deposits and other interest bearing investments.

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 |
|----------------------------------|------------|------------|
| Period ended 30 June 2016 | \$ | \$ |
| +/-1% in interest rates | +/- 11,227 | +/- 11,227 |
| Period ended 30 June 2015 | \$ | \$ |
| +/-1% in interest rates | +/- 9,750 | +/- 9,750 |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 25: FINANCIAL INSTRUMENTS (Cont.)

(d) Price risk on AFS assets

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available for sale.

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 2016, 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:

| | Carrying amount | Listed equity price -10% | | Listed equity price +10% | |
|--------------|-----------------|--------------------------|-----------|--------------------------|---------|
| | | Net loss | Equity | Net loss | Equity |
| 30 June 2016 | 1,415,952 | (141,595) | (141,595) | 141,595 | 141,595 |
| 30 June 2015 | 630,680 | (63,068) | (63,068) | 63,068 | 63,068 |

(e) Net Fair Values

| | 2016 | 2016 | 2015 | 2015 |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | Carrying Amount \$ | Net Fair Value \$ | Carrying Amount \$ | Net Fair Value \$ |
| Financial Assets | | | | |
| Cash and cash equivalents | 1,122,691 | 1,122,691 | 965,197 | 965,197 |
| Loans and receivables | 56,918 | 56,918 | 47,379 | 47,379 |
| Available for sale financial assets | 1,415,952 | 1,415,952 | 502,814 | 502,814 |
| Financial assets | - | - | 127,866 | 127,866 |
| Other financial assets | - | - | 29,300 | 29,300 |
| Total Financial Assets | 2,595,561 | 2,595,561 | 1,672,556 | 1,672,556 |
| Financial Liabilities at amortised cost | | | | |
| Trade and other payables | 324,473 | 324,473 | 126,142 | 126,142 |
| Total Financial Liabilities | 324,473 | 324,473 | 126,142 | 126,142 |

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.

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 26: PARENT ENTITY DISCLOSURES

| | 2016 \$ | 2015 \$ |
|---|--------------------|--------------------|
| (a) Financial Position of Alto Metals Limited | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 1,120,718 | 965,197 |
| Trade and other receivables | 56,445 | 47,379 |
| Available for sale financial assets | – | 425,314 |
| Financial assets | – | 127,866 |
| TOTAL CURRENT ASSETS | 1,177,163 | 1,565,756 |
| NON-CURRENT ASSETS | | |
| Available for sale financial assets | 1,415,952 | 77,500 |
| Plant and equipment | 22,034 | 48,712 |
| Intangible assets | 7,984 | 17,395 |
| Exploration and evaluation | 367,602 | 2,074,419 |
| Other financial assets | 37,730 | 29,300 |
| Other assets | 3,261,863 | – |
| TOTAL NON-CURRENT ASSETS | 5,113,165 | 2,247,326 |
| TOTAL ASSETS | 6,290,328 | 3,813,082 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 124,474 | 126,142 |
| TOTAL CURRENT LIABILITIES | 124,474 | 126,142 |
| TOTAL LIABILITIES | 124,474 | 126,142 |
| NET ASSETS | 6,165,854 | 3,686,940 |
| EQUITY | | |
| Issued capital | 14,973,620 | 11,044,157 |
| Reserves | 970,426 | 292,751 |
| Accumulated losses | (9,778,192) | (7,649,968) |
| TOTAL EQUITY | 6,165,854 | 3,686,940 |
| (b) Financial Performance of Alto Metals Limited | | |
| Loss for the year | (2,236,291) | (3,700,177) |
| Unrealised gain on revaluation of AFS asset | 25,394 | 260,650 |
| Total comprehensive loss | (2,210,897) | (3,439,527) |

Notes To The Financial Statements

For the Period Ended 30 June 2016

NOTE 27: CONTINGENT LIABILITIES

As at 30 June 2016 the Group has bank guarantees to the value of \$9,300 (2015 - \$29,300) to secure a credit card facility and in 2015 a rental bond.

NOTE 28: 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 29: COMPANY DETAILS

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

Alto Metals Limited
Suite 2,
91 Hay Street
SUBIACO WA 6008

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 47, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards; and
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the period ended on that date of the Company;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with s 286 of the *Corporations Act 2001*; and
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view; and
 - (d) they have given the declarations required by Section 295A of the *Corporations Act, 2001* for the financial period ended 30 June 2016.
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Dermot Ryan
Executive Director

Dated 28th September 2015, Perth WA

Independent Auditor's Report



**Independent Auditor's Report
To the Members of Alto Metals Limited**

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Report on the financial report

We have audited the accompanying financial report of Alto Metals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end of from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Independent Auditor's Report



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Alto Metals Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 13 to 16 of the directors' report for the year ended 30 June 2016. 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.

Independent Auditor's Report



Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Alto Metals Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

MARet.

M A Petricevic
Partner - Audit & Assurance

Perth, 28 September 2016

Additional ASX Information

The following additional information is required by the Australian Securities Exchange. The information is current as at 11 October 2016.

(a) Distribution schedule and number of holders of equity securities as at 11 October 2016

| Fully Paid Ordinary Shares | Number of Holders | Number of Shares |
|----------------------------|-------------------|--------------------|
| 1-1,000 | 330 | 160,347 |
| 1,001-5,000 | 492 | 1,316,432 |
| 5,001-10,000 | 236 | 1,903,453 |
| 10,001-100,000 | 291 | 10,986,184 |
| 100,000 and over | 152 | 130,108,999 |
| | 1501 | 144,475,415 |

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 11 October 2016 is 693.

(b) 20 Largest holders of quoted equity securities as at 11 October 2016

The names of the twenty largest holders of fully paid ordinary shares (ASX code: AME) as at 11 October 2016 are:

| Rank | Name | Shares | % of Total Shares |
|------|---|-------------------|-------------------|
| 1. | WINDSONG VALLEY PTY LTD <WHEELER FAMILY A/C> | 19,182,639 | 13.28 |
| 2. | SINOTECH (HONG KONG) CORPORATION LIMITED | 14,400,000 | 9.97 |
| 3. | ENTERPRISE METALS LTD | 12,000,000 | 8.31 |
| 4. | MR STEPHEN STONE <THE PEARLSTONE A/C> | 8,787,500 | 6.08 |
| 5. | CROWNLUXE INVESTMENT LTD | 7,500,000 | 5.19 |
| 6. | MR BRUCE ROBERT LEGENDRE | 5,895,500 | 4.08 |
| 7. | OSSART HOLDINGS PTY LTD <THE OT FAMILY A/C> | 2,875,000 | 1.99 |
| 8. | CITICORP NOMINEES PTY LIMITED | 2,705,933 | 1.87 |
| 9. | MR ROBERT WILMOT CREASY <THE RW CREASY FAMILY A/C> | 2,506,904 | 1.74 |
| 10. | MR DERMOT MICHAEL RYAN + MRS VIVIENNE ELEANOR RYAN <RF SUPER FUND A/C> | 1,669,237 | 1.16 |
| 11. | MR CHRISTOPHER CLEGG + MRS TAMARA FRANCIS CLEGG <SANDALWOOD SUPERFUND A/C> | 1,425,000 | 0.99 |
| 12. | GANDRIA CAPITAL PTY LTD <LIGHTYEAR S/F A/C> | 1,400,000 | 0.97 |
| 13. | MR DERMOT MICHAEL RYAN + MRS VIVIENNE ELEANOR RYAN <THE ENTERPRISE A/C> | 1,254,237 | 0.87 |
| 14. | AM-AUSTRALIAN MINERALS EXPLORATION PTY LTD <THE LEGENDRE SUPER FUND A/C> | 1,166,737 | 0.81 |
| 15. | MR WILLIAM JOHN ROBERTSON + MRS JUNE DIANE ROBERTSON <ROBERTSON SUPER FUND A/C> | 1,129,834 | 0.78 |
| 16. | JETOSEA PTY LTD | 1,104,237 | 0.76 |
| 17. | BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C> | 1,000,000 | 0.69 |
| 18. | RICH CHANCE DEVELOP LIMITED | 1,000,000 | 0.69 |
| 19. | MR DERMOT MICHAEL RYAN + MRS VIVIENNE ELEANOR RYAN <RF SUPER FUND A/C> | 1,000,000 | 0.69 |
| 20. | MR PHILIP HOFF <UHW SUPER FUND A/C> | 893,719 | 0.62 |
| | TOTAL | 88,896,477 | 61.53 |

Additional ASX Information

(c) Substantial shareholders

Substantial shareholders in Alto Metals Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

| Name | Shares |
|--|------------|
| WINDSONG VALLEY PTY LTD <WHEELER FAMILY A/C> | 19,182,639 |
| SINOTECH (HONG KONG) CORPORATION LIMITED | 14,400,000 |
| ENTERPRISE METALS LTD | 12,000,000 |
| MR STEPHEN STONE <THE PEARLSTONE A/C> | 8,757,500 |

(d) Unquoted Securities

There are no unquoted securities on issue.

(e) Restricted Securities as at 11 October 2016

There were no restricted securities on issue as at 11 October 2016

(f) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(g) Corporate Governance

The Board of Alto Metals Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly information about the Company's Corporate Governance practices is set out on the Company's website at www.altometals.com.au

Tenement Report

as at 30 June 2016

| Project | Tenement | Interest Held | State | Lease Status | Holder |
|--------------|-----------------------|---------------------|-------|--------------|-------------------------------|
| Sandstone | E57/1029 | 100% ^{***} | WA | Application | Sandstone Exploration Pty Ltd |
| Sandstone | E57/1030 | 100% ^{***} | WA | Application | Sandstone Exploration Pty Ltd |
| Sandstone | E57/1031 | 100% ^{***} | WA | Application | Sandstone Exploration Pty Ltd |
| Sandstone | E57/1033 | 100% ^{***} | WA | Application | Sandstone Exploration Pty Ltd |
| Sandstone | E57/1044 | 100% ^{***} | WA | Application | Sandstone Exploration Pty Ltd |
| Sandstone | P57/1377 | 100% | WA | Granted | Sandstone Exploration Pty Ltd |
| Sandstone | P57/1378 | 100% | WA | Granted | Sandstone Exploration Pty Ltd |
| Gascoyne | E08/2651 | 100% | WA | Application | Alto Metals Limited |
| Harris Lake | E28/1958 | 100% | WA | Granted | Alto Metals Limited |
| Marmion | E29/980 | 100% | WA | Application | Alto Metals Limited |
| Darlot | E36/866 | 100% | WA | Application | Alto Metals Limited |
| Bolitho | E57/994 | 100% | WA | Application | Alto Metals Limited |
| Byro | E59/1617 [*] | 100% | WA | Granted | Alto Metals Limited |
| Peranbye | E59/1855 | 100% | WA | Granted | Alto Metals Limited |
| Yalgoo | E59/2060 | 100% | WA | Granted | Alto Metals Limited |
| Yalgoo | E59/2180 | 100% | WA | Application | Alto Metals Limited |
| Fraser Range | E63/1768 | 100% | WA | Application | Alto Metals Limited |
| Fraser Range | E63/1769 | 100% | WA | Application | Alto Metals Limited |

* Subject to a 1.5% gross production royalty to original vendors James Stephen Hart, WA Capital Pty Ltd, William Robertson, June Robertson, Maxwell Morrell and Neil Provins.

*** Subsequently granted on the 20 September 2016

| Project | Tenement | Interest Held | State | Lease Status | Holder |
|---------|----------|---------------|-------|--------------|--------------------|
| Cue | E20/888 | 0% | WA | Application | Cue Metals Pty Ltd |
| Cue | E20/889 | 0% | WA | Application | Cue Metals Pty Ltd |
| Cue | E20/890 | 0% | WA | Application | Cue Metals Pty Ltd |
| Cue | E20/891 | 0% | WA | Application | Cue Metals Pty Ltd |
| Cue | E20/892 | 0% | WA | Application | Cue Metals Pty Ltd |

The above Cue tenement applications are subject to an option agreement.

www.altometals.com.au

