

Quarterly Report to 31 December 2021

Key Highlights

- Confirmation of redevelopment of the Dolphin Tungsten Project after securing full funding and shareholder approval for those funding arrangements.
- Executed construction contract with Gekko Systems Pty Ltd for the design, procurement, construction and commissioning of the processing plant and related facilities for the redevelopment of Dolphin Mine.
- Tasmanian Government provision of \$2 million grant to Hydro Tasmania for upgrading the capacity of the 11kv transmission line to the Dolphin Tungsten Mine.
- Regional exploration of the Company's extensive Exploration Licences planned for Q1 / Q2 2022
- The Company name change from "King Island Scheelite Limited" to "Group 6 Metals Limited" and ASX code from "KIS" to "G6M" completed in November 2021.
- \$10.2 million mobile mining fleet financing facility approved with OEM Financier.
- Post Quarter end, Keith McKnight appointed as Chief Executive Officer

Group 6 Metals Limited (ASX: G6M, "Group 6" or the "Company") is pleased to report on its activities for the quarter ending 31 December 2021.

Redevelopment of the Dolphin Tungsten Mine

After securing the required financial commitments and receipt of shareholder approval for those funding arrangements, at the Company's Annual General Meeting (8 November 2021), the Company confirmed it is proceeding with the redevelopment of its wholly owned Dolphin Tungsten Mine, located on King Island, Tasmania.

The Company has provided an indicative timeline of activities for the redevelopment and subsequent recommencement of mining and processing tungsten ore at Dolphin, to produce concentrate which it will export to the international market (See ASX Announcement 19th Jan 2022).

The Company has previously committed to long lead-time items by paying deposits ensuring that the Project will be completed as rapidly as possible. The work program commenced with the placement of orders, completion of extensive documentation for Govt Agencies and physical earthworks starting in late January 2022 after the delivery of the previously ordered D8 bulldozer on 20 January 2022.



Delivery of first dozer on site – (From L to R) New CEO Keith McKnight, Mine Coordinator Steve Homan, Construction Mgr. Paul Richardson, General Mgr. Chas Murcott

Processing Plant Construction Contract with Gekko Systems

Group 6 has executed a Contract (“the Contract”) with Gekko Systems Pty Ltd (“Gekko”) for the design, procurement, construction and commissioning of the processing plant and related facilities for the redevelopment of the Company’s Dolphin Mine.

The Contract, which has a value of approximately \$49 million, anticipates commissioning of the facilities in Q1 CY 2023. Based on this timing, the first shipment of concentrate from the Dolphin Mine to customers will occur in March 2023.

The Company has been engaging with Gekko over the last three years and, in collaboration, has formulated an optimised process flowsheet which was developed after extensive test work at the ALS laboratory in Burnie, Tasmania.

Tasmanian Government Grant for Upgrading Power Supply

In December, the Tasmanian Government announced that it had provided a \$2 million grant to Hydro Tasmania for upgrading the capacity of the 11kv transmission line to the Dolphin Tungsten Mine on King Island, Tasmania.

With the redevelopment of the Dolphin Tungsten Mine having commenced, the power requirement for the operations will be greater than the existing infrastructure capacity. The grant allows Hydro Tasmania to affect upgrades and modifications which are necessary for the power network to supply the required power for operations at the mine site.

Without the transmission line upgrade, the Dolphin Tungsten Mine would have been reliant on diesel generators for its electrical energy, so the ability to connect to the King Island grid supply (which incorporates a high percentage of renewable energy) is a fantastic result from both a cost of energy and an environmental perspective.

The Company is extremely grateful for both the direct and indirect support it has received from the Tasmanian Government in redeveloping the historic Dolphin Tungsten Mine.

Regional Exploration

The Company reported in the previous Quarterly Activity statement that it had secured an exploration grant amounting to AU\$70,000 from the Tasmanian Government's Exploration Drilling Grant Incentive ("EDGI"), designed to stimulate exploration drilling across Exploration Licenses located in Tasmania. In the case of the Company, it had planned to undertake "greenfields" exploration on the Company's exploration licenses surrounding the Dolphin Mine Lease.

The Company had planned to mobilise a drill rig to King Island in December 2021 to complete the proposed four-hole drilling program, comprising:

- Three holes to test south along strike from Investigator 24 mineralisation
- One hole to test north along strike from Investigator 21 mineralisation

Unfortunately, due to low availability of drill rigs in Tasmania, the Company was not able to secure a drill rig to complete the proposed drill campaign as planned.

It is now anticipated that a drill rig will arrive on the island in late February to undertake the programme.

Tungsten Market Update

The price of Ammonium Paratungstate (APT), the price against which tungsten products sale prices are benchmarked, increased by US\$5/mtu during the quarter. However since then the price has increased a further US\$10/mtu reaching US\$330-US\$335/mtu in late January 2022. This is the highest APT price in the last three years

Corporate

Change of Name and ASX Ticker Code

The Company changed its name from “King Island Scheelite Limited” to “Group 6 Metals Limited”, effective 8 November 2021. Consequently, the Company’s ASX Code changed from “KIS” to “G6M”, effective 15 November 2021.

The aim of the Company’s new branding is to allow for geographic diversity, encompassing a range of commodities while catering for both exploration and development projects. Group 6 honours tungsten as the Company’s first commodity project under development, as tungsten is a member of Group 6 elements of the periodic table, along with chromium and molybdenum. The name also reflects the Company’s focus on critical minerals, referencing the geopolitical Group of 6, which was established in 2003 to empower the six largest European Union member states to discuss economic and trade issues. The European Commission is just one of several legislative bodies across the West which has identified critical minerals, including tungsten, as key inputs vital to national security.

We expect our new Company name to underpin our appeal to global investors as we continue to develop and strengthen our operations. We remain grateful for the ongoing support from all of our stakeholders’ as we commence redevelopment of the Dolphin Tungsten Project on King Island and continue to deliver value for our partners, offtakers, supporters, investors, staff and the broader community.

Capital Raising

Reported as a subsequent event in the Company’s September Quarterly Report, Group 6 Metals secured commitments for its targeted funding to proceed with the redevelopment of the Dolphin Tungsten Project through a two-tranche Placement and underwritten Share Purchase Plan. The Placement and Share Purchase Plan were successfully completed in November 2021 (as proposed in the September Quarterly) following shareholder approval of parts of the equity raising having been obtained at the Company’s Annual General Meeting on 8 November 2021.

The equity raising, together with the Debt Facilities, and a \$10 million equipment leasing facility discussed further below, brings the total amount of capital raised by Group 6 Metals Limited in 2021 to \$88 million, which currently fully funds redevelopment of the Dolphin Tungsten Project.

\$10.2 Million Equipment Financing Facility Approved

The Company established a credit approved facility with an OEM Financier to finance the mobile mining fleet. The fleet will be utilised in the construction and redevelopment of the Company’s Dolphin Tungsten Project.

The major terms of the facility are as follows:

- Equipment Hire Purchase Facility – \$10.22 million after costs.
- Drawdowns available in tranches when equipment is purchased.
- Each tranche to be repayable, together with interest, within 48 months of drawdown.

Cash Position

The Company’s cash position as at 31 December 2021 was \$36.051 million.

Keith McKnight appointed CEO

On 24 January 2022, the Company appointed Keith McKnight as its Chief Executive Officer to join its executive team. As the Company is now entering the next phase of its development, it was necessary to engage an executive with the appropriate skills, and Keith fulfills these criteria.

Results of Annual General Meeting

The Annual General Meeting was held on Monday, 8 November 2021. All resolutions were carried.

Licences and Leases

The Company holds the following licences and leases as at 31 December 2021:

	Interest
Exploration Licence EL19/2001 at Grassy, King Island (91 sq kms) (expires 23 December 2022)	100%
Mining Lease CML 2080P/M at Grassy, King Island (566 hectares) (expires 5 June 2029)	100%

There have been no mining tenements acquired or disposed during the Quarter.

There were no substantive mining exploration activities during the Quarter.

Payments to related parties of the entity and their associates

The amount included in section 6.1 of the Appendix 5B includes cash payments of \$122,720 in director's fees and remuneration. In addition, an underwriting fee of \$110,793 was paid to a nominated entity of Chris Ellis as approved by Shareholders on 8 November 2021.

This announcement has been approved for release by the board of Group 6 Metals Limited.

For more information:

Johann Jacobs
Executive Chairman
johannj@g6m.com.au
+61 (0) 416 125 449

Tim Dohrmann
Media & Investor Relations
tim@nwrcommunications.com.au
+61 (0) 468 420 846

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

GROUP 6 METALS LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation ⁱ	(725)	(1,563)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs ⁱⁱ	(757)	(1,525)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	1	5
1.9	Net cash used in operating activities	(1,480)	(3,082)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(7)	(7)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets- Capitalised development costs.	(6,300)	(7,082)

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(6,307)	(7,089)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	31,000	31,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	3,235
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,036)	(1,038)
3.5	Proceeds from borrowings	10,000	10,000
3.6	Repayment of borrowings & leases	(165)	(165)
3.7	Prepaid transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	39,799	43,032

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,039	3,190
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,480)	(3,082)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,307)	(7,089)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	39,799	43,032

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	36,051	36,051

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	21	72
5.2	Call deposits	36,030	3,967
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	36,051	4,039

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	122
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Payments made to Directors and their associated entities – Directors' fees \$23,003; Consulting fees \$98,717.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	33,000	10,000
7.2	Credit standby arrangements	-	-
7.3	Other (Mobile fleet finance facility)	10,220	
7.4	Total financing facilities	43,220	10,000
7.5	Unused financing facilities available at quarter end		33,220
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

Lender	Facility Type	Finance Amount	Interest Rate	Maturity date	Secured/unsecured
Pure Asset Management Pty Ltd	Convertible debt	\$10,000,000	8.25%	08/11/2024	Secured
Chrysalis Investments Pty Ltd ATF The Ellis Family Trust	Debt	\$4,000,000	8.25%	42 months from practical completion of the Dolphin Project	Secured
Chrysalis Investments Pty Ltd ATF The Ellis Family Trust	Convertible debt	\$4,500,000	6.5%	42 months from practical completion of the Dolphin Project	Secured
Elphinstone Holdings Pty Ltd	Convertible debt	\$5,000,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
D.A.CH.S AG	Convertible debt	\$3,000,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
Abex Limited	Convertible debt	\$6,500,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
OEM Financier	Mobile mining fleet facility	\$10,220,000	various	48 months from drawdown	Unsecured

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,480)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) *Capitalised development costs	(6,300)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(7,780)
8.4	Cash and cash equivalents at quarter end (item 4.6)	36,051
8.5	Unused finance facilities available at quarter end (item 7.5)	33,220
8.6	Total available funding (item 8.4 + item 8.5)	69,271
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	8.9
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Not applicable	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Not applicable	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Not applicable	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>		

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 25 January 2022

Authorised by: Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

ⁱ Following is a summary of the expenditure incurred on exploration & evaluation activities during the quarter (Item 1.2 (a)):

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Dewatering	(67)	(100)
Project management	(184)	(323)
Mine planning & geological work	(22)	(112)
Metallurgical & process plant design	(262)	(615)
Tailings storage facility	(40)	(158)
Environmental	(39)	(52)
Multi gravity separator testing	(64)	(155)
Exploration	(39)	(39)
Other Feasibility Study work	(8)	(9)
TOTAL	(725)	(1,563)

ⁱⁱ Following is a summary of the expenditure incurred on administration and corporate costs during the quarter (Item 1.2 (e)):

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Directors' fees	(123)	(322)
GST Paid (refundable)	(298)	(482)
Legal fees	(99)	(137)
Marketing & investor relations	(55)	(86)
Share registry costs	(136)	(202)
Other	(46)	(296)
TOTAL	(757)	(1,525)