

Quarterly Activities and Cash Flow Report to 30 June 2022

Highlights

- **Construction activities at the Dolphin Tungsten Mine progress steadily against project schedule, with production on track to begin in Q1 2023**
- **Deliveries of OEM equipment and materials are ramping up ahead of process plant installation works**
- **Collaboration with University of Tasmania, to commence late 2022, will focus on research and development in environmentally sustainable production of critical minerals including tungsten**
- **Ammonium Paratungstate (APT) prices remain high, with prices holding steady at US\$344-\$350 per mtu.**
- **\$4.6 million in cash, and \$41.2 million in undrawn debt facilities as at 30 June 2022, in line with forecasted Company cashflow.**
- **No lost-time injuries (LTIs) or reportable environmental incidents were recorded during the quarter**

Group 6 Metals Limited (ASX: G6M, "Group 6 Metals" or the "Company") is pleased to report on its activities and cashflow for the quarter ending 30 June 2022.

Dolphin Tungsten Mine Activities Update

The Dolphin Tungsten Mine is one of the highest-grade tungsten deposits outside of China and remains on target to produce first concentrate in Q1 2023. The project has direct private access to the Port of Grassy, King Island, through which it will export high grade tungsten concentrate to its major offtake partners in Europe.

Construction activities at the Dolphin Tungsten Mine ramped up during the June quarter with the completion of the process plant earthworks, which was handed over for installation of major civil structures, required to support the process plant equipment and buildings.

The Run of Mine ("ROM") haul road re-alignment and re-sheeting was also completed during the quarter. This is used to haul ore from the open pit to the ROM ore stockpile at the western end of the process plant area. Significant progress was also made on the installation of the internal roads providing crane access for the major mechanical installation works.

Major Civil works for the crushing circuit were completed towards the end of quarter and the area was handed over to Gekko at the beginning of July, to commence mechanical installation of the primary crusher. Civil works for the main process building have commenced and it is expected that handover for the construction of the building will occur in late-July.



Figure 1 - Process Plant Construction Activities



Figure 2 - Recovering Road Base Material at Dolphin Tungsten Mine

Electrical installation works are ongoing with installation of the pits and conduits for distribution of power to the process plant, workshop and site office buildings. The overhead HV power line from

the King Island grid has been installed and was connected to the site electrical distribution board, in early July, making power available to the site for construction. The provision of permanent power requires an upgrade to the HV feeder from the King Island Power to meet the power capacity requirements.



Figure 3 - Installation of Electrical Pits and Conduits for Process Plant



Figure 4 - Overhead Site Power Connection from King Island Grid

Major mechanical equipment started arriving at the beginning of June and most of the remaining OEM deliveries are expected on site by early August. Unlike many other similar projects, the Dolphin Tungsten Mine has not suffered significant delays in the delivery of OEM equipment as orders on long lead time items were placed in August 2021.



Figure 5 - Secondary Cone Crusher Delivered



Figure 6 - Derrick Screen Delivered

Single Person Quarter (SPQ) accommodation modular buildings have been delivered to site and installation of SPQ West (Campus Village) is complete except for services and final permitting. It is expected to be available for accommodating construction staff in August.

Approval for the Tailings Storage Facility (TSF) was received during the quarter. By locating the new TSF at the historic site, disturbance to native vegetation is minimised, in line with the Company's policy to redevelop the Dolphin Tungsten Mine in an environmentally sustainable and responsible manner.

Covid-19 Update

As advised during the quarter, there were several positive cases of Covid-19 cases on the project. Adherence to the previously implemented strict Covid Safe measures across its local team and

worksite, to contain the spread and mitigate delays to the ongoing construction activities. The first members of the Group 6 Metals staff to contract Covid-19 are local residents who had not been off the Island prior to testing positive.

The Company is pleased to report that with all Covid Safe Procedures in place, there has been no significant spread of Covid 19 and little impact on the schedule to date as a result.

Critical Minerals Collaboration with University of Tasmania

Group 6 Metals announced its collaboration with the University of Tasmania ("UTAS") on their "Environmentally Sustainable Production of Critical Minerals" project which is expected to benefit the Company's tungsten's assets on King Island, Tasmania.

Potential benefits for the Dolphin Tungsten Project include¹:

- Improved exploration techniques and information which may increase the project resource base with ongoing exploration
- Enhanced recovery of tungsten metal from geo-metallurgical research projects
- Potential to recover additional tungsten resources from low grade and historic mine waste through processing and mining innovation
- Potential for value adding through downstream processing of scheelite concentrates to other saleable tungsten products

The University of Tasmania's world-renowned Centre for Ore Deposit and Earth Sciences (CODES) has been granted \$3.5m to investigate environmentally sustainable production of critical metals in partnership with regional industry partners. Group 6 Metals is one of several companies operating Tasmanian mining projects that will collaborate with the University of Tasmania on this project. The project is expected to commence towards the end of 2022.

Tungsten is recognised by the Australian and other international governments as one of several critical minerals that will be essential for sustainable economic growth and development in the future.

As part of the project, Group 6 Metals is providing the University of Tasmania with access to its world-class tungsten assets on King Island, including the under-construction Dolphin Mine, the historic Bold Head Mine and its exploration tenements. University staff will work with Group 6 Metal's staff on research projects, with the Company to provide in-kind support, logistics, information and access to drill core, mining and processing activities.

Activity in Share Trading following ABC Four Corners Program

On Monday 9 May at 8.40pm AEST, the Australian Broadcasting Corporation's ("ABC") Four Corners program broadcast an investigative story which featured, amongst others, the Company and its operations, including its recent commencement of construction of the Dolphin Tungsten Mine on King Island, Tasmania.

Following broadcast of the program, there was a notable increase in the Company's share price and volume of shares traded on the market. The investigative piece, titled "Digging In: Why powering a green future means more mines", focused on the new critical minerals mining boom and examined Australia's capability to meet an expected surge in global demand.

During the program, Group 6 Metals Executive Chairman Johann Jacobs and King Island Mayor Julie Arnold were both interviewed, respectively highlighting the geopolitical significance of the Dolphin Tungsten Mine and its importance to the economic and social prosperity of King Island.

Tungsten Market

The ammonium paratungstate (APT) price has held up strongly despite a reduction in demand from China due to COVID restrictions impacting economic activity. With restrictions easing and the downstream process industry recovering, Chinese demand is expected to increase again in the second half of CY 2022.

One of the key issues in China is that mines located in COVID-unaffected areas have continued production; however, the end users, mostly located in COVID-affected areas, suspended operations causing an oversupply of concentrate in China. It is anticipated that this oversupply will correct itself in the near-term. Chinese concentrate producers are not permitted to export their production

Demand for concentrate material in Europe and USA remains strong, with APT producers looking to secure more concentrate than is currently available. Therefore, the Company expects that medium to longer term demand will remain strong.

On the supply side several tungsten concentrate producers announced that they are suspending operations or delaying development activities due to high energy costs in Europe and increasing project development costs. With increasing demand for Tungsten products, this is expected to result in a material deficit for concentrates in 2023.

It is interesting to note further advances in technology, especially relating to the use of tungsten in the next generation of lithium batteries, which may result in a significant increase in the demand for tungsten internationally. Some of these developments are posted regularly on the company's Twitter and LinkedIn updates.

The value of tungsten, as referenced by the price of ammonium paratungstate (APT) traded on international markets, has continued to hold firm. As of June 2022, industry sources indicate that the Tungsten APT Price CIF Rotterdam is US\$344-\$350/mtu (metric tonne unit).

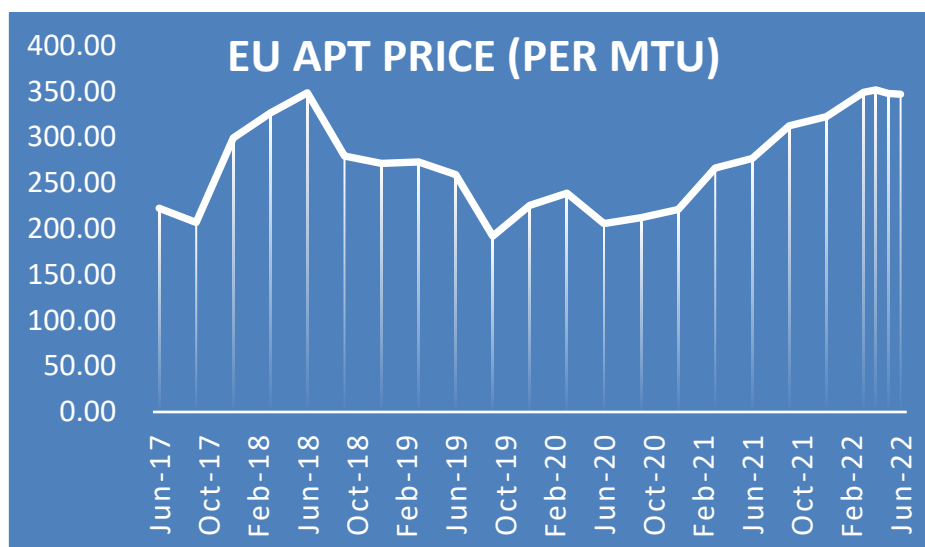


Figure 7 - APT Pricing Chart - June 2022

Corporate

Cash Position

The Company's cash position as at 30 June 2022 was \$4.58 million.

Licences and Leases

The Company holds the following licences and leases as at 30 June 2022:

	Interest
Exploration Licence EL19/2001 at Grassy, King Island (67 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 \$92,180 in director's fees and remuneration.

Approved by the Board of Group 6 Metals Limited.

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About Group 6 Metals

Group 6 Metals Limited (ASX: G6M), previously known as King Island Scheelite Limited (ASX: KIS), is an Australian resources exploration and development company. The Company's name honours tungsten as Group 6 Metals' first commodity project (The Dolphin Mine) under development, as tungsten is a member of Group 6 of the periodic table along with chromium and molybdenum, as well as being a critical mineral and a geopolitically strategic resource.

The Company is focused on the redevelopment of its 100%-owned Dolphin Mine located on King Island, Tasmania. Initially the focus is on producing a high grade of tungsten concentrate, however, plans are to value-add the product for supply into the upstream tungsten industry.

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")

30 June 2022

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	(1,563)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(132)	(220)
	(e) administration and corporate costs ⁱ	(554)	(2,345)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	4
1.5	Interest and other costs of finance paid	(220)	(438)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	241	241
1.8	Other (provide details if material)	-	5
1.9	Net cash used in operating activities	(663)	(4,316)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(747)	(1,450)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets- Capitalised development costs ⁱⁱ .	(14,717)	(35,745)

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

Consolidated statement of cash flows		Current quarter	Year to date (12 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	(15,464)	(37,195)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(1,039)
3.5	Proceeds from borrowings	-	10,000
3.6	Repayment of borrowings & leases	(86)	(296)
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	(86)	42,900

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,792	3,190
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(663)	(4,316)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15,464)	(37,195)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(86)	42,900

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,579	4,579

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	452	139
5.2	Call deposits	4,127	20,653
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)	4,579	20,792

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	92
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 \$30,263; Consulting fees \$61,917.

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	43,000	10,000
7.2 Credit standby arrangements	-	-
7.3 Other (Mobile fleet finance facility)	10,220	1,992
7.4 Total financing facilities	53,220	11,992
7.5 Unused financing facilities available at quarter end		41,228
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
Tasmanian Government Loan	Debt	\$10,000,000	variable	10 years from drawdown	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)	(663)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) *Capitalised development costs	(15,464)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(16,127)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,579
8.5	Unused finance facilities available at quarter end (item 7.5)	41,228
8.6	Total available funding (item 8.4 + item 8.5)	45,807
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.84
<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: 28 July 2022

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

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

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 administration and corporate costs during the quarter (Item 1.2 (e)):

Consolidated statement of cash flows	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
Directors' fees	(92)	(509)
GST Received	6	165
Corporate consultants	(126)	(470)
Insurance	(51)	(252)
Legal fees	(11)	(165)
Marketing & investor relations	(50)	(163)
Share registry costs	(34)	(249)
Other	(196)	(702)
TOTAL	(554)	(2,345)

ⁱⁱ Following is a summary of the expenditure incurred on developments costs during the quarter (Item 2.1 (f)):

Consolidated statement of cash flows	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
Accommodation Infrastructure	(158)	(462)
Bulk Earthworks/ Civil works	(1,268)	(1,640)
Site Electrical	(657)	(657)
Mine preliminaries	(1,453)	(2,025)
Owner's costs	(1,139)	(1,707)
Permits and licensing	(46)	(2,964)
Process Plant	(9,996)	(26,290)
TOTAL	(14,717)	(35,745)