

Quarterly Activities and Cash Flow Report to 30 September 2022

Highlights

- Construction activities at the Dolphin Tungsten Mine remain on track to achieve first concentrate production in Q1 2023
- Over 95% of OEM equipment for process plant has been delivered to site, or to Gekko's factory at Ballarat, and is being prepared for installation
- With major civil works more than 90% complete, civil contractor is demobilising with only minor further works required for mine infrastructure areas
- Permanent power solution for initial operations will be provided using a dedicated diesel power station with staged integration of renewable power, which mitigates risk of power outages and improves operating flexibility
- The Company received a State Government grant of \$75,000 through the Exploration Development Grant Initiative (EDGI) to assist with an upcoming exploration program
- Plans for drilling at the Investigator prospects, located 6km west of Dolphin, have been finalised and drilling is expected to commence in Q4 2022
- Ammonium Paratungstate (APT) prices remain high, with prices holding steady at US\$335-\$340 per mtu however in Australian Dollar terms at historic high
- \$5.86 million in cash, and \$20.4 million in undrawn debt facilities as at 30 September 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 September 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 are progressing well with highlights including completion of the civil works and a significant increase in mechanical equipment installation activities. With most of the OEM equipment delivered to site, the Gekko Systems team will progress the works for the remainder of the year in preparation for commissioning in early 2023.



Post quarter, the Company reported that substantial progress had been made on the installation of the crushing, screening and material handling equipment and associated supporting structures, with mechanical installation substantially complete and electrical installation commenced. The main process building is mostly complete, and installation of internal equipment has commenced.



Figure 1 - Installation of Primary and Secondary Crushing Equipment



Figure 2 - Installation of Gantry Crane in Main Process Building

G6M also provided an update on construction works at the Tailings Storage Facility (TSF), with installation of the diversion and base drains completed, and commencement of construction of the TSF walls. The TSF is being constructed on the historic TSF site, minimising disturbance to virgin vegetation, and using materials that are being reclaimed from within the proposed mine open cut pit shell.



Figure 4 – Installation of Western Clean Water Diversion Drain for TSF

During the quarter, G6M advised that haul and access roads had been further developed to improve access to the process plant area for mechanical installation works. The ROM pad earthworks & wall progressed steadily and are being set 10m above the ground level of the process plant.

Dolphin Tungsten Mine Power Supply

Upon review of the permanent power supply solution for the site, the Company elected to install its own dedicated diesel power station as an interim solution, to supply power to the mine and process plant. The key reason for the decision was to provide greater reliability and operational flexibility during commissioning, ramp up and steady state operation of the concentrate process plant.

The Company has engaged with a specialised renewable power generation consultant to develop a permanent power solution for the site, whereby a significant proportion will be sourced from renewable generation resulting in lower emissions and power costs.

Covid-19 Update

During the quarter, G6M advised that due to an increasing number of Covid-19 cases on King Island, the Company, in accordance with the Tasmanian Department of Health, implemented Covid Safe measures across its local team and worksite to mitigate any delay to the ongoing construction at the Dolphin Tungsten Mine.

The Company is pleased to report that with all Covid Safe Procedures in place, there has been no significant impact on its deliverables on site to date and has managed to maintain very low levels of Covid-19 infection amongst the project team.

Exploration Activities

In August the Company advised it had been awarded an exploration grant of \$75,000 by the Tasmanian State Government, through the Exploration Drilling Grant Initiative (EDGI), to fund exploration activities on the Company's Exploration License EL19/2001, which surrounds its Dolphin Tungsten Mine.

The EDGI grants awarded will co-fund (50%) direct drilling costs associated with the planned exploration program, testing new conceptual extensions of the known tungsten mineralisation identified in previous drilling programs conducted by the Company.

Group 6 Metals is undertaking planning activities to mobilise a drill rig to King Island in November, to conduct a drill program comprising 3-4 diamond core holes to test the western margin of the Grassy Granite, north of the Investigator 21 Prospect. The Company conducted exploration in this area in 2018 with very positive drilling results. (Refer ASX Announcement titled Exploration Drilling Results May 2018 released 17 May 2018).

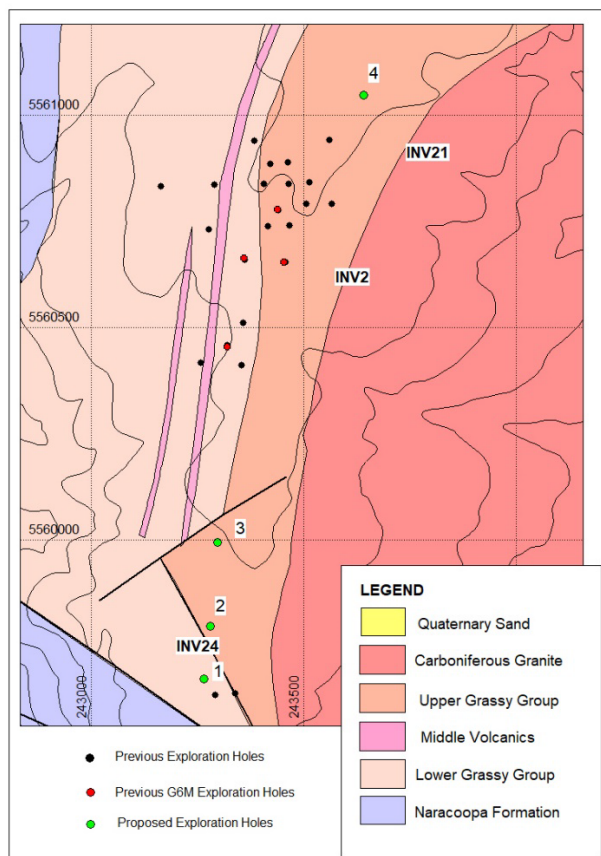


Figure 5 - Proposed cored hole locations at Investigator 21 & 24

Tungsten Market

The value of tungsten concentrate, as referenced by the price of ammonium paratungstate (APT) traded on international markets, continued to hold firm during the quarter. As of the end September 2022, industry sources indicate that the Tungsten APT Price CIF Rotterdam is US\$335-\$340/mtu (metric tonne unit).

Figure 6 shows the historical APT Price CIF Rotterdam (Low) since September 2017. Tungsten concentrates from the Dolphin Tungsten Mine will be sold in US\$. After the end of the quarter there was a slight decrease in the APT Price CIF Rotterdam to US\$335-US\$340, but this has been more than offset by the strengthening of the US dollar.

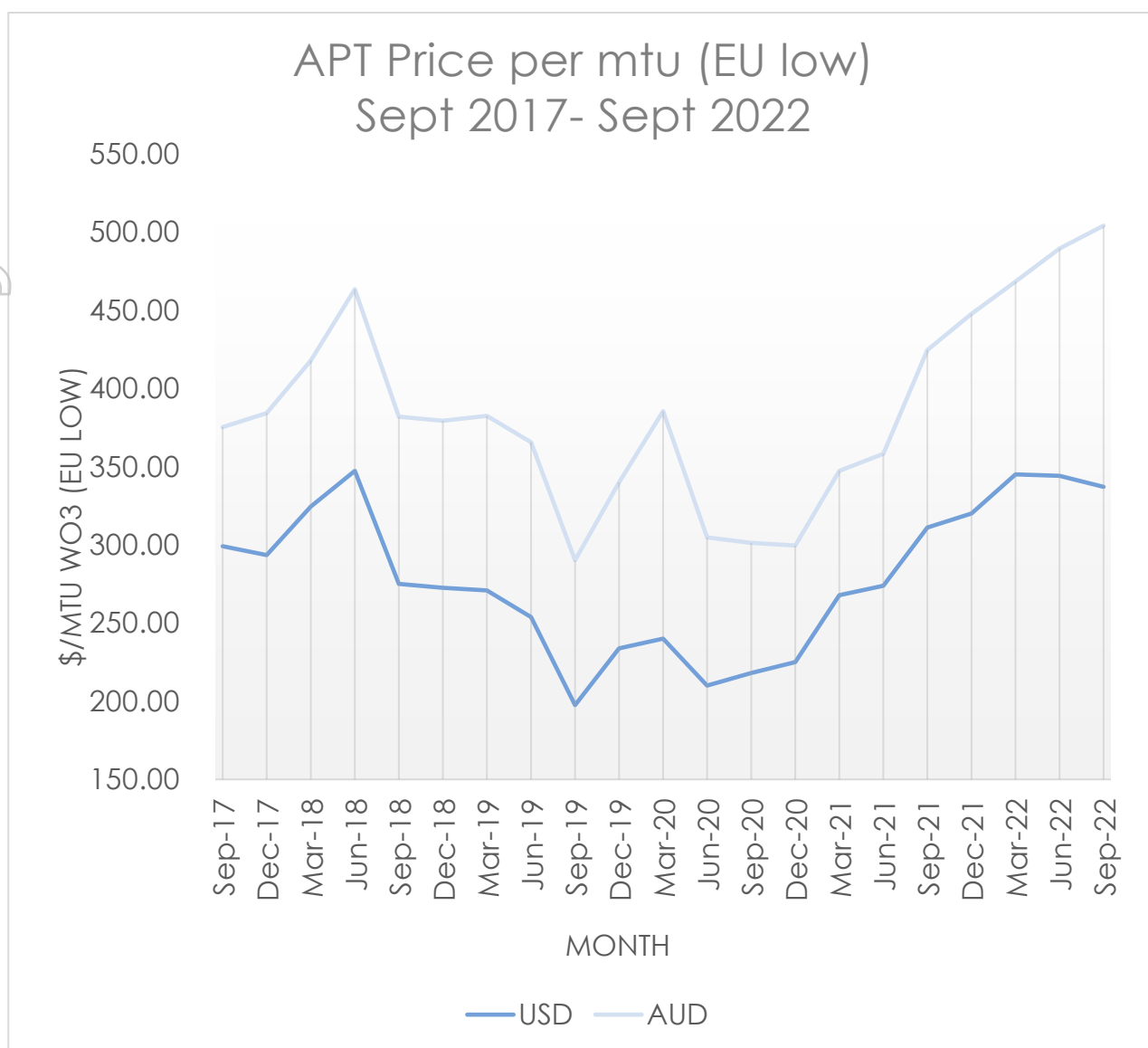


Figure 6 – APT Price CIF Rotterdam in US\$ and AU\$.

The European market has been relatively static over the summer months, with activity slower to resume than previous years. This is mainly due to concerns about the impact of rising energy prices on economic activity, with market participants waiting longer to understand how this will play out. Some hard metal tungsten companies are working to reduce inventories into the end of the year and will therefore place less orders for raw materials like tungsten carbide. The Company expects this seasonal behaviour to be compensated for through additional demand created at the beginning of next year.

By contrast, China has seen gradual increases in APT prices since mid-July. This has been driven mainly by higher production costs, environmental restrictions and the global energy crunch, which has supported concentrate prices.

Chinese suppliers have indicated that higher offers for tungsten concentrate are supported by a number of factors, warmer temperatures reducing power consumption, less output and potential for higher demand ahead of the upcoming twice-a-decade National Congress.

China is implementing stimulus measures such as interest rate cuts to spur economic activity. It is encouraging bank lending in a bid to offset a slowdown in its economy, the effects of Covid lockdowns and a distressed property market. This could be further supported by more stimulus following the National Congress (16 to 22 October 2022).

Investor Webinars

On 19th July Managing Director Keith McKnight provided an update via webinar on G6M's activities on the ground at Dolphin and the significant progress made on construction. A recording of the webinar can be viewed here:

https://us02web.zoom.us/webinar/register/WN_vlINrFvZSwi0ihaa0LaRNQ

Corporate

CEO Keith McKnight Appointed as Managing Director

G6M announced that the Board of Directors has appointed current CEO, Keith McKnight, as Managing Director and Chief Executive Officer. Keith has served as CEO of the Company since January 2022. The terms and conditions of appointment remained otherwise unchanged.

The Company also advised that following this appointment, Chairman Johann Jacobs has elected to relinquish his executive role with the Company. Johann will continue to serve as Non-Executive Chairman of Group 6 Metals.

Cash Position

The Company's cash position as at 30 September 2022 was \$5.86 million.

Licences and Leases

The Company holds the following licences and leases as at 30 September 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 \$91,812 in director's fees and remuneration.

Approved by the Board of Group 6 Metals Limited.

For more information, please contact:

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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 September 2022

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(192)	(192)
	(e) administration and corporate costs ⁱ	(334)	(334)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	7
1.5	Interest and other costs of finance paid	(236)	(236)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	4	4
1.9	Net cash used in operating activities	(751)	(751)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(18,224)	(18,224)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets- Capitalised development costs ⁱⁱ .	(173)	(173)

Consolidated statement of cash flows		Current quarter	Year to date (3 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	(18,397)	(18,397)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	20,850	20,850
3.6	Repayment of borrowings & leases	(139)	(139)
3.7	Prepaid transaction costs related to loans and borrowings	(230)	(230)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	20,481	20,481

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,529	4,529
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(751)	(751)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18,397)	(18,397)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20,481	20,481

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	5,862	5,862

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	255	452
5.2	Call deposits	5,607	4,077
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)	5,862	4,529

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 \$13,345; Consulting fees \$78,467.

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	30,850
7.2	Credit standby arrangements	-	-
7.3	Other (Mobile fleet finance facility)	10,220	1,992
7.4	Total financing facilities	53,220	32,842
7.5	Unused financing facilities available at quarter end	20,378	
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	7 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)	(751)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) *Capitalised development costs	(18,397)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(19,148)
8.4	Cash and cash equivalents at quarter end (item 4.6)	5,862
8.5	Unused finance facilities available at quarter end (item 7.5)	20,378
8.6	Total available funding (item 8.4 + item 8.5)	26,240
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.37
	<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?	
	No. The entity does not expect to have the current level of net operating cash flows as its major EPC contract peak monthly expenditure is reducing as the activities progress through to completion and as such the net operating cash outflow is expected to reduce.	
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?	
	The entity is currently considering options to fund costs of completion, commission and ramp up costs. It is expected that this funding will be sufficient to support the entity to positive cashflows expected in Q3 2023	
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?	
	Yes. The entity does expect to continue its operations and to meet its business objectives. The entity has a proven track record with respect to funding its business activities.	
	<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

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

Date: 31 October 2022

Authorised by: Board of 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 administration and corporate costs during the quarter (Item 1.2 (e)):

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Directors' fees	(92)	(92)
GST Received	6	6
Corporate consultants	(120)	(120)
Insurance	-	-
Legal fees	(24)	(24)
Marketing & investor relations	(26)	(26)
Share registry costs	(25)	(25)
Other	(53)	(53)
TOTAL	(334)	(334)

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

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Accommodation Infrastructure	(959)	(959)
Bulk Earthworks/ Civil works	(1,431)	(1,431)
Site Electrical	(1,314)	(1,314)
Mine preliminaries	(2,362)	(2,362)
Owner's costs	(1,335)	(1,335)
Permits and licensing	(44)	(44)
Process Plant	(10,869)	(10,869)
TSF	(83)	(83)
TOTAL	(18,397)	(18,397)