GROUP6 METALS LIMITED

ASX ANNOUNCEMENT

31 October 2023

Quarterly Activities and Cash Flow Report to 30 September 2023

Highlights

- **Commencement of commercial production at Dolphin Tungsten Mine (DTM) with quarterly saleable tungsten production of 86.7t.**
- **DTM is working towards achieving steady-state operations and optimizing the mine and processing plant, to increase production and lower costs.**
- **Regional exploration at Investigator 24 and 22 found skarn-hosted scheelite mineralisation in all three holes.**
- **Research & Development (R&D) tax refund submitted and expected to be received shortly.**
- **Ammonium Paratungstate (APT) prices remain robust at US$305 – 325 per mtu.**
- **$3.05 million in cash and $1.95 million in undrawn debt facilities as at 30 Sept 2023.**
- **No LTIs or reportable environmental incidents in the quarter, with 1,823 LTI-free days since construction began.**

Group 6 Metals Limited (**ASX: G6M**, "**Group 6 Metals**" or the "**Company**") is pleased to report on its activities and cash flow for the quarter ending 30 September 2023.

Dolphin Tungsten Mine Activities Update

During the quarter, the Company continued its progress in ramping up production activities at DTM by establishing hard rock mining activities, moving from remnant ore to higher grade mine ore, while continuing to work through plant defect rectification and optimisation of the plant.

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The Company shipped its first high grade concentrate in July, and since then has been working on improving utilisation, throughput, and recovery through the process plant. While the period has been challenging for plant utilisation and reliability, the plant performance is showing steady improvement with specific focus on supervision, training, and plant maintenance. The Company has appointed a highly experienced process plant manager which is providing guidance to the process plant team, as they increase their knowledge and experience in operating the plant.

For the next quarter, the site team is working towards increasing the production rate from higher-grade ore, completing the defect rectification work, and increasing production to capitalise on the increasing demand for tungsten and become a leading producer of tungsten concentrate.

Table 1 - Dolphin Tungsten Mine Production

PRODUCTION	July 2023	August 2023	September 2023	Q1 FY2024
Total Ore Mined/Moved (t)	24,314	16,374	20,351	61,039
Total Ore Processed (t)	11,658	15,022	12,753	39,433
Concentrate produced (t)	29	33	25	87

Table 2 - Dolphin Tungsten Mine Shipping & Sales

PRODUCTION	July 2023	August 2023	September 2023	Q1 FY2024
Tungsten shipments (mtu)[1]	0	911	2,746	3,657
Tungsten concentrate sales (mtu)	0	0	0	0
Deferred revenue from sales ($m)	$0.00	$0.32	$0.97	$1.29
Average price AU ($)	$0.00	$348.03	$362.38	$357.60

Notes:

1. Refers to international shipments departing Port of Melbourne.

Figure 1 - High-grade concentrate to be loaded in a container for the second shipment in August 2023.

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Mining

For the quarter, mine production achieved an average of approximately 120,000 BCMs of material movement per month, demonstrating the capability of the existing mining fleet. Significant progress has been made in pre-strip in advance, providing mine plan flexibility for prioritising higher-grade areas of the ore body.

DTM also completed its first production blast, signalling the Company's transition from lower grade remnant ore mining to higher grade ore. A seed trial blast programme was completed at the end of July. The seed trial confirmed the blast modelling output and provided input into the production blasting design to minimise disturbance and maximise performance.

Commencing in August, after the blast modelling was confirmed, blast size and frequency has steadily increased over the following two months. Key monitoring parameters remain well below regulatory requirements and in keeping with community expectations.

Figure 2 - Drilling ongoing in "West Pit" on western side of Dolphin Open Cut

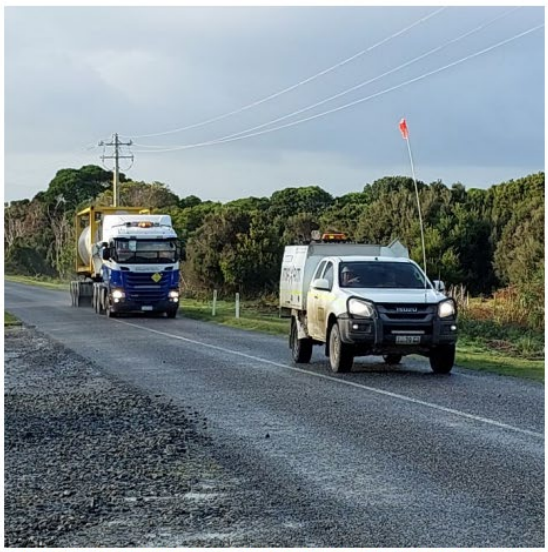

Figure 3 - ANE being transported by G6M Prime Mover to ANE Compound

Initial focus areas were the West Pit and North Pit, while blasted overburden has been removed from the eastern side of the pit to access the B-lens.

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Figs. 4, 5, 6 (clockwise from top left) – West Pit ore mining, East Pit overburden drilling, West Pit grade control

The Company is nearing completion of a peer review of the mine plan with specific focus on bringing forward higher-grade ore which in some areas is greater than 1.0% WO3, which should significantly increase production of concentrate from the process plant.

Processing

During this quarter, the process plant processed a monthly average of 13,150 tonnes of ore with a feed grade of 0.2-0.4% WO_3, with the plant producing high-grade concentrate at up to 70% of nameplate production intermittently.

Figure 7 – Tungsten separation on shaking tables

Figure 8 – Third concentrate shipment for dispatch.

Average monthly production was lower than forecast due to mechanical breakdowns causing unplanned shutdowns of the plant. The site engineering and maintenance teams have been working with process plant EPC contractor to accelerate the rectification of outstanding defects, identify engineering modifications and make operating procedural changes to improve the reliability and resilience of the plant.

Following the end of the quarter the Company achieved a daily production record through the crushing circuit and is steadily making further improvements in the grinding and dressing circuits, increasing recovery and concentrate quality.

The Company has bolstered the site management and maintenance team with the appointment of a highly experienced process plant manager/alternate general manager and maintenance technician to provide specific focus on reliability and optimisation of the process plant.

Commencing high-grade ore mining at DTM is a significant milestone for Group 6 Metals, which should see significant improvements in the process plant. The Company is seeking to capitalise on the increasing strategic importance and demand for tungsten and become a leading producer of high-grade tungsten concentrate in the Western world.

Investigator 22 and Investigator 24 Exploration Drilling

With the assistance of a Tasmanian Government Exploration Drilling Grant Initiative (EDGI), the Company completed first-pass exploration drilling at its Investigator 24 and Investigator 22 prospects in August.

Drill holes KI 111 and KI 112 are the first holes in the Investigator 24 area for almost 50 years and the first to intersect the full mine sequence, including B and C lenses with associated calc-silicate skarn mineralisation similar to the Bold Head and Dolphin mines.

KI 113 was drilled 200m north of the Investigator 21 site, intersecting B and C lens and calc-silicate skarn mineralisation before intersecting the granite.

Scheelite mineralisation associated with garnet-pyroxene skarn was observed under UV light in all three drill holes with sporadic medium to low-grade mineralisation confirmed by laboratory analysis:

- KI 111 1.2m @ 2.8% WO3 from 2.8m in oxidised zone
- KI 113 1.0m @ 0.6% WO3 from 141.5m in garnet skarn

The Company aims to test the area's full potential (63Km2) under an exploration lease and extend the project life beyond 14 years through nearby mine and exploration drilling projects, with further exploration drilling planned for calendar Q2 2024[1]. G6M intends to resume exploration after ramping up and achieving steady-state production at the Dolphin Tungsten Mine.

[1] Please see Forward Looking Statements in G6M ASX Announcement of 14 August 2023

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Official opening ceremony held for Dolphin Tungsten Mine

After being dormant for 33 years, it was a privilege for the Company to host dignitaries, including the Tasmanian Resources Minister, the Hon Felix Ellis, Senator for Tasmania Anne Urquhart and King Island Mayor Marcus Blackie at the official opening ceremony of the Dolphin Tungsten Mine on 24 August 2023.

The dignitaries were joined by the board of G6M, investors, employees, and supporters of the Company on a tour of the newly commissioned process plant, followed by the unveiling of a plaque by Mr Ellis to commemorate the occasion.

Figure 9 – Tour of the process plant

Figure 10 – Plaque to commemorate the occasion.

Tungsten Market

Market conditions remain relatively consistent, with a price decrease offset by a decrease in foreign exchange. This is expected to continue into early next year, and an increase in demand is expected later in 2024 from the defence, construction, mining, and energy sectors.

DTM is one of only a small number of significant primary tungsten supplies entering the market in 2023.

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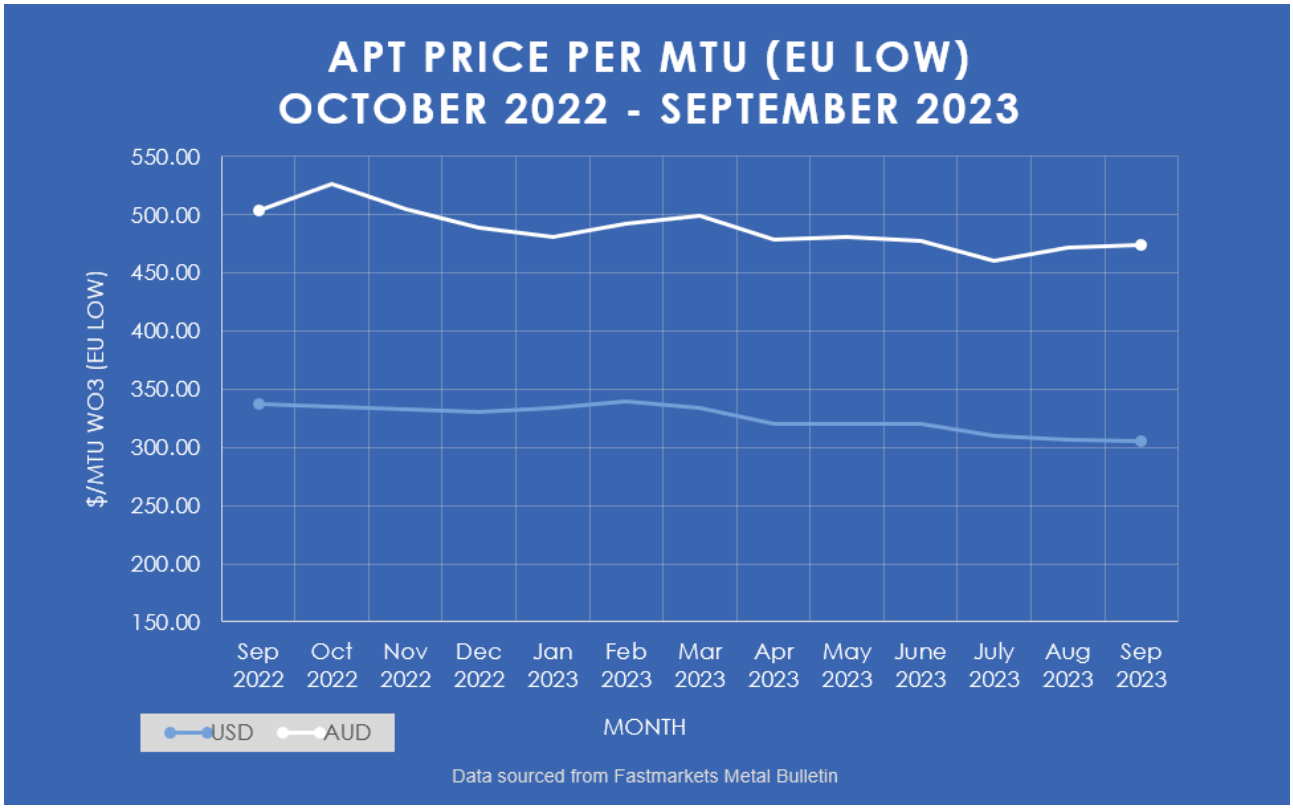

Although trading volumes for tungsten products have been lower over the first nine months of 2023 as de-stocking from 2022 continues, the Ammonium Paratungstate (APT) CIF Rotterdam prices have remained consistent at US$305 – 325 per mtu. Running down tungsten stocks and demand growth in the USA and Europe should provide positive APT price movement catalysts.

Corporate

Share Purchase Plan (SPP) Finalised

As announced on 11 July 2023, eligible shareholders strongly supported the SPP, with the Company accepting valid applications totalling $3.7 million. In August, the Company finalised the SPP, having raised an additional $0.6 million by placing approximately half of the remaining SPP allocation to professional and sophisticated investors.

The SPP raised a total of $4.3 million, resulting in the issuance of 30,797,893 shares at an offer price of $0.14 per share, which is the same issue price as the recently completed Placement.

Funds raised under the SPP and the Placement were used to finalise construction and to undertake commissioning activities at the DTM. They were also utilised as working capital as the Company progressed the initial ramp up phase at DTM.

Canaccord Genuity (Australia) and Ord Minnett acted as Joint Lead Managers to the Placement and partial underwriters of the SPP.

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Research and development tax incentive

On 17 August, the Company submitted a Research & Development (R&D) tax incentive application for the year ended 30 June 2023 with AusIndustry. The R&D Tax Incentive provides an 18.5% refundable tax offset of eligible R&D expenditure for companies with an aggregated turnover of less than $20 million. As the Company is in a tax loss position at 30 June 2023, the refundable offset will take the form of a cash refund, which will be realised through the lodgement of the Income Tax Return. The consolidated Income Tax Return was lodged on Friday, 8 September 2023.

The Company is currently in advanced discussions with several parties to provide a bridge finance facility to meet ongoing cashflow requirements pending receipt of the R&D Refund.

Short-term loan funding

In September, the Company executed unsecured loan facilities with three of its major shareholders raising $7.0 million. The funds are bring used to fund the project during the ramp-up period. The terms of the loans are 12 months, with termination dates in early September 2024. The loans are unsecured interest only, with repayment due on the termination dates. Early repayment is permitted at any time.

Cash Position

The Company's cash position as at 30 September 2023 was $3.05 million.

Licences and Leases

The Company holds the following licences and leases as at 30 September 2023:

	Interest
Exploration Licence EL19/2001 at Grassy, King Island (63 sq km) (expires 14 December 2024)	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 of during the Quarter.

Payments to related parties of the entity and their associates

The amount included in section 6.1 of Appendix 5B includes cash payments of $0.26 million 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 redeveloping its 100%-owned Dolphin Mine 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.

Forward looking statements

Statements in this Announcement may be forward looking statements. Forward looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe' or 'continue' or the negative or other variations of comparable terminology.

Certain statements made in this announcement contain or comprise certain forward-looking statements regarding Group 6 Metal's Mineral Resources and Reserves, exploration and project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Group 6 Metals believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements and no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in commodity prices and exchange rates and business and operational risk management.

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Appendix 5B

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

Name of entity

GROUP 6 METALS LIMITED

ABN	Quarter ended ("current quarter")
40 004 681 734	30 September 2023

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	778	778
1.2	Payments for		
	(a) exploration & evaluation	0	0
	(b) development	0	0
	(c) production	-9,274	-9,274
	(d) staff costs	-2,690	-2,690
	(e) administration and corporate costs[i]	-1,221	-1,221
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	19	19
1.5	Interest and other costs of finance paid	-792	-792
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	252	252
1.8	Other (provide details if material)	0	0
1.9	**Net cash used in operating activities**	**-12,927**	**-12,927**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment including development costs	-3,580	-3,580
	(d) exploration & evaluation	0	0
	(e) investments	0	0
	(f) other non-current assets	0	0

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	**Net cash used in investing activities**	**-3,580**	**-3,580**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,312	4,312
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-126	-126
3.5	Proceeds from borrowings	8,954	8,954
3.6	Repayment of borrowings & leases	-2,616	-2,616
3.7	Prepaid transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	**Net cash from financing activities**	**10,523**	**10,523**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,032	9,032
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-12,927	-12,927
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-3,580	-3,580
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,523	10,523

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	0	0
4.6	**Cash and cash equivalents at end of period**	**3,048**	**3,048**

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	944	587
5.2	Call deposits	2,104	8,445
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,048**	**9,032**

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	264
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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.

Payments made to Directors and their associated entities – Directors' fees $; Consulting fees $.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	50,800	50,800
7.2	Credit standby arrangements	0	0
7.3	Other (Mobile fleet finance facility)	10,220	8,269
7.4	**Total financing facilities**	61,020	59,069
7.5	**Unused financing facilities available at quarter end**		1,951

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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	6.50%	42 months from practical completion of the Dolphin Project	Secured
CJRE Maritime Pty Ltd	Debt	$3,000,000	12.00%	12 months after commencement	Unsecured
Elphinstone Holdings Pty Ltd	Convertible debt	$5,000,000	6.25%	42 months from practical completion of the Dolphin Project	Secured
Elphinstone Holdings Pty Ltd 2	Debt	$1,000,000	12.00%	12 months after commencement	Unsecured
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
Abex Limited 2	Debt	$3,000,000	12.00%	12 months after commencement	Unsecured
Tasmanian Government Loan	Debt	$10,000,000	variable	7 years from drawdown	Secured
Ballarat & Clarendon College Ltd (BCC)	Debt	$800,000	Variable	10 years from drawdown	Secured
OEM Financier	Mobile mining fleet facility	$10,220,000	various	48 months from drawdown	Unsecured

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8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	-12,927
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) *Capitalised development costs	0
8.3	Total relevant outgoings (item 8.1 + item 8.2)	-12,927
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,048
8.5	Unused finance facilities available at quarter end (item 7.5)	1,951
8.6	Total available funding (item 8.4 + item 8.5)	4,999
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.39

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.

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 has commenced shipping concentrate in the quarter and is still in a ramp up phase. Therefore, receipts from customers are expected to increase in the future. Capital spend is also expected to reduce as construction activities have been substantially completed.

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?

Yes. The entity expects to receive a refundable R&D tax offset (R&D refund) before the end of the second quarter.

The Company is also in advanced discussions with several parties to provide a bridge finance facility to meet ongoing cashflow requirements pending receipt of the R&D Refund.

The entity also intends to secure additional short term debt financing to cover the ramp up phase until a regular revenue stream is in place.

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. This is due to the anticipated increasing revenue stream, R&D refund and short-term debt financing.

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.

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 2023

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.

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