

16 September 2022

Annual Report to 30th June 2022

Group 6 Metals Limited (**ASX: G6M**, “**Group 6 Metals**” or the “**Company**”) is pleased to provide the annual report for the year ended 30th June 2022.

The Company expects to hold its Annual General Meeting on or about Tuesday 8th November 2022 and, as required by the ASX Listing Rules, will lodge the notice of meeting as a market announcement when the Notice is being distributed to the Company’s shareholders.

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, the Company plans to value-add the product for supply into the upstream tungsten industry.

Group 6 Metals Limited

ABN 40 004 681 734

Annual Report

For the year ended 30 June 2022

CORPORATE DIRECTORY

ABN 40 004 681 734

DIRECTORS

| | |
|-------------------|--------------------------|
| JOHANN JACOBS | (CHAIRMAN) |
| CHRISTOPHER ELLIS | (EXECUTIVE DIRECTOR) |
| GREGORY HANCOCK | (NON-EXECUTIVE DIRECTOR) |

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

KEITH MCKNIGHT

GENERAL MANAGER - PROJECT DEVELOPMENT AND OPERATIONS

CHARLES (Chas) MURCOTT

CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY

MEGAN MCPHERSON

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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ASX

GROUP 6 METALS SHARES ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE (ASX CODE: G6M)

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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Welcome to the 2022 Annual Report for Group 6 Metals Ltd (ASX: G6M).

The past year has seen us make substantial progress towards the resumption of production at the Dolphin Tungsten Mine on King Island, Tasmania. I take this opportunity to provide an overview of our achievements during the year.

We continue to place the health and safety of our people and our duty to protect the environment as important objectives. We are therefore proud to report that our activities at Dolphin recorded no injuries to personnel and no environmental non-compliances during the year. We remain committed operating in a sustainable manner to conserve the environment, protect wildlife and create economic opportunity for local people and businesses through the development and long-term operation of the Dolphin Tungsten Mine.

Early October 2021 saw the Company make significant headway in both capital raising and project financing. We completed a \$31 million equity raising, made possible through the confident support of new and existing investors. Proceeds of the placement and associated share purchase plan funded the purchase of key mobile mining equipment, processing plant development, civil/infrastructure construction and working capital to progress the redevelopment of the Dolphin Tungsten Mine.

We also finalised a \$10.2 million mobile mining fleet financing facility with an OEM financier, and the exercise of listed options in August 2021 raised \$5.45 million - all of which provides a clear indication of the confidence in our team and our Project. In November 2021, we marked our progress into a new phase of development through the change of the Company's name from King Island Scheelite Limited to Group 6 Metals Limited. The new name honours tungsten as the company's first commodity project under development, as tungsten is a member of Group 6 of the periodic table, and the name also reflects the company's focus on critical minerals, referencing the geopolitical European Union Group of 6.

The Dolphin Tungsten Mine is host to the highest-grade tungsten deposit of significant size in the Western world. As we have made substantial progress during the year on the Company's redevelopment plans at Dolphin Tungsten Mine, we have also seen a dramatic and consistent increase in the price of ammonium paratungstate, the benchmark price for tungsten concentrate, which is now trading at 8-year highs. These market conditions underpin the viability of our development plans, which would remain feasible with tungsten prices far below their current levels.

We achieved several key milestones during FY22. After executing construction contracts for the design, procurement, construction and commissioning of the processing plant, construction commenced at the Dolphin Tungsten Mine in January 2022. We have made steady progress against our schedule, which will see first concentrate production in early calendar year 2023.

Alongside our construction activities in FY23, we also plan regional exploration of the Company's extensive Exploration Licences, following our award of an exploration grant of \$75k by the Tasmanian State Government through the Exploration Drilling Grant Initiative.

During the year we were also successful in securing the direct and indirect support of the Tasmanian Government through a \$2 million grant provided for upgrading the power supply to the Dolphin Tungsten Mine. We benefited more broadly from Government's desire to secure supply chains of critical minerals, establishing a collaboration agreement with the University of Tasmania to advance research and development into the environmentally sustainable production of critical minerals, including tungsten.

This backing from private investors alongside government represents a vote of confidence in our project and its strong fundamentals. We are confident that the redevelopment of the Dolphin Tungsten Mine will give us the capacity to deliver on our promise to the King Island community.

I would like to thank all our investors, both long-standing and new, as well as the Tasmanian Government for their ongoing support as we continue to develop and grow our Company. I would also like to extend my appreciation to our management, employees and contractors for their hard work and dedication throughout FY22. We would not have had such a successful year without you.

Thanks also to my fellow directors for their significant contribution, and we welcome our newly appointed Managing Director Keith McKnight to the Board.

We are confident of an exciting year ahead for Group 6 Metals and look forward to keeping you updated on our progress.

Kind Regards

A handwritten signature in black ink, appearing to be 'Johann Jacobs', written over a light blue horizontal line.

Johann Jacobs

Chairman

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

It gives us great pleasure to present to you the inaugural ESG and sustainability activities update for Group 6 Metals – formalising our commitment and first steps on our pathway to become an environmentally and socially responsible mining company.

The timing of this report comes as we transition from an explorer to, in the new financial year, a producer of high-grade tungsten concentrate from the Dolphin Tungsten Mine on Tasmania's King Island.

We are at the starting point of our ESG reporting journey and have now formalised our ESG Committee Charter. This committee will be responsible for identified and embedded material and non-material ESG risks and opportunities into our business strategy and operations.

Together with the adoption of globally recognised ESG reporting framework such as the United Nations Sustainable Development Goals (SDGs), and embedding these into the Group 6 Metals' ESG strategy, we will embark on a continuous ESG reporting pathway commencing in the next financial year.

All activity and focus builds upon the legacy of work health safety, conservation, environmental management, community engagement and economic developments that have brought us to this pivotal point in Group 6 Metals corporate history and the King Island community. Group 6 Metals has intrinsically adopted the system solutions themes of the Circular Economy – focusing on resource cycles – transforming every element of our take-make-waste system: how resources are managed, how minerals are extracted, and what is done with the materials afterwards. This has played out to how we foresee the site will evolve as production ramps up.

As we develop the Dolphin Tungsten Mine through to the production phase, we will align to other climate and nature related standards to present a robust and transparent ESG reporting system. This will allow time to build qualifying and science-based data to have ESG reporting assured.

For the new, 2022/23 financial year, we will look to commence a materiality assessment as we share our responsibilities and report on the developments Group 6 Metals undertake. In this, the financial year ending 2022, we established important foundational governance steps for ESG and impact reporting. This responsibility demonstrates to all our stakeholders how mainstreaming these Goals into business practices will create value and improve the prosperity of the planet and people.

Focusing on this triple bottom line requires long-term thinking, beyond the '2030 Agenda' target date to ensure thriving economies, a good quality of life for all and healthy environments for future generations is achieved.

At Group 6 Metals we are committed to creating shared value and building a strong and community focused culture. We will seek to minimise our environmental footprint over time, place the safety and health of our employees and host community central to our activities and ensure we adhere to principles of governance and stewardship.

2. Features of this report

As the Dolphin Tungsten Mine progresses, we commit to expanding disclosures of both ESG challenges and successes. We look forward to you following these developments over the coming years.

It is our intention to align future reports to international reporting standards to ensure comparability to our peers as we believe in the importance of demonstrating value through transparency of reporting metrics.

To ensure the successful redevelopment of the Dolphin Tungsten Mine, Group 6 Metals engaged over a time, a series of government, community and environmental practices and engagement activities – here is a snapshot of our success for the financial year ending 30 June 2022.

3. Commitment

Our commitment to ESG and Sustainability

Group 6 Metals is committed to conducting business operations sustainably and responsibly, in a manner which considers the environment and manages social impact to accomplish shared value. We also believe that this creates economic value which in turn creates positive impact for society and the environment. This prosperity builds resilience.

On the 23rd February 2022, Group 6 Metals announced a commitment to ESG and redeveloping the Dolphin Tungsten Mine in an environmentally sustainable manner.

To formalise this commitment, the Environmental Social Governance Committee Charter was established, taking shape with clarity over roles and responsibilities at leadership and management level. We have also formalised our Environmental, Social, Governance policy and identified how we will operationalise ESG reporting processes. This process is ready to commence in the new financial year.

The first stage of formalising ESG reporting

The 2022 financial year saw a great deal of work completed in the form of environmental impact studies, community and government consultation, a continuation of partnership development.

The Company established strong environmental practices, community engagement programs and supported the King Island economy by offering businesses commercial contracts and supported the local community with training and employment opportunities.

As previously stated, our aim is to operate the Dolphin Tungsten Mine in a manner which is sustainable so that value is created for our stakeholders without compromising the prosperity of King Islands community and pristine environment.

As we move into the new financial year and Group 6 Metals matures into a producer, so too will our ESG reporting program. In this financial year ending 30 June 2022, we are proud of the ESG reporting foundations that have been set so that we look to clearly defining our priorities and reporting our progress in the new financial year.

Environment & Climate

A Net Zero Future – Group 6 Metals accepts that mining operations are energy-intensive, contributing to the generation of significant greenhouse gas (GHG) emissions including carbon dioxide from fuel used during mining.

Whilst at the critical design and feasibility phase, our strategy is to mitigate the release of GHGs and move to, where possible, renewable energy and recycle materials to reduce our GHG footprint.

Going Green and using renewable energy is a key focus of our mine development program. As our operations begin to mature in the new year, so too will our ability to identify and confirm when we will be a net zero operator.

Implementing the United Nations Sustainable Development Goals for ESG Reporting

The mining sector can demonstrate through affirmative action, the risks to assets and environmental challenges posed by climate change can be addressed. By adopting the United Nations Sustainable Development Goals (SDGs), Group 6 Metals acknowledges the unprecedented action that must take place to address the issues that face our planet, society, and prosperity. In 2015, 193 member nations adopted the SDGs to form the '2030 Agenda'.

Of the seventeen SDGs, ten align with our focus – to develop and operate from the Dolphin Tungsten Mine in a sustainable and ethical manner – whilst simultaneously addressing the social and economic needs of the community, managing climate change and to conserve the protect the environment.

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group'), consisting of Group 6 Metals Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Johann Jacobs (Chairman)

B.Acc, MBL

Appointed 30 November 2012

Johann has over 40 years' experience in the resources industry in Australia, South Africa and Indonesia. He was until July 2020 a Non-executive Director of ASX listed Magnis Energy Technologies Ltd and is a Director of a number of private resource focused companies.

Christopher Ellis (Executive Director)

B.Sc Hons

Appointed 8 November 2012

Chris has over 40 years' experience in the exploration and mining industry in Australia and overseas. He was a founding member and Executive Director of coal mining company Excel Coal Limited, which became Australia's largest independent coal mining company before being acquired by Peabody Energy Inc. in October 2006. Chris commenced his career in the UK coal industry, followed by positions within Shell's exploration group in Southern Africa and CRAE in Western Australia. He has also held senior positions for BP Coal (London and USA), Agipcoal Australia and for the Stratford Joint Venture. Chris has core skills in geology, mining engineering and minerals processing, mainly in the coal industry with some experience in tungsten, gold, base metals and diamonds. He has had overall responsibility for the design and engineering of four new mines during his career with Excel. Chris is a Non-Executive Director of Ausquest Limited (ASX: AOD).

Gregory Hancock (Independent Non-Executive Director)

BA Econs, B.Ed Hons, F.Fin

Appointed 26 February 2019

Greg has over 25 years' experience in capital markets, practicing in the area of Corporate Finance. He has extensive experience in both Australia and the UK through his close links to the stockbroking and investment banking communities. His career specialised in mining and natural resources with a background in the finance and management of listed companies. He is chairman of Ausquest Limited (ASX:AQD), BMG Resources Limited (ASX:BMG), Cobra Resources Plc (LON:COBR), Triangle Energy (Global) Limited (ASX: TEG) and Non-Executive Director of Golden State Mining Limited (ASX:GSM). He resigned as Non-Executive Director of Strata-X Energy Limited (ASX:SXA) on 17 March 2021. He was also Non-executive Director of Zeta Petroleum Plc (ASX:ZTA) which delisted on 3 February 2020. Greg continues his close association with the capital markets in Australia and the UK through his private company, Hancock Corporate Investments Pty Ltd.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Keith McKnight

BEng (Mech) (hons)

Appointed 24 January 2022 as CEO and appointed to the Board on 31 August 2022

Keith has over 22 years of mining and resources project delivery and company management experience in Australia and overseas in the areas of mechanical design, contract management, construction management, commissioning and operations management. He was previously Managing Director and co-founder of Kirrama Resources Limited, a commodities development company with chromite and manganese projects in Madagascar. Mr McKnight has extensive

DIRECTORS' REPORT CONTINUED

experience spanning a range of commodities and has a Bachelor's Degree in Mechanical Engineering (Honours) from the University of Limerick.

CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY

Megan McPherson

B Com, CA

Appointed 1 February 2022

Megan is a Chartered Accountant and Company Secretary who has over 20 years of commercial and public practice experience. She was part of the senior executive team which successfully listed Cuesta Coal Limited on the ASX in 2012 and has been a senior executive for companies with projects in Australia, Mongolia, Tanzania and Madagascar.

COMPANY SECRETARY

Ian Morgan

B Bus, M Com Law, Grad Dip App Fin, CA, AGIA, MAICD, F Fin

Appointed 3 August 2005, Resigned 1 March 2022

Ian is a member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia, with over 35 years' experience. Ian provided secretarial and advisory services to a range of companies, including holding the position of Company Secretary for other listed public companies.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the commencement of construction for the redevelopment of the Dolphin Tungsten Mine on King Island, Tasmania.

During the financial year there was a significant change in the nature of the activities of the Group as the commencement of construction signified the transition from exploration to project development.

DIVIDENDS

There were no dividends paid or declared by the Company to members during or since the end of the financial year (2021 \$Nil).

REVIEW OF OPERATIONS

Substantial progress was made during the year on the Company's redevelopment plan at its 100% owned Dolphin Tungsten Mine.

Key milestones achieved included:

Dolphin Tungsten Mine

- Confirmation of the redevelopment of the Dolphin Tungsten Mine 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 the Dolphin Tungsten Mine
- 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
- No injuries reported
- No environmental non compliances reported

Corporate

- Announcement of the Group's Environmental, Social and Governance (ESG) commitment to redeveloping the Dolphin Tungsten Mine in a responsible and sustainable manner.

DIRECTORS' REPORT CONTINUED

- Appointment of Keith McKnight as CEO, then as Managing Director and Megan McPherson as CFO/ Company Secretary
- \$4.53 million cash on hand as at 30 June 2022 (30 June 2021: \$3.19m)
- \$33.0 million in undrawn loan facilities as at 30 June 2022 (30 June 2021: nil).

CORPORATE

Financial

The Group incurred an operating loss after tax for the year to 30 June 2022 of \$13,648,059 (2021: \$4,875,338).

Capital and Debt Raising

Share Placements

During the year ended 30 June 2022, capital was raised by way of a two-tranche share placement to a range of institutional and sophisticated investors, and an underwritten Share Purchase Plan (SPP).

The Company raised \$31,000,000 cash (before issue costs) upon the issue of 221,428,579 ordinary fully paid shares for \$0.14 each, as follows:

1. Between 7 October and 4 November 2021, the Company issued 102,238,222 new shares at \$0.14 each (Tranche 1);
2. On 25 November 2021, the Company issued 79,621,429 new shares at \$0.14 each (Tranche 2);
3. The underwritten share purchase plan raised \$5,539,650 cash (before issue costs) with the Company issuing 39,568,928 ordinary fully paid shares for \$0.14 each to existing eligible shareholders after shareholder approval was obtained at the Company's Annual General Meeting held on 8 November 2021. The SPP was underwritten by existing shareholders Chris Ellis and Elphinstone Group.

Exercise of Quoted Options

During the year ended 30 June 2022, capital was raised by way of the exercise of 29,946,157 quoted options raising \$2,994,616.

Exercise of Unquoted Options

During the year ended 30 June 2022, capital was raised by way of the exercise of 3,000,000 unquoted options raising \$240,000.

Debt Funding

On 6 September 2021, the Group announced that it had secured an additional \$33 million in debt finance via a group of lenders for the redevelopment of its Dolphin Tungsten Mine. The key terms of the facilities are summarised as below;

| | Pure Asset Management Pty Ltd ATF Pure Resources Fund (PURE) | CJRE Maritime Pty Ltd | Abex Limited | Elphinstone Holdings Pty Ltd | D.A.C.H.S Capital AG |
|-------------------|--|---|--|--|---|
| Commitment | Interest only, cash advance facility of \$10,000,000. | Debt facility of \$4,000,000 and convertible debt facility of \$4,500,000 plus capitalised interest | Convertible debt facility of \$6,500,000 plus capitalised interest | Convertible debt facility of \$5,000,000 plus capitalised interest | Convertible debt facility of \$3,000,000 plus capitalised interest. |

DIRECTORS' REPORT CONTINUED

| | | | | | |
|---------------------------------|---|---|--|--|--|
| Term | Three years. | 42 months from project commissioning | 42 months from project commissioning | 42 months from project commissioning | 42 months from project commissioning |
| Termination Date | 10 November 2024 | 42 months from project commissioning | 42 months from project commissioning | 42 months from project commissioning | 42 months from project commissioning |
| Repayment | On Termination Date. Early repayment of the facility is permitted at any time. | Semi annual repayments of \$666,666 commencing 12 months after project commissioning (debt only) Semi annual repayments of \$750,000 commencing 12 months after project commissioning (convertible debt) | Semi annual repayments of \$1,083,333 commencing 12 months after project commissioning | Semi annual repayments of \$833,333 commencing 12 months after project commissioning | Semi annual repayments of \$500,000 commencing 12 months after project commissioning |
| Applicable Interest rate | 8.25% per annum | 8.25% per annum (debt only) 6.5% per annum (convertible debt) | 6.5% per annum | 6.5% per annum | 6.5% per annum |
| Default Interest Rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate |
| Security | Fixed and floating charge over all of the assets of the Group 6 Metals Limited and its wholly owned subsidiaries Australian Tungsten Pty Ltd and Scheelite Management Pty Ltd. | | | | |
| Purpose | The development of Dolphin Tungsten Mine, Grassy, King Island including fees and expenses in connection with the Pure loan facility, working capital in connection with the mine and capitalisation of interest and fees. | | | | |

As at 30 June 2022, the Pure loan is fully drawn. All other facilities are available but not drawn. Further details regarding these loan funds are set out in Notes A13 and A14.

Ballarat Clarendon College Campus Acquisition

On 3 February 2022, the Group purchased the Ballarat Clarendon College (BCC) Grassy Campus for \$1,000,000 plus GST. The purchase was partly funded by an \$800,000 loan provided by the vendor, with an interest rate of 5% per annum and repayable on 31 December 2024. The purchase of the Campus provides the Group with property suitable for the construction of accommodation facilities for its construction and operational workforce.

DIRECTORS' REPORT CONTINUED

Key terms of the BCC loan agreement are:

| Terms | Ballarat & Clarendon College Ltd (BCC) |
|------------------|---|
| Borrower | Australian Tungsten Pty Ltd, a wholly owned subsidiary of Group 6 Metals Limited. |
| Facility | Interest only, cash advance facility of \$800,000. |
| Termination Date | 31 December 2024. |
| Repayment | On Termination Date. Early repayment of the facility is permitted at any time. |
| Interest rate | 5.00% per annum. Interest is payable monthly |
| Security | First ranking charge over property. |
| Purpose | The purchase of the Campus provides the Group with property suitable for the construction of accommodation facilities for its construction and operational workforce. |

Tasmanian Government Loan Facility

On 2 February 2021, the Company announced that it has secured an offer from the Tasmanian Government for a \$10 million finance facility to support the development and construction of the Dolphin Tungsten Mine. The key terms of the facility are:

- Loan term 7 years
- Interest only on a monthly basis, then fixed principal plus interest payable monthly, commencing on the first day of the month following the second anniversary of the initial drawdown
- No penalties for early repayment
- Security and other terms, including conditions precedent are in line with facilities of this nature
- All other capital raising necessary to deliver the project being successful
- Formal loan and security documentation to be agreed and executed

TUNGSTEN MARKET

APT (Ammonium Paratungstate) prices are regularly quoted in industry journals and is the product pricing used as a benchmark for the sale of WO₃ concentrate. Concentrate acquired by the APT processors is conventionally a 65% WO₃ concentrate, therefore the net price back to producers is somewhat lower, generally around 80% of the reported APT price, for the same quantity of contained WO₃.

Over the last decade, the APT price has achieved a high of US\$469 (A\$473) per mtu in mid-2011 and again in mid-2013 and a low of US\$165 (A\$212) per mtu at the end of calendar 2015.

The 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.

DIRECTORS' REPORT CONTINUED

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. It is anticipated that this oversupply will correct itself in the near-term.

There is also strong demand for concentrate material in Europe and USA, 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 with regard to the use of tungsten in the next generation of batteries, which will result in a significant increase in the demand for tungsten related products internationally. Some of these developments are posted regularly on the company's Twitter and LinkedIn updates.

OUTLOOK

The key objective remains to bring the high-grade Dolphin Tungsten Mine on King Island into production during early 2023. The next steps are:

1. Continue with construction and redevelopment of the Dolphin Tungsten Mine in line with the indicative timetable announced to the ASX on 19 January 2022.
2. Finalise legal documentation on the Tasmanian Government Loan Facility.

GOING CONCERN

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

During the year, the Company incurred an operating loss of \$13,648,059. The operating loss for the year includes the non-cash expense from the granting of warrants (\$4,946,036) to Pure Asset Management Pty Ltd and change in fair value at 30 June 2022 derivative liabilities (\$2,282,632). Refer notes A23 & A13.

Also included in the operating loss for the year is the fair value at 30 June 2022 of 3,000,000 unquoted options (\$410,460) issued to an employee and 12,000,000 performance options (\$1,840,870) granted but not vested to Directors as non-cash consideration for market-based remuneration.

Expenditure of \$1,284,268 was directly related to exploration and evaluation expenditure pertaining to the Dolphin Tungsten Mine prior to the decision to commence construction. This expenditure has been expensed in line with the Company's policy of capitalising expenditure after the Board has committed to a project.

During the year the Company raised \$31,000,000 in a two-tranche share placement to a range of institutional and sophisticated investors and \$3,234,616 upon the exercise of quoted and unquoted options.

At 30 June 2022 the Company had a cash balance of \$4,529,465. During the year the Company had negative operating cash flows of \$4,122,215 and a net current asset deficiency of \$953,508.

At 30 June 2022 the Company had undrawn loan facilities of \$31,000,000 million.

Subsequent to year end, the Company has issued draw down notices under the shareholder facility agreements in the amount of \$23.0 million of which \$15.3 million (before establishment costs of \$230,000) has been received. The remaining drawdown under the facility agreements of \$7.7m is expected to be received on or before 10 October 2022.

Based on the above and taking into account budgeted expenditure commitments, the Board has prepared these Financial Statements on a going concern basis.

DIRECTORS' REPORT CONTINUED

Judgement about the future is based on information available at the date of this report. Subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.

BUSINESS RISKS

The Group's successful development of the Dolphin Tungsten Mine on King Island is subject to various business risks, including:

1. Approval for an extension to the Group's existing tenements
Tenement exploration and mining licences held by the Group require periodic renewal or extension. All existing licences are current, with the latest renewals and extensions approved. There is no guarantee that the Group's licences would continue to be granted on terms that are acceptable, or at all, for future applications.¹
2. Commodity prices and exchange rate risk
Once in production, future revenue will be derived through the sale of minerals which exposes the Group to commodity price risk. Commodity prices are dependent upon several factors which are outside of the Group's control. Commodity prices are usually denominated in US dollars whereas expenditure of the Group is denominated in Australian dollars, which exposes the Group to fluctuations and volatility of the rate of exchange between the US dollar and the Australian dollar.
Fluctuations in commodity prices and the Australian dollar exchange rate could have a material effect on the financial and operating performance of the Group.
3. Land access and title risk
The Group has obligations in relation to expenditure levels, environmental matters for its tenements as well as responsibilities to various government entities and any landowners affected by its activities. A contravention of these obligations could affect the right to hold mining tenements in each area. The Group's mining tenements may be affected by land access issues for any land the Group does not own.
4. Environmental risk
As part of the mining industry, the Group is subject to State and Federal legislation regarding environmental obligations and liabilities. The legislative and regulatory requirements impose significant environmental obligations on the Group in relation to its operations. Compliance with these obligations and any future obligations (such as any carbon tax or carbon pollution reduction scheme imposed by the government) could have a material adverse effect on the financial and operating performance of the Group.
5. Retention of key employees
The Group is highly dependent upon qualified, scientific, technical, and managerial personnel. There is significant competition for qualified personnel in the Group's business. The Group may not be able to attract and retain the qualified personnel necessary for the development of its business. The failure to recruit additional key scientific, technical, managerial, and other personnel in a timely manner could harm the Group's business.
6. Risks associated with Operations
The following risks are perceived to be associated with the redevelopment of the project and mitigating factors:
 - APT price risk – There is a risk of negative movement in the APT price. To mitigate this risk the Company has included some price protection mechanisms in its sales contracts.
 - Geological risk – There is a risk that the modelled ore tonnes and grade will not be realised during mining. Mitigating this risk, the geology and WO₃ distribution of the Dolphin Tungsten Mine deposits is well understood from close spaced drilling and historic underground mapping and sampling. 100% of WO₃ at the Dolphin Tungsten Mine is in the Probable Reserve category. Scheelite ores fluoresce under UV light assisting in pit and stockpile grade control. Predicted WO₃ grades are consistent with historic production.
 - Geotechnical risk – There is a risk that the membrane wall and open cut design will require additional engineering and ground support beyond the expected outcomes. Mitigating these risks, the pit has been modified to a more conservative design with no material change to the reserve.
 - Pit Wall Stability risk- There exists a risk that the final pit wall stability may be compromised by historic stope voids. Optimising the best combination of open-cut-underground mine design will mitigate this risk with further iterations of the combined mine design. Some additional stabilisation group support may be required.

¹ Exploration Licence EL19/2001 at Grassy, King Island (63 sq kms) expires 23 December 2022. Mining Lease CML 2080P/M at Grassy, King Island (566 hectares), which is the combined lease of 1M/2006 and 2060P/M expires 5 June 2029.

DIRECTORS' REPORT CONTINUED

- UG Geotechnical risk- The ground condition assessment of the UG mine is based upon perceived conditions at the time of the mine closure in 1991 with minor geotechnical drill validation post 2006. It is anticipated that ground conditions may have deteriorated significantly in old stoping areas, most particularly in the Mid-Wedge which was open on numerous horizons. This risk has been mitigated by excluding some resources from the reserve estimate in this area. Significant risk minimisation is the proposed use of cemented paste fill which allows increased recovery and stability on completion.
- UG development/ rehabilitation risk- There exists a risk that significant deterioration of mine workings has taken place both in normally supported development and most particularly where steel arch set development was utilised. Measures taken to mitigate this risk include mine design, which has included new decline and access development where possible, high pre-rata allowance for support materials, 25% allowance for 40mm fibrecrete in development and avoiding rehabilitation of historic steel arch supported development.
- Water ingress- There is some risk of water ingress from the proposed OC (open-cut) through the exposure of numerous stopes and level development. To mitigate this risk, the Company proposes to use a mixture of fibrecrete with an impervious lining to seal in pit stormwater sumps prior to pumping. Future OC/ UG (open-cut/ underground) optimisation will take wall stability and sump positioning into consideration in mine planning.
- UG Dewatering risk- The risk associated with dewatering includes risk associated with perched/entrapped water in declines, old stopes and behind ground failures as well as the risk of mud rush from hydraulic sandfill if not properly dewatered. To mitigate this risk, extensive probe and water cover drilling to drain perched water in known development water traps and to monitor old post pillar stope drainage is required. Formerly stope fill barricades were wither simple timber barricades or breeze block walls unlikely to sustain significant head of water. Monitoring water in old stopes is critical to reducing the risk of any water /fill inrush.
- UG loss of access- The development of a new escape way system or the refurbishment of the old system is essential for secondary egress in the vent of temporary loss of access due to ground failure.
- UG Ventilation- A new 135 m raise from the old – 150m level to surface is planned. Assessment of ground conditions and detailed engineering has not yet been completed resulting in possible development and cost risk. Mitigating this risk are alternative low-cost ventilation systems utilising historic workings which also require planning and cost estimation.
- Metallurgical risk – There is a risk that modelled WO_3 recovery will be lower than anticipated. Extensive metallurgical test work and modelling together with historical performance has informed the assumptions used to generate costs and estimate throughput rates. Processing performance and WO_3 recoveries are well understood with the most recent test work results comparative to historical results.
- Operating Cost risk – There is a risk that operating costs will be higher than anticipated, reducing free cash flow for debt servicing. Budget estimates are developed from reputable contractor tender rates, supplier and minor contractor quotes and cross referenced with similar projects by experienced independent consultants.

EVENTS SUBSEQUENT TO THE REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this Financial Report any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, except for the following;

1. The Company has issued draw down notices under the shareholder facility agreements in the amount of \$23.0 million of which \$15.3 million (before establishment costs of \$230,000) has been received. The remaining drawdown under the facility agreements of \$7.7m is expected to be received on or before 10 October 2022. Refer to note A13;
2. On 3 August 2022, the Company announced that it had secured two exploration grants totalling \$75,000 through the Exploration Drilling Grant Incentive ("EDGI") introduced by the Tasmanian Government to stimulate exploration drilling across Exploration Licenses located in Tasmania. The EDGI grant provides funding for 50% of direct drilling costs.
3. On 31 August 2022, Keith McKnight was appointed as Managing Director and Chief Executive Officer of Group 6 Metals Limited.

DIRECTORS' REPORT CONTINUED

ENVIRONMENTAL REGULATION

On 23 June 2021, the Company announced the approval by the Environmental Protection Authority ("EPA") of the Company's first Mine Closure, Decommissioning and Rehabilitation Management Plan ("MCDRMP"). The approval of the MCDRMP was one of the conditions of the EPA Environmental Protection Notice EPN 7442/2, issued on 9th October 2017 for the development of the Dolphin Tungsten Mine. The MCDRMP requires annual updating and approval by the EPA and sets the standards to be met during the mine's operations and ultimate closure.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements.

Based on results of enquiries made, the Directors are not aware of any significant breaches during the period covered by this report.

DIRECTORS' MEETINGS

The numbers of Directors' meetings (including meetings of committees of Directors) where Directors were eligible to attend and attended in person or by alternate during the financial year by each of the Directors of the Company were:

| | <i>Board Meetings</i> | | <i>Audit Committee Meetings</i> | |
|-------------------|-----------------------|----------|---------------------------------|----------|
| | Eligible | Attended | Eligible | Attended |
| Johann Jacobs | 8 | 8 | 2 | 2 |
| Christopher Ellis | 8 | 8 | 2 | 2 |
| Gregory Hancock | 8 | 8 | 2 | 2 |

DIRECTORS' INTERESTS

The relevant beneficial interest of each Director in the securities issued by the companies within the Group and other related bodies corporate, and notified by the Directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001* (Cth) at 30 June 2022 are:

Ordinary Fully Paid Shares

| Director | Number of ordinary fully paid shares at 30 June | |
|-------------------|---|------------|
| | 2022 | 2021 |
| Johann Jacobs | 6,822,855 | 5,214,764 |
| Christopher Ellis | 86,878,423 | 63,358,734 |
| Gregory Hancock | - | - |

Quoted Options

Quoted Options are listed on the Australian Securities Exchange (ASX) under the code KISO.

Terms: Grant Date 1 August 2018. Exercise Price \$0.10 per option. Expiry Date 1 August 2021.

| Director | Number of options granted and vested 30 June | |
|-------------------|--|-----------|
| | 2022 | 2021 |
| Johann Jacobs | - | 700,948 |
| Christopher Ellis | - | 5,518,449 |
| Gregory Hancock | - | - |

DIRECTORS' REPORT CONTINUED

Unquoted Options

Unquoted options are not listed on the Australian Securities Exchange (ASX).

| Director | Grant Date | Fair value per option | Exercise price per option | Expiry date | Number of options granted and vested at 30 June | |
|-------------------|-------------|-----------------------|---------------------------|-------------|---|-----------|
| | | \$ | \$ | | 2022 | 2021 |
| Johann Jacobs | | | | | | |
| | 21 Dec 2017 | \$0.0276 | \$0.08 | 31 Dec 2022 | 375,000 | 375,000 |
| | 21 Dec 2017 | \$0.0266 | \$0.10 | 31 Dec 2022 | 1,000,000 | 1,000,000 |
| | | | | | 1,375,000 | 1,375,000 |
| Christopher Ellis | | | | | | |
| | 21 Dec 2017 | \$0.0294 | \$0.06 | 31 Dec 2022 | 1,000,000 | 1,000,000 |
| | 21 Dec 2017 | \$0.0276 | \$0.08 | 31 Dec 2022 | 1,000,000 | 1,000,000 |
| | 21 Dec 2017 | \$0.0266 | \$0.10 | 31 Dec 2022 | 1,000,000 | 1,000,000 |
| | | | | | 3,000,000 | 3,000,000 |
| Gregory Hancock | | | | | | |
| | 15 Oct 2019 | \$0.03798 | \$0.11 | 15 Oct 2024 | 1,000,000 | 1,000,000 |
| | 15 Oct 2019 | \$0.03587 | \$0.13 | 15 Oct 2024 | 1,000,000 | 1,000,000 |
| | 15 Oct 2019 | \$0.03404 | \$0.15 | 15 Oct 2024 | 1,000,000 | 1,000,000 |
| | | | | | 3,000,000 | 3,000,000 |
| | | | | | 7,375,000 | 7,375,000 |

Each Option provides the right for the option holder to be issued one fully paid Share upon payment of the Exercise Price of each option.

Performance Options

| Director | Number of performance options granted during 2020-21 | Grant Date | Vesting condition | Fair value at grant date | Expiry date |
|-------------------|--|-------------|-----------------------------|--------------------------|--------------|
| Johann Jacobs | 3,000,000 | 05 Feb 2021 | Development decision | \$0.23 | 30 Sept 2026 |
| | 4,000,000 | 05 Feb 2021 | First shipment of scheelite | \$0.23 | 30 Sept 2028 |
| | 7,000,000 | | | | |
| Christopher Ellis | 3,000,000 | 05 Feb 2021 | Development decision | \$0.23 | 30 Sept 2026 |
| | 4,000,000 | 05 Feb 2021 | First shipment of scheelite | \$0.23 | 30 Sept 2028 |
| | 7,000,000 | | | | |
| Gregory Hancock | 3,000,000 | 05 Feb 2021 | Development decision | \$0.23 | 30 Sept 2026 |
| | 4,000,000 | 05 Feb 2021 | First shipment of scheelite | \$0.23 | 30 Sept 2028 |
| | 7,000,000 | | | | |

DIRECTORS' REPORT CONTINUED

21,000,000

Each Performance Option provides the right for the performance option holder to be issued one fully paid Share upon satisfaction of the vesting condition of each performance option. The vesting conditions are outlined on page 27.

Unquoted Warrants

Unquoted warrants are not listed on the Australian Securities Exchange (ASX).

| Director | Grant Date | Fair value per warrant | Exercise price per option | Expiry date* | Number of warrants granted and vested at 30 June | |
|-------------------|-------------|---------------------------|---------------------------------|--------------|---|------|
| | | | | | 2022 | 2021 |
| Christopher Ellis | 18 Nov 2021 | \$0.10 | \$0.196 | 31 Mar 2024 | 4,017,857 | - |
| | 18 Nov 2021 | \$0.11 | \$0.196 | 30 Sep 2024 | 4,017,857 | - |
| | 18 Nov 2021 | \$0.12 | \$0.196 | 31 Mar 2025 | 4,017,857 | - |
| | 18 Nov 2021 | \$0.13 | \$0.196 | 30 Sep 2025 | 4,017,857 | - |
| | 18 Nov 2021 | \$0.14 | \$0.196 | 31 Mar 2026 | 4,017,857 | - |
| | 18 Nov 2021 | \$0.14 | \$0.196 | 30 Sep 2026 | 4,017,858 | - |
| | | | | | 24,107,143 | - |

Each Warrant provides the right for the warrant holder to be issued one fully paid Share upon payment of the Exercise Price of each warrant.

* Expiry dates subject to project commissioning date.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Group. Remuneration is referred to as compensation throughout this report.

Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation levels for key management personnel of the Group will be competitively set to attract and retain appropriately qualified and experienced Directors, executives and future executives. There were no remuneration consultants used to set the remuneration of key management personnel.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the Group's performance; and
- the Group's performance including:
 - the Group's earnings;
 - the growth in share price and delivering constant returns on shareholder wealth; and
 - the amount of incentives within each key management person's compensation.

Compensation packages will include a mix of fixed and variable compensation, and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel and, where applicable, contributes to the individual's elected post-employment superannuation plan on their behalf.

Contract Terms and Conditions

The determination of Directors' remuneration is made by the Board having regard to the current position of the Company, in that it is as yet not in production and continues to preserve cash as much as possible.

The Board may award additional remuneration to Directors called upon to perform extra services or make special exertions on behalf of the Company.

The Board reviews remuneration, so as to reflect current industry norms, and determines remuneration policies and practices generally, reviews and makes specific decisions on the remuneration packages and other terms of employment of its Directors and senior executives.

No unquoted options were granted during the year (2021: nil) for related party remuneration. For more details, refer to A6 in the financial statements.

No performance options were granted during the year (2021: 21,000,000) for related party remuneration. For more details, refer to A8 in the attached financial statements.

No bonuses were paid in respect of the current or previous financial years.

No Director remuneration package includes terms for redundancy, retirement or termination benefits. No such amounts were accrued or paid to any Director during the current financial year.

Terms of Employment

Each Key Management Personnel's terms of employment are set out as follows.

Johann Jacobs (Chairman)

During the financial year ended 30 June 2022, an entity controlled by Mr Jacobs was paid at the rate of \$30,846 p.a plus 10% statutory superannuation. (2021: \$30,987 p.a. plus 9.5% statutory superannuation) for Mr Jacobs to be an Executive Director and Chairman. \$8,483 of the Chairman's fees was accrued at 30 June 2022. Consultancy fees

DIRECTORS' REPORT CONTINUED

incurred totalled \$274,069 during the financial year ended 30 June 2022 (2021: \$233,269), of which \$48,317 was accrued at 30 June 2022. No annual or long service leave accrues to Mr Jacobs or his related entity.

Christopher Ellis (Executive Director)

During the financial year ended 30 June 2022, Mr Ellis was paid at the rate of \$26,400 p.a. plus 10% statutory superannuation (2021: \$26,400 p.a. plus 9.5% statutory superannuation) to be an Executive Director. No annual or long service leave accrues to Mr Ellis or his controlled entity.

Gregory Hancock (Non-Executive Director)

During the financial year ended 30 June 2022, an entity controlled by Mr Hancock was paid at the rate of \$26,400 p.a. plus 10% statutory superannuation for Mr Hancock to be a Non-Executive Director (2021: \$26,400 plus 9.5% statutory superannuation). Consultancy services totalled \$28,800 in the financial year ended 30 June 2022 (2021: \$13,600). No annual or long service leave accrues to Mr Hancock or his controlled entity.

Keith McKnight (Managing Director and Chief Executive Officer)

During the financial year ended 30 June 2022, an entity controlled by Mr McKnight was paid a consultancy fee at the rate of \$30,000 per month for Mr McKnight to be the Chief Executive Officer (2021: nil). Consultancy services totalled \$158,735 in the financial year ended 30 June 2022 (2021: nil). \$30,150 of the Chief Executive Officer's fees was unpaid at 30 June 2021. No annual or long service leave accrues to Mr McKnight or his controlled entity.

Megan McPherson (Chief Financial Officer/ Company Secretary)

During the financial year ended 30 June 2022, Ms McPherson was paid at the rate of \$280,000 p.a. including 10% statutory superannuation (2021: nil) to be the Chief Financial Officer/ Company Secretary. Annual leave and long service leave entitlements accrue to Ms McPherson.

Consulting Services

The entities controlled by each Director are appointed to provide consulting work to the Company on the following terms and conditions.

Performance Any consulting services are to be performed in a competent and professional manner with the standard of diligence and care normally employed by a properly qualified person in the performance of comparable duties and in accordance with generally accepted practices appropriate to the activities undertaken.

Exclusivity Nothing prevents the entity each Director controls from providing or agreeing to provide to any other person, firm or company services the same as or similar to the consulting services, provided that the provision of such services does not in any way impair or hinder the performance of duties to the Company.

Consultancy Fee Rates Consultancy services to the Company are also agreed to be payable by the Company to a Director for services provided as required, subject to approval by an independent Director. These fees are agreed to be charged at the rate of \$1,600 per day plus GST.

Consultancy Fee Review The Consultancy Fee shall be reviewed no later than one month after the end of each financial year or after such other period (being less than one year) agreed between the parties. In determining the amount of any increase in the Consultancy Fee, the Board (or any committee appointed by the Board to undertake the review) shall take into account performance in the period under review, the level of remuneration of executives in an equivalent position and any other factors which it considers relevant.

Independent Contractor The entity each Director controls is an independent contractor and is not and shall not hold itself out as an employee or partner of the Company.

Employment Status Each Director shall at all times be an employee of the entity which the Director controls and shall not hold himself out as an employee of the Company.

Employment Costs and Entitlements The entity controlled by each Director agrees that it shall be solely responsible for the payment of salaries and wages, holiday pay, sick pay, long service leave, any worker's compensation premiums or entitlements and all other employee benefits and entitlements (including, without limitation,

DIRECTORS' REPORT CONTINUED

superannuation contributions) to or on each Director's behalf, and for the making of all tax instalment deductions in respect of his remuneration, together with the payment of any other tax or levy which may arise out of the performance of consulting services.

Unquoted Options Issued to Directors or Executives

Options were previously granted to Directors, or their nominees, in lieu of market related cash remuneration. Details relating to these options are on page 24. The options were granted at no cost to the recipient.

There are no entitlements for the Company's option holders to participate in new issues of capital, which may be offered to the Company's existing ordinary shareholders.

No unquoted options were exercised by Johann Jacobs during the period commencing 1 July 2021 to the date of this report (2021: 1,625,000).

No unquoted options were exercised by other Directors, Christopher Ellis and Greg Hancock, during the period commencing 1 July 2021 to the date of this report (2021: nil).

The Group prohibits those that are granted unvested or restricted share-based payments, as part of their remuneration, from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangement has been prohibited by law since 1 July 2011.

If at any time prior to the expiry date of any Options, a Director ceases to be a Director of the Company for any reason other than retirement, permanent disability, redundancy or death, all vested Options held by such Director or his permitted nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the date the Director ceases to be a Director. Unvested options lapse immediately.

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the named key management persons are detailed below:

DIRECTORS' REPORT CONTINUED

Unquoted Options

Year ended 30 June 2022

| Director | Grant Date | Financial Year (FY) in which the options vested | Expiry Date | Number of unquoted options | Vested during the year | | Exercised during the year | | Forfeited during the year | |
|-------------------|-------------|--|-------------|----------------------------------|------------------------|--------|---------------------------|--------|---------------------------|--------|
| | | | | | % | Number | % | Number | % | Number |
| Johann Jacobs | 21 Dec 2017 | FY 2018 | 31 Dec 2022 | 1,375,000 | - | - | - | - | - | - |
| | | | | 1,375,000 | - | - | - | - | - | - |
| Christopher Ellis | 21 Dec 2017 | FY 2018 | 31 Dec 2022 | 3,000,000 | - | - | - | - | - | - |
| Gregory Hancock | 15 Oct 2019 | FY 2020 | 15 Oct 2024 | 3,000,000 | - | - | - | - | - | - |
| | | | | 7,375,000 | - | - | - | - | - | - |

DIRECTORS' REPORT CONTINUED

Unquoted Options

Year ended 30 June 2021

| Director | Grant Date | Financial Year (FY) in which the options vested | Expiry Date | Number of unquoted options | Vested during the year | | Exercised during the year | | Forfeited during the year | |
|----------------------|-------------|--|-------------|-------------------------------|------------------------|--------|---------------------------|-------------|---------------------------|-------------|
| | | | | | % | Number | % | Number | % | Number |
| Johann Jacobs | 6 Dec 2013 | FY 2014 | 31 Dec 2020 | 2,000,000 | - | - | - | - | 100.0 | (2,000,000) |
| | 21 Dec 2017 | FY 2018 | 31 Dec 2022 | 3,000,000 | - | - | 54.2 | (1,625,000) | - | - |
| | | | | 5,000,000 | - | - | 32.5 | (1,625,000) | 23.08 | (2,000,000) |
| Christopher Ellis | 21 Dec 2017 | FY 2018 | 31 Dec 2022 | 3,000,000 | - | - | - | - | - | - |
| Gregory Hancock | 15 Oct 2019 | FY 2020 | 15 Oct 2024 | 3,000,000 | | | - | - | - | - |
| | | | | 11,000,000 | | | 14.8 | (1,625,000) | 18.2 | (2,000,000) |

DIRECTORS' REPORT CONTINUED

Performance Options Issued to Directors or Executives

No performance options were issued to Directors, or their nominees, in lieu of market related cash remuneration (2021: 21,000,000). Details relating to these options are on page 24. The options were granted at no cost to the recipient.

There are no entitlements for the Company's option holders to participate in new issues of capital, which may be offered to the Company's existing ordinary shareholders.

The vesting of the Performance Options is subject to certain performance milestones:

(i) A Category A Performance Option can only be exercised by the holder upon the Company (or an entity controlled by the Company) approving the redevelopment of the Dolphin Tungsten Mine by 30 September 2021 (option Vesting Condition A) and;

(ii) A Category B Performance Option can only be exercised by the holder upon the Company (or an entity controlled by the Company) first shipping scheelite (WO₃) concentrate from the Dolphin Tungsten Mine Project by 30 September 2023 (option Vesting Condition B).

Category A Performance Options vested during the financial year upon satisfaction of Vesting Condition A.

The Group prohibits those that are granted unvested or restricted share-based payments, as part of their remuneration, from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangement has been prohibited by law since 1 July 2011.

Details of vesting profiles of the performance options granted as remuneration to each key management person of the Group and each of the named key management persons are detailed below:

DIRECTORS' REPORT CONTINUED

Performance Options

Year ended 30 June 2022

| Director | Grant Date | Expiry Date | Number | Exercise price per option | Fair value per option at grant date | Non-expired options vested at the end of the reporting period | | Lapsed ² during the reporting period | |
|-------------------|------------|--------------|------------|------------------------------|---|---|------|--|------|
| | | | | | | 2022 | 2021 | 2022 | 2021 |
| | | | | \$ | \$ | % | % | % | % |
| Johann Jacobs | 8 Feb 2021 | 30 Sept 2026 | 3,000,000 | 0.00 | 0.23 | 100% | - | - | - |
| | 8 Feb 2021 | 30 Sept 2028 | 4,000,000 | 0.00 | 0.23 | - | - | - | - |
| | | | 7,000,000 | 0.00 | 0.23 | 43% | - | - | - |
| Christopher Ellis | 8 Feb 2021 | 30 Sept 2026 | 3,000,000 | 0.00 | 0.23 | 100% | - | - | - |
| | 8 Feb 2021 | 30 Sept 2028 | 4,000,000 | 0.00 | 0.23 | - | - | - | - |
| | | | 7,000,000 | 0.00 | 0.23 | 43% | - | - | - |
| Gregory Hancock | 8 Feb 2021 | 30 Sept 2026 | 3,000,000 | 0.00 | 0.23 | 100% | - | - | - |
| | 8 Feb 2021 | 30 Sept 2028 | 4,000,000 | 0.00 | 0.23 | - | - | - | - |
| | | | 7,000,000 | 0.00 | 0.23 | 43% | - | - | - |
| | | | 21,000,000 | 0.00 | 0.23 | 43% | - | - | - |

² The % lapsed in the year represents the reduction from the maximum number of options available to vest due to the options not being exercised and lapsing.

DIRECTORS' REPORT CONTINUED

SHARES UNDER OPTION

Each option provides the right for the option holder to be issued one fully paid share by the Company, upon payment of the exercise price of each option.

During the financial year there were 32,946,157 shares (2021: 26,242,624) were issued on the exercise of options. No quoted options (2021:39,762,900) were granted during the year ended 30 June 2022. 3,000,000 unquoted options were granted during the year ended 30 June 2022 (2021: Nil) for employee remuneration. No performance options were granted the year ended 30 June 2022 (2021: 21,000,000) for related party remuneration.

Details of options over ordinary shares in the Company that were granted, vested and expired during the financial year are as follows:

Year ended 30 June 2022

| Exercise Price | Grant Date | Expiry Date | Balance 1 July 2021 Number | Granted and Vested Number | Granted but not Vested Number | Exercised Number | Average Exercised Price \$ | Expired Number | Balance 30 June 2022 Number |
|-----------------|-------------------------------------|-------------|----------------------------------|---------------------------------|--|---------------------|-------------------------------------|-------------------|-----------------------------------|
| Quoted | | | | | | | | | |
| \$0.10 | 1 Aug 2018 | 1 Aug 2021 | 13,580,737 | - | - | - | - | - | - |
| \$0.10 | 21 Nov 2018 | 1 Aug 2021 | 2,000,000 | - | - | - | - | - | - |
| \$0.10 | 5 Feb 2021 | 1 Aug 2021 | 31,345,446 | - | - | - | - | - | - |
| \$0.10 | 9 Feb 2021 | 1 Aug 2021 | 3,872,000 | - | - | - | - | - | - |
| \$0.10 | 10 May 2021 | 1 Aug 2021 | 4,545,454 | - | - | - | - | - | - |
| | Exercised during the financial year | | (24,617,624) | - | - | (29,946,157) | \$0.10 | (779,856) | - |
| | | | 30,726,013 | - | - | (29,946,157) | \$0.10 | (779,856) | - |
| Unquoted | | | | | | | | | |
| \$0.06 | 31 Dec 2017 | 31 Dec 2022 | 2,000,000 | - | - | (1,000,000) | \$0.06 | - | 1,000,000 |
| \$0.08 | 31 Dec 2017 | 31 Dec 2022 | 2,375,000 | - | - | (1,000,000) | \$0.08 | - | 1,375,000 |
| \$0.10 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | - | (1,000,000) | \$0.10 | - | 2,000,000 |
| \$0.11 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| \$0.13 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| \$0.15 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| \$0.10 | 7 Sept 2021 | 7 Sept 2024 | - | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.12 | 7 Sept 2021 | 7 Sept 2025 | - | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.15 | 7 Sept 2021 | 7 Sept 2026 | - | 1,000,000 | - | - | - | - | 1,000,000 |
| | | | 10,375,000 | 3,000,000 | - | (3,000,000) | \$0.08 | - | 10,375,000 |

DIRECTORS' REPORT CONTINUED

| Exercise Price | Grant Date | Expiry Date | Balance 1 July 2021 Number | Granted and Vested Number | Granted but not Vested Number | Exercised Number | Average Exercise Price \$ | Expired Number | Balance 30 June 2022 Number |
|--------------------------------------|--|--------------|----------------------------------|---------------------------------|--|---------------------|-------------------------------------|-------------------|-----------------------------------|
| Performance Options | | | | | | | | | |
| \$0.00 | 5 Feb 2021 | 30 Sept 2026 | 9,000,000 | - | - | - | - | - | 9,000,000 |
| \$0.00 | 5 Feb 2021 | 30 Sept 2028 | 12,000,000 | - | - | - | - | - | 12,000,000 |
| | | | 21,000,000 | - | - | - | - | - | 21,000,000 |
| Warrants | | | | | | | | | |
| \$0.21 | 18 Nov 2021 | 31 Dec 2025 | - | 46,428,571 | - | - | - | - | 46,428,571 |
| \$0.196 | 18 Nov 2021 | Various | - | 101,785,715 | | | | | 101,785,715 |
| | | | - | 148,214,286 | | | | | 148,214,286 |
| Total options at 30 June 2022 | | | 62,101,013 | 151,214,286 | - | (32,946,157) | \$0.09 | (779,856) | 179,589,286 |
| Year ended 30 June 2021 | | | | | | | | | |
| Exercise Price | Grant Date | Expiry Date | Balance 1 July 2020 Number | Granted and Vested Number | Granted but not Vested Number | Exercised Number | Average Exercised Price \$ | Expired Number | Balance 30 June 2021 Number |
| Quoted | | | | | | | | | |
| \$0.10 | 1 Aug 2018 | 1 Aug 2021 | 13,580,737 | - | - | - | - | - | 13,580,737 |
| \$0.10 | 21 Nov 2018 | 1 Aug 2021 | 2,000,000 | - | - | - | - | - | 2,000,000 |
| \$0.10 | 5 Feb 2021 | 1 Aug 2021 | - | 31,345,446 | - | - | - | - | 31,345,446 |
| \$0.10 | 9 Feb 2021 | 1 Aug 2021 | - | 3,872,000 | - | - | - | - | 3,872,000 |
| \$0.10 | 10 May 2021 | 1 Aug 2021 | - | 4,545,454 | - | - | - | - | 4,545,454 |
| | Exercised during the financial year | | - | - | - | (24,617,624) | \$0.10 | - | (24,617,624) |
| | | | 15,580,737 | 39,762,900 | - | (24,617,624) | \$0.10 | - | 30,726,013 |

DIRECTORS' REPORT CONTINUED

Unquoted

| | | | | | | | | | |
|--------|-------------|-------------|------------|---|---|-------------|--------|-------------|------------|
| \$0.28 | 1 Jan 2016 | 31 Dec 2020 | 4,000,000 | - | - | - | - | (4,000,000) | - |
| \$0.06 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | - | (1,000,000) | \$0.06 | - | 2,000,000 |
| \$0.08 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | - | (625,000) | \$0.08 | - | 2,375,000 |
| \$0.10 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | - | - | - | - | 3,000,000 |
| \$0.11 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| \$0.13 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| \$0.15 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | - | 1,000,000 |
| | | | 16,000,000 | - | - | (1,625,000) | \$0.68 | (4,000,000) | 10,375,000 |

| Exercise Price | Grant Date | Expiry Date | Balance 1 July 2020 Number | Granted and Vested Number | Granted but not Vested Number | Exercised Number | Average Exercise Price \$ | Expired Number | Balance 30 June 2021 Number |
|----------------|------------|-------------|----------------------------------|---------------------------------|--|---------------------|---------------------------------|-------------------|-----------------------------------|
|----------------|------------|-------------|----------------------------------|---------------------------------|--|---------------------|---------------------------------|-------------------|-----------------------------------|

Performance Options

| | | | | | | | | | |
|-------------------------------|------------|--------------|------------|------------|------------|--------------|---------|-------------|------------|
| \$0.00 | 5 Feb 2021 | 30 Sept 2026 | - | - | 9,000,000 | - | - | - | 9,000,000 |
| \$0.00 | 5 Feb 2021 | 30 Sept 2028 | - | - | 12,000,000 | - | - | - | 12,000,000 |
| | | | - | - | 21,000,000 | - | - | - | 21,000,000 |
| Total options at 30 June 2021 | | | 31,580,737 | 39,762,900 | 21,000,000 | (26,242,624) | \$0.098 | (4,000,000) | 62,101,013 |

Options expenses for the year ended 30 June 2022 totalled \$7,197,366 of which \$2,251,330 related to employee expenses (2021: \$2,982,977) and \$4,946,036 for the issue of warrants under the Pure Asset Management loan agreement (2021: nil). No option expense for costs related to capital raising were incurred during the year ended 30 June 2022 (2021: 1,296,864).

DIRECTORS' REPORT CONTINUED

MOVEMENTS IN SECURITIES HELD BY KEY MANAGEMENT PERSONNEL

The movement during the financial year in the number of securities of Group 6 Metals Limited held, directly, indirectly or beneficially, by each specified Director and executive, including their personally related entities, is as follows:

Shares

| Key Management Person | Balance of shares at 1 July or date of appointment, as applicable | Share Placement | Issued upon exercise of options | On market sale | Balance of shares at 30 June or date of ceasing, as applicable |
|--------------------------------|---|-----------------|---------------------------------|----------------|--|
| | Number | Number | Number | Number | Number |
| Year ended 30 June 2022 | | | | | |
| Johann Jacobs | 5,214,764 | 907,143 | 700,948 | - | 6,822,855 |
| Christopher Ellis | 63,358,734 | 18,002,919 | 5,516,770 | - | 86,878,423 |
| Gregory Hancock | - | - | - | - | - |
| Keith McKnight | - | - | - | - | - |
| Megan McPherson | - | - | - | - | - |
| Year ended 30 June 2021 | | | | | |
| Johann Jacobs | 3,989,764 | | 1,625,000 | (400,000) | 5,214,764 |
| Christopher Ellis | 58,813,278 | 4,545,456 | - | - | 63,358,734 |
| Gregory Hancock | - | - | - | - | - |

DIRECTORS' REPORT CONTINUED

Quoted Options

| Key Management Person | Balance of options at 1 July or date of appointment, as applicable | Granted under share placement | Exercised | Expired | Balance of options at 30 June or date of ceasing, as applicable |
|--------------------------------|--|-------------------------------|-------------|---------|---|
| | Number | Number | Number | Number | Number |
| Year ended 30 June 2022 | | | | | |
| Johann Jacobs | 700,948 | - | (700,948) | - | - |
| Christopher Ellis | 5,518,449 | - | (5,516,770) | (1,679) | - |
| Gregory Hancock | - | - | - | - | - |
| Keith McKnight | - | - | - | - | - |
| Megan McPherson | - | - | - | - | - |
| Year ended 30 June 2021 | | | | | |
| Johann Jacobs | 700,948 | - | - | - | 700,948 |
| Christopher Ellis | 3,245,721 | 2,272,728 | - | - | 5,518,449 |
| Gregory Hancock | - | - | - | - | - |

DIRECTORS' REPORT CONTINUED

Unquoted Options

Key Management Person

| | Balance of options at 1 July or date of appointment, as applicable | Granted and vested as remuneration | Exercised | Expired | Balance of options at 30 June or date of ceasing, as applicable |
|--------------------------------|---|--|--------------------|--------------------|--|
| | Number | Number | Number | Number | Number |
| Year ended 30 June 2022 | | | | | |
| Johann Jacobs | 1,375,000 | - | - | - | 1,375,000 |
| Chris Ellis | 3,000,000 | - | - | - | 3,000,000 |
| Gregory Hancock | 3,000,000 | - | - | - | 3,000,000 |
| Keith McKnight | - | - | - | - | - |
| Megan McPherson | - | - | - | - | - |
| | 7,375,000 | - | - | - | 7,375,000 |
| Year ended 30 June 2021 | | | | | |
| Johann Jacobs | 5,000,000 | - | (1,625,000) | (2,000,000) | 1,375,000 |
| Christopher Ellis | 3,000,000 | - | - | - | 3,000,000 |
| Gregory Hancock | 3,000,000 | - | - | - | 3,000,000 |
| | 11,000,000 | 3,000,000 | (1,625,000) | (2,000,000) | 7,375,000 |

DIRECTORS' REPORT CONTINUED

Performance Options

| Key Management Person | Balance of options at 1 July or date of appointment, as applicable | Granted but not vested as remuneration | Expired | Balance of options at 30 June or date of ceasing, as applicable |
|--------------------------------|--|--|---------|---|
| | Number | Number | Number | Number |
| Year ended 30 June 2022 | | | | |
| Johann Jacobs | 7,000,000 | - | - | 7,000,000 |
| Chris Ellis | 7,000,000 | - | - | 7,000,000 |
| Gregory Hancock | 7,000,000 | - | - | 7,000,000 |
| Keith McKnight | - | - | - | - |
| Megan McPherson | - | - | - | - |
| | 21,000,000 | - | - | 21,000,000 |
| Year ended 30 June 2021 | | | | |
| Johann Jacobs | - | 7,000,000 | - | 7,000,000 |
| Christopher Ellis | - | 7,000,000 | - | 7,000,000 |
| Gregory Hancock | - | 7,000,000 | - | 7,000,000 |
| | - | 21,000,000 | - | 21,000,000 |

The terms and conditions of the options granted are outlined in Note A8 to the accounts.

DIRECTORS' REPORT CONTINUED

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 30 JUNE 2022

Details of the nature and amount of each major element of remuneration of each Director of the Company and other key management personnel of the Group and Company are:

| | | Short-term | | | | Total | Post-employment Superannuation benefits | Other long term | Termination benefits | Share-based payments Options | Total | Proportion of remuneration performance related | Value of options as proportion of remuneration |
|--------------------|------|----------------------|----------------------|------------|-----------------------|---------|--|-----------------|----------------------|---------------------------------|-----------|--|--|
| | | Salary & fees | Consulting fees | Cash bonus | Non-monetary benefits | | | | | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | % |
| Directors | | | | | | | | | | | | | |
| J Jacobs | 2022 | 30,846 | 274,069 | - | - | 305,056 | 3,085' | - | - | 613,623 | 921,623 | - | 66.58 |
| | 2021 | 30,987 | 250,234 | - | - | 281,221 | 2,944 | - | - | 562,037 | 846,202 | - | 66.65 |
| C Ellis | 2022 | 26,400 | - | - | - | 26,400 | 2,640 | - | - | 613,623 | 642,663 | - | 95.48 |
| | 2021 | 26,400 | - | - | - | 26,400 | 2,508 | - | - | 562,038 | 590,946 | - | 95.51 |
| G Hancock | 2022 | 26,400 | 28,800 | - | - | 55,200 | 2,640 | - | - | 613,623 | 671,463 | - | 91.38 |
| | 2021 | 26,400 | 15,200 | - | - | 41,600 | 2,508 | - | - | 562,038 | 606,146 | - | 93.11 |
| KMP | | | | | | | | | | | | | |
| K McKnight | 2022 | - | 158,735 | - | - | 158,735 | - | - | - | - | 158,735 | - | - |
| | 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| M McPherson | 2022 | 106,811 | - | - | - | 106,811 | 10,606 | - | - | - | 117,417 | - | - |
| | 2021 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total compensation | 2022 | 190,457 ³ | 461,604 ⁴ | - | - | 652,202 | 18,971 | - | - | 1,840,869 | 2,511,901 | - | 73.28 |
| | 2021 | 83,787 | 265,434 | - | - | 349,221 | 7,960 | - | - | 1,686,113 | 2,043,294 | - | 82.84 |

³ Of which \$8,483 remains accrued and unpaid as at 30 June 2022.

⁴ Of which \$78,467 remains accrued and unpaid as at 30 June 2022.

DIRECTORS' REPORT CONTINUED

Consequences of Performance on Shareholders' Wealth

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|--------------|---------------|--------------|--------------|
| Loss for the financial year attributable to owners of the Company | \$13,648,059 | \$4,875,338 | \$2,746,484 | \$2,874,363 | \$1,345,445 |
| Working capital at 30 June | (\$331,368) | \$2,817,217 | \$484,164 | \$252,741 | \$347,258 |
| Net assets at 30 June | \$23,877,016 | \$6,650,621 | (\$1,104,589) | \$1,336,476 | \$1,491,342 |
| Number of Shares on issue at 30 June | 630,754,715 | 376,006,725 | 264,381,303 | 261,942,279 | 217,289,975 |
| Share price at 30 June (per Share) | 20.0 | 23.5 | 6.1 | 7.5 | 6.4 |
| Market capitalisation at 30 June | \$126,150,943 | \$88,361,580 | \$16,127,259 | \$19,645,671 | \$13,906,558 |
| Loss on capital employed for the financial year | 57% | 73% | (249%) | 215% | 90% |
| Options benefits of key management persons | \$1,840,869 | \$1,686,113 | \$107,890 | - | \$250,800 |
| Other compensation of key management persons | \$671,032 | \$357,181 | \$235,250 | \$341,981 | \$184,347 |
| Total compensation of key management persons (Group and Company) for the financial year | \$2,511,901 | \$2,043,294 | \$343,140 | \$341,981 | \$184,347 |

During the last several years, the Company focused on the redevelopment of the Dolphin Tungsten Mine on King Island.

Substantial progress was made during the year on the Company's redevelopment plan at its 100% owned Dolphin Tungsten Mine. Further details are included in the Review of Operations on page 9.

Cash funds were raised during the year ended 30 June 2022:

1. Share placements totalling \$31,000,000 (before costs);
2. The exercise of 29,946,157 quoted options to raise \$2,994,616;
3. The exercise of 3,000,000 upquoted options to raise \$240,000; and
4. Loan funding of \$10,800,000 (before costs).

For further details see Note A8.

Over the past three years, the Group's loss from ordinary activity after income tax has varied mainly depending upon the level of exploration and evaluation work being done during the financial year.

END OF REMUNERATION REPORT (AUDITED)

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITOR

Indemnification and Insurance

The Company indemnifies current and former Directors and Officers for any loss arising from any claim by reason of any specified act committed by them in their capacity as a Director or Officer (subject to certain exclusions as required by law).

The Company has paid insurance premiums in respect of directors' and officers' liability. Insurance cover relates to liabilities that may arise from their position (subject to certain exclusions as required by law).

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance are not disclosed. Such disclosure is prohibited under the terms of the policy.

DIRECTORS' REPORT CONTINUED

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

AUDIT SERVICES

During the year ending 30 June 2022, the Group expensed an amount of \$75,643 (2021: \$49,370) payable to its auditor, KPMG and its related practices, for audit services provided.

NON-AUDIT SERVICES

The Group's auditor, KPMG, did not provide any other services in addition to their statutory audit duties during the year ended 30 June 2022.

ROUNDING OFF

The Company is not of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and as such, amounts in the Condensed Consolidated Financial Report and Directors' Report have been reported to the nearest dollar, unless otherwise stated.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration made under Section 307C of the *Corporations Act 2001* (Cth) is set out on page 75 and forms part of this Directors' Report.

COMPLIANCE STATEMENT

This report contains no new exploration results. The work referred to here can be found in numerous announcements available at www.g6m.com.au

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Signed in accordance with a resolution of the Board of Directors.



Johann Jacobs
Chairman
Sydney
16 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|---------------------|--------------------|
| Other income | A22 | 243,530 | 223,111 |
| Employee expenses | | (875,548) | (357,357) |
| Non-cash employee expense from granting of options to Directors/ employees | | (2,251,330) | (1,686,113) |
| Non-cash expense from the granting of warrants | A23 | (4,946,036) | - |
| Administrative expenses | | (1,821,721) | (1,104,366) |
| Depreciation expense- Property, plant & equipment | A18 | (248,958) | (232,004) |
| Depreciation expense- right-of-use-asset | A19 | (167,782) | - |
| Exploration & evaluation expenses | | (1,284,268) | (1,429,531) |
| Loss before interest and income tax | | (11,352,113) | (4,586,260) |
| Financial income – interest | | 3,253 | 575 |
| Financial income – change in fair value of financial asset | A13 | (2,282,632) | - |
| Financial expense – interest | | (16,567) | (289,653) |
| Net financing expense | | (2,295,946) | (289,078) |
| Loss before income tax | | (13,648,059) | (4,875,338) |
| Income tax benefit | | - | - |
| Net loss attributable to members of the parent | | (13,648,059) | (4,875,338) |
| Other comprehensive income for the financial year, net of income tax | | - | - |
| Total comprehensive loss for the financial year | | (13,648,059) | (4,875,338) |
| Losses per share | | | |
| Basic losses per share attributable to ordinary equity holders | D2 | (2.5) | (1.6) |
| Diluted losses per share attributable to ordinary equity holders | D2 | (2.5) | (1.6) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|-------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | A16 | 4,529,465 | 3,190,383 |
| Prepayments and other receivables | A11 | 1,851,321 | 290,425 |
| Deposits | A17 | 194,878 | - |
| Total current assets | | 6,575,664 | 3,480,808 |
| Deposits | A17 | 2,864,600 | 24,600 |
| Property, plant and equipment | A18 | 43,012,301 | 3,689,790 |
| Right-of-use assets | A19 | 2,531,224 | 135,801 |
| Mine development assets | A20 | 296,371 | - |
| Total non-current assets | | 48,704,496 | 3,850,191 |
| Total assets | | 55,280,160 | 7,330,999 |
| Liabilities | | | |
| Trade and other payables | A12 | 6,907,034 | 580,670 |
| Lease liabilities | A19 | 464,409 | 82,921 |
| Loan interest payable | A14 | 117,534 | - |
| Other current liabilities | A21 | 40,195 | - |
| Total current liabilities | | 7,529,172 | 663,591 |
| Derivative liabilities | A13 | 11,859,135 | - |
| Lease liabilities | A19 | 1,230,322 | 16,787 |
| Secured Loan payable | A14 | 10,634,545 | - |
| Other non-current liabilities | A21 | 153,014 | - |
| Total non-current liabilities | | 23,877,016 | 16,787 |
| Total liabilities | | 31,406,188 | 680,378 |
| Net assets (deficiency) / surplus | | 23,873,972 | 6,650,621 |
| Equity | | | |
| Issued capital | A8 | 103,100,310 | 69,849,763 |
| Reserves | A8 | 1,963,831 | 4,342,968 |
| Accumulated losses | | (81,190,169) | (67,542,110) |
| Total equity | | 23,873,972 | 6,650,621 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2022

| | Note | Issued Capital \$ | Accumulated Losses \$ | Share Option Reserve \$ | Total Equity \$ |
|--|------|----------------------|-----------------------------|-------------------------------|---------------------|
| Balance at 1 July 2020 | | 60,202,192 | (62,666,772) | 1,359,991 | (1,104,589) |
| Loss for the year | | - | (4,875,338) | - | (4,875,338) |
| Other comprehensive income for the year | | - | - | - | - |
| Total comprehensive loss for the year | | - | (4,875,338) | - | (4,875,338) |
| Transactions with owners in their capacity as owners: | | | | | |
| Equity settled share- based payments | A8 | 71,405 | - | 2,982,977 | 3,054,382 |
| Capital raisings | A8 | 11,239,764 | - | - | 11,239,764 |
| Capital raising costs | A8 | (1,663,598) | - | - | (1,663,598) |
| | | 9,647,571 | - | 2,982,977 | 12,630,548 |
| Balance at 30 June 2021 | | 69,849,763 | (67,542,110) | 4,342,968 | 6,650,621 |
| Balance at 1 July 2021 | | 69,849,763 | (67,542,110) | 4,342,968 | 6,650,621 |
| Loss for the year | | - | (13,648,059) | - | (13,648,059) |
| Other comprehensive income for the year | | - | - | - | - |
| Total comprehensive loss for the year | | - | (13,648,059) | - | (13,648,059) |
| Transactions with owners in their capacity as owners: | | | | | |
| Equity settled share- based payments | A8 | 55,000 | - | (2,379,137) | (2,324,137) |
| Capital raisings | A8 | 34,234,610 | - | - | 34,234,610 |
| Capital raising costs | A8 | (1,039,063) | - | - | (1,039,063) |
| | | 33,250,547 | - | (2,379,137) | 30,871,410 |
| Balance at 30 June 2022 | | 103,100,310 | (81,190,169) | 1,963,831 | 23,873,972 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|--------------|-------------|
| Cash flows used in operating activities | | | |
| Other income received | A22 | 240,649 | 221,111 |
| Security deposit paid | A17 | (50,000) | - |
| Cash paid to suppliers and directors | | (4,299,954) | (2,638,193) |
| Cash used in operations | | (4,109,305) | (2,417,082) |
| Interest paid | A19 | (16,567) | (2,172) |
| Interest received | | 3,657 | 575 |
| Net cash used in operating activities | A10 | (4,122,215) | (2,418,679) |
| Cash flows used in investing activities | | | |
| Payment made for property, plant & equipment | A18 | (33,839,417) | (236,647) |
| Payments for mine development costs | A20 | (296,371) | - |
| Other deposits paid | A17 | (2,840,000) | - |
| Net cash used in investing activities | | (36,975,788) | (236,647) |
| Cash flows from financing activities | | | |
| Proceeds from capital raising | A8 | 34,234,625 | 10,739,756 |
| Payments for capital raising costs | | (1,039,079) | (366,726) |
| Payment of lease liabilities | A19 | (167,678) | (84,593) |
| Proceeds from borrowings | A14 | 9,834,545 | 250,000 |
| Repayment of borrowings | A14 | - | (4,950,000) |
| Interest paid on borrowings | | (425,329) | (393,891) |
| Net cash generated from financing activities | | 42,437,086 | 5,194,546 |
| Net increase in cash and cash equivalents | | 1,339,082 | 2,539,220 |
| Cash and cash equivalents at 1 July | | 3,190,383 | 651,163 |
| Cash and cash equivalents at 30 June | A16 | 4,529,465 | 3,190,383 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

GENERAL INFORMATION

The financial statements cover Group 6 Metals Limited as a consolidated entity consisting of Group 6 Metals Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Group 6 Metals Limited's functional and presentation currency.

Group 6 Metals Limited is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 16 September 2022.

The Notes to the consolidated financial statement are set out in the following main sections:

SECTION A – KEY FINANCIAL INFORMATION AND PREPARATION BASIS

SECTION B – RISK AND JUDGEMENT

SECTION C – KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

SECTION D – OTHER DISCLOSURES

SECTION A – KEY FINANCIAL INFORMATION AND PREPARATION BASIS

This section sets out the basis upon which the Group's financial statements have been prepared as a whole and explains the results and performance of the Group that the Directors consider most relevant in the context of the operations of the entity.

A1 STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

A2 BASIS OF PREPARATION

The financial report is prepared on the historical cost basis other than share-based transactions that are assessed at fair value.

The Company is not of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and as such, amounts in the Financial Report and Directors' Report have been reported to the nearest dollar, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group and are detailed in Section B of the report.

A3 USE OF JUDGEMENTS AND ESTIMATES

The areas involving a higher degree of judgment or complexity, or areas of assumptions and estimates are:

Decision to commence development of the Dolphin Tungsten Mine

On 1 October 2021, the Group determined that it was sufficiently advanced in securing \$88 million in project funding and that it would proceed with the development the Dolphin Tungsten Mine on King Island Tasmania.

From this date the Group commenced the capitalisation of expenditure incurred in relation to the development of the Dolphin Tungsten Mine (refer Note A5).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Mine commissioning date

The Group assesses the stage of each mine under development to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from "Mine under development" to "Mines in production". Some of the criteria used to identify the production start date include, but are not limited to:

1. Level of capital expenditure incurred compared with the original development cost estimate;
2. Completion of a reasonable period of commissioning and testing the mine plant and equipment;
3. Ability to produce WO₃ in a saleable form (within specifications);
4. Ability to sustain ongoing production of WO₃; and
5. Positive cash flow from operations.

When a mine development project moves into the production phase, the capitalisation of certain mine development and pre-production revenues cease and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements or mineable reserve development. It is also at this point that amortisation commences. At 30 June 2022, the Dolphin Tungsten Mine is not considered to be at this stage and therefore remains as a development asset with no amortisation charge.

Recoverability of development costs

The carrying amounts of the Group's assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated annually, or when facts and circumstances suggest the carrying amount may exceed its recoverable amount.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income unless the asset has been re-valued previously in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through the statement of profit or loss and other comprehensive income.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

An impairment indicator assessment was undertaken for all operations at reporting date and it was concluded that no indicators were identified, which would give rise to impairment.

Assessment of the recoverable amounts require the use of estimates and assumptions such as reserves, resources, mine life, discount rates, exchange rates, commodity prices, grade of ore mined, recovery percentage, operating performance, costs and capital estimates.

At each reporting date, the Group undertakes an assessment of these assets and considers whether there are any external impairment indicators resulting from changes in APT prices, foreign exchange, forecast operating costs and discount rate.

Leases

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following, future lease payments arising from a change in index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalty.

As outlined in note A19, judgement has been exercised in determining the term of the lease based on information available at the time of the report.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payments

Equity settled share-based payments are recorded at the fair value of the share-based payment at the Grant Date which is determined using the Black Scholes model.

No terms of equity settled share-based payment transactions (including options granted as compensation to employees or key management persons) have been altered or modified by the issuing entity during the year or the prior period.

The Group prohibits those that are granted share-based payments as part of their remuneration from entering other arrangements that limit their exposure to losses that would result from share price decreases. Entering such arrangement is prohibited by law.

Fair Value of Derivative Financial Instruments

The Group initially recognises and measures its derivative financial instruments by calculating the fair value of the instruments by using the discounted cash flow method net of the fair value of warrants issued.

In order to calculate the discounted cash flows, management has made judgements in relation to the expected mine commissioning date together with the expected drawdown dates of the convertible loans.

A4 EXPLORATION & EVALUATION EXPENDITURE

Exploration and evaluation expenditure are expensed directly to profit and loss when incurred until such time that the Board approves the development of a project. The decision to develop the Dolphin Tungsten Mine was made on 1 October 2022.

A5 MINE DEVELOPMENT COSTS

Mine development costs includes aggregate expenditure in relation to mine construction, mine development where a development decision has been made.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Expenditure in constructing a mine by, or on behalf of, the Group is accumulated separately for each area of interest in which economically recoverable reserves and resources have been identified. This expenditure includes direct cost of construction and an appropriate allocation of attributable overheads.

Mine development costs are accumulated separately for each area of interest in which economically recoverable reserves have been identified and a decision to develop has occurred. This expenditure includes direct costs, an appropriate allocation of related overheads having specific connection with the mine development and where applicable borrowing costs capitalised during development. Mine development costs are not amortised until construction is completed and the assets are available for their intended use. This is determined by the formal commissioning of the mine for production.

Once mining of the area of interest can commence, the aggregate capitalised costs are classified under non-current assets as mines in production or an appropriate class of property, plant and equipment.

The Group undertakes regular impairment reviews incorporating an assessment of recoverability of cash generating assets. Cash generating assets relate to specific areas of interest in the Group's mine property assets. The recoverable value of specific areas of interest are assessed by value in use calculations determined with reference to the projects new cash flows estimated under the Life Of Mine Plan. As at 30 June 2022, the Group determined that there were no impairment indicators.

A6 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are carried in the Parent Entity's financial statements at the lower of cost and recoverable amount.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity, with adjustments made to the "Investment in associates" and "Share of associates' net profit" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the relevant assets are consumed or sold by the associate or jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed of.

A7 GOING CONCERN

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

During the year, the Company incurred an operating loss of \$13,648,059. The operating loss for the year includes the non-cash expense from the granting of warrants (\$4,946,036) to Pure Asset Management Pty Ltd and change in fair value at 30 June 2022 derivative liabilities (\$2,282,632). Refer notes A23 & A13.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Also included in the operating loss for the year is the fair value at 30 June 2022 of 3,000,000 unquoted options (\$410,460) issued to an employee and 12,000,000 performance options (\$1,840,870) granted but not vested to Directors as non-cash consideration for market-based remuneration.

Expenditure of \$1,284,268 was directly related to exploration and evaluation expenditure pertaining to the Dolphin Tungsten Mine prior to the decision to commence construction. This expenditure has been expensed in line with the Company's policy of capitalising expenditure after the Board has committed to a project.

During the year the Company raised \$31,000,000 in a two-tranche share placement to a range of institutional and sophisticated investors and \$3,234,616 upon the exercise of quoted and unquoted options.

At 30 June 2022 the Company had a cash balance of \$4,529,465. During the year the Company had negative operating cash flows of \$4,122,215 and a net current asset deficiency of \$953,508.

At 30 June 2022 the Company had undrawn loan facilities of \$31,000,000 million.

Subsequent to year end, the Company has issued draw down notices under the shareholder facility agreements in the amount of \$23.0 million of which \$15.3 million (before establishment costs of \$230,000) has been received. The remaining drawdown under the facility agreements of \$7.7m is expected to be received on or before 10 October 2022.

Based on the above and taking into account budgeted expenditure commitments, the Board has prepared these Financial Statements on a going concern basis.

Judgement about the future is based on information available at the date of this report. Subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.

A8 CAPITAL AND RESERVES

Share capital

Ordinary shares issued and fully paid

| | Date | Number of shares | Issue Price per share cents | \$ |
|------------------------------------|---------------|---------------------|---|------------|
| Balance | 1 July 2020 | 264,381,303 | | 60,202,192 |
| Equity settled share based payment | 15 Oct 2020 | 328,100 | 5.0 | 16,405 |
| Shares placement | 2 Nov 2020 | 39,327,271 | 5.5 | 2,163,000 |
| Shares placement | 5 Feb 2021 | 7,363,638 | 5.5 | 405,000 |
| Equity settled share based payment | 9 Feb 2021 | 1,272,880 | 4.32 | 55,000 |
| Exercise of unquoted options | 10 Feb 2021 | 1,000,000 | 6.0 | 60,000 |
| Exercise of unquoted options | 10 Feb 2021 | 625,000 | 8.0 | 50,000 |
| Exercise of quoted options | 16 Feb 2021 | 4,296,925 | 10.0 | 429,693 |
| Exercise of quoted options | 17 Feb 2021 | 1,700,017 | 10.0 | 170,002 |
| Exercise of quoted options | 19 Feb 2021 | 843,000 | 10.0 | 84,300 |
| Exercise of quoted options | 23 Feb 2021 | 446,455 | 10.0 | 44,646 |
| Exercise of quoted options | 24 Feb 2021 | 768,475 | 10.0 | 76,848 |
| Exercise of quoted options | 1 Mar 2021 | 470,734 | 10.0 | 47,073 |
| Exercise of quoted options | 2 Mar 2021 | 2,807,699 | 10.0 | 280,770 |
| Exercise of quoted options | 10 Mar 2021 | 1,867,179 | 10.0 | 186,718 |
| Exercise of quoted options | 17 Mar 2021 | 1,369,959 | 10.0 | 136,996 |
| Shares placement | 22 Mar 2021 | 28,000,000 | 20.0 | 5,600,000 |
| Exercise of quoted options | 24 Mar 2021 | 2,350,810 | 10.0 | 235,081 |
| Exercise of quoted options | 29 Mar 2021 | 1,070,010 | 10.0 | 107,001 |
| Exercise of quoted options | 31 Mar 2021 | 298,006 | 10.0 | 29,801 |
| Exercise of quoted options | 14 April 2021 | 448,370 | 10.0 | 44,837 |
| Exercise of quoted options | 5 May 2021 | 473,052 | 10.0 | 47,305 |
| Conversion of related party loan | 10 May 2021 | 9,090,909 | 5.5 | 500,000 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | | | | |
|--|---------------------|---------------------------|------|---------------------------|
| Exercise of quoted options | 26 May 2021 | 76,364 | 10.0 | 7,636 |
| Exercise of quoted options | 2 Jun 2021 | 408,214 | 10.0 | 40,821 |
| Exercise of quoted options | 9 Jun 2021 | 1,406,261 | 10.0 | 140,626 |
| Exercise of quoted options | 23 Jun 2021 | 556,738 | 10.0 | 55,674 |
| Exercise of quoted options | 30 Jun 2021 | 2,959,356 | 10.0 | 295,936 |
| Less costs relating to the share placement | | - | | (1,663,598) |
| | | <u>111,625,422</u> | | <u>9,647,571</u> |
| Balance | 30 June 2021 | <u>376,006,725</u> | | <u>69,849,763</u> |
| Exercise of quoted options | 7 July 2021 | 1,941,712 | 10.0 | 194,170 |
| Exercise of quoted options | 14 July 2021 | 4,451,714 | 10.0 | 445,170 |
| Exercise of unquoted options | 14 July 2021 | 1,000,000 | 6.0 | 60,000 |
| Exercise of unquoted options | 14 July 2021 | 1,000,000 | 8.0 | 80,000 |
| Exercise of unquoted options | 14 July 2021 | 1,000,000 | 10.0 | 100,000 |
| Exercise of quoted options | 21 July 2021 | 5,672,998 | 10.0 | 567,298 |
| Exercise of quoted options | 28 July 2021 | 16,201,577 | 10.0 | 1,620,157 |
| Exercise of quoted options | 30 July 2021 | 1,510,251 | 10.0 | 151,025 |
| Exercise of quoted options | 2 Aug 2021 | 122,260 | 10.0 | 12,226 |
| Exercise of quoted options | 4 Aug 2021 | 12,131 | 10.0 | 1,213 |
| Exercise of quoted options | 9 Aug 2021 | 33,514 | 10.0 | 3,350 |
| Shares placement | 7 Oct 2021 | 87,223,934 | 14.0 | 12,211,351 |
| Shares placement | 14 Oct 2021 | 13,785,716 | 14.0 | 1,930,000 |
| Shares placement | 4 Nov 2021 | 1,228,572 | 14.0 | 172,000 |
| Shares placement | 16 Nov 2021 | 39,568,928 | 14.0 | 5,539,650 |
| Shares placement | 25 Nov 2021 | 79,621,429 | 14.0 | 11,147,000 |
| Equity settled share based payment | 21 Dec 2021 | 373,254 | 14.7 | 55,000 |
| Less costs relating to the share placement | | - | | (1,039,063) |
| | | <u>254,747,990</u> | | <u>33,250,547</u> |
| Balance | 30 June 2022 | <u>630,754,715</u> | | <u>103,100,310</u> |

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Ordinary shares have no par value.

No dividends have been declared or paid by the Company during or since the end of the financial year.

Subject to ASX listing rules, the Company's Board may resolve that the whole or any portion of profits, reserve or other account which is available for distribution, be distributed to shareholder in the same proportions in which they would be entitled to receive it if distributed by way of dividend, or in accordance with relevant terms of issue of any shares or securities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

If the Company is wound up, whether voluntarily or otherwise, the liquidator may divide among all or any of the contributories, as the liquidator thinks fit, in specie or in kind, any part of the assets of the Company, and may vest any part of the assets of the Company in trustees for the benefit of all or any of the contributories as the liquidator thinks fit.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

Options

Each option provides the right for the option holder to be issued one fully paid share by the Company, upon payment of the exercise price of each option.

During the financial year 32,946,157 shares (2021: 26,242,624) were issued on the exercise of options. No quoted options (2021: 39,762,900) were granted during the year ended 30 June 2022. 3,000,000 unquoted options were granted during the year ended 30 June 2022 (2021: Nil) for employee remuneration. No performance options were granted during the year ended 30 June 2022 (2020: 21,000,000) for related party remuneration.

Details of options over ordinary shares in the Company that were granted, vested and expired during the financial year are as follows:

Year ended 30 June 2022

| Exercise Price | Vesting Date | Expiry Date | Balance 1 July 2021 Number | Granted and Vested Number | Exercised Number | Average exercise price \$ | Expired Number | Balance 30 June 2022 Number |
|-----------------------------------|--------------|-------------|----------------------------------|---------------------------------|---------------------|------------------------------------|-------------------|-----------------------------------|
| Quoted | | | | | | | | |
| \$0.10 | 1 Aug 2018 | 1 Aug 2021 | 13,580,737 | - | - | - | - | 13,580,737 |
| \$0.10 | 21 Nov 2018 | 1 Aug 2021 | 2,000,000 | - | - | - | - | 2,000,000 |
| \$0.10 | 5 Feb 2021 | 1 Aug 2021 | 31,345,446 | - | - | - | - | 31,345,446 |
| \$0.10 | 9 Feb 2021 | 1 Aug 2021 | 3,872,000 | - | - | - | - | 3,872,000 |
| \$0.10 | 10 May 2021 | 1 Aug 2021 | 4,545,454 | - | - | - | - | 4,545,454 |
| Options exercised during the year | | | (24,617,624) | - | (29,946,157) | 0.10 | (779,856) | (55,343,637) |
| | | | 30,726,013 | - | (29,946,157) | 0.10 | (779,856) | - |

| Exercise Price | Vesting Date | Expiry Date | Balance 1 July 2021 Number | Granted and Vested Number | Exercised Number | Average exercise price \$ | Expired Number | Balance 30 June 2022 Number |
|----------------|--------------|-------------|----------------------------------|---------------------------------|---------------------|------------------------------------|-------------------|-----------------------------------|
|----------------|--------------|-------------|----------------------------------|---------------------------------|---------------------|------------------------------------|-------------------|-----------------------------------|

Unquoted Options

| | | | | | | | | |
|--------|-------------|-------------|------------|-----------|-------------|------|---|------------|
| \$0.06 | 31 Dec 2017 | 31 Dec 2022 | 2,000,000 | - | (1,000,000) | 0.06 | - | 1,000,000 |
| \$0.08 | 31 Dec 2017 | 31 Dec 2022 | 2,375,000 | - | (1,000,000) | 0.08 | - | 1,375,000 |
| \$0.10 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | (1,000,000) | 0.10 | - | 2,000,000 |
| \$0.11 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.13 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.15 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.10 | 7 Sept 2021 | 7 Sept 2024 | - | 1,000,000 | - | - | - | 1,000,000 |
| \$0.12 | 7 Sept 2021 | 7 Sept 2025 | - | 1,000,000 | - | - | - | 1,000,000 |
| \$0.15 | 7 Sept 2021 | 7 Sept 2026 | - | 1,000,000 | - | - | - | 1,000,000 |
| | | | 10,375,000 | 3,000,000 | (3,000,000) | 0.08 | - | 10,375,000 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Performance Options

| | | | | | | | | |
|--------|--------------|--------------|------------|---|---|---|---|------------|
| \$0.00 | 30 Sept 2021 | 30 Sept 2026 | 9,000,000 | - | - | - | - | 9,000,000 |
| \$0.00 | 30 Sept 2023 | 30 Sept 2028 | 12,000,000 | - | - | - | - | 12,000,000 |
| | | | 21,000,000 | - | - | - | - | 21,000,000 |

Warrants

| | | | | | | | | |
|--------|-------------|--------------|-------------------|--------------------|---------------------|-------------|---|--------------------|
| \$0.21 | 18 Nov 2021 | 31 Dec 2025 | - | 46,428,571 | - | - | - | 46,428,571 |
| \$0.20 | 18 Nov 2021 | 30 Sept 2028 | - | 101,785,715 | - | - | - | 101,785,715 |
| | | | - | 148,214,286 | - | - | - | 148,214,286 |
| | | | 62,101,013 | 151,214,286 | (32,949,157) | 0.08 | - | 179,589,286 |

Year ended 30 June 2021

| Exercise Price | Vesting Date | Expiry Date | Balance 1 July 2020 Number | Granted and Vested Number | Exercised Number | Average exercise price \$ | Expired Number | Balance 30 June 2021 Number |
|----------------|-----------------------------------|-------------|----------------------------------|---------------------------------|---------------------|------------------------------------|-------------------|-----------------------------------|
| Quoted | | | | | | | | |
| \$0.10 | 1 Aug 2018 | 1 Aug 2021 | 13,580,737 | - | - | - | - | 13,580,737 |
| \$0.10 | 21 Nov 2018 | 1 Aug 2021 | 2,000,000 | - | - | - | - | 2,000,000 |
| \$0.10 | 5 Feb 2021 | 1 Aug 2021 | - | 31,345,446 | - | - | - | 31,345,446 |
| \$0.10 | 9 Feb 2021 | 1 Aug 2021 | - | 3,872,000 | - | - | - | 3,872,000 |
| \$0.10 | 10 May 2021 | 1 Aug 2021 | - | 4,545,454 | - | - | - | 4,545,454 |
| | Options exercised during the year | | - | - | (24,617,624) | 0.10 | - | (24,617,624) |
| | | | 15,580,737 | 39,762,900 | (24,617,624) | 0.10 | - | 30,726,013 |

| Exercise Price | Vesting Date | Expiry Date | Balance 1 July 2020 Number | Granted and Vested Number | Exercised Number | Average exercise price \$ | Expired Number | Balance 30 June 2021 Number |
|----------------|--------------|-------------|----------------------------------|---------------------------------|---------------------|------------------------------------|-------------------|-----------------------------------|
|----------------|--------------|-------------|----------------------------------|---------------------------------|---------------------|------------------------------------|-------------------|-----------------------------------|

Unquoted Options

| | | | | | | | | |
|--------|-------------|-------------|------------|---|-------------|-------|-------------|------------|
| \$0.06 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | (1,000,000) | 0.06 | - | 2,000,000 |
| \$0.08 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | (625,000) | 0.08 | - | 2,375,000 |
| \$0.10 | 31 Dec 2017 | 31 Dec 2022 | 3,000,000 | - | - | - | - | 3,000,000 |
| \$0.11 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.13 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | 1,000,000 |
| \$0.15 | 15 Oct 2019 | 15 Oct 2024 | 1,000,000 | - | - | - | - | 1,000,000 |
| | | | 16,000,000 | - | (1,625,000) | 0.068 | (4,000,000) | 10,375,000 |

Performance Options

| | | | | | | | | |
|--------|--------------|--------------|-------------------|-------------------|---------------------|--------------|--------------------|-------------------|
| \$0.00 | 30 Sept 2021 | 30 Sept 2026 | - | 9,000,000 | - | - | - | 9,000,000 |
| \$0.00 | 30 Sept 2023 | 30 Sept 2028 | - | 12,000,000 | - | - | - | 12,000,000 |
| | | | - | 21,000,000 | - | - | - | 21,000,000 |
| | | | 31,580,737 | 60,762,900 | (26,242,624) | 0.098 | (4,000,000) | 62,101,013 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Share Option Reserve

| | 2022 \$ | 2021 \$ |
|-------------------------------------|-------------|------------|
| Balance at 1 July | 4,342,968 | 1,359,991 |
| Employee expense | - | 1,686,113 |
| Capital raising fee | - | 1,296,864 |
| Derivative financial instruments | (9,576,503) | - |
| Equity settled share-based payments | 7,197,366 | - |
| Balance at 30 June | 1,963,831 | 4,342,968 |

The Group measures the cost of share and performance options granted to directors and consultants by reference to the fair value of the equity instrument at the date at which they are granted.

During the year, no new performance options were granted to Directors of the Company for related party remuneration. The options in the previous period were granted at no cost to the recipients. The fair value of the options at the Grant Date is determined using the Black Scholes model.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The performance options have no exercise price therefore the fair value of the performance options is determined to be the share price at grant date.

During the year, unquoted options were granted to a non KMP employee. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. As the options are quoted the fair value is determined to be the share price at grant date.

A9 CAPITAL RAISINGS

Share Placements

During the year ended 30 June 2022, capital was raised by way of a two-tranche share placement to a range of institutional and sophisticated investors, and an underwritten Share Purchase Plan (SPP).

The Company raised \$31,000,000 cash (before issue costs) upon the issue of 221,428,579 ordinary fully paid shares for \$0.14 each as follows:

1. Between 7 October and 4 November 2021, the Company issued 102,238,222 new shares at \$0.14 each (Tranche 1);
2. On 25 November 2021, the Company issued 79,621,429 new shares at \$0.14 each (Tranche 2); and
3. The underwritten share purchase plan raised \$5,539,650 cash (before issue costs) with the Company issuing 39,568,928 ordinary fully paid shares for \$0.14 each to existing eligible shareholders after shareholder approval was obtained at the Company's Annual General Meeting held on 8 November 2021. The SPP was underwritten by existing shareholders Chris Ellis and Elphinstone Group.

On 21 December 2021 the Company issued 373,254 new shares to a corporate consultant as a share based payment for services provided.

Exercise of Quoted Options

During the year the year ended 30 June 2022, capital was raised by way of the exercise of 29,946,157 quoted options raising \$2,994,616.

Exercise of Unquoted Options

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

During the year the year ended 30 June 2022, capital was raised by way of the exercise of 3,000,000 unquoted options raising \$240,000.

A10 CASH FLOW RECONCILIATION

| | 2022 | 2021 |
|---|--------------|-------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net loss attributable to members of the parent | (13,648,059) | (4,875,338) |
| Adjustments for: | | |
| Depreciation (non-cash) | 416,739 | 232,004 |
| Options expense (non-cash) | 7,197,366 | 1,686,113 |
| Changes in fair value of financial derivatives (non-cash) | 2,282,632 | |
| Interest expense (financing cash outflow) | - | 287,481 |
| Employee expense (non-cash) | 30,344 | 24,279 |
| Corporate advisory fee (non-cash) | 55,000 | 61,405 |
| Operating loss before changes in working capital and provisions | (3,665,978) | (2,694,056) |
| Increase in prepayments and other receivables | (194,174) | (118,887) |
| Decrease in trade and other payables | (262,063) | 284,264 |
| Net cash used in operating activities | (4,122,215) | (2,418,679) |

A11 PREPAYMENTS AND OTHER RECEIVABLES

Other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost less impairment losses (see Note B3).

Prepayments are recognised at cost.

| | 2022 | 2021 |
|-------------------|-----------|---------|
| | \$ | \$ |
| Prepayments | 680,176 | 264,058 |
| Other receivables | 1,171,145 | 26,367 |
| | 1,851,321 | 290,425 |

A12 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these transactions are measured at amortised cost.

| | Note | 2022 | 2021 |
|-----------------------------|------|-----------|---------|
| | | \$ | \$ |
| Trade payables | | 5,766,437 | 149,050 |
| Accruals and other payables | | 1,140,597 | 431,620 |
| | | 6,907,034 | 580,670 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A13 DERIVATIVE LIABILITIES

| | 2022 \$ | 2021 \$ |
|----------------------------------|-------------------|------------|
| Derivative financial instruments | 11,859,135 | - |
| | <u>11,859,135</u> | <u>-</u> |

| | 2022 \$ | 2021 \$ |
|---|-------------------|------------|
| Movements in financial assets | | |
| Balance at 1 July | - | - |
| Additions | 9,576,503 | |
| Change in fair value of derivative financial instrument | 2,282,632 | - |
| Balance at 30 June | <u>11,859,135</u> | <u>-</u> |

On 6 September 2021, the Group announced that it had secured an additional \$33 million in debt finance via a group of financiers for the redevelopment of its Dolphin Tungsten Mine. Four of the Group's major shareholders have provided finance by way of convertible debt facilities.

The loans which are available but undrawn at 30 June 2022, can be converted to equity via the exercise of warrants issued on 18 November 2021.

The key terms of the derivative financial instruments are summarised as below;

| | CJRE Maritime Pty Ltd | Abex Limited | Elphinstone Holdings Pty Ltd | D.A.CH.S Capital AG |
|---------------------------------|---|--|--|--|
| Commitment | Convertible debt facility of \$4,500,000 plus capitalised interest Debt only facility of \$4,000,000 | Convertible debt facility of \$6,500,000 plus capitalised interest | Convertible debt facility of \$5,000,000 plus capitalised interest | Convertible debt facility of \$3,000,000 plus capitalised interest. |
| Term | 42 months from project commissioning | 42 months from project commissioning | 42 months from project commissioning | 42 months from project commissioning |
| Repayment | Semi annual repayments of \$750,000 commencing 12 months after project commissioning (convertible debt) | Semi annual repayments of \$1,083,333 commencing 12 months after project commissioning | Semi annual repayments of \$833,333 commencing 12 months after project commissioning | Semi annual repayments of \$500,000 commencing 12 months after project commissioning |
| Applicable Interest rate | 6.5% per annum (convertible debt) 8.25% per annum (debt only) | 6.5% per annum | 6.5% per annum | 6.5% per annum |
| Default Interest Rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate | 5% per annum above the applicable interest rate |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | | | | |
|-----------------|---|---|---|---|
| Warrants | 24,107,143 warrants (exercise price \$0.196, expiry over 42 months from project commissioning date) | 34,821,429 warrants (exercise price \$0.196, expiry over 42 months from project commissioning date) | 26,785,714 warrants (exercise price \$0.196, expiry over 42 months from project commissioning date) | 16,071,429 warrants (exercise price \$0.196, expiry over 42 months from project commissioning date) |
| Security | General security agreement (GSA) given by Group 6 Metals Limited and its two wholly owned subsidiaries Australian Tungsten Pty Ltd and Scheelite Management Pty Ltd over all assets of each entity. | | | |
| Purpose | The development of Dolphin Tungsten Mine, Grassy, King Island including fees and expenses in connection with the Pure loan facility, working capital in connection with the mine and capitalisation of interest and fees. | | | |

The Group initially measures and recognises derivative financial instruments by calculating the fair value of the instruments using the discounted cash flow method net of the fair value of warrants issued.

The Group has utilised a combination of the discounted cash flow (DCF) method together with the fair value of the warrants issued. The DCF involves the projection of a series of cash flows and to this an appropriate market derived discount rate is applied to establish the present value of the income stream.

The Group determines the fair value of warrants issued using the Black Scholes option valuation methodology which takes into account the risk-free interest rate and share price volatility. Expected volatility is estimated by considering historic average share price volatility. The risk-free interest rate is based on government bonds.

At each reporting date, a revaluation of the fair value of the financial asset is undertaken with any change to the fair value going to the profit and loss.

A14 NON-CURRENT LIABILITIES

Borrowings

The balance of the loan together with interest payable as at 30 June 2022 are detailed below.

| | 2022 \$ | 2021 \$ |
|--------------------------------------|-------------------|------------|
| Secured loans | | |
| Current Liability – Interest payable | 117,534 | - |
| Non-Current Liability – Loan balance | 10,634,545 | - |
| | <u>10,752,079</u> | <u>-</u> |

During the year ended 30 June 2022, secured loan funding of \$10,000,000 less transaction costs was provided to the Group by Pure Asset Management (PURE). The purpose of the loan is to assist the Group with the development of the Dolphin Tungsten mine at Grassy on King Island.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Key terms of the PURE loan agreement are:

| Terms | Pure Asset Management Facility (PURE) |
|------------------|---|
| Borrower | Australian Tungsten Pty Ltd, a wholly owned subsidiary of Group 6 Metals Limited. |
| Facility | Interest only, cash advance facility of \$10,000,000. |
| Term | Three years. |
| Termination Date | 10 November 2024. |
| Repayment | On Termination Date. Early repayment of the facility is permitted at any time. |
| Interest rate | 8.25% per annum. Interest is payable quarterly. |
| Security | General security agreement (GSA) given by Group 6 Metals Limited and its two wholly owned subsidiaries Australian Tungsten Pty Ltd and Scheelite Management Pty Ltd over all assets of each entity. |
| Purpose | The development of Dolphin Tungsten Mine, Grassy, King Island including fees and expenses in connection with the Pure loan facility, working capital in connection with the mine and capitalization of interest and fees. |

On 3 February 2022, the Group purchased the Ballarat Clarendon College Grassy Campus for \$1,000,000 plus GST. The purchase was partly funded by an \$800,000 loan provided by the vendor, with an interest rate of 5% pa and repayable on 31 December 2024. The purchase of the Campus provides the Group with property suitable for the construction of accommodation facilities for its construction and operational workforce.

Key terms of the BCC loan agreement are:

| Terms | Ballarat & Clarendon College Ltd (BCC) |
|------------------|---|
| Borrower | Australian Tungsten Pty Ltd, a wholly owned subsidiary of Group 6 Metals Limited. |
| Facility | Interest only, cash advance facility of \$800,000. |
| Termination Date | 31 December 2024. |
| Repayment | On Termination Date. Early repayment of the facility is permitted at any time. |
| Interest rate | 5.00% per annum. Interest is payable monthly |
| Security | First ranking charge over property. |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | |
|----------------|---|
| Purpose | The purchase of the Campus provides the Group with property suitable for the construction of accommodation facilities for its construction and operational workforce. |
|----------------|---|

During the year ended 30 June 2022, the Company also secured finance from four of the Company's major shareholders. Refer to Note A13 for details of undrawn derivative financial instruments.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income and expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

A15 PROVISIONS

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

No provisions exist for the Group as at 30 June 2022.

Site Restoration Provision

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land is recognised when such land is disturbed. At this time, a best estimate of the total area of disturbance and present value restoration cost over the estimated mine is made. From this, an annual charge is derived which is reflected as an expense over the life of the mine and as an increase in the provision.

The balance of the provision is the accumulation of the annual charges, less any remedial work done, which is charged directly against the provision. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

As the Company has only commenced the construction phase and there has been minimal disruption to the land, there is no significant current requirement for site restoration and accordingly no provision currently exists. It is expected that a provision for site restoration will be recognised in the FY2023 as clearing of vegetation and land disturbance commences.

A16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Bank balances | 282,601 | 32,204 |
| Call deposits | 4,246,864 | 3,158,179 |
| Cash and cash equivalents in the statements of cash flows | <u>4,529,465</u> | <u>3,190,383</u> |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A17 DEPOSITS

Ballarat Clarendon College Grassy Campus Acquisition

On 3 February 2022, the Group purchased the Ballarat Clarendon College Grassy Campus for \$1,000,000 plus GST (see Note A14). At 30 June 2022, the purchase is pending stamp duty assessment from the Office of State Revenue. A total amount of \$135,564.82 is being held in trust pending the outcome of the stamp duty assessment.

Security deposits

The Group has paid security deposits totalling \$24,600 to Mineral Resources Tasmania in relation to its mining lease and exploration licences.

On 19 January 2022, the Group paid a cash security deposit of \$2,840,000 to the Department of State Growth-Mineral Resources Tasmania in respect to its mining license 2080P/M. The deposit is a requirement of the licence to ensure there will be sufficient funds available for the remediation of mining activities should the licensee default on their obligations.

On 22 April 2022, the Group established a term deposit of \$50,000 as a cash backed security against the Group's Corporate Credit Card Facility. The term deposit has a 12-month term and an interest rate of 0.25% per annum.

A18 PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note B3).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Depreciation

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment and buildings. Land is not depreciated. The estimated useful lives in the current financial year are as follows:

| | 2022 5 to 40 years 8 years | | 2021 5 to 40 years 8 years | | |
|---|----------------------------------|-----------------|----------------------------------|------------------------------------|-------------|
| | Land \$ | Buildings \$ | Plant and equipment \$ | Assets under construction \$ | Total \$ |
| Cost | | | | | |
| Balance at 1 July 2020 | 2,387,973 | 1,300,000 | 293,856 | - | 3,981,829 |
| Additions | 109,147 | 100,000 | 27,500 | - | 236,647 |
| Transferred from deposit | 50,000 | - | - | - | 50,000 |
| Balance at 30 June 2021 | 2,547,120 | 1,400,000 | 321,356 | - | 4,268,476 |
| Balance at 1 July 2021 | 2,547,120 | 1,400,000 | 321,356 | - | 4,268,476 |
| Additions | 578,459 | 410,000 | 671,699 | 37,911,310 | 39,571,469 |
| Adjustment for assets fully depreciated | - | - | (52,649) | - | (52,649) |
| Balance at 30 June 2022 | 3,125,579 | 1,810,000 | 940,406 | 37,911,310 | 43,787,296 |
| Depreciation | | | | | |
| Balance at 1 July 2020 | - | (262,225) | (132,957) | - | (395,182) |
| Depreciation change for the year | - | (171,661) | (11,843) | - | (183,504) |
| Balance at 30 June 2021 | - | (433,886) | (144,800) | - | (578,686) |
| Balance at 1 July 2021 | - | (433,886) | (144,800) | - | (578,686) |
| Depreciation change for the year | - | (195,642) | (53,316) | - | (248,958) |
| Adjustment for assets fully depreciated | - | - | 52,649 | - | 52,649 |
| Balance at 30 June 2022 | - | (629,528) | (145,467) | - | (774,995) |
| Carrying amounts | | | | | |
| At 30 June 2021 | 2,547,120 | 966,114 | 176,556 | - | 3,689,790 |
| At 30 June 2022 | 3,125,579 | 1,180,472 | 794,940 | 37,911,310 | 43,012,301 |

A19 LEASES

The Group assesses at contract inception whether a contract is or contains a lease. That is, if the contract contains the right to control the use of an identifiable asset for a period of time in exchange for consideration.

On 8 November 2021, the Group announced that it had received approval for a \$10.22m Equipment finance facility. Drawdowns are available in tranches when equipment is available for purchase. Each tranche to be repaid over 48 months with interest fixed at the time of drawdown.

In the prior year, the Group entered into a lease agreement for the rent of a full scale multi gravity separator (MGS) to undertake metallurgical test-work. The lease agreement has no fixed term but has a minimum rental amount and an option to purchase the MGS. The MGS was transported from the United Kingdom to Burnie, Tasmania where significant test-work has been undertaken by ALS.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Information about the lease for which the Group is a lessee is presented below;

i. Right-of-use-asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

| 2022 | Plant & equipment | Total |
|----------------------------------|-------------------|-----------|
| | \$ | \$ |
| Balance at 1 July | 135,801 | 135,801 |
| Additions to right-of-use assets | 2,563,205 | 2,563,205 |
| Depreciation charge for the year | (167,782) | (167,782) |
| Balance at 30 June | 2,531,224 | 2,531,224 |

| 2021 | Plant & equipment | Total |
|----------------------------------|-------------------|----------|
| | \$ | \$ |
| Balance at 1 July | - | - |
| Additions to right-of-use assets | 184,301 | 184,301 |
| Depreciation charge for the year | (48,500) | (48,500) |
| Balance at 30 June | 135,801 | 135,801 |

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease. Where the interest rate is not readily determinable, the incremental borrowing rate of 6.3% is used. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

| Maturity analysis- contractual cash flows | 2022 | 2021 |
|---|-----------|---------|
| | \$ | \$ |
| Within one year | 498,154 | 88,134 |
| One year or later and not later than five years | 1,398,234 | 17,656 |
| Later than five years | - | - |
| Total lease liabilities | 1,896,388 | 105,790 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| Lease liabilities included in the statement of financial position | 2022 | 2021 |
|---|------------------|---------------|
| | \$ | \$ |
| Current | 464,409 | 82,921 |
| Non-current | 1,230,322 | 16,787 |
| | <u>1,694,731</u> | <u>99,708</u> |

iii. Amounts recognised in profit or loss

| | 2022 | 2021 |
|------------------------------------|----------------|---------------|
| | \$ | \$ |
| Depreciation on right of use asset | 167,782 | 48,500 |
| Interest on lease liabilities | 16,567 | 2,172 |
| | <u>184,349</u> | <u>50,672</u> |

iv. Amounts recognised in the statement of cash flows

| | 2022 | 2021 |
|-------------------------------|----------------|---------------|
| | \$ | \$ |
| Interest payments | 16,567 | 2,172 |
| Lease payments | 167,678 | 84,593 |
| Total cash outflow for leases | <u>184,245</u> | <u>86,765</u> |

A20 MINE DEVELOPMENT COSTS

| | 30 June 2022 | 30 June 2021 |
|-------------------------------------|----------------|--------------|
| | \$ | \$ |
| Mine development costs | 296,371 | - |
| | <u>296,371</u> | <u>-</u> |
| Movements in mine development costs | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Balance at 1 July | - | - |
| Additions | 296,371 | - |
| Balance at 30 June | <u>296,371</u> | <u>-</u> |

On 1 October 2021, Group 6 Metals Limited determined that it was sufficiently advanced in securing \$88 million in project funding and that it would proceed with the development the Dolphin Tungsten Mine on King Island Tasmania.

Refer to Note A5 for further details about the accounting policy for mine development costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A21 OTHER LIABILITIES

| | 2022 \$ | 2021 \$ |
|--|----------------|------------|
| Other liabilities | | |
| Current Liability – Toyota Finance Australia | 40,195 | - |
| Non-Current Liability – Toyota Finance Australia | 153,014 | - |
| | <u>193,209</u> | <u>-</u> |

On 18 January 2022, the Company was approved for a credit facility of \$480,000 for the purchase of light vehicles for the Dolphin Tungsten Mine. Finance is available in tranches when each vehicle is available for purchase. Each tranche to be repaid over 60 months with interest fixed at the time of drawdown.

A22 OTHER INCOME

| | 2022 \$ | 2021 \$ |
|---|----------------|----------------|
| R&D refund received | 240,649 | 155,195 |
| ATO Cash Boost stimulus received | - | 55,102 |
| Rental income | 2,881 | 10,900 |
| Expense recovery- transport of drill core | - | 1,914 |
| | <u>243,530</u> | <u>223,111</u> |

Grants and other benefits received from the government are recognised in the statement of financial performance at the fair value of the cash received. Government grants are primarily research and development tax incentives. This represents a refundable tax offset that is available on eligible research and development expenditure incurred by the Group.

A23 NON-CASH EXPENSE FROM THE GRANTING OF WARRANTS

| | 2022 \$ | 2021 \$ |
|--|------------------|------------|
| Non-cash expense from the granting of warrants | 4,946,036 | - |
| | <u>4,946,036</u> | <u>-</u> |

On 18 November 2021, the Group issued 46,428,571 warrants to Pure Asset Management Pty Ltd ATF Pure Resources Fund (PURE) in connection with the PURE loan facility (refer Note A14). The warrants have an exercise price of \$0.21 and expire on 31 December 2025.

The Group measures the cost of share warrants granted to PURE by reference to the fair value of the equity instrument at the date at which they are granted.

The fair value of the warrants at the Grant Date is determined using the Black Scholes model.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A24 COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as follows.

| <i>Exploration expenditure commitments</i> | 2022 | 2021 |
|---|----------------|----------------|
| | \$ | \$ |
| Within one year | - | - |
| One year or later and not later than five years | 150,000 | 200,000 |
| Later than five years | - | - |
| | <u>150,000</u> | <u>200,000</u> |

Borrowing commitments

Pure Asset Management Loan Facility

During the year ended 30 June 2022, secured loan funding of \$10,000,000 less transaction costs was provided to the Group by Pure Asset Management (PURE). Interest is payable quarterly by the Group at 8.25% per annum on the \$10,000,000 Loan. The repayment date of the loan is 10 November 2024

Further details are reported in Note A14.

| | 2022 | 2021 |
|---|-------------------|----------|
| | \$ | \$ |
| Within one year | 825,000 | - |
| One year or later and not later than five years | 11,243,151 | - |
| Later than five years | - | - |
| | <u>12,068,151</u> | <u>-</u> |

Purchase of Ballarat Clarendon College Grassy Campus

On 3 February 2022, the Group purchased the Ballarat Clarendon College Grassy Campus, King Island from an unrelated party. It is planned that the premises will be reconfigured into mine accommodation.

The purchase price is \$1,000,000 plus GST. An initial 20% deposit of \$200,000 was paid on 24 November 2021.

Interest is payable monthly by the Group at 5% per annum on \$800,000 committed. The repayment date of the loan is 31 December 2024.

Further details are reported in Note A14.

| | 2022 | 2021 |
|---|----------------|----------|
| | \$ | \$ |
| Within one year | 40,000 | - |
| One year or later and not later than five years | 860,274 | - |
| Later than five years | - | - |
| | <u>900,274</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Right-of-use asset commitments

On 8 November 2021, the Company announced that it had secured a \$10.22 million Equipment Finance Facility. Drawdowns are available in tranches when equipment is available for purchase. Each tranche to be repaid over 48 months with interest fixed at the time of drawdown.

In the prior year, the Group entered into a lease agreement for the rent of a full scale multi gravity separator (MGS) to undertake metallurgical test-work. The lease agreement has no fixed term but has a minimum rental amount and an option to purchase the MGS. The MGS was transported from the United Kingdom to Burnie, Tasmania where significant test-work has been undertaken by ALS.

Further details are reported in Note A19.

| | 2022 | 2021 |
|---|------------------|----------------|
| | \$ | \$ |
| Within one year | 498,154 | 88,134 |
| One year or later and not later than five years | 1,398,234 | 17,656 |
| Later than five years | - | - |
| | <u>1,896,388</u> | <u>105,790</u> |

Other liability commitments

On 18 January 2022, the Company was approved for a credit facility of \$480,000 for the purchase of light vehicles for the Dolphin Tungsten Mine. Finance is available in tranches when each vehicle is available for purchase. Each tranche to be repaid over 60 months with interest fixed at the time of drawdown.

Further details are reported in Note A21.

| | 2022 | 2021 |
|---|----------------|----------|
| | \$ | \$ |
| Within one year | 40,195 | - |
| One year or later and not later than five years | 153,014 | - |
| Later than five years | - | - |
| | <u>193,209</u> | <u>-</u> |

A25 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities whose operating results are reviewed regularly by the Group's Board and for which discrete financial information is available.

The Group is involved solely in development of the Dolphin Tungsten Mine and thus has a single operating segment.

Business and geographical segments

The results and financial position of the Company's single operating segment are prepared on a basis consistent with Australian Accounting Standards and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. Entity-wide disclosures in relation to the Group's product and services and geographical areas are detailed below.

Products and services

The Group is in the process of developing the Dolphin Tungsten Mine and, as such, currently provides no products for sale.

Geographical areas

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Company's activities are located solely in Australia.

A26 CONTINGENCIES

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below:

Purchase price and royalty

The Group's Dolphin Tungsten Mine has a liability to a third party in respect of the acquisition of the tenements. If the decision to mine is taken and there is receipt of sufficient finance (at least \$1,000,000), the amount payable to the third party is \$250,000 plus an additional royalty of 1.5% on tungsten sale amounts received, after selling costs, transport costs for delivery to the buyer, and any taxes (other than income tax).

Adjoining Land

On 12 July 2005 the Company entered into an agreement with a third-party vendor to acquire a 5-hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned mine and Grassy township. The terms of this purchase were an initial payment of \$700,000 plus an additional \$100,000 payable upon the Company obtaining a permit for planning and development approval to carry on an extractive industry, both of which have been paid in full. There is a further \$100,000 payable to the third-party vendor contingent upon the commencement of operations.

Hunan Nonferrous Metals Corporation Ltd

Under the agreed terms relating to termination of the Dolphin Tungsten Mine Joint Venture effective 17 December 2010, the Company's wholly owned subsidiary Australian Tungsten Pty Ltd has a liability to Hunan Nonferrous Metals Corporation Ltd which is contingent on the successful extraction of tungsten ore or concentrate from the Dolphin Tungsten Mine on King Island. The amount payable is a 2% royalty on gross revenue and the maximum royalty amount payable is \$3,900,000.

King Island Council

On 1 July 2011, the Company entered into two agreements with King Island Council that have since been registered under Part 5 of the Land Use Planning Approvals Act 1993 (TAS). These agreements provide that the Company pay, in each financial year, the amounts of \$50,000 inclusive of GST to the King Island Council for upgrading and improvement of Grassy infrastructure; and \$50,000 inclusive of GST to a Trust Fund, mainly for the purpose of upgrading and developing the community facilities in Grassy and surrounding areas.

The Company paid the first instalments of these in advance, a total of \$100,000 inclusive of GST, on 1 July 2011. These advances are to be deducted from future payments over five years at the rate of \$20,000 per annum inclusive of GST. Future payments will be made over the operational life of the mine.

A27 SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this Financial Report any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, except for the following:

1. The Company has issued draw down notices under the shareholder facility agreements in the amount of \$23.0 million of which \$15.3 million (before establishment costs of \$230,000) has been received. The remaining drawdown under the facility agreements of \$7.7m is expected to be received on or before 10 October 2022. . Refer to note A13;

2. On 3 August 2022, the Company announced that it had secured two exploration grants totalling \$75,000 through the Exploration Drilling Grant Incentive ("EDGI") introduced by the Tasmanian Government to stimulate exploration drilling across Exploration Licenses located in Tasmania. The EDGI grant provides funding for 50% of direct drilling costs.

3. On 31 August 2022, Keith McKnight was appointed as Managing Director and Chief Executive Officer of Group 6 Metals Limited.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SECTION B – RISK AND JUDGEMENT

This section outlines the key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. This section also outlines the significant financial risk the Group is exposed, to which the Directors would like to draw the attention of the readers.

B1 FINANCIAL RISK MANAGEMENT

Overview

This Note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Presently, the Group is in a preproduction phase, therefore does not earn revenue from sales and therefore has no accounts receivables. At the reporting date, there were no significant credit risks in relation to trade receivables.

For the Company, credit risk arises from receivables due from subsidiaries.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | Note | Carrying Amount 2022 \$ | 2021 \$ |
|---------------------------|------|-------------------------------|------------------|
| Current | | | |
| Cash and cash equivalents | A16 | 4,529,465 | 3,190,383 |
| Prepayments | A11 | 680,176 | 264,058 |
| Other receivables | A11 | 1,171,145 | 26,367 |
| Deposit | A17 | 194,878 | - |
| | | <u>6,575,664</u> | <u>3,480,808</u> |
| Non-current | | | |
| Deposit | A17 | 2,864,600 | 24,600 |

Impairment losses

None of the Group's other receivables are past due (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Note | Carrying amount \$ | Contractual cash flows \$ | 6 months or less \$ |
|--------------------------|------|--------------------------|---------------------------------|---------------------------|
| 30 June 2022 | | | | |
| Trade and other payables | A12 | 6,907,033 | 6,907,033 | 6,907,033 |
| Derivatives | A13 | 11,859,135 | 19,000,000 | - |
| Borrowings | A14 | 10,634,545 | 12,968,425 | 436,164 |
| Lease Liabilities | A19 | 1,694,731 | 1,694,731 | 249,077 |
| 30 June 2021 | | | | |
| Trade and other payables | A12 | 580,670 | 580,670 | 580,670 |
| Lease Liabilities | A19 | 99,708 | 105,790 | 34,734 |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is not currently exposed to any material currency risk and at the reporting date the Group holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash, cash equivalents and loans), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 30 day rolling periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

| | Carrying amount | |
|----------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial assets | 50,000 | - |
| Financial liabilities | (12,522,485) | (99,708) |
| | <u>(12,472,485)</u> | <u>(99,708)</u> |
| Variable rate instruments | | |
| Financial assets | 4,529,465 | 3,190,383 |
| Financial liabilities | - | - |
| | <u>4,529,465</u> | <u>3,190,383</u> |

Fair value sensitivity analysis for fixed rate instruments

The Group has derivative financial instruments accounted for at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would affect profit or loss.

A change of 100 basis points in interest rates at the end of the financial year would have increased or decreased profit and loss by \$80,392 (2021: nil). This analysis assumes that all other variables remain constant.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the financial year would have increased or decreased profit and loss by \$45,295 (2021: \$23,689). This analysis assumes that all other variables remain constant.

Commodity Price Risk

As at reporting date, the Group is not exposed to significant commodity price risk as it operates primarily in the development phase of the Dolphin Tungsten Mine and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Capital and Reserves Management

The Group's objectives when managing capital and reserves are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital and reserve structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and debt to fund exploration and development activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B2 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress but including any service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

Derivative financial liabilities

The Group initially measures and recognises derivative financial instruments by calculating the fair value of the instruments using the discounted cash flow method net of the fair value of warrants issued.

The Group has utilised a combination of the discounted cash flow (DCF) method together with the fair value of the warrants issued. The DCF involves the projection of a series of cash flows and to this an appropriate market derived discount rate is applied to establish the present value of the income stream.

The Group determines the fair value of warrants issued using the Black Scholes option valuation methodology which takes into account the risk-free interest rate and share price volatility. Expected volatility is estimated by considering historic average share price volatility. The risk-free interest rate is based on government bonds.

At each reporting date, a revaluation of the fair value of the financial asset is undertaken with any change to the fair value going to the profit and loss.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of the share options is measured using the binomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

B3 IMPAIRMENT

The carrying amounts of the Group's assets other than deferred tax assets (see Note D1), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For intangible assets that are not yet available for use, the recoverable amount is estimated annually, or when facts and circumstances suggest the carrying amount may exceed its recoverable amount.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income unless the asset has been re-valued previously in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

B4 FINANCIAL INSTRUMENTS

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

| | Effective interest rate % | Total \$ | 6 months or less \$ | 6-12 months \$ | 1-2 years \$ | 2-5 years \$ | More than 5 years \$ |
|---------------------------|------------------------------------|-------------|---------------------------|----------------------|-----------------|-----------------|----------------------------------|
| 2022 | | | | | | | |
| Cash and cash equivalents | 0.11 | 4,529,465 | 4,529,465 | - | - | - | - |
| Borrowings_Pure | 8.25 | 10,000,000 | - | - | 10,000,000 | - | - |
| Borrowing- BCC | 5.0 | 800,000 | - | - | 800,000 | - | - |
| Derivatives | 8.25 | 11,859,135 | 11,859,135 | - | - | - | - |
| Lease liability | 6.31 | 1,694,731 | 274,765 | 249,078 | 498,156 | 672,732 | - |
| Other liabilities | 7.22 | 193,209 | 28,570 | 28,570 | 57,140 | 78,929 | - |
| 2021 | | | | | | | |
| Cash and cash equivalents | 0.09 | 3,190,383 | 3,190,383 | - | - | - | - |
| Lease liability | 6.3 | 99,708 | 32,128 | 50,793 | 16,787 | - | - |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

| | Note | Carrying amount 2022 \$ | Fair value 2022 \$ | Carrying amount 2021 \$ | Fair value 2021 \$ |
|-----------------------------------|------|----------------------------------|--------------------------|----------------------------------|--------------------------|
| Cash and cash equivalents | A16 | 4,529,465 | 4,529,465 | 3,190,383 | 3,190,383 |
| Prepayments and other receivables | A11 | 1,851,321 | 1,851,321 | 290,425 | 290,425 |
| Trade and other payables | A12 | (6,907,033) | (6,907,033) | (580,670) | (580,670) |
| Derivative liability | A13 | (11,859,135) | (11,859,135) | - | - |
| Lease liability | A19 | (1,694,731) | (1,694,731) | (99,780) | (99,780) |
| Secured loan payable | A14 | (10,634,545) | (10,634,545) | - | - |
| Interest payable | A14 | (117,534) | (117,534) | - | - |
| Other liabilities | A21 | (193,209) | (193,209) | - | - |
| | | (25,025,401) | (25,025,401) | 2,800,358 | 2,800,358 |

SECTION C – KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

This section includes information about key management personnel's remunerations, related parties' information and any transactions key management personnel or related parties may have had with the Group during the year.

C1 KEY MANAGEMENT PERSONNEL EXPENSES

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Wages, salaries, and annual leave

Liabilities for benefits such as wages and salaries represent present obligations resulting from services provided to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date.

| | 2022 \$ | 2021 \$ |
|--|------------------|------------------|
| Salaries and fees | 190,457 | 83,787 |
| Consulting charges | 461,604 | 265,435 |
| Superannuation | 18,971 | 7,960 |
| | 671,032 | 357,182 |
| Non-cash key management personal expense from granting of options to Directors | 1,840,869 | 1,686,113 |
| Key management personnel expenses | 2,511,901 | 2,043,294 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C2 KEY MANAGEMENT PERSONNEL DISCLOSURES

Individual Directors and executive compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures are required by Corporation Regulation 2M.3.03 and provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Directors' transactions with the Company or its controlled entities

Aggregate amounts payable to Directors and their Director related entities for unpaid Directors' fees, statutory superannuation owed to each Director's superannuation fund, and consulting fees at the reporting date were as follows:

| | Transaction Value for 12 months ended | | Balance Outstanding | | Terms |
|-------------------|---------------------------------------|-------------------|---------------------|-------------------|-----------------|
| | 30 Jun 2022 \$ | 30 Jun 2021 \$ | 30 Jun 2022 \$ | 30 Jun 2021 \$ | |
| Johann Jacobs | 308,000 | 284,166 | 56,800 | 168,000 | Payable at call |
| Christopher Ellis | 29,040 | 28,908 | - | - | Payable at call |
| Gregory Hancock | 57,840 | 44,108 | - | 2,409 | Payable at call |
| Keith McKnight | 158,735 | - | 30,150 | - | Payable at call |
| Megan McPherson | 117,417 | - | - | - | Payable at call |
| | 671,032 | 357,182 | 86,950 | 170,409 | |

The terms and conditions of the transactions with Directors or their Director related entities, outlined above, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director-related entities on an arm's length basis.

C3 RELATED PARTY DISCLOSURES

Identity of related parties

The Group has a related party relationship with its subsidiaries (see Note C4) and with its Directors and executive officers (see Note C2).

Other related party transactions

The classes of non-Director related parties are:

- wholly owned subsidiaries;
- partly owned subsidiaries;
- commonly controlled subsidiaries;
- joint ventures;
- associates; and
- Directors of related parties and their personally related entities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Related party transactions

Johann Jacobs

The Group continues to utilise consulting services through a company related to Mr Jacobs, effective from 1 August 2013. The material terms of this agreement are:

- (a) Provision of executive services to the Group by Mr Jacobs.
- (b) Mr Jacobs' services are required to be requested by the Group.
- (c) Consulting fees are payable to the company related to Mr Jacobs at the rate of \$2,100 per day (excluding GST). Notwithstanding this agreement, Mr Jacobs is charging the Company at the rate of \$1,600 per day. Consulting fees charged by the company related to Mr Jacobs for the year ending 30 June 2022 total \$274,069 (2021 \$250,234).
- (d) These fees are in addition to Mr Jacobs' Chairman fees payable at \$30,987 per annum, plus statutory superannuation.

On 16 November 2021, 214,286 fully paid ordinary shares were issued to an entity related to Mr Jacobs at \$0.14 per share to raise \$30,000 under the SPP. On 25 November 2021, a further 692,857 fully paid ordinary shares were issued to an entity related to Mr Jacobs at \$0.14 per share to raise \$97,000 under the tranche two share placement. Shareholder approval of the issue of the shares was obtained at the Company's Annual General Meeting held on 8 November 2021.

Gregory Hancock

The Group also utilises consulting services through a company related to Mr Hancock, effective from 11 July 2019. The material terms of this agreement are:

- (a) Provision of consulting services to the Group by Mr Hancock.
- (b) Mr Hancock's services are required to be requested by the Group.
- (c) Consulting fees are payable to the company related to Mr Hancock at the rate of \$1,600 per day (excluding GST) on an as-required basis. Consulting fees charged by the company related to Mr Hancock for the year ending 30 June 2022 total \$28,800 (2021 \$15,200).
- (d) These fees are in addition to Mr Hancock's Director fees payable at \$26,400 per annum, plus statutory superannuation.

Christopher Ellis

On 4 October 2021, the Group announced that it would undertake a Share Purchase Plan (SPP) to raise \$5,500,000. Mr Ellis, via his nominated entity, Chrysalis, entered into an underwriting agreement to subscribe for up to \$2,769,825 of any shortfall arising under the SPP. On completion of the SPP, the Group was required to pay an underwriting fee of \$110,793.

On 16 November 2021, 7,288,633 fully paid ordinary shares were issued to an entity related to Mr Ellis at \$0.14 per share to raise \$1,020,409 under the SPP. On 25 November 2021, a further 10,714,286 fully paid ordinary shares were issued to an entity related to Mr Ellis at \$0.14 per share to raise \$1,500,000 under the tranche two share placement. Shareholder approval of the issue of the shares was obtained at the Company's Annual General Meeting held on 8 November 2021.

During the year, the Group secured a debt facility of \$4,000,000 and a convertible debt facility of \$4,500,000 from Chrysalis Investments Pty Ltd a company related to Mr Ellis. The two facilities are available but not drawn at 30 June 2022.

The loans were negotiated on an arm's length basis. On 18 November 2021, 24,107,143 warrants were issued to Chrysalis Investments Pty Ltd in relation to the convertible loan. The terms of the loan agreements and warrants are detailed in Note A13.

This is in addition to Mr Ellis' Director fees payable at \$26,400 per annum, plus statutory superannuation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Keith McKnight (Managing Director and Chief Executive Officer)

During the financial year ended 30 June 2022, an entity controlled by Mr McKnight was paid a consultancy fee at the rate of \$30,000 per month for Mr McKnight to be the Chief Executive Officer (2021: nil). Consultancy fees charged by the entity controlled by Mr McKnight for the year ended 30 June 2022 total \$158,735 (2021: nil). \$30,150 of the Chief Executive Officer's fees was unpaid at 30 June 2021. No annual or long service leave accrues to Mr McKnight or his controlled entity.

Megan McPherson (Chief Financial Officer/ Company Secretary)

During the financial year ended 30 June 2022, Ms McPherson was paid at the rate of \$280,000 p.a. including 10% statutory superannuation (2021: nil) to be the Chief Financial Officer/ Company Secretary. Annual leave and long service leave entitlements accrue to Ms McPherson.

The following related party transaction charges for Directors' fees, consulting fees, underwriting fees and loans advanced to the Group were made with the Group on normal terms and conditions and in the ordinary course of business:

| | Transaction Value for 12 months ended | | Balance Outstanding | | Terms |
|------------------------------|---------------------------------------|-------------------|---------------------|-------------------|-----------------|
| | 30 Jun 2022 \$ | 30 Jun 2021 \$ | 30 Jun 2022 \$ | 30 Jun 2021 \$ | |
| Directors' Fees | 92,011 | 91,747 | 8,483 | 19,375 | Payable at call |
| Consulting Fees | 461,604 | 265,435 | 78,467 | 151,034 | Payable at call |
| Executive Salary | 117,417, | - | - | - | Payable at call |
| Underwriting Fees | 110,793 | - | - | - | Payable at call |
| | 781,825 | 357,182 | 86,950 | 170,409 | |
| Non-cash Remuneration | | | | | |
| Options remuneration | 1,840,870 | 1,686,113 | - | - | |
| | 1,840,870 | 1,686,113 | - | - | |
| Loan funding | | | | | |
| Derivative liability | 2,282,632 | - | 2,282,632 | - | Refer Note A13 |
| | 2,282,635 | - | 2,282,632 | - | |

C4 CONSOLIDATED ENTITIES

| | Country of incorporation | Ownership interest | |
|------------------------------|--------------------------|--------------------|-----------|
| | | 2022 % | 2021 % |
| Parent entity | | | |
| Group 6 Metals Limited | Australia | | |
| Subsidiaries | | | |
| Scheelite Management Pty Ltd | Australia | 100 | 100 |
| GTN Tanzania Pty Ltd | Tanzania | 100 | 100 |
| GTN Operations Pty Ltd | Tanzania | 65 | 65 |
| Australian Tungsten Pty Ltd | Australia | 100 | 100 |

In the financial statements of the Company, investments in controlled entities and associates are measured at cost and included with other financial assets.

There are no amounts attributable to non-controlling interests in GTN Operations Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SECTION D – OTHER DISCLOSURES

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Group but must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* (Cth) or the Corporations Regulations.

D1 INCOME TAX

Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets recorded at each reporting date are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly owned Australian resident entities have formed a tax-consolidated group.

Tax consolidation

All members of the tax-consolidated group are taxed as a single entity from 1 July 2004. The head entity within the tax-consolidated group is Group 6 Metals Limited.

Current tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "stand alone taxpayer" approach for each entity, as if it continued to be a taxable entity in its own right.

Any current liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

As the tax-consolidated group has no income tax payable, the head entity has not entered into a tax funding arrangement in conjunction with other members of the tax-consolidated group which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

Numerical reconciliation between tax benefit and pre-tax net loss

| | 2022 | 2021 |
|---|-------------|-------------|
| | \$ | \$ |
| Loss before tax | 13,648,059 | 4,875,338 |
| Prima facie Income tax benefit at a tax rate of 30% | 4,094,418 | 1,462,601 |
| Decrease in income tax benefit due to: | | |
| Income tax losses not recognised | (4,094,418) | (1,462,601) |
| Income tax benefit on pre-tax net loss | - | - |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Unrecognised deferred tax assets

| | | |
|--------------------|------------|------------|
| Revenue tax losses | 16,229,886 | 14,658,334 |
| Capital tax losses | 1,431,355 | 1,431,355 |

The tax losses do not expire under current legislation though these losses are subject to testing under loss recoupment rules in order for them to be utilised. Deferred tax assets have not been recognised in respect of this item because, at this time, it is not probable that future taxable profit will be available against which the benefits can be offset.

D2 LOSSES PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit or loss attributable to members of the parent entity for the financial year, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax effect of financial costs associated with dilutive ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary and dilutive potential ordinary shares adjusted for any bonus issue.

The calculation of basic and diluted losses per share for the year ended 30 June 2022 was based on the net loss attributable to ordinary shareholders of \$13,648,059 (2021: loss \$4,875,338) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2022 of 553,101,884 (2021: 310,001,629), calculated as follows:

| | 2022 \$ | 2021 \$ |
|---|-------------|-------------|
| Loss for the financial year attributable to ordinary shareholders | 13,648,059 | 4,875,338 |
| <i>Weighted average number of ordinary shares</i> | | |
| Undiluted Number of Shares | Number | Number |
| Issued ordinary shares at 1 July | 376,006,725 | 264,381,303 |
| Effect of shares issued 15 October 2020 | - | 232,816 |
| Effect of shares issued 2 November 2020 | - | 25,966,773 |
| Effect of shares issued 5 February 2021 | - | 2,945,455 |
| Effect of shares issued 9 February 2021 | - | 495,203 |
| Effect of shares issued 10 February 2021 | - | 627,740 |
| Effect of shares issued 16 February 2021 | - | 1,589,274 |
| Effect of shares issued 17 February 2021 | - | 624,116 |
| Effect of shares issued 19 February 2021 | - | 304,866 |
| Effect of shares issued 23 February 2021 | - | 156,565 |
| Effect of shares issued 24 February 2021 | - | 267,387 |
| Effect of shares issued 1 March 2021 | - | 157,341 |
| Effect of shares issued 2 March 2021 | - | 930,771 |
| Effect of shares issued 10 March 2021 | - | 578,058 |
| Effect of shares issued 17 March 2021 | - | 397,851 |
| Effect of shares issued 22 March 2021 | - | 7,747,945 |
| Effect of shares issued 24 March 2021 | - | 637,617 |
| Effect of shares issued 29 March 2021 | - | 275,564 |
| Effect of shares issued 31 March 2021 | - | 75,114 |
| Effect of shares issued 14 April 2021 | - | 95,816 |
| Effect of shares issued 5 May 2021 | - | 73,874 |
| Effect of shares issued 10 May 2021 | - | 1,295,143 |
| Effect of shares issued 26 May 2021 | - | 7,532 |
| Effect of shares issued 2 June 2021 | - | 32,433 |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | | |
|---|-------------|-------------|
| Effect of shares issued 9 June 2021 | - | 84,761 |
| Effect of shares issued 23 June 2021 | - | 12,202 |
| Effect of shares issued 30 June 2021 | - | 8,108 |
| Effect of shares issued 7 July 2021 | 1,904,474 | - |
| Effect of shares issued 14 July 2021 | 4,280,963 | - |
| Effect of shares issued 14 July 2021 | 961,644 | - |
| Effect of shares issued 14 July 2021 | 961,644 | - |
| Effect of shares issued 14 July 2021 | 961,644 | - |
| Effect of shares issued 21 July 2021 | 5,346,606 | - |
| Effect of shares issued 28 July 2021 | 14,958,716 | - |
| Effect of shares issued 30 July 2021 | 1,386,121 | - |
| Effect of shares issued 2 August 2021 | 111,206 | - |
| Effect of shares issued 4 August 2021 | 10,968 | - |
| Effect of shares issued 9 August 2021 | 29,841 | - |
| Effect of shares issued 7 October 2021 | 63,565,935 | - |
| Effect of shares issued 14 October 2021 | 9,782,193 | - |
| Effect of shares issued 4 November 2021 | 801,096 | - |
| Effect of shares issued 16 November 2021 | 24,500,213 | - |
| Effect of shares issued 25 November 2021 | 47,336,576 | - |
| Effect of shares issued 21 December 2021 | 195,319 | - |
| Weighted average number of ordinary shares used in calculating basic and diluted loss per share | 553,101,884 | 310,001,628 |

No potential shares (2021: nil) were excluded from the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2022 as the Company is in a loss position.

D3 AUDITOR'S REMUNERATION

| | 2022 | 2021 |
|---|--------|--------|
| | \$ | \$ |
| Auditors of the Company <i>KPMG Australia</i> | | |
| Audit and review of financial reports | 75,643 | 49,370 |
| Other assurance services | - | - |
| | 75,643 | 49,370 |

The auditors of the Company, KPMG Australia, did not perform other non-audit assurance services for the Group during the year (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

D4 PARENT ENTITY DISCLOSURES

The Group has applied amendments to the *Corporations Act 2001* (Cth) that remove the requirements for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the following specific parent entity disclosure.

As at, and throughout, the financial year ending 30 June 2022 the parent company of the Group was Group 6 Metals Limited.

| | 2022 \$ | 2021 \$ |
|---|-------------|-------------|
| Results of the parent entity | | |
| Loss for the year | (9,667,300) | (3,157,653) |
| Other comprehensive income | - | - |
| Total comprehensive income for the financial year | (9,667,300) | (3,157,653) |

Financial position of parent entity at year end

| | | |
|---------------------|------------|------------|
| Current assets | 4,704,338 | 3,236,968 |
| Non-current assets | 49,715,633 | 10,627,822 |
| Total assets | 54,419,970 | 13,864,790 |
| Current liabilities | 12,236,083 | 2,461,516 |
| Total liabilities | 12,236,083 | 2,461,516 |
| Net Assets | 42,183,887 | 11,403,274 |

Total equity of the parent entity comprising of:

| | | |
|----------------------|-------------------|-------------------|
| Share capital | 103,100,311 | 69,849,764 |
| Share Option Reserve | 11,540,333 | 4,342,967 |
| Accumulated Losses | (72,456,757) | (62,789,457) |
| Total Equity | 42,183,887 | 11,403,274 |

Parent entity capital commitments for acquisition of property, plant & equipment

There are no parent entity capital commitments for acquisition of property, plant and equipment as at 30 June 2022 (2021: Nil).

Contingencies

Refer to Note A25 for contingencies related to the parent entity.

D5 FINANCING INCOME AND EXPENSES

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

Finance expenses comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

D6 GST

Revenue, expenses, and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

D7 NEW ACCOUNTING STANDARDS

A number of new standards and amendments to standards are effective for annual periods beginning 1 July 2021. These new standards and amendments have been applied in preparing these financial statements and none of them have had a significant effect on the financial statements of the Group.

AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures

AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Group 6 Metals Limited ("the Company"):
 - (a) the consolidated financial statements and notes that are set out on pages 36 to 75 and the Remuneration Report on pages 18 to 34 in the Directors' Report, are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - (ii) complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.
3. The Directors draw attention to Note A1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Johann Jacobs
Chairman
Sydney
16 September 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Group 6 Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Group 6 Metals Limited for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of the KPMG firm, written in a dark blue ink.

KPMG

A handwritten signature of Shane O'Connor, written in dark blue ink.

Shane O'Connor
Partner

Sydney
16 September 2022



Independent Auditor's Report

To the shareholders of Group 6 Metals Limited

Opinion

We have audited the **Financial Report** of Group 6 Metals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- 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 including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** comprises of Group 6 Metals Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Fair value of derivative financial instruments, liability of \$11,859,135

Refer to Note A13 to the financial report

| Key Audit Matter | How the matter was addressed in our Audit |
|--|---|
| <p>The fair value of the Group's derivative financial instruments is determined by the application of valuation techniques which involve the exercise of judgement and the use of assumptions and estimates.</p> <p>The valuation of derivative financial instruments held at fair value is considered a Key Audit Matter due to:</p> <ul style="list-style-type: none"> ○ The judgment required by management in the valuation and accounting for derivative instruments; ○ The complexity associated with the valuation methodology and model leading to an increase in subjectivity and estimation uncertainty; and ○ Derivative financial instruments represented 38% of the Group's total liabilities. | <p>Our procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the relevant Loan Agreements and associated Warrant Deeds to assess the appropriateness of the relevant accounting applied by the Group against the requirements of the accounting standards • With the assistance of our valuation specialists, independently re-valuing the derivative financial instrument. This involved: <ul style="list-style-type: none"> - assessing the key inputs and assumptions used in the valuation model, including the timing and amount of the loan draw downs and associated repayments, share price, discount rate and expected volatility; - sourcing the loan interest rate from the Loan Agreements and the warrant exercise price and warrant expiry dates from the Warrant Deeds - evaluating the integrity of the valuation model; and - using our own valuation model to recalculate the fair value of the derivatives. • Comparing the Group's valuation methodology to accounting standard requirements; and • Assessing the financial statement disclosures against the relevant accounting standard requirements. |



Other information

Other Information is financial and non-financial information in Group 6 Metal Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Group 6 Metals Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 16 to 30 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Shane O'Connor', written over a light blue horizontal line.

Shane O'Connor

Partner

Sydney

16 September 2022

ADDITIONAL SHAREHOLDER INFORMATION CONTINUED

ADDITIONAL SHAREHOLDER INFORMATION

Shares

At a general meeting on a show of hands, each shareholder present in person or by proxy has one vote and on a poll each shareholder present in person or by proxy has:

- (i) one vote for each fully paid share held; and
- (ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

At 31 August 2022, issued capital was 630,754,715 ordinary fully paid shares held by 5,887 holders and 31,375,000 unquoted options (with various exercise prices and expiry dates- refer below).

20 Largest Holders by Name of Ordinary Shares and their Share Holdings at 31 August 2022:

| Rank | Beneficial Shareholder | Number of Shares | % of Issued Capital |
|--|--|--------------------|---------------------|
| 1 | MR RICHARD CHADWICK AND MRS GWENDA CHADWICK | 100,884,704 | 15.99% |
| 2 | MR CHRISTOPHER ELLIS (DIRECTOR) | 86,878,423 | 13.77% |
| 3 | D.A.CH.S. CAPITAL AG | 59,929,004 | 9.50% |
| 4 | ELPHINSTONE HOLDINGS PTY LTD <ELPHINSTONE HOLDINGS A/C> | 20,283,763 | 3.22% |
| 5 | MR ANTHONY JAMES HAGGARTY | 18,540,960 | 2.94% |
| 6 | CITICORP NOMINEES PTY LIMITED | 12,784,488 | 2.03% |
| 7 | MRS CATHERINE JEANE MORRITT | 11,752,299 | 1.86% |
| 8 | INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C> | 7,208,011 | 1.14% |
| 9 | BELGRAVIA STRATEGIC EQUITIES PTY LTD | 7,142,858 | 1.13% |
| 10 | MR GIUSEPPE CORONICA + MRS YVONNE PRICE <G CORONICA PTY S/F A/C> | 6,850,000 | 1.09% |
| 11 | MR JOHANN JACOBS (DIRECTOR) | 6,822,855 | 1.08% |
| 12 | RANAMOK PTY LTD <RANAMOK FAMILY 2 A/C> | 5,170,590 | 0.82% |
| 13 | HUNAN NONFERROUS METALS CORPORATION LIMITED | 4,450,000 | 0.71% |
| 14 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 4,437,386 | 0.70% |
| 15 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,328,006 | 0.69% |
| 16 | BNP PARIBAS NOMS PTY LTD <DRP> | 4,074,208 | 0.65% |
| 17 | MR DEAN ANDREW KENT <THE WATTLE A/C> | 2,764,286 | 0.44% |
| 18 | GEKKO SYSTEMS PTY LTD | 2,653,310 | 0.42% |
| 19 | SERLETT PTY LTD <DILIGENT INV SUPERFUND A/C> | 2,564,232 | 0.41% |
| 20 | BEARAY PTY LIMITED <BRIAN CLAYTON S/F A/C> | 2,000,000 | 0.32% |
| Totals: Top 20 holders of ORDINARY SHARES (TOTAL) | | 371,519,383 | 58.91% |

ADDITIONAL SHAREHOLDER INFORMATION CONTINUED

Distribution of Share Holders and Share Holdings at 31 August 2022

| Range | Total holders | Number of Shares | % of total Issued Capital |
|------------------|---------------|--------------------|---------------------------|
| 1 - 1,000 | 76 | 8,231 | 0.00 |
| 1,001 - 5,000 | 1,925 | 6,281,509 | 1.00 |
| 5,001 - 10,000 | 1,083 | 8,811,603 | 1.40 |
| 10,001 - 100,000 | 2,258 | 79,964,012 | 12.68 |
| 100,001 Over | 545 | 535,689,360 | 84.93 |
| Rounding | - | - | -0.01 |
| Total | 5,887 | 630,754,715 | 100.00 |

| Unmarketable Parcels | Minimum Parcel Size | Holders | Number of Shares |
|---|---------------------|---------|------------------|
| Minimum \$500.00 parcel at \$0.2300 per Share | 2,174 | 494 | 820,596 |

Substantial Shareholders at 31 August 2022

| | Number of Shares | % of Issued Capital |
|---|------------------|---------------------|
| ABEX RESOURCE HOLDINGS PTY LTD | 100,884,704 | 15.99% |
| CHRYSLIS INVESTMENTS PTY LTD <THE ELLIS FAMILY A/C> | 86,878,423 | 13.77% |
| D.A.CH.S. CAPITAL AG | 59,929,004 | 9.50% |

ADDITIONAL SHAREHOLDER INFORMATION CONTINUED

Unquoted Options

At 31 August 2022 there were 10,375,000 unquoted options with various exercise prices and expiry dates, held by four holders.

| Exercise Price per share | Vesting Date | Expiry Date | Johann Jacobs | Chris Ellis | Gregory Hancock | Charles Murcott | Total |
|--------------------------|--------------|-------------|---------------|-------------|-----------------|-----------------|------------|
| | | | Number | Number | Number | Number | Number |
| 6 cents | 31 Dec 2017 | 31 Dec 2022 | - | 1,000,000 | - | - | 1,000,000 |
| 8 cents | 31 Dec 2017 | 31 Dec 2022 | 375,000 | 1,000,000 | - | - | 1,375,000 |
| 10 cents | 31 Dec 2017 | 31 Dec 2022 | 1,000,000 | 1,000,000 | - | - | 2,000,000 |
| 11 cents | 15 Oct 2019 | 15 Oct 2024 | - | - | 1,000,000 | - | 1,000,000 |
| 13 cents | 15 Oct 2019 | 15 Oct 2024 | - | - | 1,000,000 | - | 1,000,000 |
| 15 cents | 15 Oct 2019 | 15 Oct 2024 | - | - | 1,000,000 | - | 1,000,000 |
| 10 cents | 7 Sept 2021 | 7 Sept 2024 | - | - | - | 1,000,000 | 1,000,000 |
| 12 cents | 7 Sept 2021 | 7 Sept 2025 | - | - | - | 1,000,000 | 1,000,000 |
| 15 cents | 7 Sept 2021 | 7 Sept 2026 | - | - | - | 1,000,000 | 1,000,000 |
| | | | 1,375,000 | 3,000,000 | 3,000,000 | 3,000,000 | 10,375,000 |

Each option provides the right for the option holder to be issued one fully paid share by the Company, upon payment of the exercise price of each option.

Performance Options

At 31 August 2022 there were 21,000,000 performance options with various vesting and expiry dates, held by three holders.

| Exercise Price | Vesting Date | Expiry Date | Holder | | | Total |
|----------------|---------------|--------------|--------------------------|-------------------------------|---------------------------------------|-------------------|
| | | | Finmin Solutions Pty Ltd | Chrysalis Investments Pty Ltd | Hancock Corporate Investments Pty Ltd | Number |
| | | | Number | Number | Number | Number |
| \$0.00 | 30 Sept 2021^ | 30 Sept 2026 | 3,000,000 | 3,000,000 | 3,000,000 | 9,000,000 |
| \$0.00 | 30 Sept 2023* | 30 Sept 2028 | 4,000,000 | 4,000,000 | 4,000,000 | 12,000,000 |
| TOTAL | | | 7,000,000 | 7,000,000 | 7,000,000 | 21,000,000 |

^ Vested

* Vesting is subject to the satisfaction of certain performance hurdles

Each performance option provides the right for the option holder to be issued one fully paid share by the Company, upon satisfaction of the vesting conditions and election by the holder to exercise the option.

ADDITIONAL SHAREHOLDER INFORMATION CONTINUED

Warrants

At 31 August 2022 there were 148,214,286 warrants with various vesting and expiry dates, held by five holders.

| Exercise Price | Vesting Date | Expiry Date | Holder | | | | | Total |
|----------------|--------------|-------------|-------------------------------|------------------------------|----------------------|--------------|-------------------------------|-------------|
| | | | Pure Asset Management Pty Ltd | Elphinstone Holdings Pty Ltd | D.A.CH.S Capital A G | Abex Limited | Chrysalis Investments Pty Ltd | |
| | | | Number | Number | Number | Number | Number | Number |
| \$0.210 | 18 Nov 2021 | 31 Dec 2025 | 46,428,571 | - | - | - | - | 46,428,571 |
| \$0.196 | 18 Nov 2021 | Various | - | 26,785,714 | 16,071,429 | 34,821,429 | 24,107,143 | 101,785,715 |
| TOTAL | | | 46,428,571 | 26,785,714 | 16,071,429 | 34,821,429 | 24,107,143 | 148,214,286 |

Mining Exploration Tenements

The Company holds the following licence and lease.

Interest

Exploration Licence EL19/2001 at Grassy, King Island (63 sq kms) (expires 23 December 2022)

100%

Mining Lease CML 2080P/M at Grassy, King Island (566 hectares) (expires 5 June 2029)

100%

Securities Exchange Listing

The Company's ordinary shares are listed on the Australian Securities Exchange.

The Company's ASX codes for ordinary shares is G6M.

On-Market Buy Back

There is no on-market buy-back.

Corporate Governance Statement

The Company's Corporate Governance statement for the financial year ended 30 June 2022 is available for members to download and access from [Corporate Governance - Group 6 Metals Limited \(g6m.com.au\)](https://www.g6m.com.au/corporate-governance)