Updated Project Economics
More Robust Returns Forecast
Dolphin Tungsten Mine

Key Highlights

Following a comprehensive review of the Dolphin Tungsten Mine project economics previously published in December 2020[1], the updated results highlight:

- An increase of the Net Present Value ("**NPV**") of 24%, from A$241 million to A$300 million (pre-tax at 8% discount rate)
- Sustained high Ammonium Paratungstate ("**APT**") prices and favourable foreign exchange ("**FX**") conditions mean, prices for Dolphin tungsten concentrate are currently at an all-time high
- Capital Cost increases have resulted from changes in scope which will result in a more efficient operation
- Largely due to the significant increases in energy costs, both capital and operating cost have been the subject of inflationary pressures
- Due to expected higher revenues, Royalties payable to the Tasmanian Government are anticipated to increase significantly

Group 6 Metals Limited (**ASX: G6M**, "**Group 6 Metals**" or the "**Company**") is pleased to provide an update to the project economics for the Company's wholly owned Dolphin Tungsten Mine, located on King Island, Tasmania.

The Company advises that its team on site has undertaken a detailed review of costs associated to complete construction activities and the working capital requirements to achieve steady state production amid concerns of rising costs due to global inflationary pressures.

The review has identified several areas of cost escalation, however pleasingly, these increased costs are more than offset by sustained higher APT prices and favourable FX rates.

[1] Group 6 Metals ASX Announcement titled "Revised Feasibility Study Provides Significant Increase in NPV and Mine Life Extended to 14 Years" released 16th December 2020

Group 6 Metals Managing Director and CEO, Keith McKnight said:

"Despite the challenges faced by many mining projects under construction over the last 12 months, primarily due to escalating capital and operating costs, logistical challenges and labour shortages, we are very happy with the progress achieved at Dolphin to date and with the updated project financial metrics. The NPV for the project has increased significantly from $241 million to $300 million pre-tax after factoring in all of these factors.

The project is tracking well against schedule, with commissioning of the process plant still expected to be completed by the end of March 2023, as all the major OEM equipment has now been delivered to site to complete the construction of the process plant. In parallel, the mine infrastructure is also progressing well with construction of the tailings storage facility underway and expected to be available in March 2023 when needed for commissioning.

The market fundamentals for tungsten continue to look increasingly positive. There is an anticipated shortage of tungsten concentrate in 2023 due to increasing demand and limited new supply coming online. The price for APT has remained stable at U$335 – 340 per mtu WO3, for much of the last 6 months and given the current AUD: USD exchange rate, is the highest APT price in Australian dollar terms since the mine last operated.

While there has been cost escalation in capital and operating costs, by overcoming these challenges the Company can take advantage of very favourable market conditions to maximise returns from one of the highest-grade tungsten projects in the western world."

Group 6 Metals Chairman, Johann Jacobs added:

"Our team on site has worked tirelessly to overcome the challenges presented during the construction period. The Board commends the efforts of the team and their demonstrated ability to overcome these challenges by adapting quickly to implement mitigation strategies to keep the Project on track. It is testament to the leadership and dedication of our Managing Director & CEO Keith McKnight and General Manager Chas Murcott."

The latest drone flyover is available at the following link: https://youtu.be/monA49lGtGg

Economic Analysis

The Company is currently undertaking construction of the Dolphin Tungsten Project, which is planned to commence production of tungsten concentrate for sale to its offtake partners in Q2 2023, following commissioning of the concentrate plant in Q1 2023.

The updated project economics are provided following a detailed review of CAPEX cost to complete, and updated OPEX costs. Input costs have been adjusted to account for project design enhancements, increased inflation for materials and labour costs, and increased energy costs. Input costs have been updated but are based on the work completed and referred to in the Revised Feasibility Study ("**RFS**") released in December 2020[1].

The geological and technical information contained in the RFS have not changed.

Updated Project Economics

The key metrics from the updated project economics are:

***Table 1** - Updated Key Financial Outcomes*

	Updated Project Economics 2022	RFS 2020
NPV- Real- pre tax, (at 8% discount rate)	A$300M	A$241M
IRR- pre-tax	38%	43%
Capital payback- pre-tax- years	2.53	2.25

The increase in NPV is largely attributed to the sustained increase in APT Prices and favourable drop in the USD to AUD Foreign Exchange rate. These significant benefits to the Project have been offset by an increase in Capex and Opex which are largely due to inflationary costs pressure for materials, spare parts, mine and process plant consumables and fuel.

CAPEX Costs

***Table 2** - Capital Costs Comparison*

Item	Updated CAPEX 2022 A$'000	RFS CAPEX 2020 A$'000
Site Services	10.3	6.3
OC Mobile Mining Equipment	17.9	15.9
Processing Plant and Infrastructure	62.2	45.4
Contingency	2.3	5.1
Start Up CAPEX	**92.7**	**72.7**
Additional OC Equipment	4.5	4.5
UG Mining	25.5	25.5
Sustaining CAPEX	15.7	15.7
Other Deferred Capital	15.5	10.8
Deferred CAPEX	**61.2**	**56.5**
Life of Mine CAPEX	**153.9**	**129.2**
Capital Cost per mtu of WO3 produced	**$48/mtu**	**$40/mtu**

The increase in the Capex can be broadly summarised as follows:

Item	A$'000
Design changes	4.8
Scope changes	7.1
Global cost inflation	6.1
Other	2.0
TOTAL	**20.0**

Prior to and after commencement of construction, the Company implemented several design enhancements to improve the construction, operation and reliability of the mine and process plant operation. These included changes to the tailings storage facility, tailings pumping system, explosives storage and civil structural design.

In addition, there has also been several scope changes relating to the Gekko contract and a change in mining fleet, provision of dedicated diesel power station, modification of site electrical configuration, addition of front-end loader for material handling at process plant and stocking of additional mobile equipment and process plant spares

There has also been unprecedented global inflation for the supply of tools, parts, consumables, fuel, tyres and equipment such electrical switchgear, batch plant, galvanising and logistics.

Other factors influencing the increase in costs include:

- Due to global shortage of mining equipment the project has experienced significant delays to the delivery of the Company's open cut mobile mining equipment has resulted in the Company incurring unforeseen rental costs for equipment pending the delivery of it's own equipment.

- Persistent higher than average rainfall has also impacted ground conditions on site with alternate heavy equipment sourced to work efficiently in the wet conditions.

- Ongoing labour shortages crippling many industries has resulted in additional costs as contracted labour has been used to fill vacant positions.

The Company has at all times tried to minimise Capex Cost escalation where possible but due the current highly inflationary cost environment, most of the escalation has been outside of the Company's control. However, the Company reiterates that if it hadn't places orders for major OEM equipment in mid-2021, the cost escalation would have been significantly higher.

OPEX Costs

***Table 3** – Average life of mine open cut operating costs comparison*

Item	Updated 2022	RFS 2020
	Open Cut A$/mtu	Open Cut A$/mtu
Mining	59	48
Processing	44	45
Transport and Other	15	9
Royalties	29	24
Total	**147**	**126**

***Table 4** – Average life of mine underground operating costs comparison*

Item	Updated 2022	RFS 2020
	Underground A$/mtu	Underground A$/mtu
Mining	70	71
Processing	31	32
Transport and Other	13	8
Royalties	27	23
Total	**141**	**134**

The review of OPEX expenses has also identified several areas of cost escalation the most significant being the price of Ammonium Nitrate Explosive ("**ANE**") which has doubled and diesel fuel which has increased by approximately 55%.

Substantial increases in international shipping rates have also been factored into the updated financial model with a 57% increase applied.

Despite significant inflationary pressures the design enhancements to the process plant have resulted in operating cost improvements and better overall plant reliability.

Updated Financial Model Input Assumptions

Pricing

Pricing for APT, Ammonium Paratungstate, the benchmark used to derive concentrate pricing, is based on US$329/mtu between 2023 to 2026, thereafter prices are kept constant at US$340/mtu.

A$/US$ Exchange Rate

All revenues will be US$ denominated, so fluctuations in the exchange rates will have significant impacts on the ultimate returns. In this analysis, the exchange rate has been kept constant at A$1.00 being equivalent to US$0.67.

Project Financing

The updated financial model includes debt finance arrangements including interest and repayment schedules.

Approved by the board of Group 6 Metals Limited.

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