

Group 6 Metals Limited

Developing Dolphin- an old metal for a new world

Group 6 Metals Limited (ASX:G6M) is a soon-to-be-miner and producer, with the development of its 100%-owned Dolphin Tungsten Mine on King Island now underway and targeting first concentrate in 1Q FY23. The company describes the Dolphin Tungsten Projects as hosting '...the highest-grade tungsten deposit of significant size in the western world'. The initial focus of the project is to produce a high-grade tungsten concentrate, however, the company will also look to explore opportunities for value-added product. Although tungsten may not be drawing the focus and attention of next-gen battery metals, the metrics for tungsten are only getting better in a supply-constrained world.

Dolphin construction underway

Earthworks commenced in early in 2022 with civil works commencing in April and plant construction from July. Completion of the plant and mining start-up are scheduled for November...the time-line is aggressive and likely subject to some risk on persisting, post-COVID supply chain issues, but we'd expect delays to be small. First concentrate is planned for March-2023. Importantly the company has secured development costs under turn-key contracts reducing the risk of any significant capital over-runs in the current global inflationary environment. With a net cash position of \$10.8mn (31-Mar) and undrawn debt facilities of \$32.5mn, the company appears well financed through the construction phase and into first production.

A long mine-life with exploration upside

The Dolphin project has JORC defined resources of 11.2Mt @0.9%WO₃ of which 4.43MT @ 0.92% WO₃ are classified as reserves. The project is modelled as delivering ~220,000mtu pa over a mine life of 14 years, initially in an open cut operation (eight years) before progressing to a higher grade underground phase for the remaining mine life. The company has identified a number of exploration targets in proximity to the proposed mine area which may, upon success provide mine-life extension opportunities. The descriptions suggest these are very early-stage targets with commerciality subject to extensive on going evaluation. Despite the higher risk nature of the plays, we would suggest on balance there is reasonable potential for resource additions to the project as currently defined.

The 'tungsten economy' looks very supportive

Management has secured offtake agreements for ~125,000mtu pa across the first four years of production with high-quality European buyers with negotiations on going for further commitments. We do not see offtake as a critical risk to the project. The tungsten market is undergoing a paradigm shift, with the metal now considered as a 'critical mineral' in the US, Canada and through Europe and diversification of supply away from China and Russia being actively encouraged. World tungsten demand is expected to expand supported by strong growth in the cemented carbides sector, for superalloys and other alloys along with increasing demand in the chemicals (*and technology*) sectors. Global tungsten fundamentals are positive for the industry with supply chain issues, rising production costs and significantly stronger global infrastructure spending likely to support prices over the next three-five years with, we suggest, some short-term upside on supply tightness.

Share details

ASX Code	G6M
Share Price	\$0.205
Market Capitalisation	\$126.2M
Number of shares	630.8M
Options on issue (unlisted)	119.6M
Net cash at 31 Mar	\$10.8M

Share price performance (12 months)

To be added

Upside Case

- Global demand remains favourable for tungsten...we expect metals prices to remain strong across the cycle.
- Continuing strength in APT pricing.
- Delivery of first concentrate ahead of schedule.

Downside Case

- Delays to first concentrate production through cost increases or supply chain impacts.
- Below model output upon start-up and commissioning.
- Capped or lower APT prices.

Catalysts

- On schedule delivery of project construction and mining
- Announcements on additional value-added opportunities

Comparative companies (Australia & NZ)

All, STM, NVA, ZNC

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FINANCIAL SERVICES GUIDE

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- how we transact with you
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- complaint processes

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