

04 December 2024

Group 6 Metals Enters Transformation Phase Reaches Agreement with Lenders for Substantial Recapitalisation

Key Points

- **The senior lenders to Group 6 Metals have agreed a Recapitalisation Plan, aimed at significantly reducing debt, strengthening the balance sheet, lowering funding costs, and providing necessary liquidity to determine and execute a business transformation plan.**
- **The Recapitalisation Plan will address unsustainable leverage and significantly reduce total debt, with circa A\$67.2 million of debt and trade creditors being converted into equity.**
- **Senior lenders, subordinated lenders and certain unsecured creditors' post-recapitalisation ownership of issued ordinary shares is expected to be circa 97.02%.**
- **Strong support has been received from the Tasmanian Government for the Plan.**
- **The Recapitalisation Plan provides an additional A\$23.75m in funding from the existing senior lenders, to support a complete review of the business, and the implementation of a transformation plan including extensive capital improvements to the processing plant, which should lead to a cash flow positive and profitable operation.**
- **It is anticipated that existing shareholders will be able to participate in the overall recapitalisation as soon as it is practical for the company to offer an opportunity to do so.**
- **The proposed transaction will be subject to regulatory and shareholder approvals, with completion expected early in 2025.**

Group 6 Metals Limited (**ASX: G6M**, “**Group 6 Metals**” or the “**Company**”) is pleased to announce that it has reached an agreement with its senior lenders, subordinate lenders and some of its larger unsecured creditors to undertake a substantial recapitalisation, involving the conversion of approximately A\$67.2 million of the Company’s debt and accrued interest costs into ordinary shares. When approved and implemented, this will address unsustainable debt levels, significantly strengthen the Company’s balance sheet, lower funding costs, and enhance liquidity. This restructure of the Company’s debt and funding arrangements is aimed at putting the Company in a position to support a business and operational review and deliver a transformation plan, to ramp up to profitable operations at the Dolphin Tungsten Mine on King Island, Tasmania.

The transaction agreements were entered into by the senior lenders, PURE Asset Management Pty Ltd, Elphinstone Holdings Pty Ltd, Chrysalis Investments Pty Ltd ATF the Ellis Family Trust, CRJE Maritime Pty Ltd and Abex Limited (together, the **Lenders**), who hold most of the Company's approximately \$A82.0 million of debt, of which A\$70.7 million was due for repayment on 22 November 2024. Subsequently the loans have been extended to 28 February 2025. Upon completion of the transaction, the relevant debts will either be converted to equity or have repayment extended until 30 April 2027. Following the restructure, these entities will hold circa 87.6% in total of the existing issued shares.

Recapitalisation Plan Overview & Key Terms

The Recapitalisation Plan will be implemented through the following arrangements:

- **New Secured Facility Agreements** totalling A\$17.9 million,
- **New Warrant Agreements** for the issue of 5.1 billion warrants to the Facility Lenders,
- **New Equity** the issue of up to 1.7 billion fully paid ordinary shares to raise \$5.94 million.
- **Lender Subscription Agreements**, which will facilitate:
 - Conversion of existing secured and unsecured loans due for repayment on 22 November 2024 to equity amounting to A\$64.2 million, except for A\$6.5 million of Pure Asset Management Pty Ltd's secured loan.
- **Creditor Conversion Agreements** to convert amounts owed to certain unsecured creditors into equity.
- **The potential for Issuance of new equity** to G6M's non-lender shareholders when it is practical for the company to do so.

The above arrangements are subject to conditions precedent, regulatory, and shareholder approvals. The Company will immediately seek the necessary approvals to implement the Recapitalisation Plan.

For a more detailed description of the Recapitalisation, stakeholders are encouraged to review the summary located in the Annexure A to this announcement ("Recapitalisation Summary").

New Board and Management

Mr Kevin Pallas will be appointed as Executive Chair with immediate effect. He will be supported on the new Board with the appointment of Mr Dale Elphinstone and Mr Chris Ellis (existing) assuming the positions of Non-Executive Directors. It is expected that an independent non-executive director will be appointed in the coming months. Mr Tony Davis in his role of Executive General Manager will now report directly to the Executive Chair.

Ms Megan McPherson, an experienced and well-respected member of the team remains in the role of Company Secretary. An executive search is underway for an appropriately experienced CFO.

Refer to Annexures B & C for more information.

Tasmanian Government Support

The Company and Board would like to extend sincere thanks to the Tasmanian Government for their continued support, not only for the Dolphin Tungsten Project, but also for King Island and its residents.

Recapitalisation Plan Outcomes

- **Deleveraging:** Approximately A\$67.2 million of outstanding secured, unsecured and trade creditor debt will be permanently eliminated in exchange for 85.4% of G6M's post-recapitalisation ordinary shares (subject to dilution from new warrants, creditor conversion agreements, and any shares issued under the Share Purchase Plan as outlined in the Recapitalisation Plan Summary).
- **Increased Liquidity:** As part of the Recapitalisation Plan, the Company will have gained access to an additional A\$23.75 million in new liquidity. These funds are intended to provide essential capital for process plant improvements, to normalise creditor terms, and to provide sufficient working capital as the project ramps up to profitable production. This added liquidity will support ongoing operations and facilitate critical upgrades needed to optimise production capacity and process plant stability.
- **Shareholder Participation:** As new equity is issued as part of the Recapitalisation Plan, the proportion of total common equity represented by existing shareholders will decrease to 5.43% post-recapitalisation (excluding the effects of any additional creditor conversion arrangements and the new warrants). It is anticipated that non-associated shareholders will be eligible to participate in a future equity raise, subject to the allocation principles of the plan at G6M's discretion.

Key Benefits of the Recapitalisation:

- The Recapitalisation will correct an unsustainable capital structure, providing G6M with improved financial flexibility to support a transformation plan aimed at delivering operational improvements.
- Although existing shareholders will be significantly diluted, the Recapitalisation Plan presents the best available opportunity for shareholders to realise value from their holdings. Failure to implement the Recapitalisation Plan would likely have resulted in administration and a zero return for all existing shareholders.
- Should the Recapitalisation Plan not proceed, G6M would likely have needed to renegotiate with lenders to pursue an alternative restructuring proposal. The outgoing Independent Directors considered it unlikely that a superior proposal could be agreed upon or that any alternative would provide a better return for creditors and shareholders.

Stabilisation and transformation phase

Although operational impediments have impacted progress, valuable insights have been gained in the latter part of 2024. In order to stabilise the business, a transformation plan is to be actioned over the next several months. Near-term initiatives have been identified which, if funded and actioned immediately, provides the Company with a viable future. These include:

- **Optimised Mine Plan:** A revised mine plan is being developed, aimed at reducing strip ratios and targeting higher grade ore whilst developing the project for the underground phase.
- **Process Plant Optimisation Plan:** A plan focusing on improved plant resilience, throughput, utilisation, and recovery has been developed to support steady-state production. The Processing Plant has been the key inhibitor of performance to date due to a variety of factors including poorly funded repairs and maintenance.

- **Operating Cost Reductions:** Rationalisation of operating expenses to significantly drive down unit production costs.
- **Enhanced Management Team:** A re-energised and focussed mine management and operations team with key new appointments to drive profitability.

Group 6 Metals incoming Executive Chairman, Kevin Pallas commented, “The Company by necessity has already begun to implement operational and cost reductions over the past six months in an effort to reduce cash outflows, thus limiting monthly operating deficits. However, this has proved disruptive and has severely eroded plant resilience, the project desperately requires additional and adequate funding to properly support the optimisation of process plant performance to achieve profitable production levels.”

Mr. Pallas added, “The current debt levels and finance servicing costs within the business have become unsustainable. The new board is now eager to proceed with this transformation plan, affording the Company both near-term liquidity and a sustainable go-forward capital structure. Upon completion, Group 6 Metals will have an opportunity to achieve its operational and growth objectives as the demand for tungsten continues to strengthen especially for a critical mineral supplied from Australia. Success of the Dolphin Tungsten Project remains of strategic importance nationally and internationally. As such, we are thankful to the Company’s long-supporting debt funders; and the Tasmanian Government which continues to support the economic development of the state, especially in rural areas.”

Recommendation of the outgoing Independent Directors

The outgoing Independent Directors have determined that the Recapitalisation Plan is in the best interests of G6M and its shareholders. Subject to no superior proposal arising and the independent expert not concluding that the Recapitalisation is “not fair” and “not reasonable” to Non-Associated Shareholders, the outgoing Independent Directors of G6M unanimously recommend that shareholders vote in favour of the resolutions required to implement the Recapitalisation. Failure to adopt the Recapitalisation would result in an unsustainable financial outcome for the Company.

In reaching their decision, the outgoing Independent Directors considered the following:

- **Independent Strategic Review:** The Company engaged independent financial advisors to provide a strategic review, exploring market conditions and options aimed at enhancing value for creditors, shareholders, and all stakeholders.
- **Oversight and Evaluation:** The Independent Directors worked with management and Lenders to oversee the Strategic Review. The Independent Directors and management team sought counsel from its advisors to assess the proposal, explore strategic options, and review debt and equity market conditions. Regular updates were provided to the full Board.
- **Capital Structure Challenges:** The Company’s existing capital structure is unsustainable. High debt levels and restricted liquidity, further exacerbated by the extended delay to ramp up of mine to profitable operations, have increased debt servicing costs and limited options for additional capital to properly fund ongoing operations.

The Strategic Review confirmed that a comprehensive deleveraging was necessary. Following extensive negotiations with Lenders, the outgoing Independent Directors formed the view that the Recapitalisation Plan emerged as the best and only viable option to preserve residual value for the Company and its stakeholders.

Suspension of Trade

The Company has not been able to complete its 2024 Annual Report which led to a Continuation of Suspension from Quotation on 1 October 2024. The Company's securities will continue to be suspended from quotation until the Company lodges its 2024 Annual Report and the ASX deeming it appropriate for the Company's securities to be reinstated to quotation.

Mr. Pallas concluded, "We are especially appreciative of the enormous effort that has been made by the staff of the Company in getting to this stage of development of the Dolphin Mine Project.

It is anticipated that a successful outcome of the Recapitalisation Plan at the upcoming EGM will provide the conditions necessary for the Company to finalise the external audit of its 2024 Annual Report, and subject to ASX process, the Company's securities will be reinstated. This will herald the end of a complex process aimed at ensuring the survival of the Company, and the opportunity of a more prosperous outcome for all stakeholders."

Next Steps for Shareholders

A Notice of Meeting, accompanied by an Independent Expert Report, will be sent to shareholders in due course. Shareholders are strongly encouraged to review these documents thoroughly, as they will contain important information about the Recapitalisation Plan and the resolutions necessary to implement it. The Directors encourage shareholders to participate in the meeting, either by attending in person or by voting through the proxy form that will be provided with the Notice of Meeting.

Approved by the board of Group 6 Metals Limited.

For more information, please contact:

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About Group 6 Metals

Group 6 Metals Limited (ASX: G6M), previously known as King Island Scheelite Limited (ASX: KIS), is an Australian resource exploration, development, and production company. The Company's name honours tungsten as Group 6 Metals' first commodity project (The Dolphin Mine) in production, as tungsten is a Group 6 member 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 producing high-grade tungsten concentrate from its 100%-owned Dolphin Mine located on King Island, Tasmania. The Company's medium-term objective is to investigate opportunities to value-add the product for supply into the downstream tungsten industry.

Forward-looking statements

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

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

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

ANNEXURE A- RECAPITALISATION SUMMARY

The Recapitalisation Plan is subject to conditions precedent, regulatory and shareholder approvals. The Company will issue a notice of meeting including a detailed explanatory memorandum and independent expert report when seeking shareholder approval. The below is a summary of the key terms of the Recapitalisation Plan:

New Secured Facility Agreements	Facility Lenders	Abex Limited Chrysalis Investments Pty Ltd ATF The Ellis Family Trust Elphinstone Holdings Pty Ltd Pure Asset Management Pty Ltd ATF the PURE Resources Fund
	Combined Facility Commitments	\$17,812,500
	Interest Rate	12% per annum
	Repayment Date	30 April 2027
	Security	Secured The granting of security to Abex Limited and Chrysalis Investments Pty Ltd ATF The Ellis Family Trust is subject to shareholder approval under Listing Rule 10.1.
Other	The Facility Agreements are subject to market standard events of default, warranties, undertakings and covenants.	
New Warrants	Issue of up to a maximum of 5,089,285,714 New Warrants to the Facility Lenders. Each Warrant provides the Warrant Holder with the right to subscribe for one fully paid ordinary share for an exercise price of \$0.0035 per warrant during the exercise period. Warrant expiry date is 31 October 2025.	
Equity Issue pursuant to New Secured Facility	Issue of 1,696,428,571 ordinary shares at \$0.0035 to raise \$5,937,500.	
Unsecured Lender Subscription Agreements	Issue of 2,236,255,202 ordinary shares upon the conversion of unsecured loans and accrued interest totalling \$11.2m at a conversion price of \$0.005.	
Secured Lender Subscription Agreements	Issue of 11,816,930,607 ordinary shares upon the conversion of loans and accrued interest totalling \$47.3m at a conversion price of \$0.004. Issue of 1,150,573,407 ordinary shares upon the conversion of loans and accrued interest totalling \$5.8m at a conversion price of \$0.005.	
Trade Creditors conversions	Issue up to 594,831,200 ordinary shares upon the conversion of outstanding accounts trade creditor debt accrued interest totalling \$3.0m at a conversion price of \$0.005.	

Board and Management Changes	<p><u>Out-going board and management</u></p> <p>Mr Johann Jacobs retires from the position of Chairman Mr Greg Hancock resigns as Non-executive Director Mr Tony Caruso resigns as Non-executive Director Mr Keith McKnight resigns as Managing Director and CEO Mr Michael Zanes resigns as CFO</p> <p><u>In-coming board and management</u></p> <p>Mr Kevin Pallas appointed as Executive Chairman Mr Dale Elphinstone appointed as Non-executive Director Mr Chris Ellis will remain on the board as Non-executive Director Mr Tony Davis remains as Executive General Manager - Operations Ms Megan McPherson remains as Company Secretary An executive search is underway for a new CFO</p>
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ANNEXURE B- NEW BOARD AND MANAGEMENT

<p>Mr Kevin Pallas-Executive Chairman</p>	<p>Kevin possesses senior management and leadership experience through an extensive career in engineering, mining supplies, metals and manufacturing industries. Holding a Bachelor of Commerce degree, Kevin specialised in the areas of financial and cost accounting systems' design and development, and operational and commercial management for a number of multinationals in South Africa, New Zealand, Singapore and Australia. He joined ASX-listed Engenco Limited (ASX:EGN) in 2007 where he served in the positions of Chief Operations Officer, Chief Financial Officer, and led the company from 2015 until 2022 as Managing Director and Chief Executive Officer. Kevin is a non-executive Director on the board of Drac Mechanical Pty Ltd, a packager of power generation systems, and is a Member of the Institute of Company Directors.</p>
<p>Mr Dale Elphinstone Non-executive director</p>	<p>Dale is the Executive Chairman of the Elphinstone Group which he founded in 1975. Dale has considerable experience in the engineering, manufacturing and heavy machinery for the mining industry and among other things is the longest-serving Caterpillar dealer principal in Australia, having acquired the Caterpillar dealership in Victoria and Tasmania in 1987. Dale is the Co-Chair of the Joint Commonwealth and Tasmanian Economic Council, a member of the Tasmanian Premier's Economic and Social Recovery Advisory Council and was a director of the Tasmanian Health Organisation North-West until 30 June 2015. He was a director of Caterpillar subsidiary, Caterpillar Underground Mining Pty Ltd until December 2008 and formerly publicly listed Queensland Gas Company Limited from October 2002 to November 2008. Dale was also a director of ASX listed National Hire Group Limited until December 2011. Dale is a Non-Executive Director of Engenco Limited (ASX: EGN).</p>
<p>Mr Chris Ellis Non-executive director</p>	<p>Chris has over 40 years' of 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 the Stratford Joint Venture. Chris has core geology, mining engineering and mineral processing skills, mainly in the coal industry, with some experience in tungsten, gold, base metals and diamonds. He was responsible for designing and engineering four new mines during his career with Excel. Chris is a Non-Executive Director of Ausquest Limited (ASX: AQD).</p>
<p>Ms Megan McPherson Company Secretary</p>	<p>Megan is a Chartered Accountant and Company Secretary with 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.</p>
<p>Mr Tony Davis Executive General Manager-Operations</p>	<p>Mr. Davis brings over 30 years of experience in the mining industry, with a proven track record in leading and optimising both underground and surface operations across Africa and Australia.</p> <p>Most recently, Tony held a successful five-year tenure at EMR Capital's Lubambe Copper Mine in Zambia. He rose through the organisation structure, starting as General Manager Operations and culminating in the role of Director Operations.</p> <p>Prior to that, Mr. Davis served as Chief Operating Officer at Kidman Resources. During his tenure, he played a pivotal role in transforming the company from a junior explorer with a market capitalisation below A\$10 million to a successful producer exceeding A\$200 million.</p>

ANNEXURE C- MATERIAL TERMS OF EMPLOYMENT- MR KEVIN PALLAS

In accordance with ASX Listing Rule 3.16.4, a summary of the key terms of the employment agreement between the Company and the Executive Chair follows:

Commencement Date	03 December 2024
Remuneration	\$450,000 TFR
Performance Incentive Plan	Up to 50% of TFR dependent on achievement of Key Performance Indicators to be agreed by the board.
Long-Term Incentives	Two tranches of 38 million share options (each tranche) in Group 6 Metals Limited ACN 004 681 734 in accordance with the terms of its equity incentive plan and on the following conditions: <ul style="list-style-type: none">(a) Tranche 1 – 0.52 cents per share with a two-year expiry term;(b) Tranche 2 – 1.04 cents per share with a three-year expiry term. Tranche 1 will be granted 6 months after commencement of employment. Tranche 2 will be granted 18 months after commencement employment.
Termination	3 Months notice