

Quarterly Activities Report – March 2022

Highlights:

- **Cajnice copper project** – significant Cu-bearing outcrop discovered, prioritised for drilling in May; 2,000-sample soil sampling program underway.
- **Sinjakovo copper-gold project** – final surface samples returned, with results of up to 1.6 g/t Au and 0.58% Cu in soil; preparation underway for a trenching program ahead of the maiden drilling program.
- **Sinjakovo copper-gold project** – grant of 31km² Jezero tenement immediately south-east of Sinjakovo tenement; 600-sample soil sampling program underway.
- **Sockovac nickel-cobalt project** – newly identified Ni-Co soil anomaly increases to 6x2.5km in size; additional surface sampling completed to refine geological understanding of the project.
- **Corporate** – appointments of Stephen Allen as Non-Executive Chairman and Johan Züger as Independent Non-Executive Director.

Base and precious metals exploration company Lykos Metals Limited (**ASX: LYK**) (**Lykos** or the **Company**) is pleased to present its activities report for the quarter ended 31 March 2022.

Activity Summary

Exploration activities were focused on preparing for upcoming drilling and trenching programs across the Company's three priority projects, in Bosnia-Herzegovina, as well as finalising a heliborne geophysical survey.

At the **Cajnice** project, a significant outcropping **copper-bearing lode** was discovered at the Gramusovici locality, in the centre of the project area. This outcrop has been extensively sampled since fieldwork commenced in March and visible copper mineralisation was observed over a true thickness of 1.4m, dipping at 20-35° to the south-east (see Figure 1).

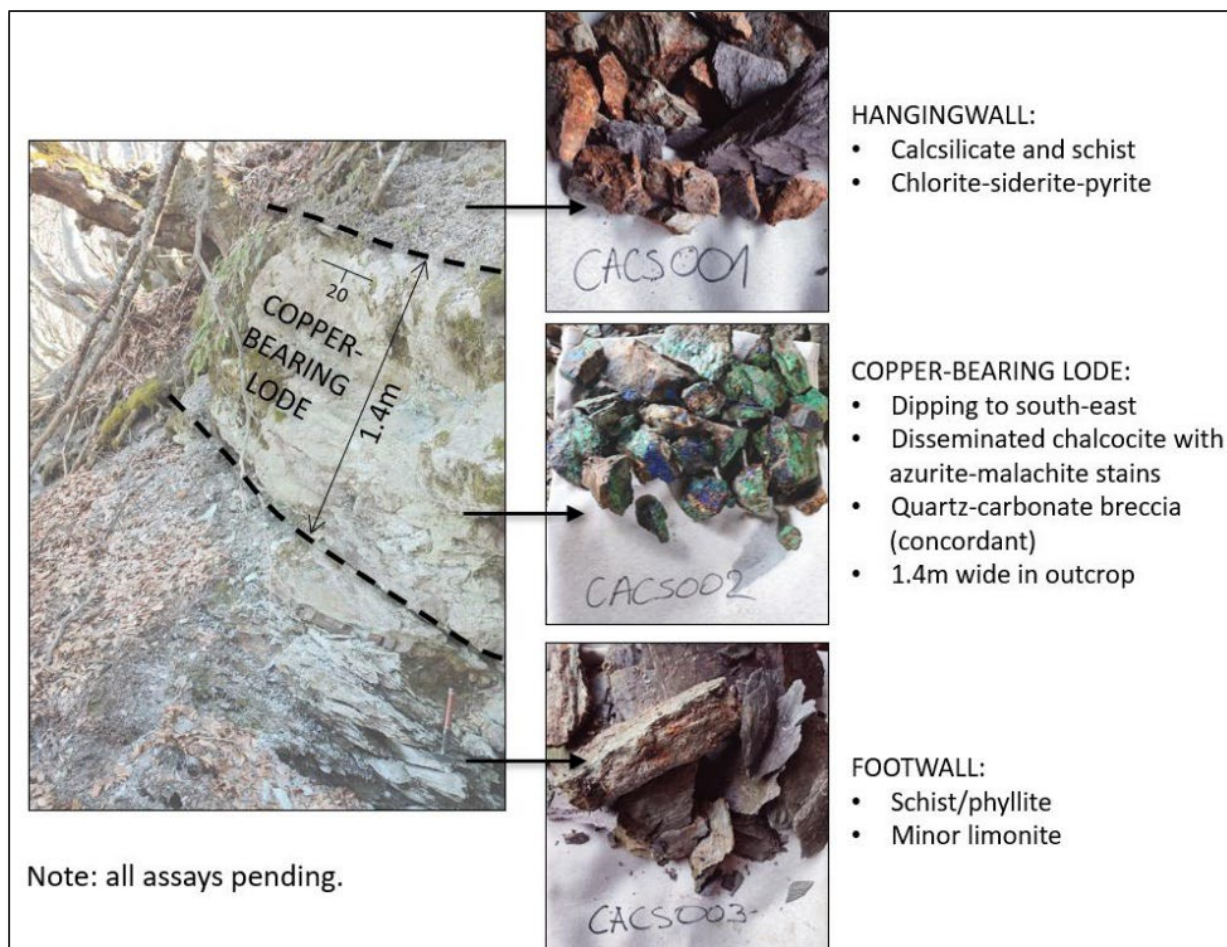


Figure 1: Copper-bearing outcrop at Cajnice and photos of samples taken. Note the geopick (33cm length) in the bottom right corner of the main image for scale.

The copper-bearing zone outcrops on a slope about 25m below a plateau that offers suitable locations for drilling, which is scheduled to commence in early May. Copper mineralisation is hosted in quartz-carbonate hydrothermal breccia, with chlorite schists in footwall and pyritic calcsilicates in the hanging wall. Dominant copper minerals are chalcocite, malachite and azurite, with rare chalcopyrite and bornite.

Several other instances of outcropping polymetallic mineralisation were observed in locations around the outcropping, mostly represented by Cu, Pb, Zn and pyrite/arsenopyrite, and all occurrences were rock chip sampled.

At the **Sinjakovo** project, reconnaissance has identified a gossanous outcrop with polymetallic mineralisation (assayed as 1.37% Cu, 0.73g/t Au, 69g/t Ag and 0.75% antimony – see Figure 2). Antimony (chemical symbol Sb) is a welcome addition to the paragenesis as the price of this metal has well surpassed the copper price. The gossanous outcrop is about 1m wide and located at the contact between quartz-porphyry intrusive and the limestone.

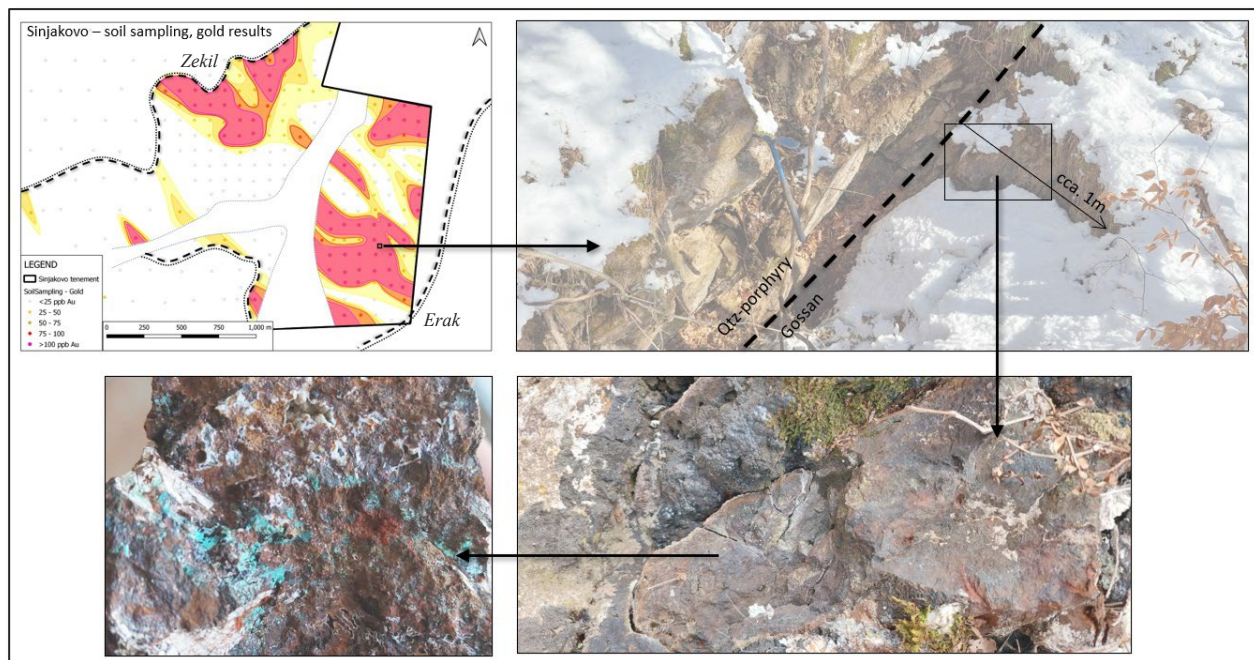


Figure 2: Gossanous outcrop at Sinjakovo. Rock-chip SIRC191 has returned 1.37% Cu, 0.73g/t Au, 69g/t Ag and 0.75% Sb.

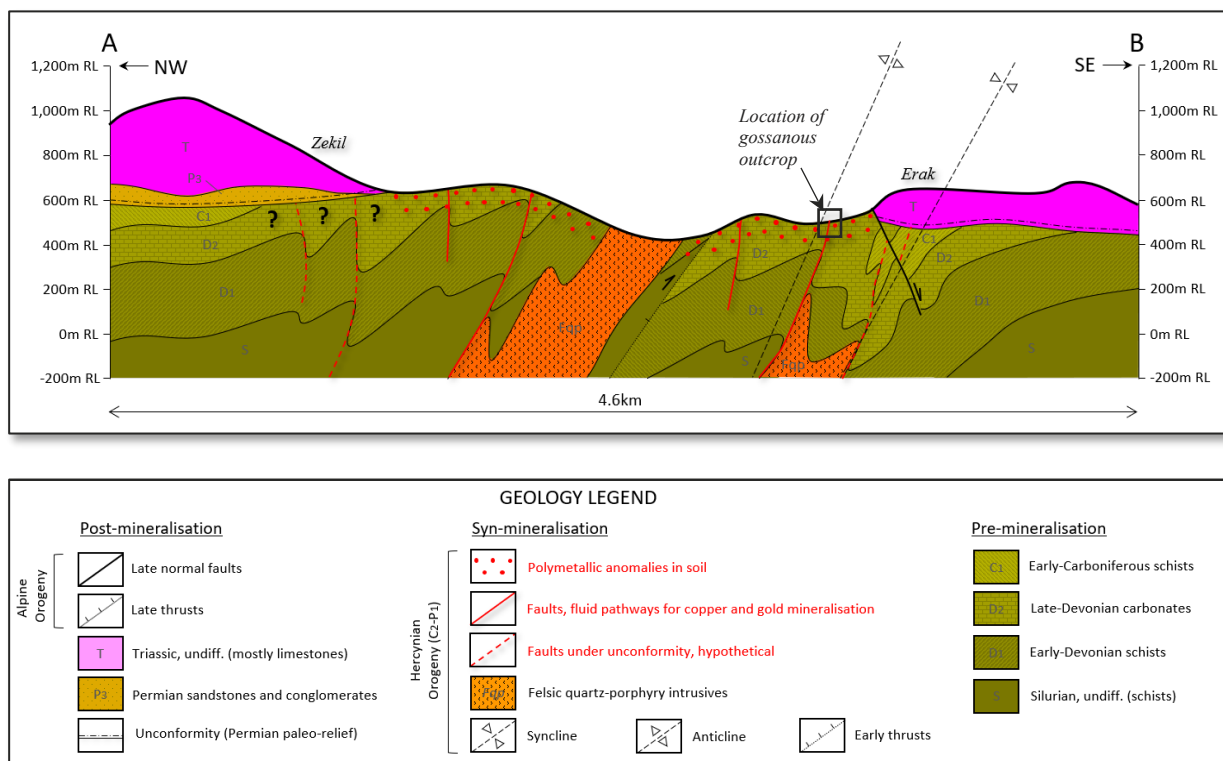


Figure 3: Geological cross-section at the Zekil-Erak locality (interpretation by Lykos, 2022); note the inference of potential mineralisation continuing underneath the Permian unconformity at Zekil (marked with question marks).

At the **Sinjakovo** project, preparation is underway to commence drilling of the extension of known copper deposit that hosted a mine more than a century ago. Drilling will then

continue with testing along the strike extent of favourable lithology that extends in a north-westerly direction for about 2km.

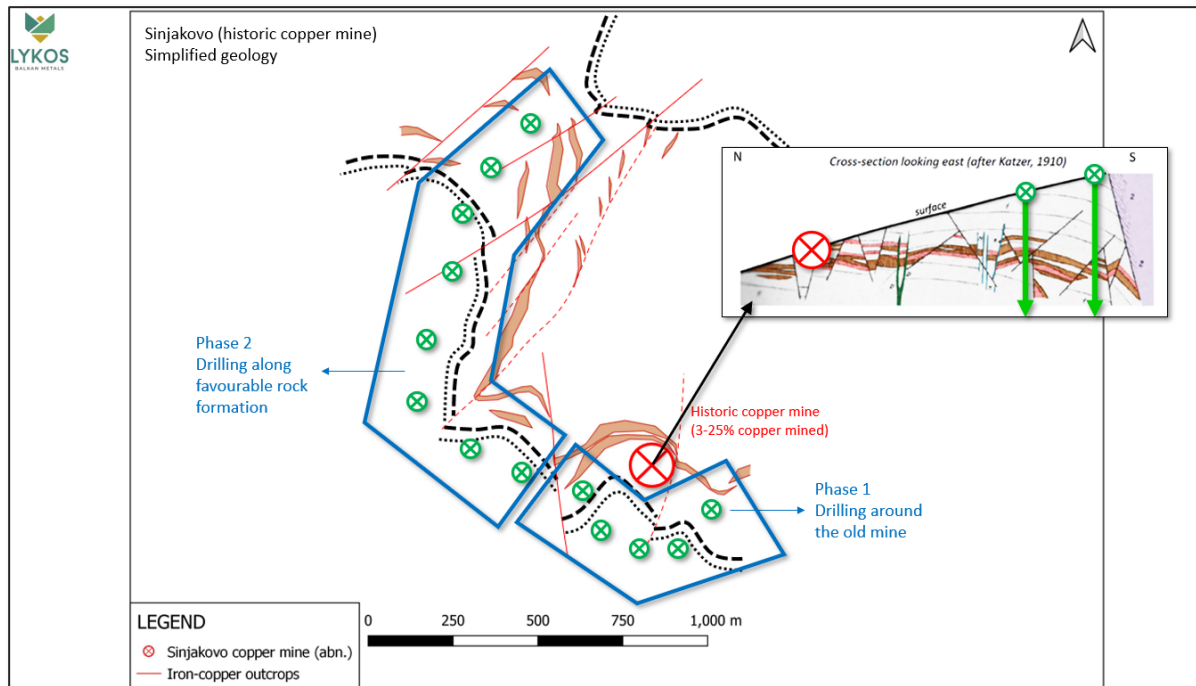


Figure 4: The likely drilling program near the historic Sinjakovo copper mine.

Soil sampling activities

At **Cajnice**, to date some 25% of 2,000 planned soil samples have been collected. All results are pending (see Figure 5 for the status of samples at Cajnice).

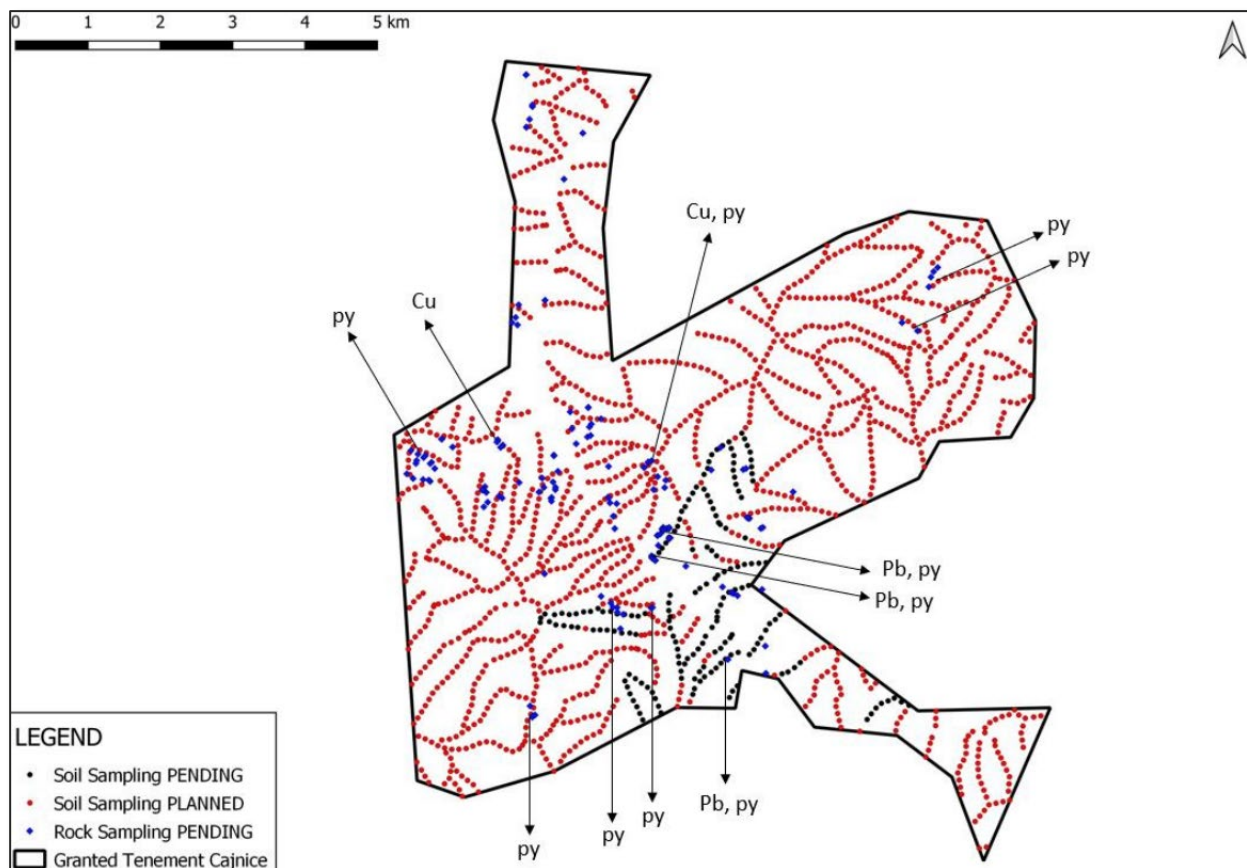


Figure 5: Sampling status at Cajnice with notes on observed polymetallic mineralisation: Cu, Pb and pyrite (py).

At **Sinjakovo**, outcropping is rare. Lykos therefore completed additional surface sampling at a 50m spacing along planned trenching trajectories of the Zekil-Erak polymetallic system in the south-east corner of the Sinjakovo tenement and at the Zagradina copper system in the central part of the Sinjakovo tenement (2km north-east of the historic copper mine).

To date, results for 236 out of 472 additional soil samples have been received (mostly for sampling from Zekil). The sample results have confirmed both gold and copper in soil anomalies with results of up to 1,060 ppb (1.06 g/t) Au and 1,700 ppm (0.17%) Cu.

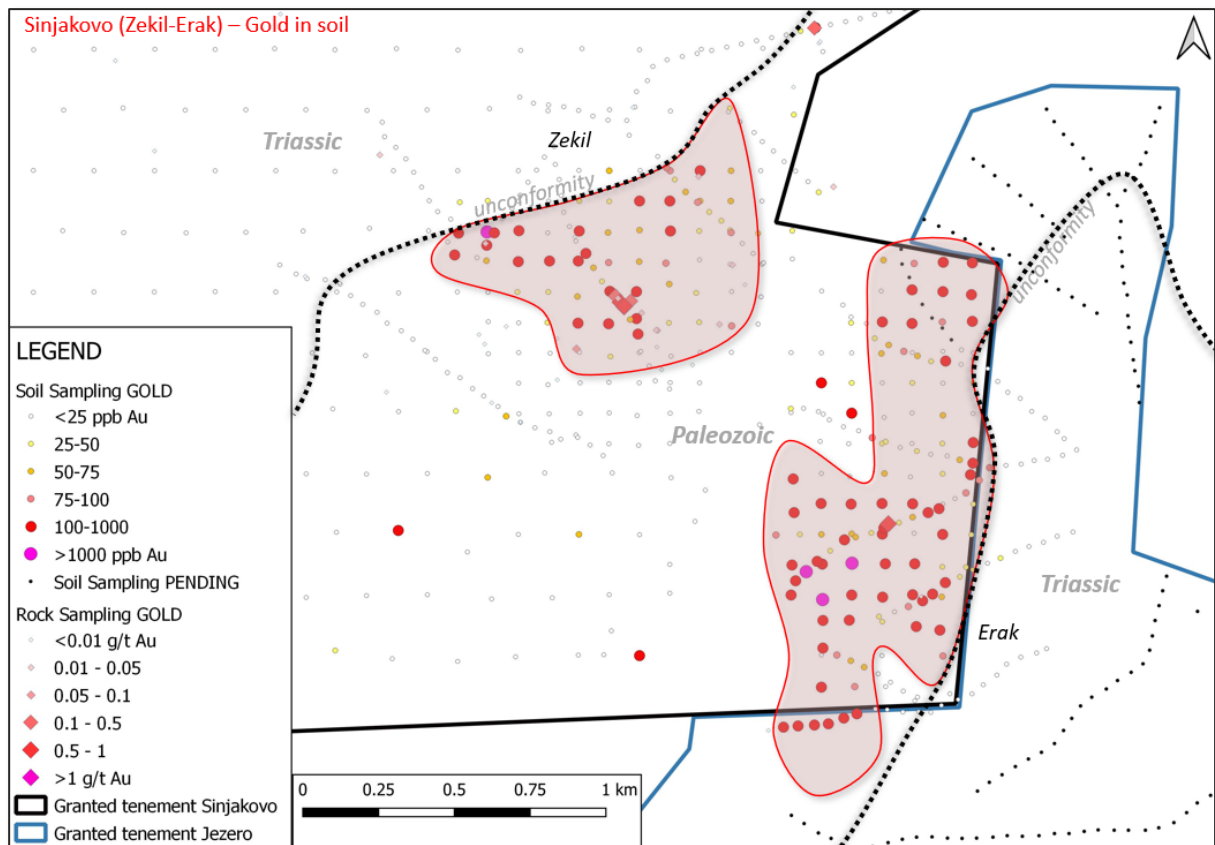


Figure 6: Gold in soil at Zekil and Erak.

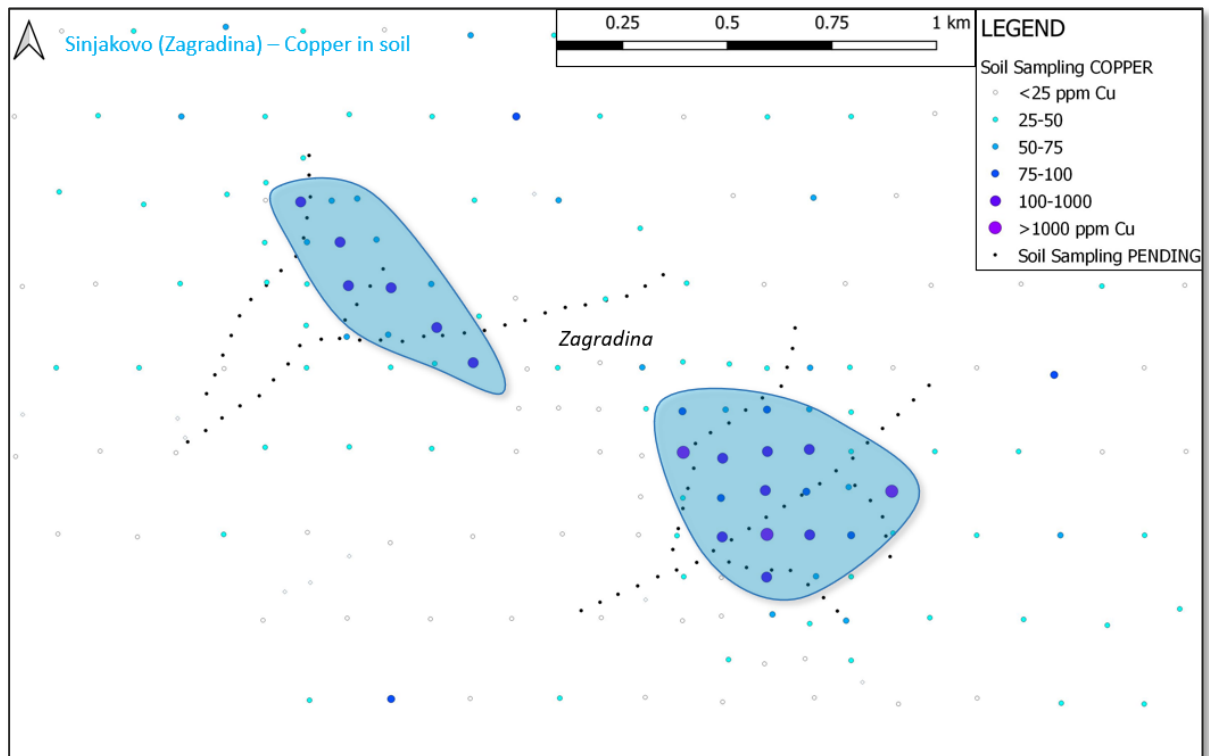


Figure 7: Copper in soil at Zagradina.

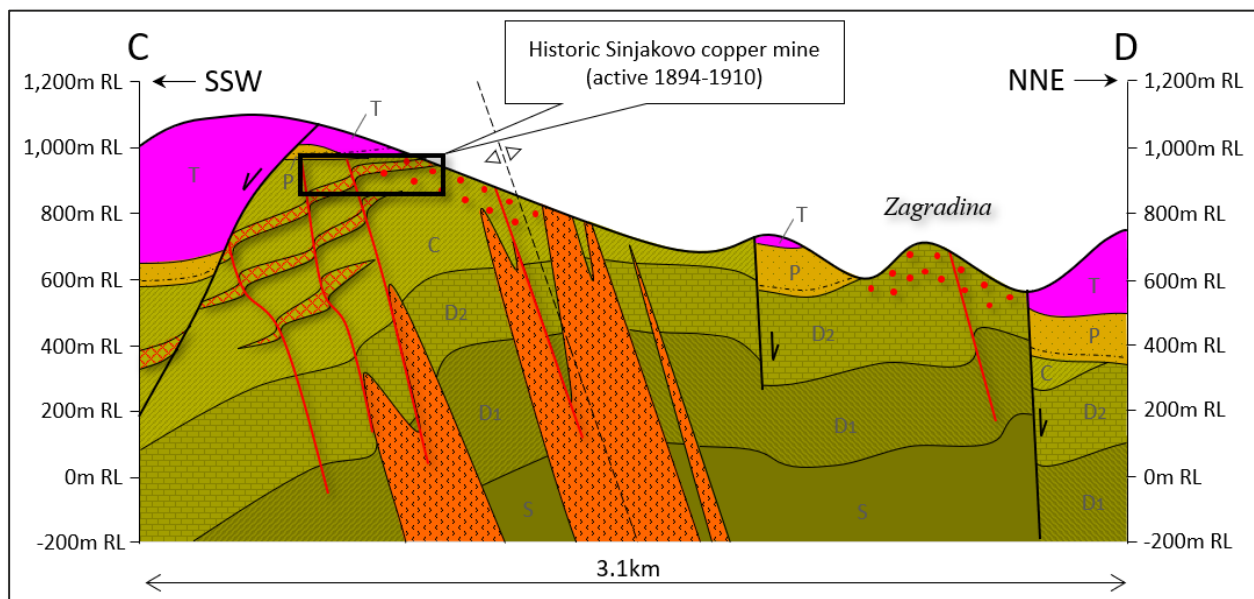


Figure 8: Geological cross-section showing the Sinjakovo and Zagradina localities (interpretation by Lykos, 2022).

At the recently granted Jezero tenement, which extends the south-eastern portion of the Sinjakovo project area, a first-pass soil sampling program has commenced at 200m spacing in a ridge-and-spur pattern. To date, 401 out of 612 samples have been collected though all results are still pending.

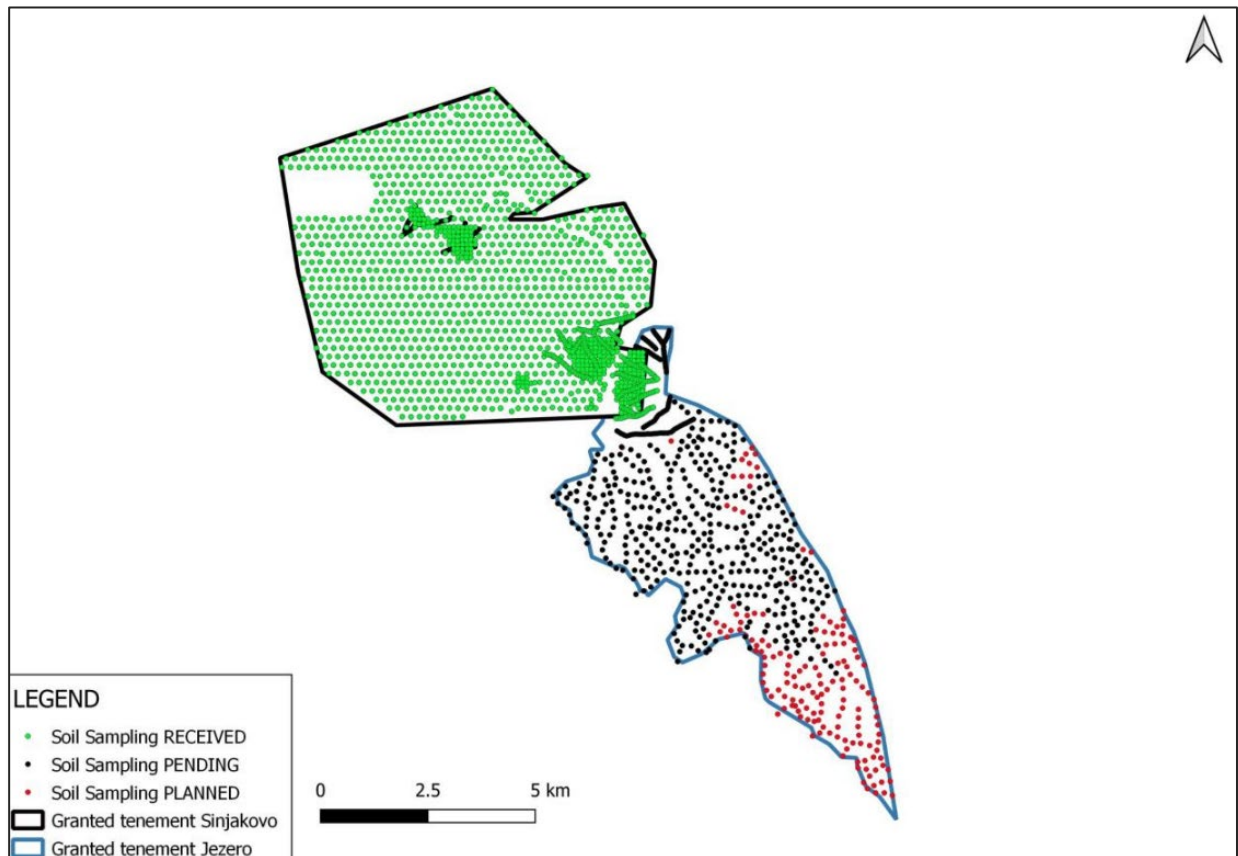


Figure 9: Soil sampling status at the enlarged Sinjakovo project (Sinjakovo and Jezero tenements).

At **Sockovac**, all results have been received from the 200x200m grid soil sampling program that tested the nickel-cobalt anomaly in the extended project area. The nickel-cobalt soil anomaly now measures more than 6x2.5km² and remains open to the west.

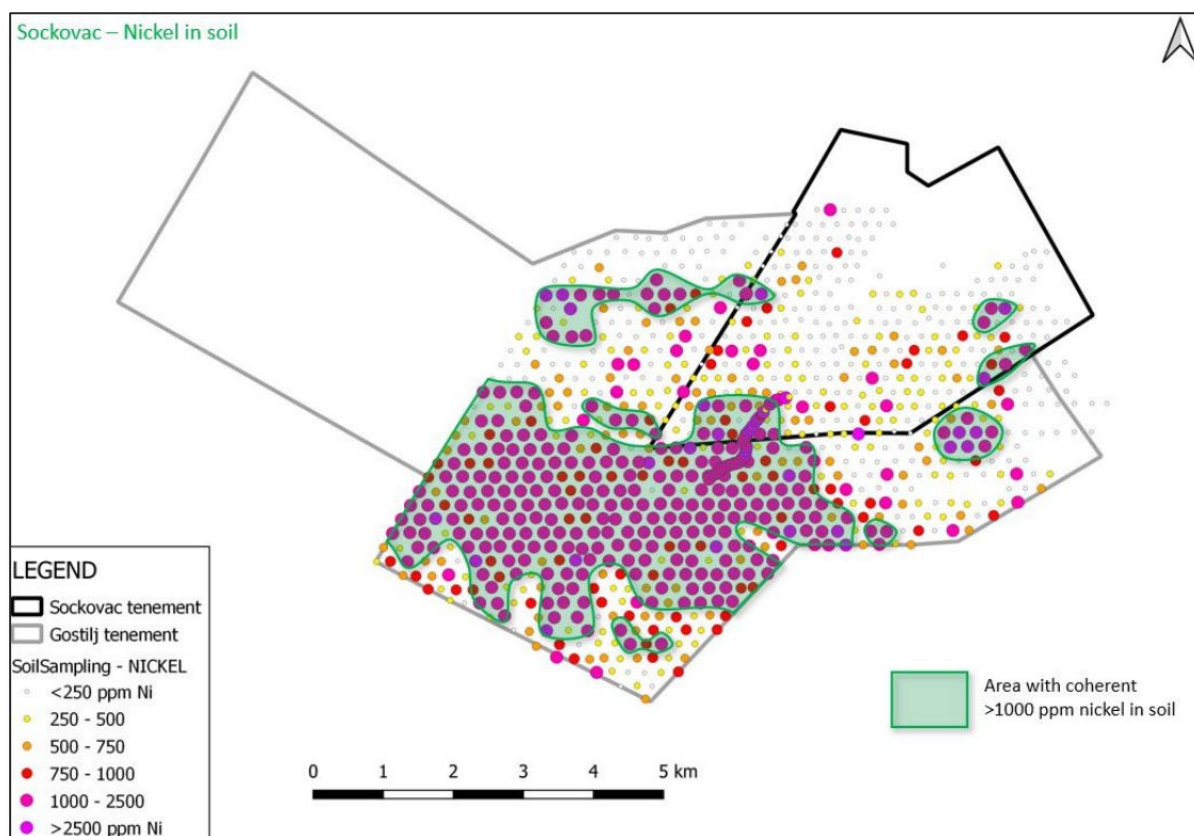


Figure 10: Nickel in soil at Sockovac.

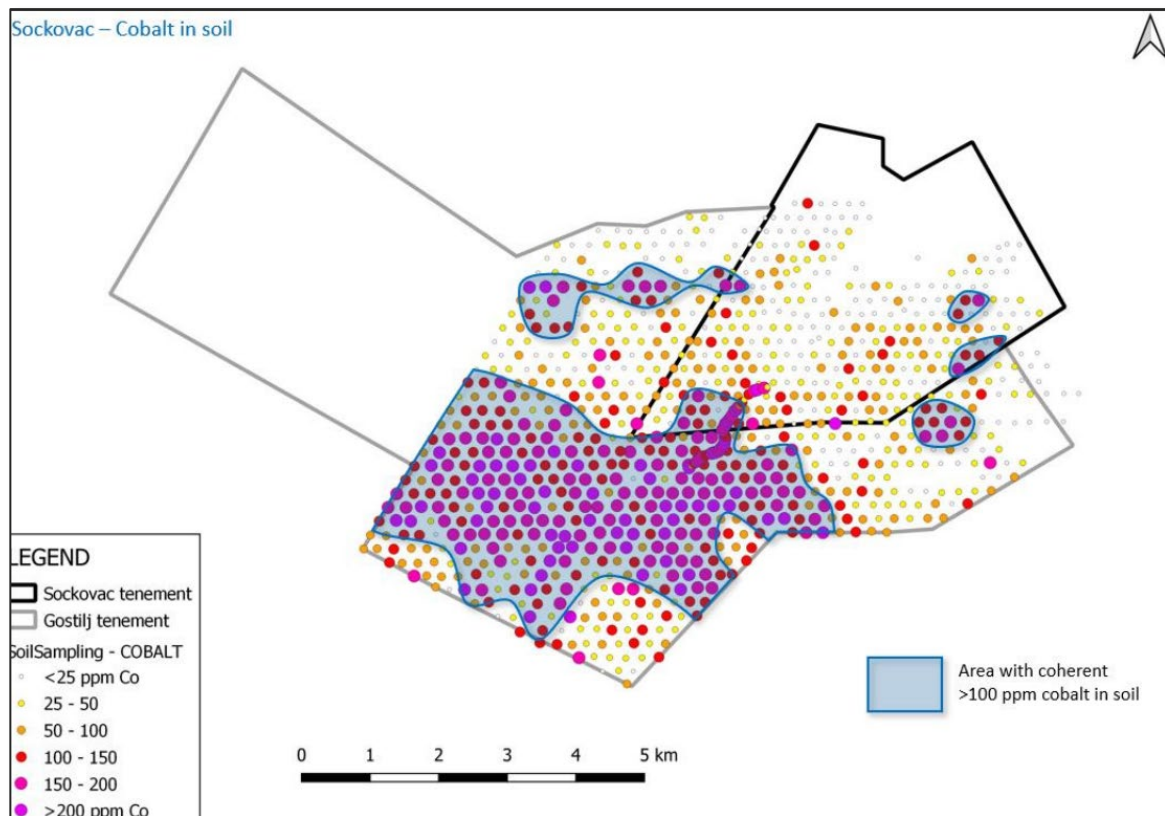


Figure 11: Cobalt in soil at Sockovac.

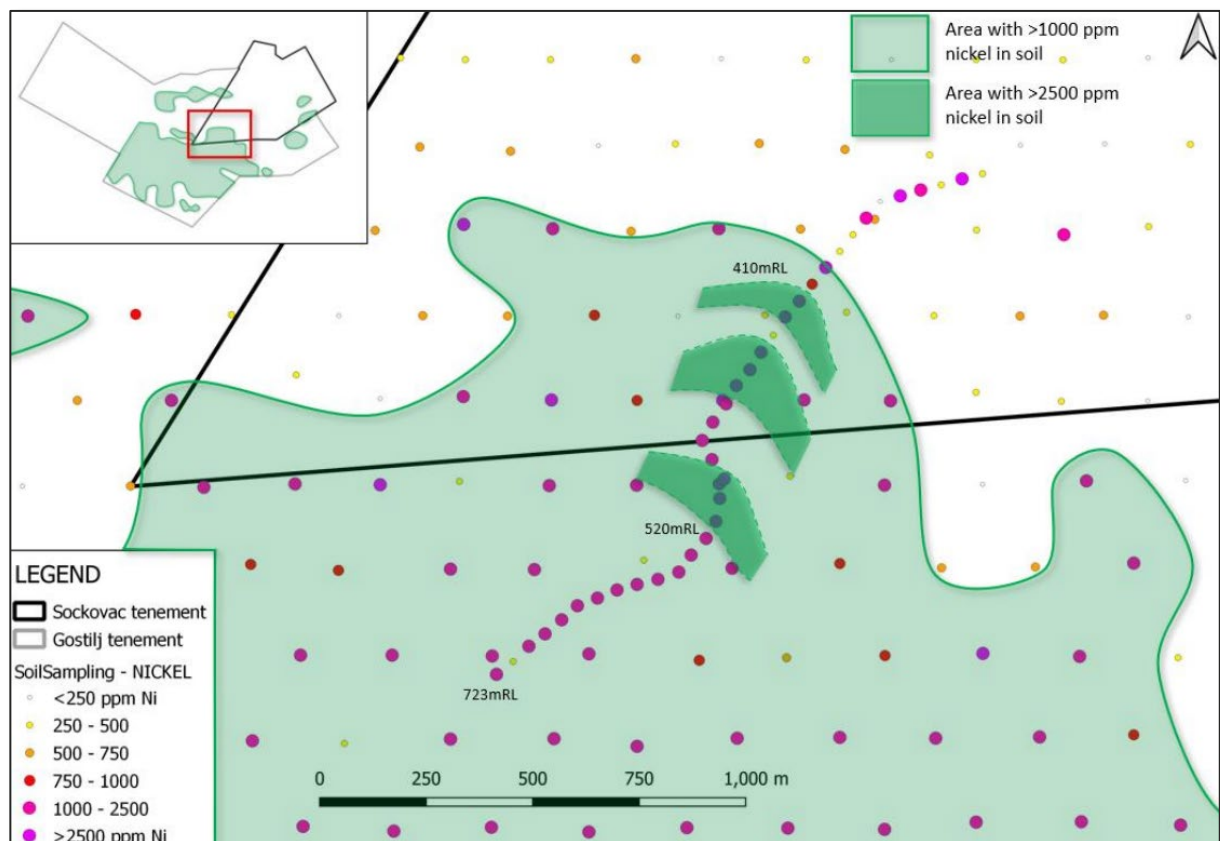


Figure 12: Nickel in soil at Sockovac, detail.

An additional 44 soil samples were collected at 50m spacings along the northern edge of the anomaly, which appears to be relatively homogeneous towards the centre of the target area – results range between 1,000 and 2,500 ppm Ni (0.1-0.25% Ni). Three zones with a stronger anomalism between 2,500 and 5,000 ppm Ni (0.25-0.5% Ni) were noted at the northern edge of the anomaly – cobalt-in-soil results ranged between 138 ppm and 235 ppm Co over the nickel anomaly area.

Due to a wide range of possible geological interpretations and the presence of various mineralisation styles noted during the fieldwork at Sockovac, first-pass drilling will be informed upon receipt and integration of the data from the upcoming heliborne geophysical survey.

Sinjakovo project expansion

Lykos announced its application for the Jezero tenement on 9 November 2021 after first-pass soil sampling discovered the potential extension of a significant gold anomaly in the southeast of the Sinjakovo project area.

The gold anomaly zone (>0.1 g/t Au in soil, with individual samples up to 2.1 g/t Au) discovered in the south-eastern Sinjakovo project area continued up to – and therefore most likely beyond – the tenement boundary. The grant of the Jezero tenement (refer ASX announcement dated 21 March 2022) and expansion of the Sinjakovo project area is therefore an exciting advance in Lykos’ exploration push. Lykos has applied for the adjacent Jajce tenement, which is located within the Jajce municipality and would represent an eastern extension of the south-eastern portion of the Sinjakovo project area.

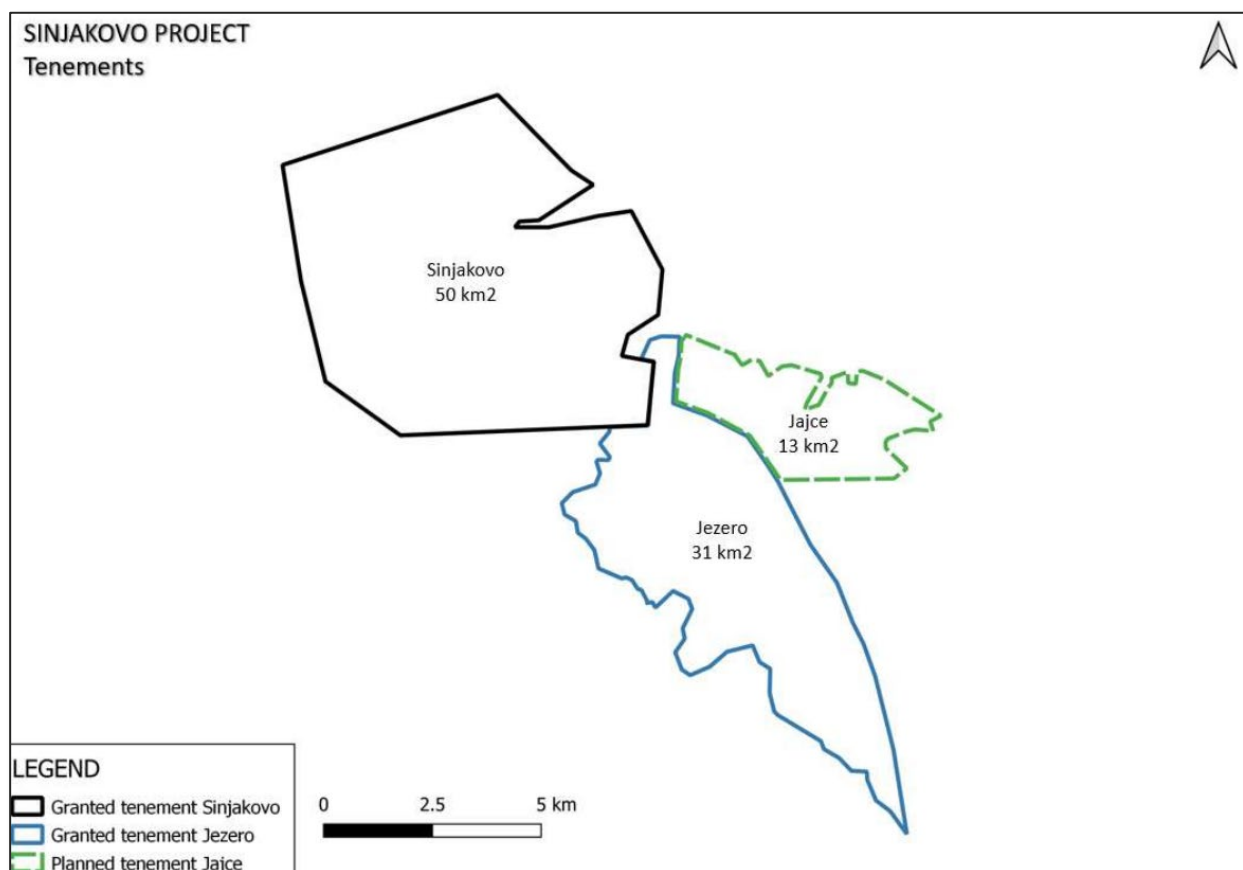


Figure 13: Sinjakovo project area including the newly granted Jezero tenement and the applied-for Jajce tenement.

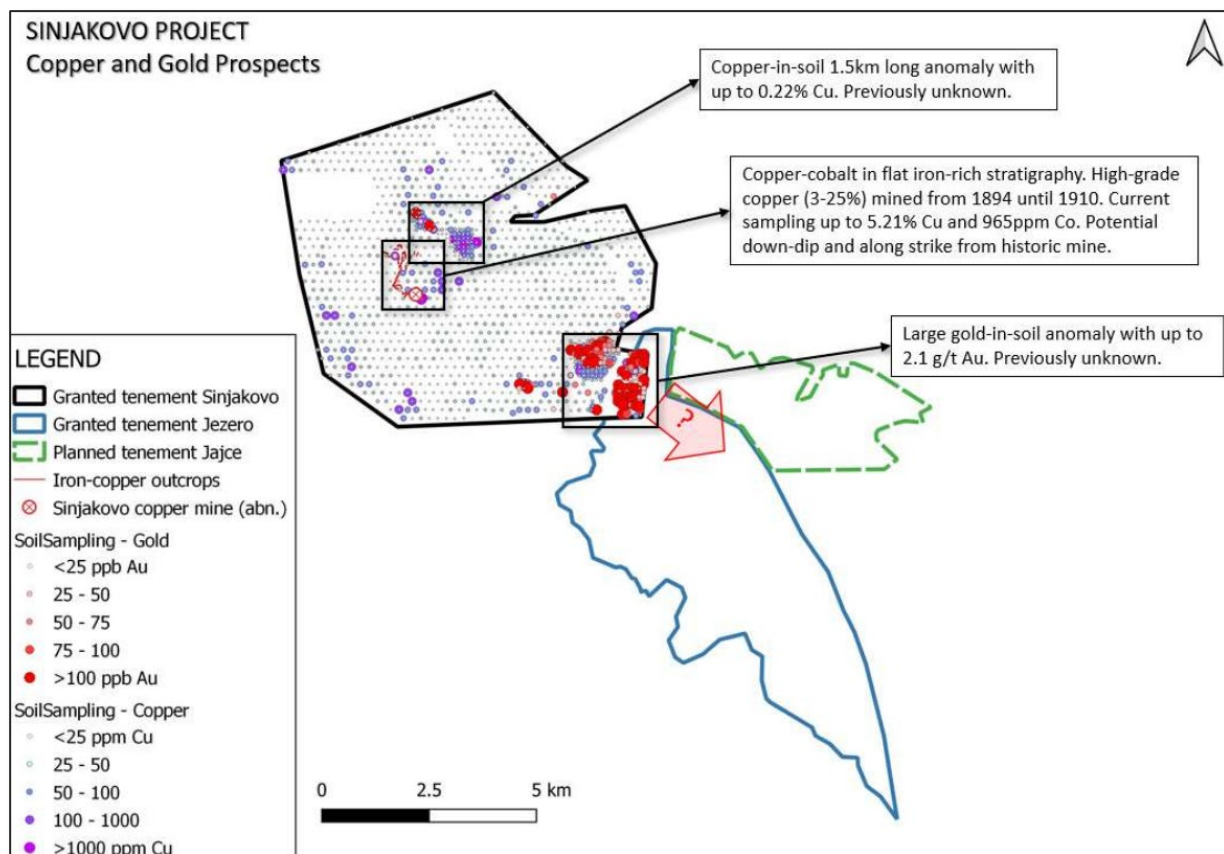


Figure 14: Sinjakovo project - copper and gold prospects.

Upcoming exploration activities

The Company is preparing for copper exploration drilling at Cajnice in early May, with drilling at Sinjakovo and Sockovac planned to commence after detailed review and integration of the results of the heliborne survey. Field team is also preparing for trenching at the Zekil, Erak and Zagradina localities at Sinjakovo.

Soil sampling continues at the newly granted Jezero tenement and as well as at Cajnice, with sampling completion expected during Q2.

As previously announced, Lykos has commissioned Danish firm SkyTEM to conduct a heliborne geophysical survey over all three projects. The SkyTEM personnel arrived in Bosnia-Herzegovina in mid-April and the collection of geophysical data commenced on 21 April 2022 at Sinjakovo. Interpretation of geophysical data is expected to be reported in June.



Figure 15: Photograph of the SkyTEM heliborne geophysical survey at Sinjakovo taken on 21 April 2022.

Corporate


Board update

During the quarter the Company announced the appointments of Stephen Allen to the role of Non-Executive Chairman and Johan Züger as an Independent Non-Executive Director.

Mr Allen is managing director of leading global natural resources sector adviser and investor RFC Ambrian Group Limited and has more than 25 years' experience in corporate finance and capital markets. Mr Allen and RFC Ambrian played a key role in establishing Lykos and assisting with the Company's listing on the ASX. Mr Allen is a substantial shareholder of Lykos.

Mr Züger is a Swiss-based investor and investment adviser who had an extensive career with UBS Group AG in both corporate banking and wealth management before establishing Zurich-based independent asset management group Clarus Capital Group AG in 2011. Mr Züger's appointment to the board reflects the significant interest from European investors in Lykos' progress.

The appointments of Mr Allen and Mr Züger became effective on 1 April 2022 and coincided with Lykos' inaugural Non-Executive Chairman Matthew Worner, who oversaw the Company's successful ASX listing in October 2021, retiring from the Board.

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 [@LykosMetals](https://twitter.com/LykosMetals)

Cash position

Lykos had a cash balance of \$8.8 million at 31 Mar 2022 and no debt.

The Company incurs the majority of its expenditure in Euro and Bosnian Convertible Marks¹ and as a risk management policy maintains a significant proportion of its funds in Euro-denominated accounts. At 31 March 2022, \$5.4 million was held in Australian dollars and the remaining \$3.4 million was held in Euro and Bosnian Convertible Mark-denominated accounts. The Euro fell significantly against the Australian dollar over the quarter (from approximately 0.640 to 0.678 Euro to the Australian dollar), which has resulted in the recording of a foreign exchange loss of \$323,000. However, due to the majority of the Company's funds being held in Australian dollars Lykos' capacity to fund Euro-based expenditure has actually increased over the quarter.

Expenditure during the quarter

Expenditure to 31 March 2022 has been consistent in all material respects with the expectations presented in the Company's Prospectus dated 16 September 2021. In accordance with Listing Rule 5.3.4, tabulated below is a comparison expenditure to 31 March 2022 against the use of funds statement included in the Prospectus:

Use of Funds	Use of Funds Statement \$'000	Actual to 31 Mar 2022 \$'000
Exploration expenditure (two years)	8,533	1,111
Expenses of the Offer	1,095	1,108
Administration costs and unallocated working capital (two years)	2,585	937
Total	12,213	3,156

In accordance with Listing Rule 5.3.2, Lykos confirms that its activities were restricted to exploration only and that it did not conduct any mining development or production activities during the quarter.

Related party transactions

Related party transactions during the quarter were limited to payments to the directors of salaries and directors' fees for a total amount of \$108,750.

Capital structure

At both 31 March 2022 and the date of this release, the Company's capital structure was:

¹ Bosnian Convertible Marks are pegged to the Euro at the rate of 1 Bosnian Convertible Mark being equivalent to 0.511292 Euro.

	Number
Fully paid ordinary shares	113,400,002
Options with an exercise price of \$0.30 per option and an expiry date of 15 October 2023	32,000,000
Options with an exercise price of \$0.20 per options and an expiry date of 15 October 2025	375,000
Director options with an exercise price of \$0.20 per options and an expiry date of 15 October 2025, subject to vesting conditions	2,550,000

This announcement has been authorised for release by the Board of Lykos Metals Limited.

Mladen Stevanovic

Managing Director

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About Lykos Metals Limited

Lykos Metals Limited (ASX: LYK) is a Perth-based exploration company with projects in the underexplored Tethyan metallogenic belt in Bosnia-Herzegovina that are highly prospective for base and precious metals.

The Company listed on the ASX on 21 October 2021 following a heavily oversubscribed Initial Public Offering (IPO) that raised the maximum \$12 million.

Lykos' Sockovac project is prospective for nickel, cobalt, copper, gold and silver; its Sinjakovo project is prospective for copper, cobalt, gold and silver; and its third project, Cajnice, is prospective for copper, gold and zinc.

Lykos is committed to delivering significant and sustainable shareholder value through advancing its three base metals projects. The Company's projects are near existing core infrastructure and transport routes to Europe's battery manufacturing supply chain.

For more information about our Company, please visit www.lykosmetals.com.

Competent Persons Statement

The information in this announcement that relates to Exploration Results is based on information compiled and conclusions derived by Mr Mladen Stevanovic, a Competent Person who is a member of the AusIMM (membership number 333579). Mr Stevanovic is a full-time employee of the Company. Mr Stevanovic has sufficient experience that is relevant to the technical assessment of the Mineral Assets under consideration, the style of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a Practitioner as defined in the 2015 Edition of the "Australasian Code for the public reporting of technical assessments and Valuations of Mineral Assets", and as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Stevanovic consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Forward Looking Statements

This announcement contains forward-looking statements which involve several risks and/or uncertainties. These forward-looking statements are expressed in good faith and are believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks and/or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and/or strategies described in this announcement. No obligation is assumed to update forward-looking statements if these beliefs, opinions and/or estimates should change and/or to reflect other.

Appendix 5B

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

Name of entity

Lykos Metals Limited

ABN

65 650 011 644

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(315)	(1,111)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(151)	(279)
	(e) administration and corporate costs	(288)	(658)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(754)	(2,048)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	12,250
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,108)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	11,142

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,841	-
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(754)	(2,048)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	11,142
4.5	Effect of movement in exchange rates on cash held	(323)	(330)
4.6	Cash and cash equivalents at end of period	8,764	8,764

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,764	9,841
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,764	9,841

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		N/A
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(754)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(754)
8.4	Cash and cash equivalents at quarter end (item 4.6)	8,764
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	8,698
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	11.6
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2022

Authorised by: The Board of Directors of Lykos Metals Limited

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.