

Quarterly Activities Report – March 2023

Base and precious metals exploration company Lykos Metals Limited (**ASX: LYK**) (**Lykos** or the **Company**) is pleased to provide its quarterly activities report for the period ended 31 March 2023.

Key developments to 31 March 2023:

Zekil & Erak Prospect (Sinjakovo)

- Three mineralised zones intersected from the first trench at the Erak locality including 61m @ 1.50g/t gold and 21m @ 1.32 g/t gold equivalent
- Further trenching along the Erak locality mineralised trend underway
- Drilling scheduled to commence at the Erak locality upon receipt of the local council permit
- Detailed mapping, outcrop sampling and geoelectric surveys from the surface of the terrain underway at the Zekil locality
- Trenching underway at the Zekil locality and drilling program scheduled upon the receipt of the local council permit

Sockovac

- Substantial and constant engagement with the government of the Republic of Srpska throughout the quarter around the reversal of its actions to revoke Lykos' exploration permit, with substantial progress made to what is anticipated to be a favourable outcome for the Company

Leadership

- Executive Director Milos Bosnjakovic appointed as interim CEO following the resignation of Mladen Stevanovic as managing director
- Experienced Balkan region geologist Aleksander Kostic now leading the Company's exploration activities

Projects

The key development during the quarter was the identification of three new polymetallic-bearing shear zones from the first trench at the Erak locality within the Zekil & Erak Prospect, with the widest zone being 61m of trench length (~50m true width) that has returned an average grade of 1.50 g/t gold.

Obtaining the necessary local area permitting required to commence drilling has taken longer than had been originally anticipated, however, this now appears to be close to being finalised with Lykos being ready to drill test the area shortly after the permit is received.

As previously announced, epithermal mineralisation has been identified in all three trenches completed at the Zekil & Erak Prospect, with this mineralisation characterised by disseminations, nests and veinlets of: barite 1-10% (locally 20%), Cu-Pb-Zn-Sb secondary

minerals 1-10% (malachite, azurite, cerussite), and occasionally preserved primary minerals tetrahedrite, galena and antimonite (locally up to 1-10%).

The mineralisation is hosted in a variety of surface rocks common for phreatic systems: diatreme breccias (up to 61m width in trench), cross-cut by a later-stage ferruginous and quartz-rich shears (0.1-2m wide) – developed in Devonian limestone. The limestone exhibits a several-metres-wide alteration halo, from ankeritic (further away from mineralisation) to marbly (closer to mineralisation).

Due to winter conditions, field work over the quarter was restricted, however, with recent improved weather conditions the Company has commenced follow up of the 61m-long alteration zone in the form of ~100m trenches (at every 100m strike length).

On the permitting perspective there has been significant and positive interaction by Company throughout the quarter with the local communities and additional key stake holders including the government of the Republic of Srpska. This has led to increased support for the Company's projects and provides a clear pathway to the outcomes sought.

Corporate

Cash position

Lykos had a cash balance of \$2.4 million as of 31 March 2023 and no debt.

The Company incurs the majority of its expenditure in Euro and Bosnian Convertible Marks and as a risk management policy maintains a significant proportion of its funds in Euro-denominated accounts. On 31 March 2023, \$1.3 million was held in Australian dollars and the remaining \$1.1 million was held in Euro and Bosnian Convertible Mark-denominated accounts.

Expenditure since IPO

Use of Funds	Use of Funds Statement \$'000	Actual to 31 March 2023 \$'000
Exploration on the Sockovac Project	2,538	678
Exploration on the Sinjakovo Project	3,732	3,369
Exploration on the Cajnice Project	2,263	1,580
Expenses of the Offer	1,095	1,108
Administration costs and unallocated working capital	2,060	2,711
Working capital including foreign exchange losses	525	457
Total	12,213	9,903

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 \$91,108 and payments to RFC Ambrian Limited¹ totalling \$45,000, pursuant to the corporate service agreement recorded at section 9.4 in the Company's prospectus dated 16 September 2021, for the provision of accounting services, company secretarial services and other administrative support.

Exploration licences

At both the beginning and end of the quarter Lykos held 100% interests in exploration licences over three project areas located in Bosnia and Herzegovina, namely:

- Sinjakovo
- Cajnice
- Sockovac

Capital structure

At both 31 March 2023 and the date of this release, the Company's capital structure was:

	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	975,000
Director options with an exercise price of \$0.20 per options and an expiry date of 15 October 2025	250,000
Unvested Director options with an exercise price of \$0.20 per options and an expiry date of 15 October 2025	500,000
Unvested Director options with an exercise price of \$0.30 per options and an expiry date of 1 April 2026	1,500,000

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

Stephen Allen

Chairman

¹ The Company's chairman, Stephen Allen, has a relevant interest of over 20% in RFC Ambrian Limited.

For further information, please contact:

Stephen Allen

Chairman

Lykos Metals Limited

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About Lykos Metals Limited

Lykos Metals Limited (ASX: LYK) is a Perth-based exploration company with projects in Bosnia and Herzegovina. Lykos' projects are highly prospective for battery and precious metals, and are all located in Europe's most prospective mining region, the Tethyan metallogenic belt.

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

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

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 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(190)	(3,184)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(222)	(756)
	(e) administration and corporate costs	(200)	(571)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	15	38
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	(597)	(4,473)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(26)	(84)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(26)	(84)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,031	7,064
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(597)	(4,473)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(26)	(84)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(43)	(142)
4.6	Cash and cash equivalents at end of period	2,365	2,365

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	2,365	3,031
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)	2,365	3,031

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	136
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)	(597)
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)	(597)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,365
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,365
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.0
	<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 2023

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.