

Quarterly Activities Report – September 2022

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 30 September 2022. Activities during the quarter were focused on the Sinjakovo and Cajnice projects in Bosnia-Herzegovina.

Key developments:

Sinjakovo

- **Zekil-Erak Prospect** – trenching program identifies a volcanic “diatreme” gold-bearing breccia at Zekil locality, two new shear zones at Erak locality
- Follow up diamond drilling programs commenced in early-October
- **RDK Prospect** - Nineteen-hole maiden diamond drilling program is in progress. Assays for first two holes identified narrow, high grade cobalt zones of up to 0.065% Co

Cajnice

- **Gramusovici Prospect** – nine-hole diamond drilling program complete
- Results for seven holes returned did not adequately explain the grades of copper mineralisation in the discovery outcrop
- Further geological interpretation is required before any more work is conducted
- **Berkovici Prospect** – three of four planned diamond holes now complete. Assays are pending

Sinjakovo Project

At Sinjakovo, trenching at the Zekil-Erak Prospect has delivered a pipeline of exciting targets for follow up activities, and the maiden 19-hole diamond drilling program at the RDK Prospect is progressing well.

At the Zekil locality, trenching identified a volcanic “diatreme” gold-bearing breccia complex. At Erak, trenching uncovered two new shear zones – Erak 1 and Erak 2 – that both host polymetallic gold-silver-copper-antimony mineralisation.

At the RDK Prospect, results were received for two holes, returning promising cobalt mineralisation of up to 0.065% cobalt over a 1m interval. Cobalt was never assayed prior to Lykos acquiring the Sinjakovo Project and warrants further investigation.

Zekil-Erak Prospect

In July, at the Zekil locality, the Company commenced a two-trench program (planned 700m total length) to follow up on the previously-identified 4km² gold-in-soil anomaly. Excavation identified a volcanic “diatreme” gold-bearing breccia complex. These breccias were promptly followed-up with sampling in the trench and over nearby outcrops.

A total of 15 samples from diatreme breccias were collected, and returned results up to 5.78g/t gold (1.35g/t gold on average for 15 samples). The diatreme breccia complex observed in the outcrop appeared as a system of several breccia dykes over 70m width.

The orientation of these dykes varies from steep north-south in the upper part of the ridge to a moderately dipping northeast-trending direction on the hill slopes.

In late-August, trenching at the Erak locality commenced, with seven trenches planned for a total of 3,000m. The programme has identified two new shear zones – Erak 1 and Erak 2 – hosting polymetallic gold-silver-copper-antimony mineralisation. These shears having been promptly followed up with sampling in the trench and over nearby outcrops.

Erak 1 returned exceptional results up to 12.61g/t gold equivalent (2.52g/t gold, 199g/t silver, 4.21% copper and 1.36% antimony), with 3.75g/t gold equivalent on average for 13 samples. It is expected that more similar shears exist at Erak, and that ongoing trenching will expose these shears from under surface soil cover.

Erak 2 is located 1km north of Erak 1. Geologically, Erak 2 is an analogue of Erak 1, with barite-malachite-tetrahedrite mineralisation in ferruginous lodes hosted in limestone. Outcrop samples from Erak 2 have returned results up to 2.89g/t gold equivalent, with 2.22g/t gold equivalent on average for four samples.

RDK Copper-Cobalt Prospect

Three holes of the nineteen-hole maiden diamond drilling program at the RDK prospect, which encompasses the historic Sinjakovo copper mine, were completed during the reporting period.

Results for the first two drillholes SIDD001 and SIDD002 returned promising cobalt mineralisation of up to 0.065% cobalt over 1m interval, and with low-grade copper results only so far.

These interesting cobalt results are associated with strongly sulphidic zones – likely from cobalt-bearing pyrite – mineralised specimens were recently sent to ore microscopy identification, the conclusions are pending. Cobalt was never assayed prior to Lykos acquiring the Sinjakovo Project, hence the cobalt mineralisation warrants further investigation.

Table 1 RDK Prospect – summary of drilling intercepts. Results for drillholes SIDD003, SIDD004 and SIDD005 are pending

Drillhole	Interval	From (drilling depth)
SIDD001	2.8m @ 202g/t Co	197m
SIDD002	1.0m @ 182g/t Co	50m
SIDD002	1.0m @ 651g/t Co	74m

Drillhole SIDD003 intersected three broad but weakly sulphidic intervals (veinlets at 52.1-62.7m, hydrothermal breccia at 63.8-74.1m and veinlets at 134.2-147m interval) with 1-5% pyrite and subordinate chalcopyrite.

Drillhole SIDD004 intersected four strongly sulphidic intervals (hydrothermal breccia at 141-142.7m, veinlets at 151-152.4, diorite at 216.4-219.3m and veinlets at 224.8-230.7m interval) all with dominant pyrite (5-20%) over chalcopyrite (1-5%).

Drillhole SIDD005 was collared in an area between the historic portal and historic underground mine. The drillhole intersected a broad zone from 70m to 158m drilling depth with minor sulphides.

The drilling intervals 9.5-18.3m, 90.5-91.5m and 112.5-115.6m have returned loose sand and are likely the levels of historic underground workings.

Hole SIDD005 was stopped at 158m drilling depth. The conclusion is that strong chalcopyrite mineralisation was likely mined out in this area, although historic mine plans does not show mine development in this zone.

Cajnice Project

Activities at Cajnice centred around drilling at the Gramusovici and Berkovici prospects, and project-wide soil sampling. Results for seven of nine completed diamond drill holes at Gramusovici have been returned. Three of the four planned diamond holes at Berkovici are now complete. The project-wide, 2,285-sample soil sampling program is now complete with assay results for all samples now received.

Gramusovici Prospect

The Company commenced a seven-hole diamond drilling program in May to follow up on the discovery of a strongly mineralised outcrop (1-10% copper) at Gramusovici. The program was expanded to nine holes to follow up on strong sulphidic mineralisation encountered in drillhole CADD006.

Results have been received for seven of nine drillholes, however results did not adequately explain the grades of copper mineralisation in the discovery outcrop. The company believes the zone close to the high-grade copper outcrop has been tested adequately at 50-80m drill spacing, and that further geological interpretation is required before any more work is conducted at the Prospect.

Table 2 Gramusovici Prospect – summary of drilling intercepts

Drillhole	Interval	From (drilling depth)
CADD001	No Significant Assay	
CADD002	1.6m @ 0.67% Cu	23.8m
CADD002	2.0m @ 0.15% Cu	28.0m
CADD003	3.0m @ 0.20% Cu	15.0m
CADD004	1m @ 0.16% Cu	97.4m
CADD005	No Significant Assay	
CADD006	1.0m @ 0.17% Pb and 0.27% Zn	102m
CADD007	No Significant Assay	

Berkovici Prospect

Three holes of the four-hole diamond drilling program designed to twin historical drillholes at the Berkovici Prospect have been completed. Drilling at Berkovici confirmed historical observations about several lead-bearing shears; best lead-bearing zone drilled to date is 5m wide with moderate presence of lead minerals – all results are pending.

Cajnice project-wide soil sampling

The soil sampling campaign across the Cajnice tenement is complete. A total of 2,285 soil samples have been collected since April 2022 and all of the results have been received, with the sampling identifying several major trends that warrant further follow up work in the form of detailed geological mapping, trenching and potentially also drilling.

Corporate

Cash position

Lykos had a cash balance of \$5.0 million at 30 September 2022 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. At 30 September 2022, \$2.8 million was held in Australian dollars and the remaining \$2.2 million was held in Euro and Bosnian Convertible Mark-denominated accounts.

Expenditure during the quarter

The overall level of expenditure to 30 September 2022 has been consistent with the expectations presented in the Company's Prospectus dated 16 September 2021 in all material respects, however, the expenditure on the three projects has been weighted more towards Cajnice and Sinjakovo than had been originally anticipated. In accordance with Listing Rule 5.3.4, tabulated below is a comparison expenditure to 30 September 2022 against the use of funds statement included in the Prospectus:

Use of Funds	Use of Funds Statement \$'000	Actual to 30 Sept 2022 \$'000
Exploration on the Sockovac Project	2,538	645
Exploration on the Sinjakovo Project	3,732	1,906
Exploration on the Cajnice Project	2,263	1,389
Expenses of the Offer	1,095	1,108
Administration costs and unallocated working capital	2,060	1,766
Working capital including foreign exchange losses	525	462
Total	12,213	7,276

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 \$109,095 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

As announced on 10 June, the Company received a notice from the Ministry advising of the revocation of the Sockovac exploration licence and Lykos has filed a lawsuit with the District Court of Banja Luka to initiate an administrative dispute over the Ministry's action.

Capital structure

At both 30 September 2022 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	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.

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:

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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 and Herzegovina that are highly prospective for battery and precious metals.

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

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.

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.

Measurement of Polymetallic Mineralisation

Polymetallic mineralisation has been encountered at localities throughout the project areas. For easier reporting and comparison of assay results, figures in this report sometimes include the "gold equivalent" results. This is a simpler reporting measure that combines the results from gold, silver, copper, lead, antimony and zinc (normalised by their current commodity prices and the metallurgical recoveries from known deposits of similar mineralisation style).

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")

30 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(1,526)	(1,526)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(222)	(222)
	(e) administration and corporate costs	(169)	(169)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	6
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	(1,911)	(1,911)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(29)	(29)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(29)	(29)

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	7,064	7,064
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,911)	(1,911)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(29)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(147)	(147)
4.6	Cash and cash equivalents at end of period	4,977	4,977

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	4,977	4,977
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)	4,977	4,977

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	154
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)	(1,911)
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)	(1,911)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,977
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	4,977
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.6
	<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: 12 October 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.