



LYKOS
METALS LIMITED

Lykos Metals Limited

ABN 65 650 011 644

Financial Report

For the half year ended 31 December 2021

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Directors' Report

The directors present the financial statements for half year ended 31 December 2021 for the Consolidated Entity ("Group") consisting of Lykos Metals Limited (the "Company") and the entities it controlled at the end of, or during the period.

Directors

The following persons were directors of the Company during the period and up to the date of this report, unless otherwise stated:

Stephen Allen –resigned 21 July 2021

Milos Bosnjakovic

Jonathan Murray – resigned 7 July 2021

Mladen Stevanovic – appointed 7 July 2021

Matthew Worner – appointed 7 July 2021

Principal Activity

The principal activity of the Group is to explore for base and precious metals on tenement interests it holds in Bosnia and Herzegovina.

Operating Results

The total comprehensive consolidated loss for the half year was \$1,006,101.

Significant Changes in State of Affairs

On 16 September 2021, the Company issued a prospectus for the issue of up to \$12 million ("IPO Prospectus") and subsequently raised the full \$12 million and listed on the Australian Securities Exchange ("ASX") on 21 October 2021 with a total of 113,400,002 shares then on issue. During the ASX listing process the Company acquired 100% of the issued capital of Lykos Balkan Metals d.o.o. Bijeljina which owns 100% of the issued capital of SNK Metali d.o.o. Bijeljina, Medeni Brijeg d.o.o. Bijeljina and Braha Resources d.o.o. Zvornik, with each of these companies having rights to mineral exploration properties located in Bosnia and Herzegovina.

Subsequent to listing on the ASX, the Company commenced an exploration programme on the mineral properties it had acquired in Bosnia and Herzegovina.

Events After the Balance Sheet Date

In the opinion of the directors of the Group, in the period from 31 December 2021 to the date of this report no items, transactions or events of a material or unusual nature have arisen which will affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods

Future Developments

The Company expects to continue with the exploration programme on its mineral properties in Bosnia and Herzegovina.

Auditor's Independence Declaration

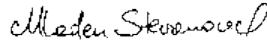
The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 3.

Directors' Report

This report is made in accordance with a resolution of the directors.



Director



Director

Dated 9 March 2022

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AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Lykos Metals Limited for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 9 March 2022

Lykos Metals Limited

ABN 65 650 011 644

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2021

	Half year to 31 December 2021
	\$
Other income	25,709
Employee benefits expense	(267,226)
Share based payment expense	(53,752)
Travel expenses	(79,607)
Premises expenses	(54,641)
General and administration	(136,037)
IPO costs expensed	(287,245)
Other professional services	(56,222)
Other expenses	(88,590)
Loss before income tax from continuing operations	(997,611)
Income tax expense	-
Net loss after income tax for the period	(997,611)
Other comprehensive income(loss) for the period, net of tax:	
Translation of subsidiary foreign operations	(8,490)
Total Other Comprehensive Loss	(8,490)
Total comprehensive loss for the period	(1,006,101)
Earnings per share	
Basic and Diluted Loss per share (cents per share)	(1.63)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial report.

Condensed Consolidated Statement of Financial Position as at 31 December 2021

		31 December 2021
	Note	\$
Current assets		
Cash and cash equivalents		9,868,822
Other receivables and prepayments		143,475
Total current assets		10,012,297
Non-current assets		
Property, plant and equipment		159,159
Exploration and evaluation assets	3	2,063,145
Total non-current assets		2,222,304
Total assets		12,234,601
Current liabilities		
Trade and other payables		139,226
Employee benefits provision		5,836
Total current liabilities		145,062
Total liabilities		145,062
Net assets		12,089,539
Equity		
Issued capital	4	12,878,287
Foreign currency translation reserve		(8,490)
Options Reserve	5	222,896
Accumulated losses		(1,003,154)
Total equity		12,089,539

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial report.

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2021

	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Half year ended 31 December 2021					
Balance at 1 July 2021	2	-	-	(5,543)	(5,541)
Total comprehensive loss for the period					
Loss attributable to members of the Company	-	-	-	(997,611)	(997,611)
Foreign currency translation difference for foreign operations	-	(8,490)	-	-	(8,490)
Total comprehensive loss for the period	-	(8,490)	-	(997,611)	(1,006,101)
Share based payment transactions	-	-	222,896	-	222,896
Issue of shares	13,986,000	-	-	-	13,986,000
Costs of issuing shares through IPO	(1,107,715)	-	-	-	(1,107,715)
Total transactions with owners	12,878,285	-	222,896	-	13,101,181
Balance at 31 December 2021	12,878,287	(8,490)	222,896	(1,003,154)	12,089,539

The above information should be read in conjunction with the accompanying notes to the financial report.

Lykos Metals Limited

ABN 65 650 011 644

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2021

	Half year to 31 December 2021 \$
Cash flows from operating activities	
Exploration and evaluation expenditure capitalised	(383,826)
Payments to suppliers and employees (inclusive of indirect taxes)	<u>(715,148)</u>
Net cash flows (used in) / provided by operating activities	<u>(1,098,974)</u>
Cash flows from investing activities	
Payments for property, plant and equipment	<u>(161,830)</u>
Net cash flows (used in) / provided by operating activities	<u>(161,830)</u>
Cash flows from financing activities	
Proceeds from issue of shares	12,300,000
Payments of costs associated with the issue of shares and IPO	<u>(1,170,376)</u>
Net cash (used in) / provided by financing activities	<u>11,129,624</u>
Net Increase in cash held	9,868,820
Cash at beginning of financial period	<u>2</u>
Cash at the end of the financial period	<u><u>9,868,822</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial report.

Notes to the Financial Statements for the half year ended 31 December 2021

Note 1: Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and announcements made by the Group. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the functional and presentational currency of the Group.

Other than as stated below, the accounting policies and methods of computation adopted in the preparation of the half-year financial report, are consistent with those adopted and disclosed in the Group's most recent annual financial report.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The half year financial report was approved by the Board of Directors on 9 March 2022.

New or amended Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Comparative information

The parent entity, Lykos Metals Australia, was incorporated on 6 May 2021 and the consolidated entity came into existence on the acquisition of subsidiary companies Lykos Balkan Metals d.o.o Bijeljina, SNK Metali d.o.o Bijeljina, Medeni Brijeg d.o.o. Bijeljina and Braha Resources d.o.o. Zvornik on 2 September 2021. Accordingly, as this is the first interim financial report for the Group, there is no 31 December 2020 comparative information available for disclosure.

Note 2: Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics.

The Group's sole activity is mineral exploration and resource development wholly within Bosnia & Herzegovina, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements

Notes to the Financial Statements for the half year ended 31 December 2021

Note 3: Exploration and Evaluation Assets

	Half year to 31 December 2021
	\$
Opening balance	-
Acquisition costs (i)	1,636,000
Capitalised costs for the period	<u>427,145</u>
	<u><u>2,063,145</u></u>
(i) On 2 September 2021, the parent entity, Lykos Metals Limited, agreed to acquire 100% of the issued capital of Lykos Balkan Metals d.o.o. Bijeljina which in turn acquired 100% of the issued capital of Medeni Brijeg d.o.o. Bijeljina, SNK Metali d.o.o. Bijeljina and Braha Resources d.o.o. Zvornik. For the purposes of Accounting Standard <i>AASB 3 – Business Combinations</i> , the transaction is considered to be an asset acquisition, as the assets acquired are concentrated into a group of similar identifiable assets, being mineral exploration assets. Accordingly, AASB 3 does not apply to this transaction. The consideration for the acquisition was satisfied through the issue of 40,900,000 fully paid ordinary shares. The transaction was conducted at arm's length at the time at a value of \$0.04 per share, which was consistent with the prices achieved by the Group in previous capital raisings. Refer to Notes 4 and 6.	

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, a sale of the project areas either wholly or in part.

Notes to the Financial Statements for the half year ended 31 December 2021

Note 4: Issued Capital

The Company has issued shares during the period as follows:

	Number of shares	\$
Half year ended 31 December 2021		
Balance at 1 July 2021	2	2
Issue of ordinary shares at 1c each for cash subscription	5,000,000	50,000
Issue of ordinary shares at 4c each for cash subscriptions	6,250,000	250,000
Issue of shares at 4c each for advisory services	1,250,000	50,000
Issue of shares at 4c each on acquisition of subsidiaries (Note 3)	40,900,000	1,636,000
Issue of shares at 20c each pursuant to IPO	60,000,000	12,000,000
Expenses associated with the issue of IPO shares	-	(1,107,715)
Balance at 31 December 2021	113,400,002	12,878,287

Note 5: Options Reserve

During the current period the following movements in options over unissued shares occurred:

	31 December 2021 No.	31 December 2021 \$
Opening Balance	-	-
Lead Manager Options issued to RFC Ambrian Limited (i)	2,000,000	169,144
Managing Director and Director Options issued (ii)	3,300,000	53,752
Free attaching options issued per IPO Prospectus	30,000,000	-
Closing Balance at 31 December 2021	35,300,000	222,896

Notes to the Financial Statements for the half year ended 31 December 2021

Details of the options issued and the Black-Scholes valuation inputs used are as follows:

	No of Options	Exercise price	Grant date	Vesting date	Expiry date	Volatility	Risk free rate	Value of Options at Grant date
Options issued to RFC Ambrian Limited	2,000,000	\$0.30	21 October 2021	21 October 2021	21 October 2023	100%	0.40%	\$169,144
Managing Director and Director Options	1,100,000	\$0.20	21 October 2021	21 October 2022	21 October 2025	100%	0.40%	\$150,750
Managing Director and Director Options	1,100,000	\$0.20	21 October 2021	21 October 2023	21 October 2025	100%	0.40%	\$150,750
Managing Director and Director Options	1,100,000	\$0.20	21 October 2021	21 October 2024	21 October 2025	100%	0.40%	\$150,750
Free attaching options	30,000,000	\$0.30	21 October 2021	21 October 2021	21 October 2023	n/a	n/a	n/a

- (i) The amount of \$169,144 has been fully deducted against issued capital, in accordance with AASB 132, as it is considered to be a cost associated with the issue of new shares. Refer to Note 4.
- (ii) The amount of \$53,752 represents the value of options expensed over the vesting period, which commenced on 21 October 2021. This amount is disclosed as a share based payment expense in the consolidated statement of profit or loss and other comprehensive income.

Note 6: Related Party Transactions

During the period, the Group transacted with related parties as follows:

- (i) Former director, Mr Stephen Allen, is the Managing Director of RFC Ambrian Limited (RFC). RFC was appointed Lead Manager and corporate advisor to the Group as part of its IPO Prospectus. In consideration for the services provided, RFC was paid the following fees:
- an Advisory fee comprising a cash fee of \$50,000 and the issue of 1,250,000 ordinary shares for corporate advisory services, satisfied on completion of the Group's second round seed capital raising;
 - a Capital Arrangement fee of 6% of the gross funds raised under the Group's IPO; and
 - 2 million Lead Manager options (refer to Note 5).
- The costs associated with the above fees and option issues have been deducted from Issued Capital and form part of the expenses associated with the issue of the IPO shares at Note 4.
- (ii) As consideration under the terms of the agreement relating to the acquisition of Lykos Balkan Metals d.o.o Bijeljina (refer to Note 3), the Group issued 40,900,000 ordinary shares to Mr Milos Bosnjakovic (or his nominees) at an issue price of \$0.04 per share. Mr Bosnjakovic is an Executive Director of the Group.

Notes to the Financial Statements for the half year ended 31 December 2021

- (iii) On the 8 September 2021, the Group entered into a Services Agreement with RFC Ambrian Limited (RFC) for the provision of corporate, management and administrative services to the Group. The agreement is for an initial term of 2 months after which the agreement will be extended for periods of 2 months at the sole election of the Group. In consideration for the services provided, the Group agreed to pay RFC an amount of \$15,000 (exc GST) per month. Former director of the Group, Mr Stephen Allen is the Managing Director of RFC.
- (iv) Former director, Mr Jonathan Murray, is a Partner with Steinepreis Paganin, who were the Group's Australian legal advisers to the IPO. Fees paid for these services total \$168,000. These fees have been apportioned between those costs deducted from Issued Capital and forming part of the expenses associated with the issue of the IPO shares at Note 4 and IPO costs expensed and included in the condensed consolidated statement of profit or loss and other comprehensive income.

Note 7: Contingencies and Commitments

There has been no material change to contingencies or commitments since the Group's last annual financial report.

Note 8: Group Details

The registered office of the Company is:

Lykos Metals Limited
Level 48, Central Park
152-158 St Georges Terrace
Perth WA 6000

Note 9: Subsequent Events

In the opinion of the directors of the Group, in the period from 31 December 2021 to the date of this report no items, transactions or events of a material or unusual nature have arisen which will affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Declaration by Directors

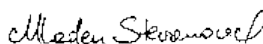
The directors of the Group declare that:

1. The interim financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - (a) Complying with Australian Accounting Standard 134 – Interim Financial Reporting and the Corporations Regulations 2001, and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the period ended.
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Director



Director

Dated 9 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LYKOS METALS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Lykos Metals Limited and its controlled entities (the Group), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Lykos Metals Limited does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 9 March 2022