



LYKOS Metals Limited

LYKOS METALS LIMITED ANNUAL REPORT 2023

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CORPORATE DIRECTORY

Directors:

Stephen Allen – non-executive chairman

Miloš Bošnjaković – executive director and CEO

Johan Züger – independent non-executive director

Petar Tomasevic – independent non-executive director

Company secretary: Candice Van Der Plas

Registered office:

Level 48 Central Park

152-158 St Georges Terrace

Perth WA 6000

Telephone: (08) 9480 2500

Website: www.lykosmetals.com

Australian Business Number: 65 650 011 644

Share register:

Automic Pty Ltd

Level 5, 191 St Georges Terrace

Perth WA 6000

Telephone: (02) 8072 1400 (General Enquiries) 1300 288 664 (Investor Enquiries)

Stock exchange code: LYK – ordinary shares

Auditor:

Crowe Perth

Level 24 Allendale Square

77 St Georges Terrace

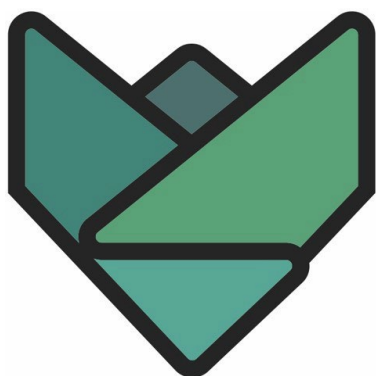
Perth WA 6000

Legal advisors:

Steinepreis Paganin

6 Milligan Street

Perth WA 6000



LYKOS Metals Limited

ABN 65 650 011 644

Financial Report
for the year ended 30 June 2023

Directors' Report

The directors present the financial statements for the financial year ended 30 June 2023 for the Consolidated Entity ("Group") consisting of Lykos Metals Limited (the "Company") and the entities it controlled at the end of, or during the year ended 30 June 2023.

Directors

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

- Stephen Allen (Non-executive Chairman);
- Milos Bosnjakovic (Executive Director);
- Johan Züger (Independent Non-executive Director);
- Mladen Stevanovic (Managing Director) resigned 31 January 2023;
- Candice Van Der Plas (Non-executive Director) appointed 13 June 2023 and resigned 23 August 2023; and
- Petar Tomasevic (Non-executive Director) appointed 23 August 2023.

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.

Dividends

No dividends were paid during the financial year ended 30 June 2023 (30 June 2022: nil).

Review of Operations

The Group continued with exploration activities throughout the year however these proceeded slower than had hoped due to delays in permitting approvals.

The total comprehensive loss for the year was \$4,222,057 (30 June 2022 \$2,257,791).

Events After the Reporting Date

In the opinion of the directors of the Group, in the period from 30 June 2023 to the date of this report no items, transactions or events of a material or unusual nature have arisen which will significantly affect 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 program on its mineral properties in Bosnia and Herzegovina, in accordance with the disclosures in its IPO Prospectus.

Environmental Reporting

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory or laws of Bosnia and Herzegovina.

Directors' Report

Information on the Directors in office at the date of this report

Stephen Allen

Title:	Non-Executive Chairman
Qualifications:	FCA (England & Wales), CA (Australia and New Zealand)
Experience and expertise:	Stephen has over 30 years experience in the resources sector, including the last 24 years with specialist resource sector corporate finance advisory and investment group RFC Ambrian, where he is presently managing director.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	12,075,002
Interests in options:	3,475,000 listed 30c options plus 2,750,000 unlisted 30c Options with 500,000 of these unlisted options subject to vesting conditions
Contractual rights to shares:	None

Milos Bosnjakovic

Title:	Executive Director
Qualifications:	Bachelor of Laws (LLB)
Experience and expertise:	Milos is a lawyer by profession with strong networks, business and political links in the Balkans and is resident of Bosnia Herzegovina.
Other current directorships:	None
Former directorships (last 3 years):	Adriatic Metals plc and Balkan Mining and Minerals Limited.
Special responsibilities:	None
Interests in shares:	40,474,000
Interests in options:	750,000 unlisted 20c options with 500,000 of these unlisted options subject to vesting conditions
Contractual rights to shares:	None

Johan Züger

Title:	Independent non-Executive Director
Qualifications:	MA (Economics)
Experience and expertise:	Johan is a Swiss based investor and investment advisor. He has an extensive career in both corporate banking and wealth management.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	750,000 unlisted options with 500,000 of these unlisted options subject to vesting conditions
Contractual rights to shares:	None

Petar Tomasevic

Title:	Non-Executive Director
Qualifications:	Bachelor of Science - Business Administration and Management
Experience and expertise:	Peter has significant experience in the financial service industry, having worked with numerous ASX-listed companies in marketing and investor relations role.
Other current directorships:	Vert Capital Pty Ltd. Regenerate Resources Limited, GTI Energy Limited
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	Nil
Contractual rights to shares:	None

Directors' Report

Company Secretary

Candice Van Der Plas LLB (UNDA), GDipConstrLaw (UNDA) has held the role of company secretary since May 2021.

Meetings of Directors

During the financial year, 9 meetings were held by the Board of Directors. Attendances by each of the directors during the period were:

	Number eligible to attend	Number attended
Stephen Allen	9	9
Milos Bosnjakovic	9	9
Jonathan Murray	9	9
Mladen Stevanovic	6	6
Johan Züger	9	9

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Options over ordinary shares held by key management personnel;
- Shareholdings of key management; and
- Other transactions and balances with key management personnel and their related parties.

Principles used to determine the nature and amount of remuneration

The objective of the entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

Directors' Report

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive;
- compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was through a sole shareholder resolution on 21 July 2021, where the shareholder approved a maximum annual aggregate remuneration of \$500,000.

Executive remuneration

The entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has two components:

Directors' Report

- base pay including superannuation; and
- retention incentives through the provision of share options.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and superannuation are reviewed annually by the Board based on individual and business unit performance, the overall performance of the entity and comparable market remunerations.

The retention incentives ('LTI') presently comprises share options which vest over a period of three years.

Details of remuneration

Details of the remuneration of key management personnel of the entity are set out in the following tables. The key management personnel of the entity consisted of the following directors Lykos Metals Limited:

- Stephen Allen (Non-executive Chairman);
- Milos Bosnjakovic (Executive Director);
- Mladen Stevanovic (Managing Director) – resigned 31 January 2023;
- Johan Züger (Independent Non-executive Director); and
- Candice Van Der Plas – appointed 13 June 2023 and resigned 23 August 2023.

Remuneration paid during the year ended 30 June 2023 is as tabulated below:

	Short-term benefits	Post- employment benefits	Share based payments	% of remuneration		
	Cash salary and fees	Super- annuation	Equity- settled options	Total	Fixed	Limited to performance
	\$	\$	\$	\$	%	%
Stephen Allen	75,000	-	36,487	111,487	100	Nil
Milos Bosnjakovic	177,607	-	60,672	238,279	100	Nil
Mladen Stevanovic	116,951	11,136	(43,359)	84,728	100	Nil
Johan Züger	40,000	-	36,487	76,487	100	Nil
Candice Van Der Plas	-	-	-	-	-	Nil
	409,558	11,136	90,287	510,981		

Directors' Report

Remuneration paid during the year ended 30 June 2022 is as tabulated below:

	Short-term benefits	Post- employment benefits	Share based payments	% of remuneration		
	Cash salary and fees	Super-annuation	Equity- settled options	Total	Fixed	Limited to performance
	\$	\$	\$	\$	%	%
Stephen Allen	18,750	-	-	18,750	100	Nil
Milos Bosnjakovic	115,846	-	43,359	159,205	100	Nil
Mladen Stevanovic	130,498	12,611	104,062	247,171	100	Nil
Matthew Womer	33,333	-	51,392	84,725	100	Nil
Johan Züger	10,000	-	-	10,000	100	Nil
	308,427	12,611	198,813	519,851		

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of the agreements for the director who are in office at the date of this report are as follows:

Directors' Report

Name		Stephen Allen
Title		Non-executive Chairman
Agreement commenced		1 April 2022
Term of agreement		Until validly terminated by either party.
Details		Base non-executive director fee of \$40,000 per annum plus a chairman's fee of \$35,000 per annum.
Name		Milos Bosnjakovic
Title		Executive Director
Agreement commenced		21 October 2021
Term of agreement		Until validly terminated by either party with three months notice required in respect of the executive role.
Details		Base salary of \$160,000 consisting of \$120,000 for the role as in-country manager in Bosnia and Herzegovina and \$40,000 for the role as a Director plus the issue of 750,000 20c four year options which vest in three equal parcels on the 1st, 2nd and 3rd anniversary of 21 October 2021.
Name		Johan Züger
Title		Independent Non-executive Director
Agreement commenced		1 April 2022
Term of agreement		Until validly terminated by either party.
Details		Director fee of \$40,000 per annum.
Name		Petar Tomasevic
Title		Independent Non-executive Director
Agreement commenced		23 August 2023
Term of agreement		Until validly terminated by either party.
Details		Director fee of \$40,000 per annum.

Options held by key management personnel

The number of options over ordinary shares held by each of the Group's key management personnel both directly and indirectly during the financial year is as follows:

30 June 2023	Held at start of year	Granted as compensation	Lapsed or expired	Held at end of year	Vested and exercisable at end of year
Directors					
Stephen Allen	5,475,000	750,000	-	6,225,000	5,725,000
Milos Bosnjakovic	750,000	-	-	750,000	250,000
Mladen Stevanovic	1,800,000	-	(1,200,000)	600,000	600,000
Johan Zugar	-	750,000	-	750,000	250,000
Total	8,025,000	1,500,000	(1,200,000)	8,325,000	6,825,000

Directors' Report

30 June 2022	Held at start of year	Granted as compensation	Other acquisitions	Held at end of year	Vested and exercisable at end of year
Directors					
Stephen Allen	-	-	5,475,000	5,475,000	5,475,000
Milos Bosnjakovic	-	750,000	-	750,000	-
Mladen Stevanovic	-	1,800,000	-	1,800,000	-
Matthew Worner	-	375,000	-	375,000	375,000
Johan Zugar	-	-	-	-	-
Total	-	2,925,000	5,475,000	8,400,000	5,850,000

Shareholdings of key management personnel

Ordinary shares held in Lykos Metals Limited directly and indirectly

30 June 2023	Held at start of year	Granted as remuneration	Acquisition of shares	Other Changes	Held at end of year
Directors					
Stephen Allen	12,075,002	-	-	-	12,075,002
Milos Bosnjakovic	40,000,000	-	-	-	40,000,000
Mladen Stevanovic	-	-	-	-	-
Johan Zugar	-	-	-	-	-
Total	52,075,002	-	-	-	52,075,002

Other transactions and balances with key management personnel and their related parties

The aggregate amount recognised during the year relating to Directors, Key Management Personnel and their related parties were as follows:

	Nature of transaction	Transactions for the year ended 30 June 2023	Balance payable at 30 June 2023	Transactions for the year ended 30 June 2022	Balance payable at 30 June 2022
Directors					
Stephen Allen	Monthly service and IT charges	182,032	-	173,961	16,875
Stephen Allen	Advisory and capital arrangement fees	-	-	770,000	-
Milos Bosnjakovic	Staff amenities and car rental	40,677	2,920	-	-
Total		222,709	2,920	943,961	16,875

The key management personnel have not received any share or option-based payments other than set out above.

End of the remuneration report.

Directors' Report

Indemnifying Officers or Auditor

The Company has, to the extent permitted by law, entered into agreements to indemnify its directors and officers for all losses or liabilities incurred as an officer of the Company or a related company. This includes losses or liabilities incurred as an officer of a company where such office is held for the benefit of the Company.

The Company also maintains and pays for insurance against any liability incurred by its directors or officers as officers of the Company or a related company including, but not limited to, a liability for negligence and for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome. Premiums are paid on behalf of the Company by its parent. These contracts of insurance prevent disclosure of the amounts paid in premium for this insurance.

No claim has been made against or by the Company in relation to any such indemnities or insurance policies since the date of incorporation.

No indemnities have been given or insurance premium paid during or since the end of the financial period, for any person who is or has been an auditor of the Company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial period.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 2 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services are disclosed in note 2 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the follow reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing, or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Directors' Report

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 13.

This report is made in accordance with a resolution of the directors pursuant to section 298(2)(a) of the Corporations Act.

A handwritten signature in black ink, appearing to read 'Stephen Allen'.

Stephen Allen
Chairman

A handwritten signature in blue ink, appearing to read 'Milos Bosnjakovic'.

Milos Bosnjakovic
Executive Director

Dated: 26 September
2023

Corporate Governance Statement

Lykos Metals Limited and the Board are committed to achieving the highest standards of corporate governance. Lykos has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The 2023 corporate governance statement is dated 26 September 2023 and reflects the corporate governance practices in place throughout the financial year ended 30 June 2023.

A description of the Group's current corporate government practices (including the Company's Corporate Governance Statement) is set out in the Group's website at www.lykosmetals.com

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lykos Metals Limited for the year ended 30 June 2023, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 26 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

		2023	2022
	Note	\$	\$
Other income	2(b)	40,593	1,410
Employee benefit expenses		(1,019,123)	(968,344)
Geological work expensed		(86,605)	(148,170)
Travel expenses		(49,835)	(82,748)
Premise expenses		(87,770)	(73,550)
General and administration		(298,046)	(222,221)
IPO costs expensed		-	(287,245)
Other professional services		(305,717)	(232,309)
Impairment of exploration and evaluation expenditure assets		(2,741,195)	-
Foreign exchange gain/(loss)		29,016	(85,806)
Other expenses		<u>(156,745)</u>	<u>(116,248)</u>
Loss before income tax		(4,675,427)	(2,215,231)
Income tax expense		<u>-</u>	<u>-</u>
Net loss after income tax for the year		(4,675,427)	(2,215,231)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign subsidiaries		<u>453,370</u>	<u>(42,560)</u>
Total comprehensive loss for the year		<u>(4,222,057)</u>	<u>(2,257,791)</u>
Basic loss per share	18	\$ 0.04	\$0.02
Diluted loss per share	18	\$ 0.04	\$0.02

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

Consolidated Statement of Financial Position as at 30 June 2023

	Note	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	11	1,892,773	7,091,030
Other receivables	3	-	176,737
Other assets	4	628,870	405,589
TOTAL CURRENT ASSETS		2,521,643	7,673,356
NON CURRENT ASSETS			
Plant and equipment	5	427,333	302,725
Exploration and evaluation expenditure	6	4,033,076	3,175,260
TOTAL NON CURRENT ASSETS		4,460,409	3,477,985
TOTAL ASSETS		6,982,052	11,151,341
CURRENT LIABILITIES			
Trade and other payables	7	69,584	148,203
Employee benefits provision	8	61,328	20,228
TOTAL CURRENT LIABILITIES		130,912	168,431
TOTAL LIABILITIES		130,912	168,431
NET ASSETS		6,851,140	10,982,910
EQUITY			
Issued Capital	9	12,878,287	12,878,287
Foreign currency translation reserve		410,810	(42,560)
Options reserve	10	458,244	367,957
Accumulated losses		(6,896,201)	(2,220,774)
TOTAL EQUITY		6,851,140	10,982,910

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2023

	Issued Capital \$	Foreign Currency Translation Reserve \$	Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021	2	-	-	(5,543)	(5,541)
Loss after income tax for the year	-	-	-	(2,215,231)	(2,215,231)
Other comprehensive loss for the year	-	(42,560)	-	-	(42,560)
Total comprehensive loss for the year	-	(42,560)	-	(2,215,231)	(2,257,791)
Transactions with owners in their capacity as owners					
Issue of shares	13,986,000	-	-	-	13,986,000
Costs of issuing shares	(1,107,715)	-	-	-	(1,107,715)
Share based payment	-	-	367,957	-	367,957
Balance at 30 June 2022	<u>12,878,287</u>	<u>(42,560)</u>	<u>367,957</u>	<u>(2,220,774)</u>	<u>10,982,910</u>
Loss after income tax for the year	-	-	-	(4,675,427)	(4,675,427)
Other comprehensive income for the year	-	453,370	-	-	453,370
Total comprehensive loss for the year	-	453,370	-	(4,675,427)	(4,222,057)
Transactions with owners in their capacity as owners					
Share based payment	-	-	90,287	-	90,287
Balance at 30 June 2023	<u>12,878,287</u>	<u>410,810</u>	<u>458,244</u>	<u>(6,896,201)</u>	<u>6,851,140</u>

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

Consolidated Statement of Cash Flows for the year ended 30 June 2023

		2023	2022
	Note	\$	\$
CASH FLOWS FROM OPERATING			
Miscellaneous receipts		69,609	1,410
Payments to suppliers and employees		(1,493,583)	(2,264,850)
Net cash used in by operating activities	11(b)	<u>(1,423,974)</u>	<u>(2,263,440)</u>
CASH FLOWS FROM INVESTING			
ACTIVITIES			
Payments for exploration and evaluation		(3,599,011)	(1,539,260)
Payments for plant and equipment		(175,272)	(348,557)
Net cash used in investing activities		<u>(3,774,283)</u>	<u>(1,887,817)</u>
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Proceeds from issue of shares		-	12,300,000
of shares and IPO		-	(1,057,715)
Net cash provided by financing activities		<u>-</u>	<u>11,242,285</u>
Net (decrease) / increase in cash held		(5,198,257)	7,091,028
Cash at beginning of financial year		7,091,030	2
Cash at the end of the financial year	11(a)	<u>1,892,773</u>	<u>7,091,030</u>

The above 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 year ended 30 June 2023

Note 1: Significant Accounting Policies

Statement of compliance

This financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

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 and all values are rounded to the nearest dollar.

New or amended Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the 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.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied as for-profit entities.

Going concern

The financial statements have been prepared on the going concern basis which assumes the Company and Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

As at 30 June 2023, the Group has net assets of \$6,851,140 (30 June 2022: \$10,982,910). During the year to 30 June 2023 the Group had cash outflows from operating activities of \$1,423,974 (30 June 2022: \$2,263,440) and cash outflows from investing activities of \$3,774,283 (30 June 2022: \$1,887,817).

Management's assessment of the Group's current and future cash position indicates that the Group does not have sufficient cash to meet its planned exploration expenditure and support its current level of corporate overheads and therefore will need to raise additional funds to continue as a going concern.

Notes to the Financial Statements for the year ended 30 June 2023

To address the future additional funding requirements of the Group, since 30 June 2023, the Directors have undertaken the following initiatives:

- undertaken a programme to continue to monitor the Group's ongoing working capital requirements and planned exploration expenditure; and
- continued their focus on maintaining an appropriate level of corporate overheads in line with the Group's available cash resources.

The directors are confident that they will be able to complete a capital raising that will provide the Group with sufficient funding to meet its planned exploration expenditure and support its planned level of overhead expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the Group is not able to successfully complete the capital raising referred to above, a material uncertainty exists as to whether the Company and Group will be able to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

Accounting Policies

The following is a summary of the material accounting policies are adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lykos Metals Limited ("parent entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Lykos Metals Limited and its subsidiaries together are referred to in these financial statements as the "Group".

Subsidiaries are all those entities over which the Group has control. The Parent controls a subsidiary if it is exposed to, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power to direct the activities of the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Notes to the Financial Statements for the year ended 30 June 2023

Intercompany transactions, balances and unrealized gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

b) Foreign currency translation

The financial statements are presented in Australian dollars, which is Lykos Metals Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Notes to the Financial Statements for the year ended 30 June 2023

c) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

d) Exploration and evaluation

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

e) Revenue

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when:

- (i) it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is expected to be realised within 12 months after the reporting period; or
- (iv) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

Notes to the Financial Statements for the year ended 30 June 2023

A liability is classified as current when:

- (i) it is either expected to be settled in the Group's normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within 12 months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

h) Other Receivables and Other Assets

Other receivables and other assets are recognised at amortised cost, less any allowance for expected credit losses.

i) Plant and Equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their useful lives as follows:

- Lease hold improvements 3-10 years; and
- Equipment and motor vehicles 3-10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

j) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements for the year ended 30 June 2023

k) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

l) Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Notes to the Financial Statements for the year ended 30 June 2023

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

m) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

n) Earnings Per Share

Basic earnings per share: Basic earnings per share are determined by dividing the net loss attributable to equity holders of the Company, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share: Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the Financial Statements for the year ended 30 June 2023

o) Critical Accounting Estimates and Judgements

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical knowledge and experience, best available information and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas of assumptions and estimates significant to the financial statements are disclosed in note (l) "Share based payments" and (d) "Exploration and evaluation expenditure".

Notes to the Financial Statements for the year ended 30 June 2023

Note 2: Loss for the Year

	2023	2022
	\$	\$
Profit/(Loss) before income tax has been determined after:		
(a) Expenses		
Depreciation of property, plant and equipment	50,664	45,832
Remuneration of auditor:		
Audit services – Crowe Perth	16,750	50,000
Audit services – Crowe Croatia	28,750	28,750
	<u>45,500</u>	<u>50,000</u>
(b) Revenue		
Miscellaneous other income	<u>40,593</u>	<u>1,410</u>

Note 3: Trade and Other Receivables

CURRENT

Other receivables	<u>-</u>	<u>176,737</u>
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Note 4: Other Assets (Current)

	2023	2022
	\$	\$
Prepayments	-	322,419
Consumables	79,320	83,170
VAT and GST recoverable	524,021	-
Other assets	<u>25,529</u>	<u>-</u>
	<u>628,870</u>	<u>405,589</u>

Notes to the Financial Statements for the year ended 30 June 2023

Note 5: Plant & Equipment

	2023 \$	2022 \$
Geologist equipment at cost	143,305	92,003
Less accumulated depreciation	(30,528)	(12,342)
	<u>112,777</u>	<u>79,661</u>
Motor vehicles at cost	172,182	201,952
Less accumulated depreciation	(41,498)	(27,120)
	<u>130,684</u>	<u>174,832</u>
Leasehold improvements at cost	180,061	54,602
Less accumulated depreciation	(2,189)	(6,370)
	<u>183,872</u>	<u>48,232</u>
Total Plant and Equipment	<u><u>427,333</u></u>	<u><u>302,725</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Geological equipment \$	Motor Vehicle \$	Leasehold improvements \$	Total \$
Balance at 1 July 2021	-	-	-	-
Additions	92,003	201,952	54,602	348,557
Disposals	-	-	-	-
Depreciation expense	(12,342)	(27,120)	(6,370)	(45,832)
Balance at 30 June 2022	<u>79,661</u>	<u>174,832</u>	<u>48,232</u>	<u>302,725</u>
Additions	50,667	-	138,993	189,650
Disposals	-	(14,378)	-	(14,378)
Depreciation expense	(17,541)	(29,770)	(3,353)	(50,664)
Balance at 30 June 2023	<u><u>112,777</u></u>	<u><u>130,684</u></u>	<u><u>188,872</u></u>	<u><u>427,333</u></u>

Notes to the Financial Statements for the year ended 30 June 2023

Note 6: Exploration and Evaluation Assets

	2023 \$	2022 \$
Opening balance	3,175,260	-
Acquisition costs	-	1,636,000
Capitalised costs for the period	3,599,011	1,539,260
Accumulated impairment	(2,741,195)	-
	<u>4,033,076</u>	<u>3,175,260</u>

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.

Note 7: Trade and Other Payables

	2023 \$	2022 \$
CURRENT		
Trade creditors	<u>69,584</u>	<u>148,203</u>
	<u>69,584</u>	<u>148,203</u>

Note 8: Provisions

CURRENT		
Annual leave provision	<u>61,328</u>	<u>20,228</u>

Note 9: Issued Capital

	2023 \$	2022 \$
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113,400,002 ordinary shares
(2022: 113,400,002 shares)

<u>12,878,287</u>	<u>12,878,287</u>
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	2023 Number of shares	2022 Number of shares
On issue at the start of the year	<u>113,400,002</u>	<u>113,400,002</u>
On issue at the end of the year	<u>113,400,002</u>	<u>113,400,002</u>

Notes to the Financial Statements for the year ended 30 June 2023

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 10: Options Reserve

During the year the following movements in options over unissued shares occurred:

	No.	\$
Opening Balance	34,925,000	367,957
Vested since 30 June 2022	-	159,488
Unvested options valuation	-	78,220
Cancellation of Director options at resignation	(1,200,000)	(147,421)
Director Options issued	1,500,000	-
Closing Balance at 30 June 2023	35,225,000	458,244

Notes to the Financial Statements for the year ended 30 June 2023

Movement in options during the year

	2023		2022	
	No. Options	Av exercise price per option (\$)	No. Options	Av exercise price per option (\$)
Outstanding at the beginning of the year	34,925,000	0.295	-	-
Granted during the year	1,500,000	0.300	34,550,000	0.295
Cancellation of Director options at resignation	(1,200,000)	0.300	-	-
Vested Director Options issued	-	-	375,000	0.295
Exercised during the year	-	-	-	-
Outstanding at the end of the year	35,225,000	0.295	34,925,000	0.295
Exercisable at the end of the year	35,225,000	0.295	34,925,000	0.295

The weighted average remaining contractual life of options outstanding at the end of the year is 0.5 years (2022:1.4 years).

Exercise prices of options outstanding at 30 June 2023 range from 20 cents per option to 30 cents per option (2022: 20 cents per option to 30 cents per option). The weighted average fair value of the options granted during the year was 29.5 cents per option (2022: 29.5cents per option).

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

	No. Options	Exercise price	Grant date	Vesting date	Expiry date	Volatility	Risk free rate	Value of Options at Grant date
Director Options	500,000	\$0.30	23 November 2022	1 April 2023	1 April 2026	100%	2.5% p.a	43,000
Director Options	500,000	\$0.30	23 November 2022	1 April 2024	1 April 2026	100%	2.5% p.a	43,000
Director Options	500,000	\$0.30	23 November 2022	1 April 2025	1 April 2026	100%	2.5% p.a	43,000

Notes to the Financial Statements for the year ended 30 June 2023

Note 11: The Statement of Cash Flows

	2023	2022
	\$	\$

Cash as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

Cash and cash equivalents	<u>1,892,773</u>	<u>7,091,030</u>
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(a) Reconciliation of cash flow from operations with (loss) after income tax

	2023	2022
	\$	\$
Loss after income tax	(4,675,427)	(2,215,231)
Non-cash transaction:		
Depreciation	50,664	45,832
Impairment expense	2,741,195	-
Changes in assets and liabilities:		
Increase to options reserve	90,287	367,957
Change to foreign currency translation reserve	453,370	(42,560)
Decrease / (Increase) in receivables	176,737	(176,237)
Increase in other assets	(223,281)	(379,714)
(Decrease) / Increase in payables & accruals	(78,619)	116,285
Increase in employee provisions	41,100	20,228
Cash flow used in operations	<u>(1,423,974)</u>	<u>(2,263,440)</u>

Note 12: Related Party Transactions

(a) Parent entity

The group is controlled by Lykos Metals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 17.

Notes to the Financial Statements for the year ended 30 June 2023

(c) Key Management Personnel Compensation

Key Management Remuneration	2023	2022
	\$	\$
Salaries and fees	409,558	308,427
Post-employment benefits	11,136	12,611
Share-based payments	90,287	198,813
Total	510,981	519,851

(d) Purchases from entities controlled by key management personnel

Purchases from entities controlled by key management personnel	2023	2022
	\$	\$
RFC Ambrian Limited – service agreement	180,000	125,807
RFC Ambrian Limited – IP Costs	-	815,455
Total	180,000	941,262

The balance outstanding from entities controlled by key management personnel as at 30 June 2023 is nil (2022: \$16,875).

Note 13: Contingencies and Commitments

The Group does not have any material contingencies or commitments.

Note 14: Segment information

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.

Note 15: Subsequent Events

In the period from 30 June 2023 to the date of this report no items, transactions or events of a material or unusual nature have arisen which will significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Notes to the Financial Statements for the year ended 30 June 2023

Note 16: Parent entity information

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	\$	\$
Loss after income tax	(1,031,670)	(1,339,075)
Total comprehensive loss	(1,031,670)	(1,339,075)

	Parent	
	2023	2022
	\$	\$
Total current assets	3,000,157	6,990,774
Total non current assets	8,033,206	5,003,363
Total assets	11,033,363	11,994,137
Total current liabilities	73,120	92,511
Total liabilities	73,120	92,511
Equity		
Issued Capital	12,878,287	12,878,287
Options reserve	458,243	367,957
Accumulated losses	(2,376,287)	(1,334,618)
Total equity	10,960,243	11,901,626

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

Lykos Metals Limited

ABN 65 650 011 644

Notes to the Financial Statements for the year ended 30 June 2023

Note 17: Investments in controlled entities

Name of controlled entities	Country of Incorporation	Class of Shares	Equity holding % 2023	Equity holding % 2022
Lykos Balkan Metals d.o.o.	Bosnia and Herzegovina (Republika Srpska)	Ordinary	100%	100%
Merdeni Brijeg d.o.o.	Bosnia and Herzegovina (Republika Srpska)	Ordinary	100%	100%
SNK Metali d.o.o.	Bosnia and Herzegovina (Republika Srpska)	Ordinary	100%	100%
Braha Resources d.o.o	Bosnia and Herzegovina (Republika Srpska)	Ordinary	100%	100%
Lykos Metals (UK) Limited	United Kingdom	Ordinary	100%	-

Note 18: Loss per share

	2023 \$	2022 \$
Weighted average shares used in calculation	113,400,002	113,400,002
Basic loss per share	0.04	0.02
Diluted loss per share	0.04	0.02

All of the options outstanding, have exercise prices greater than the average market price of ordinary shares during the reporting period and are therefore anti-dilutive.

Note 19: Carry forward Tax Losses

Carried forward tax losses as at 30 June 2023 are \$2,059,992 (2022: \$947,340). The Company has not recognised any value for the deferred tax asset associated with accumulated tax losses due to the uncertainty and time associated with the recovery of any amount.

Notes to the Financial Statements for the year ended 30 June 2023

Note 20: Financial Instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks and market risks most significantly foreign currency risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Board of Directors (the Board). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls, and risk limits.

Market Risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. In order to protect against exchange rate movements, the Group holds a combination of Australian dollars and the Euro based currency of Bosnia and Herzegovina (BAM).

Consolidated	2023	2022
	\$	\$
Australian dollar	1,235,974	5,233,023
BAM/Euro	656,799	1,858,007
	<u>1,892,773</u>	<u>7,091,030</u>

Note 21: Financial Assets and Liabilities

Due to their short-term nature the carrying values of financial assets and liabilities equate to their fair values.

Note 22: Equity-based Payments

During the year following options were granted to directors (see also note 10 to these financial statements).

Vested options: 850,000 options exercisable at 20 cents each on or before 21 October 2025. In addition, 500,000 options exercisable at 30 cents on or before 1 April 2026.

Unvested options: 500,000 options exercisable at 20 cents each on or before 21 October 25. In addition, 1,000,000 options exercisable at 30 cents per share on or before 1 April 2026 were issued.

Directors' Declaration

In the Directors' opinion:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
3. The attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended 30 June 2023; and
4. 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 made pursuant to section 295(5)(a) of the Corporations Act 2001 and is signed for and on behalf of the directors by:



Stephen Allen
Chairman



Milos Bosnjakovic
Executive Director

Dated: 26 September 2023

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF LYKOS METALS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lykos Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Group incurred a net loss of \$4,675,427 and had net operating cash outflows of \$1,423,974 for the year ended 30 June 2023. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
Impairment of capitalised mineral exploration and evaluation expenditure	
The consideration of impairment of the carrying value of the Group's Capitalised Mineral Exploration and Evaluation Expenditure assets was material to our audit and represented an area of significant estimate and judgement within the financial report. This matter is considered a key audit matter due to the high degree of judgement required by the directors to assess whether impairment indicators are present for specified tenements held and due to the significance of the capitalised amount of \$4.03 million at 30 June 2023 and the impairment expense of \$2.7 million recognised for the year ended 30 June 2023. The conditions and assessment undertaken in relation to impairment are disclosed in the Group's accounting policy in Notes 1 and 6 of the financial report.	Our procedures included, but were not limited to: • Reviewing management's assessment of the existence or otherwise of impairment indicators from both internal and external sources, as well as considering whether there existed any facts and circumstances to indicate that the Group should test exploration and evaluation assets for impairment; • Verifying that the Group has satisfactory title to the exploration tenements held; • Assessing the reasonableness of the impairment expense recognised; • Corroborating representations made by management with available external data and evidence obtained by us during the course of our audit; and • Considering the appropriateness of relevant disclosures in the notes to the financial statements.
Group accounting	
The Lykos Group comprises 4 entities operating in Bosnia and Herzegovina with an intermediate parent company domiciled in the UK and the ultimate parent company domiciled in Australia. Individual components are wide ranging in their size and operational status. The decentralised nature of the operations requires significant oversight by the Group to monitor the activities, review component financial reporting and undertake the Group consolidation process.	Our procedures included, but were not limited to: • Assessing the design and operating effectiveness of relevant controls over the Group's decentralised structure, including centralised monitoring controls at the Group and component level. • Planning, scoping and performing audit procedures on significant components or significant balances focusing on areas requiring estimation and judgement. This included engaging the services of component auditors located in the operating

Key Audit Matter	How we addressed the Key Audit Matter
	jurisdiction of the subsidiaries in Bosnia and Herzegovina to perform full scope audits in compliance with instructions issued from the group engagement team. • Undertaking analytical review procedures on financial information of all components, including those not considered individually significant. • Evaluation of the adequacy of the Group's disclosures in the financial report.

Information Other than the Financial Report and the Audit's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Lykos Metals Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 26 September 2023

INFORMATION ON SHAREHOLDERS

The shareholder information set out below was applicable as at 19 September 2023.

Shareholders

Shares with are not subject to escrow restrictions:

	Name	Holding	Interest
1	Citicorp Nominees Pty Limited	7,604,978	12.19%
2	Stephen Allen Superannuation Pty Ltd <Stephen Allen Super Fund A/C>	2,600,000	4.17%
3	Celtic Capital Pte Ltd <Investment 1 A/C>	2,500,000	4.01%
4	Mrs Milijanka Maras	2,250,000	3.61%
5	Mr Pavle Tomasovic	2,000,000	3.56%
6	Standard Pastrol Company Pty Ltd	1,700,000	3.21%
7	Quadratura Investments Pty Ltd	1,250,000	2.00%
8	Slasn Pty Ltd <Pereira Family S/F A/C>	1,200,777	1.92%
9	Roxtel Pty Ltd	1,038,063	1.66%
10=	Goldney Pty Ltd <Blackman Mutual A/C>	1,000,000	1.60%
10=	Mr Jonathan Mark Wild	1,000,000	1.60%
12	Fuink Ink Pty Ltd	955,555	1.53%
13	HSBC Custody Nominees (Australia) Limited	867,452	1.39%
14	Mr Nicholas John Redmond	700,000	1.12%
15	Mr Rajko Macanovic	650,000	1.04%
16	Mrs Andrea Rae Murray <Murray family No 2 A/C>	645,000	1.03%
17	Sunsand Nominees Pty Ltd <Sunsand SF A/C>	614,180	0.98%
18	Ms Paan Chai Ngang	575,835	0.92%
19	Lichfield Capital Pty Ltd	550,000	0.88%
20	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail Client DRP>	512,611	0.82%
	Total – top 20 holders	30,214,451	48.42%
	Other shareholders	32,185,549	51.58%
	Total issued shares not subject to escrow requirements	62,400,000	100.00%

The holding ranges of the shares which are not subject to escrow restrictions are:

Holding ranges	Holders	Total shares	% of Listed Shares
Above 0 and including 1,000	15	2,564	0.00%
Above 1,000 up to and including 5,000	121	349,655	0.56%
Above 5,000 up to and including 10,000	90	764,246	1.22%
Above 10,000 up to and including 100,000	282	12,182,578	19.52%
Above 100,000	101	49,100,957	78.69%
Totals	609	62,400,000	100.00%

Of these holders 178 held a position which was lesser than a marketable parcel.

Shares which are subject to escrow restrictions through to 21 October 2023:

Name		Holding	Interest
1	Milos Bosnjakovic	40,000,000	78.43%
2	Quadratura Investments Pty Ltd	6,000,002	11.76%
3	Mrs Milijanka Maras	1,800,000	3.53%
4	Stephen Allen Superannuation Pty Ltd <Stephen Allen Super Fund A/C>	1,000,000	1.96%
5	Mrs Andrea Rae Murray <Murray family No 2 A/C>	500,000	0.98%
6	Nenad Toholj	315,000	0.62%
7	Boban Jolovic	315,000	0.62%
8	RH Adamson Pty Limited <Adamson Family S/F A/C>	300,000	0.59%
9	Aleksandar ILIC	270,000	0.53%
10	Bandit Ventures Pty Ltd	200,000	0.39%
11	Sorut Pty Ltd <SAS Investment A/C>	100,000	0.20%
12	Christopher Vinson	100,000	0.20%
13	Cian Caffrey	100,000	0.20%
	Total	51,000,002	100.00%

Substantial Shareholders

As advised to the Company:

Name		Holding	Interest
	Milos Bosnjakovic	40,474,000	35.69%
	Stephen Charles Allen *	11,925,002	10.52%
	Robert Henry Richard Adamson *	8,250,002	7.27%
	Quadratura Investments Pty Ltd *	7,500,002	6.61%
	RCF Opportunities Fund LP	7,000,000	6.17%

** Both of Stephen Charles Allen and Robert Henry Richard Adamson have advised they hold relevant interests in Quadratura Investments Pty Ltd and as such the holding of substantial shareholder Quadratura Investments Pty Ltd is included within each of their individual substantial shareholdings.*

Listed Option Holders (exercisable at 30 cents each on or before 15 October 2023)

Name		Holding	Interest
1	Citicorp Nominees Pty Limited	3,500,000	11.67%
2	Stephen Allen Superannuation Pty Ltd <Stephen Allen Super Fund A/C>	1,350,000	4.50%
3	Mr Willi Rudin	1,347,000	4.49%
4	Celtic Capital Pte Ltd <Investment 1 A/C>	1,250,000	4.17%
5	Mrs Milijanka Maras	1,125,000	3.75%
6	Mr Stephen Charles Allen	1,000,000	3.33%
7	Quadratura Investments Pty Ltd	625,000	2.08%
8	Sunsand Nominees Pty Ltd <Sunsand SF A/C>	614,583	2.05%
9	Mr Keith Robert Allen & Mrs Phyllis Barbara Allen <ACC S/F A/C>	500,000	1.67%
10	Lomacott Pty Ltd <The Keogh Super Fund A/C>	437,500	1.46%
11	Lichfield Capital Pty Ltd	412,500	1.38%
12	Mrs Eleanor Jean Reeves <Elanwi A/C>	375,000	1.25%
13	Netwealth Investments Limited <Wrap Services A/C>	370,000	1.23%
14	Alitime Nominees Pty Ltd <Honeyham Family A/C>	335,194	1.12%
15=	Mr Rajko Macanovic	325,000	1.08%
15=	Allen Cost Consultants Pty Ltd	325,000	1.08%
17	Al El Developments Pty Ltd	260,000	0.87%
18=	Shohin Pty Ltd ATF Hantos Private Capital	250,000	0.83%
18=	Mr Anthony Thomson	250,000	0.83%
18=	HSBC Custody Nominees (Australia) Limited	250,000	0.83%
	Total – top 20 holders	14,901,777	49.67%
	Other holders	15,108,223	50.33%
	Total	30,000,000	100.00%

The holding ranges of the listed options are:

Holding ranges	Holders	Total options	% of Listed Options
Above 0 and including 1,000	1	500	0.00%
Above 1,000 up to and including 5,000	72	346,489	1.16%
Above 5,000 up to and including 10,000	36	318,708	1.06%
Above 10,000 up to and including 100,000	223	8,290,568	27.64%
Above 100,000	62	21,043,735	70.15%
Totals	394	30,000,000	100.00%

Of these holders 178 held a position which was lesser than a marketable parcel.

Unlisted Option Holder (exercisable at 30 cents each on or before 15 October 2023 and subject to escrow through to 21 October 2023)

Name	Holding
Quadratura Investments Pty Ltd	2,000,000

Unlisted Option Holders (exercisable at 20 cents each on or before 15 October 2025 and subject to escrow through to 21 October 2023)

Name		Holding
1	Mladen Stevanovic	600,000
2	Milos Bosnjakovic *	750,000
3	Matthew Worner <MM Worner Family A/C>	375,000

**The holdings of Milos Bosnjakovic (for 500,000 options) remain subject to vesting conditions.*

Unlisted Option Holders (exercisable at 30 cents each on or before 1 April 2026)

Name		Holding
1	Stephen Allen *	750,000
2	Johan Züger *	750,000

**The holdings of Stephen Allen (for 500,000 options) and Johan Züger (for 500,000 options) remain subject to vesting conditions.*

ADDITIONAL SHAREHOLDER INFORMATION

The company confirms that each shareholder in the company is entitled to one vote for fully paid ordinary share - with all ordinary shares having equal rights.

The company also informs that there are no on market buy backs in operation.

SCHEDULE OF INTERESTS IN MINERAL EXPLORATION PROPERTIES

The Consolidated Entity holds 100% interests in the following mineral exploration projects, all of which are located in Republika Srpska, Bosnia and Herzegovina:

- Sinjakovo (including Jezero), which covers an area of approximately 80.8 square kilometres;
- Cajnice, which covers approximately 49.5 square kilometres; and
- Sockovac, which comprises two separate areas of:
 - a) Doboj, which covers 50 square kilometres; and
 - b) Petrovo, which covers 17 square kilometres.

The Petrovo licence area remains the subject of an as yet unresolved action by the Ministry of Energy and Mining for the Republic of Srpska, Bosnia-Herzegovina, which seeks to revoke the Consolidated Entity's rights to licence area.