Locksley Resources

INVESTOR UPDATE

ASX RELEASE
28 July 2023

LOCKSLEY RESOURCES LIMITED
ACN 629 672 144

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JUNE 2023 QUARTERLY REPORT

Highlights for the June Quarter 2023:

- **Proposed Acquisition Of Highly Prospective REE Project In California, USA**
- **The Mojave Project adjacent to the giant, high-grade Mountain Pass Mine owned by MP Materials, the largest producer of high-grade, rare-earth materials in the western hemisphere, delivering approximately 15% of the global rare earth supply**
- **The Mojave Project has returned high grade TREO rock-chip results of up to 9.49%**
- **The United States and Australia affirmed that accelerating the global clean energy transformation is pivotal to creating an inclusive, clean energy economy**

The Board of Locksley Resources Limited (ASX: LKY) ("Locksley" or the "Company") is pleased to provide the following Quarterly Activities Report to 30/6/2023.

ACQUISITION OF HIGHLY PROSPECTIVE REE PROJECT IN CALIFORNIA, USA PROJECT

The Mojave Project is adjacent to the giant, high-grade Mountain Pass Mine owned by MP Materials, the largest producer of high-grade, rare-earth materials in the western hemisphere, delivering approximately 15% of the global rare earth supply. The Mojave Project has returned high grade TREO rock-chip results of up to 9.49%. The United States and Australia affirmed that accelerating the global clean energy transformation is pivotal to creating an inclusive, clean energy economy.

The Mojave North Block lies 1.4 km to the north-east of the Mountain Pass Open Pit Mine, the only rare-earth element (REE) mine in the USA.

- The Mojave Project has potential to host numerous REE deposits. Rare earth elements (REE) are indispensable for the functioning of modern society, powering technological innovations and enabling advancements in renewable energy, electronics, and defence systems
- The Mojave Project consists of three areas: The North Block is comprised of 164 claims totalling 14.9 km², South Block comprising of 32 claims totalling 3.5 km², and El Campo Prospect comprising of five claims totalling 0.34 km²
- The Mojave Project is located on California's south-eastern border with Nevada, USA

- Locksley have received firm commitments for a $4 million placement at $0.06
- ESM is party to an option agreement pursuant to which it has the option to acquire 100% of the five mineral claims comprising the El Campo Prospect. Five of the 25 rock-chip samples collected at the El Campo Prospect returned high grade TREO results of 3.74% to 9.49% within a six-meter-wide mineralised zone.

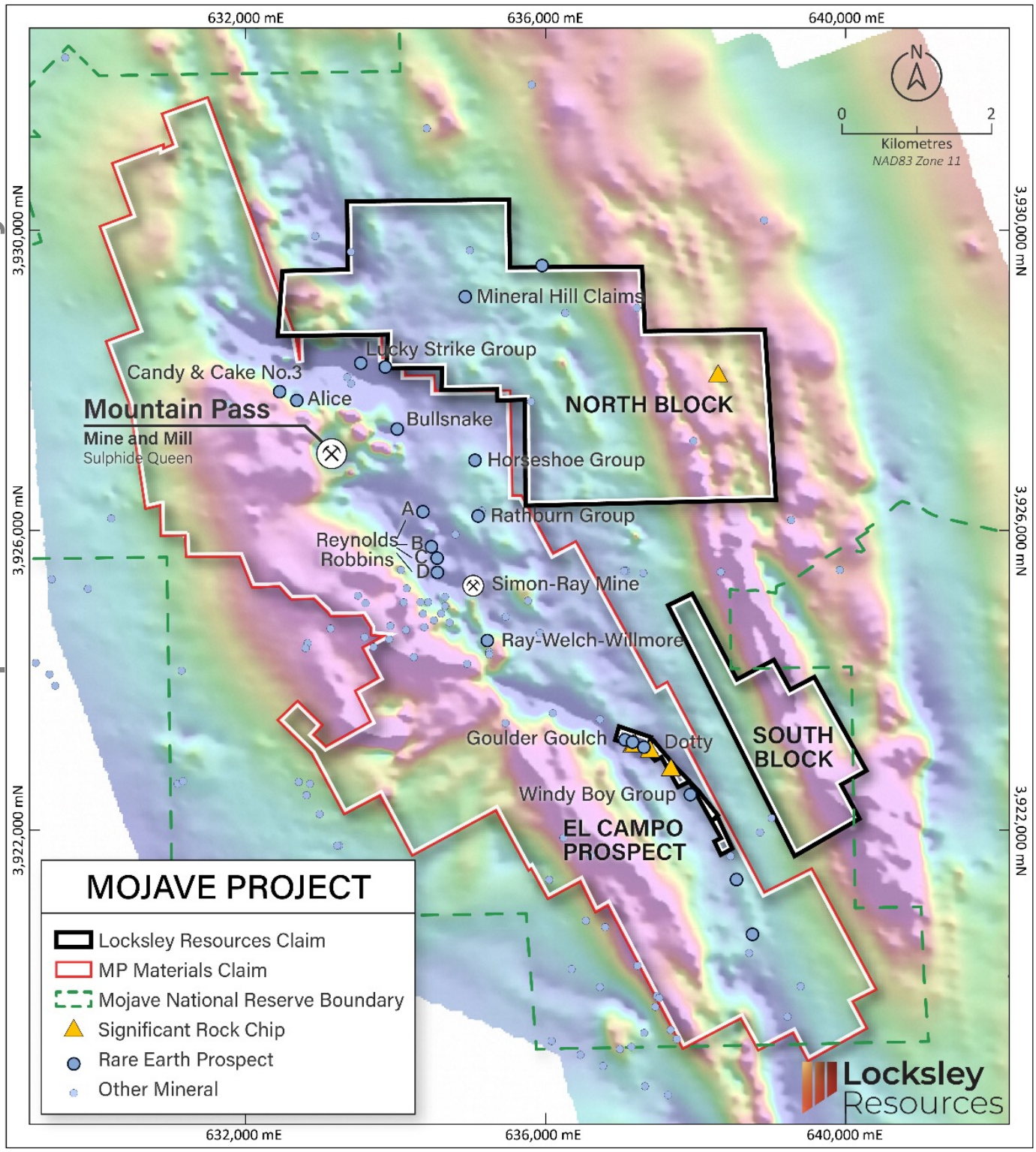

Figure 1. MOJAVE PROJECT – Location of the Mojave Project Prospects relative to MP Materials Mountain Pass Mine and Claims. Background = Regional RTP magnetics

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Locksley Resources Limited was presented with the opportunity to acquire 100% of the issued capital of Enigma Strategic Minerals Holdings Pty Ltd ("ESM") which, through its wholly owned subsidiaries, owned 201 mineral claims making up the North Block and South Block of the Mojave Project located in the Mojave Desert, California, USA and took the option to acquire an additional five (5) mineral claims making up the El Campo Prospect area (see Figure 2).

The Mojave Project is positioned next to one of the highest-grade REE mines in the world and multiple significant carbonatite REE veins have been identified. Thirteen targets, 19 interpreted geophysical features and four (4) REE mineral prospects have been identified for field review.

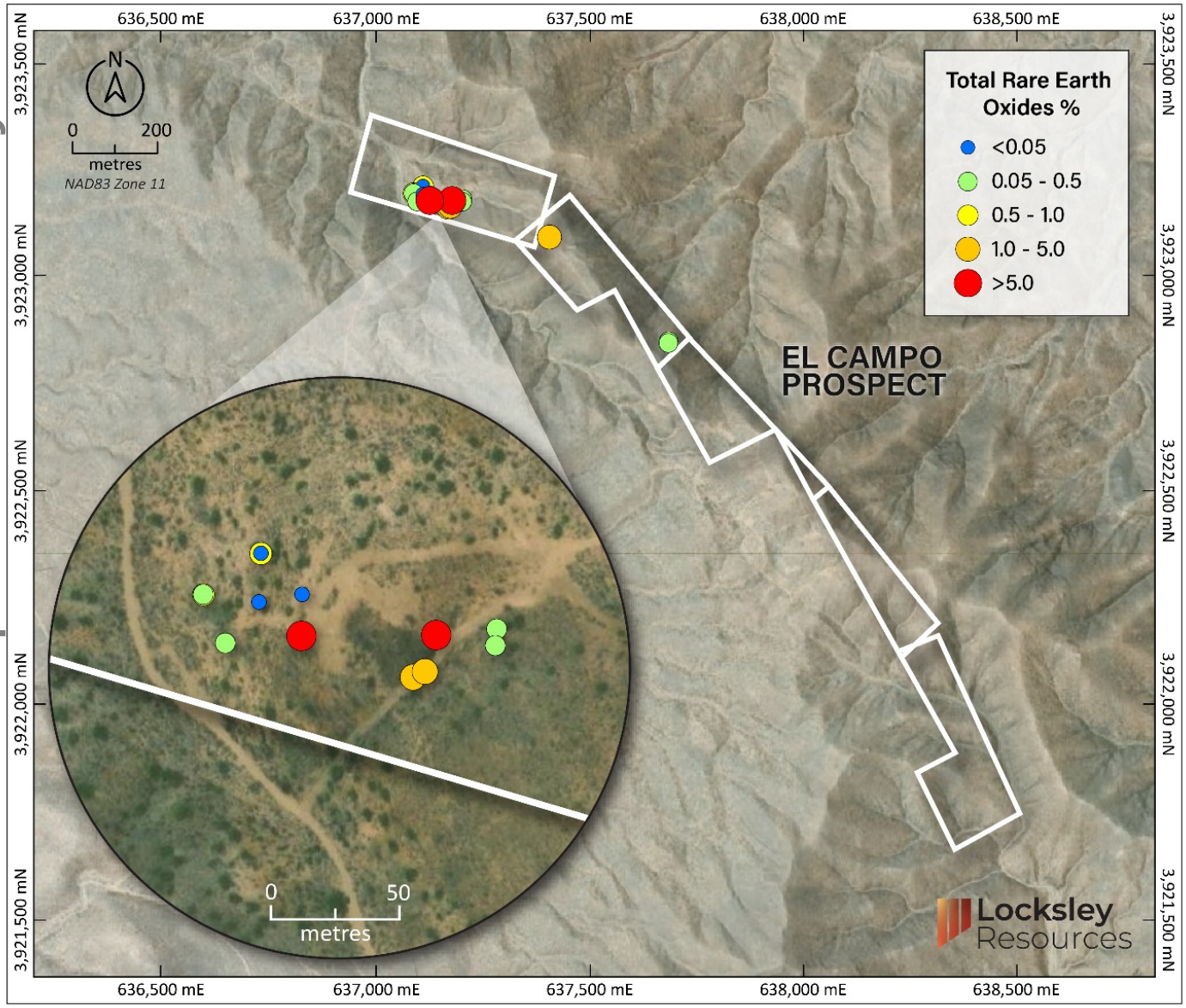

Figure 2. EL CAMPO PROSPECT – Rockchip Geochemistry on aerial photography

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ESM also entered into an option agreement pursuant to which it has the option to acquire 100% of five (5) mineral claims totalling 0.34 km² which comprise the El Campo Prospect. The El Campo Prospect has produced high grade samples with five of the twenty-five rock-chip samples collected, returning TREO results with assays up to 9.49%. These samples were collected from outcrops of syenite, shonkinite and carbonatite comprising a six-meter-wide mineralised zone.

Transaction Terms

The Company has entered into a binding agreement (Acquisition Agreement) pursuant to which it has agreed to acquire (subject to satisfaction of certain conditions precedent) 100% of the issued capital of Enigma Strategic Minerals Holdings Pty Ltd (ESM) which, through its wholly owned subsidiaries, owns the mineral claims comprising the North Block and South Block of the Mojave Project and has the option to acquire the mineral claims comprising the El Campo Prospect.

A summary of the material terms of the Acquisition Agreement are set out below:

(a). The consideration payable by the Company to the shareholders of ESM (or their nominees) comprises:

- (i). 10,000,000 fully paid ordinary shares in the capital of the Company (Consideration Shares);
- (ii). 5,000,000 unlisted options to acquire Shares, exercisable at A$0.10 on or before 30 March 2026 (Consideration Options);
- (iii) 30,000,000 performance rights (Performance Rights), which will convert into Shares on a one for one basis subject to satisfaction of the milestone in the relevant class before the expiry date, as follows:
  - A. (Class A): 10,000,000 Class A Performance Rights which each convert into one Share upon the Company announcing that it has identified selected rock chip samples greater than 4% Total Rare Earth Oxide (TREO) from a rock chip sampling program conducted within the area of the ESM Project or El Campo Prospect which support a decision by the Company (at its discretion) to commence drilling of over 2000 metres in total;
  - B. (Class B): 10,000,000 Performance Rights which each convert into one Share upon the Company announcing, after completion of 2,000 metres drilling, achievement of a drilling intersection within the area of the ESM Project or El Campo Prospect greater than 5 metres with an average grade above 4% TREO; and
  - C. (Class C): 10,000,000 Performance Rights which each convert into one Share upon the Company announcing achievement of a drilling intersection within the ESM Project greater than 5 metres with an average grade above 4% TREO;
- (iv). subject to the Company receiving all supporting documentation reasonable requested and being satisfied that this payment represents reimbursement of expenditure incurred by ESM in developing the Enigma Project, the Company agrees to pay up to A$500,000 in cash to ESM (or its nominees);

(b). The Consideration Shares are subject to voluntary escrow for a period of six (6) months from the date of this announcement.

(c). Settlement of the Acquisition Agreement is subject to satisfaction of certain conditions precedent, including:

- (i). the Company notifying ESM that it has completed and is reasonably satisfied with the due diligence on ESM and the tenements making up the Enigma Project and El Campo Project;
- (ii) the Company obtaining shareholder approval at a general meeting for the issue of the Consideration Shares, Consideration Options and Performance Rights, as well as for the second tranche of Shares to be issued under a capital raising;

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(iii) no material adverse changes to the financial position of ESM, except as approved in writing by the parties; and

(iv) the Company obtaining the necessary shareholder, regulatory, statutory and third-party approvals, consents or waivers that are required to implement the transactions contemplated by the Acquisition Agreement.

The Company will seek shareholder approval for the issue of the Consideration Shares, Consideration Options and Performance Rights.

ESM's wholly owned subsidiary, Enigma Strategic Minerals LLC (Enigma) has executed an option agreement with Nevada Select Royalty Inc to purchase 100% of the five mineral claims comprising the El Campo Prospect (Option Agreement). The option remains in force for a period of five (5) years (commencing June 2022) and the consideration payable by Enigma totals US$200,000, which is to be paid in instalments over the term of the Option Agreement unless Enigma elects to exercise the option, in which case all outstanding instalments become immediately payable.

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Placement

Locksley has received firm commitments for a placement to raise $4,000,000 (before costs) through the issue of a total of 66,666,667 fully paid ordinary shares in the capital of the Company (Placement Shares) at an issue price of $0.06 each (Placement).

The Placement will be completed in two tranches, as follows:

- Tranche 1: The Company will issue 9,666,668 Placement Shares under its Listing Rule 7.1 capacity and 6,999,999 Placement Shares under its Listing Rule 7.1A capacity without shareholder approval; and
- Tranche 2: The remaining 50,000,000 Placement Shares will be issued subject to shareholder approval at the Company's next general meeting.

Funds raised from the Placement will be used toward exploration at the Mojave & Tottenham Projects and working capital.

The Company has appointed CPS Capital Group Pty Ltd and Peloton Capital Pty Ltd as joint lead managers to the Placement (Joint Lead Managers). The Joint Lead Managers will receive a cash fee of approximately $180,000 and (subject to shareholder approval) up to 11,500,000 unlisted options (exercisable at $0.10 and expiring three years from the date of issue) as consideration for their services in respect to the Placement.

REVERSE CIRCULATION (RC) DRILLING PROGRAM AT TOTTENHAM

During the previous two quarters, 18 RC drillholes for a total of 3,267 metres targeting five prospect areas (Table 1, Figure 3) were completed.

The drilling predominantly focused on testing EM anomalies with the potential of identifying new discoveries. Eight (8) RC holes were designed to extend the current Inferred JORC Mineral Resource of 9.86Mt @ 0.73% Cu, 0.22g/t Au & 1.73g/t Ag, 70.9kt Cu, 67.1koz Au & 536.5koz Ag, at the Carolina and Mount Royal to Orange Plains Deposits located within exploration licence EL6592.

Drillholes targeting the Chris Watson prospect were designed to test the eastern margin of a major historic EM anomaly that potentially represents an additional ore shoot to the Mount Royal – Orange Plains resource.

The company is firmly committed to expanding the current resource, along with identifying new discoveries in the highly prospective Lachlan Fold Belt Cobar-Girilambone district.

The Assay results will be announced to the market as soon as practical.

Table 1: Tottenham Project – Summary drilling table

PROSPECT AREA	HOLE TYPE	HOLE NUMBER RANGE	No. HOLES	RC METRES
Orange Plains	RC	TORC029-031, 039	4	786
Chris Watson	RC	TORC032, 036-038	4	1170
Bogan River	RC	TORC033-035	3	105
Jimmy Woodser	RC	JWRC001-004	4	648
Laceys Tank	RC	LTRC001-003	3	558
		TOTAL	**18**	**3,267**

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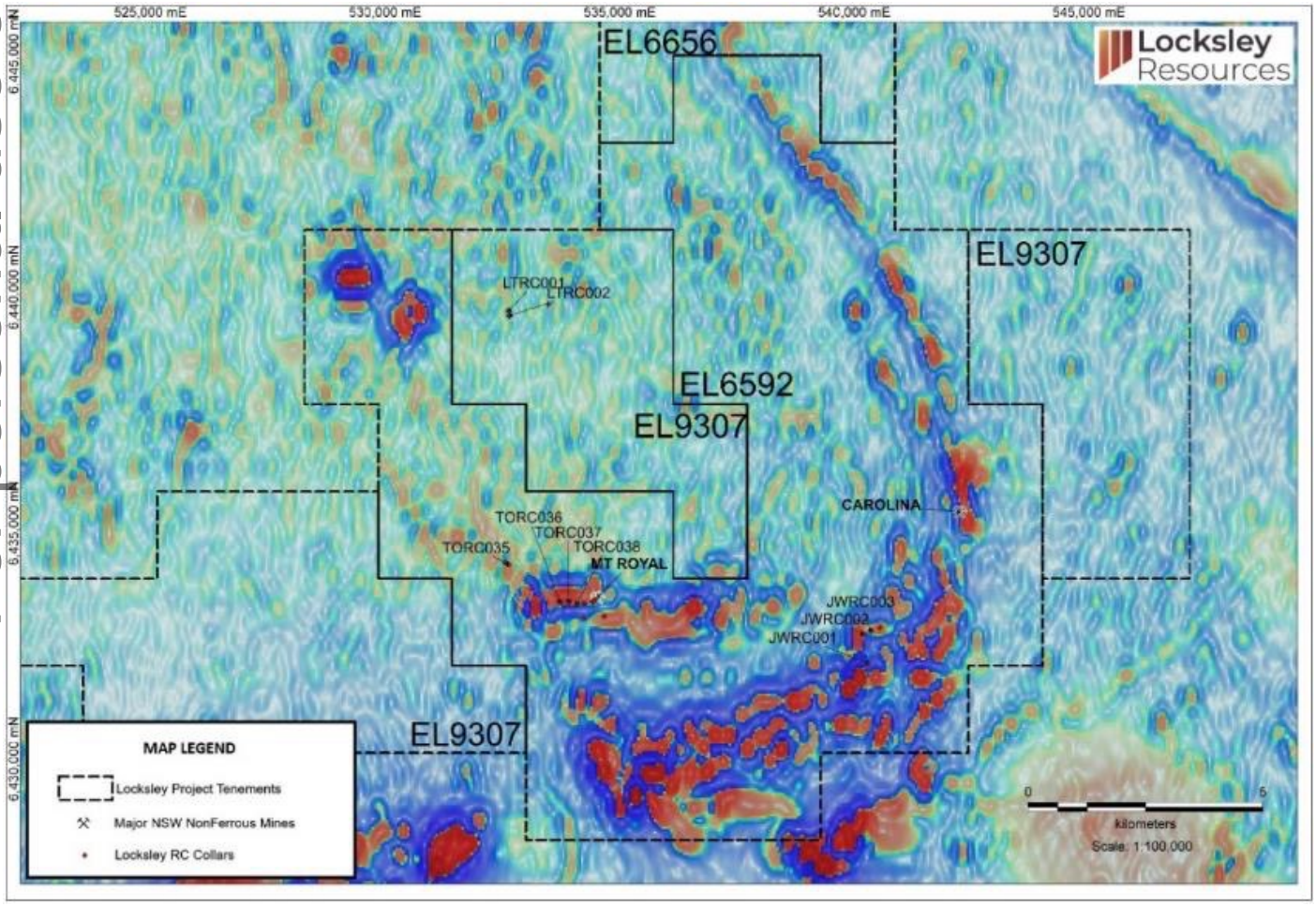

Figure 3. Tottenham Project - Recent 2023 RC collars relative to the Mount Royal-Orange Plains and Carolina Deposits overlain on regional RTP 1VD magnetics.

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CORPORATE

Financial

Following the exploration activities, Locksley had a cash position of approximately $2.27 million at the end of the June quarter.

Related party payments for the quarter are as outlined in the Appendix 5B at section 6.1, a total of $67,777 which includes the directors' fees and statutory superannuation paid to directors.

Use of Funds

Locksley provides the following disclosures required by ASX Listing Rule 5.3.4 regarding a comparison of its actual expenditure to date since listing on 8 July 2021 against the 'use of funds' statement in its prospectus dated 18 May 2021.

Expenditure	Funds Allocated under Prospectus $	Actual to 30 June 2023 $	Variance $	Note
Exploration	2,611,000	2,823,168	212,168	1
Working capital	1,128,592	959,857	(168,735)	2
Directors' fees	680,000	433,195	(246,805)	3
Costs of offer	580,000	444,131	(135,869)	4
Future acquisition costs	500,000	-	(500,000)	5
Subsequent offer proceeds	-	(1,890,000)	(1,890,000)	6
Costs of subsequent offer	-	58,700	58,700	6
Total	**5,499,592**	**2,829,051**	**(2,670,541)**	

The Use of Funds table is a statement of current intentions, investors should note that the allocation of funds set out in the table may change depending on a number of factors including the results of exploration, outcome of development activities, regulatory developments and market and general economic conditions.

1. Exploration is currently over the use of funds budget by $212k. The variance is due to additional funds being raised allowing for additional expenditure to be incurred.
2. Working capital is currently under the use of funds budget by $169k. The variance is due to costs savings being identified.
3. Directors' fees are currently under the use of funds budget by $247k. The variance is due to lower than expected Directors' fees being incurred.
4. Costs of offer is currently under the use of funds budget by $136k. The variance was due to costs of the offer being over estimated and some budgeted costs being paid from existing cash reserves.
5. Future acquisition costs are under the use of funds budget by $500k. The variance is due to timing no suitable acquisitions being identified with a cash component.
6. In the Mar 2023 quarter, the Company completed a non-renounceable rights issue to raise $840k (before costs) to accelerate development of the Tottenham Project and for working capital purposes. In the June 2023 quarter, the Company received $1.05m as Tranche 1 of the $4m Placement announced on 15 June 2023.

The Board of Directors of Locksley Resources Limited authorised the release of this announcement.

Further information contact:

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Compliance Statements

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "expect," "intend," "may", "potential," "should,", "further" and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward- looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that further exploration will result in additional Mineral Resources or Reserves within the meaning of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves.

Any forward-looking statements in this presentation speak only at the date of issue of this document. Subject to any continuing obligations under applicable law, the Company does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions, or circumstances on which any such forward looking statement is based.

Competent Persons

Except where indicated, exploration and technical information above have been reviewed and compiled by Ian Cooper BSc (Hons), BE (Mining), MSc, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy, (Member Number 106609) with over 35 years of experience in metallic minerals mining, exploration and development, and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cooper is an employee and shareholder of Locksley Resources Limited and consents to the inclusion of this technical information in the format and context in which it appears.

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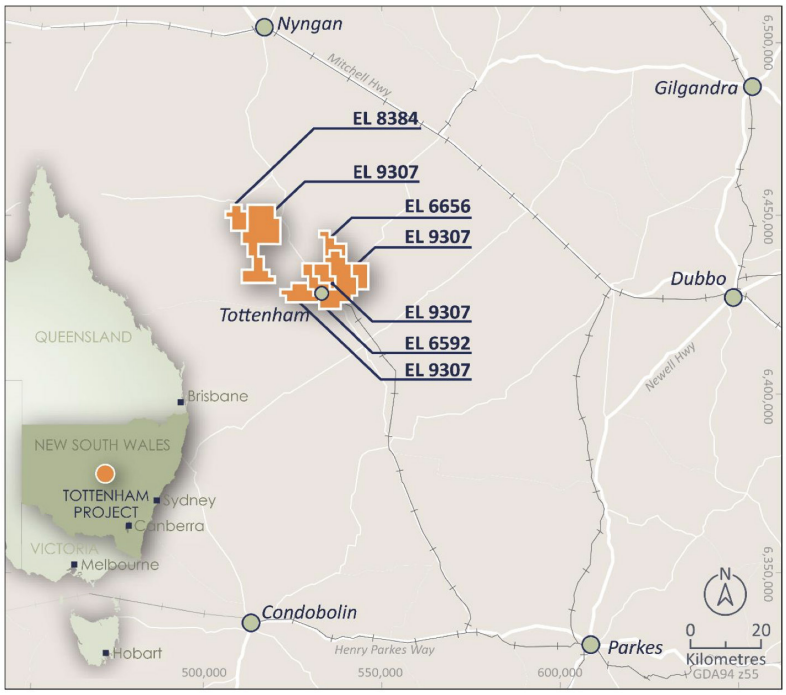
About the Tottenham Project

The Tottenham Project is an advanced Cu-Au exploration project that consists of four Exploration Licences, (EL6592, EL6656, EL8384, EL9307), covering 470km2, located in the Lachlan Fold Belt of central New South Wales.



Tottenham Project location

The Tottenham deposits are hosted within the Ordovician Girilambone Group that also host the Tritton and Girilambone Mines and Constellation Deposit, 110km to the north-northwest (Aeris Resources Ltd.), and is immediately along strike from the CZ Copper Deposit (Helix Resources Ltd). Resources have been defined at both the Mount Royal to Orange Plains and Carolina Deposits for a global inferred resource of:

9.86Mt @ 0.72% Cu, 0.22g/t Au, 2g/t Ag at a 0.3% Cu cut off.

The Competent Person for the 2022 Resource is Mr Jeremy Peters FAusIMM CP(Geo, Min), a Director of Burnt Shirt Pty Ltd. The Mineral Resource estimate is stated in accordance with the provisions of the JORC Code (2012). Mr Peters has more than five years' experience in the estimation and reporting of Mineral Resources for base metals mineralisation in Australia and overseas, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Peters consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

Appendix 5B

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

Name of entity

LOCKSLEY RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
48 629 672 144	**30 June 2023**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(389)	(813)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(52)	(227)
	(e) administration and corporate costs	(81)	(438)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(1)	(2)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (Rent Received & Subcontracting Income)	3	65
1.9	**Net cash from / (used in) operating activities**	**(520)**	**(1,415)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,055	1,890
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(34)	(59)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings (lease liabilities)	(12)	(49)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	**Net cash from / (used in) financing activities**	**1,009**	**1,782**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,784	1,906
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(520)	(1,415)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,009	1,782

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,273**	**2,273**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	2,273	1,784
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,273**	**1,784**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	68
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(520)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(520)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	2,273
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	2,273
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	4.3

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

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

Answer: N/A

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2023

Authorised by: By the Board of Locksley Resources Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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