

## LETTER FROM THE NON-EXECUTIVE CHAIRMAN OF LEXINGTON GOLD LTD



*(Incorporated in Bermuda with Exempt Company No. EC33385)*

*Registered Office:*

Clarendon House, 2 Church Street  
Hamilton HM 11  
Bermuda

*Directors:*

Edward Nealon (*Non-Executive Chairman*)  
Bernard Olivier (*Chief Executive Officer*)  
Melissa Sturgess (*Non-Executive Director*)  
Rhoderick Grivas (*Non-Executive Director*)

2 June 2023

*To the holders of Common Shares and, for information purposes only, to the holders of options and/or warrants over Common Shares*

Dear Fellow Shareholder,

### **Proposed Acquisition of White Rivers Exploration (Pty) Ltd and Notice of Special General Meeting**

As Chairman of Lexington Gold Ltd ("**Lexington Gold**" or the "**Company**"), I am writing further to the Company's announcement dated 15 May 2023 regarding the above proposed acquisition and to provide information on the background to and reasons for the requisite Resolutions 1 to 4 set out in the accompanying formal Notice in relation to a Special General Meeting of the Company ("**Special General Meeting**") to be held at 10.00 a.m. (Bermuda time) at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda on 26 June 2023 and to explain why the Board is unanimously recommending that shareholders vote in favour of these items of Special Business.

You are recommended to read the Explanatory Memorandum, which forms part of the Notice of Special General Meeting and describes the various matters to be considered and voted upon at the Meeting, in its entirety. Unless otherwise stated, defined terms used in this letter have the meanings ascribed to them in the Glossary of Technical Terms contained in the Appendix or the Glossary of Terms at the end of the Explanatory Memorandum.

The key items of business are described in more detail below:

#### **Special Business**

##### **1. Resolution 1: Approval of the Proposed Acquisition of WRE**

To consider and, if thought fit, to pass, without amendment the following resolution:

*“That the proposed acquisition by the Company of the entire issued share capital of White Rivers Exploration Proprietary Limited (the “Proposed WRE Acquisition”) on and subject to the terms of the WRE Acquisition and Loan Agreements (as defined in the Chairman’s Letter accompanying the Notice of Special General Meeting) be and is hereby approved, confirmed and ratified and that the directors of the Company be hereby authorised for and on behalf of the Company to approve the signing of any document and/or taking of any action they deem necessary or appropriate in relation to effecting or facilitating the Proposed WRE Acquisition.”*

On 15 May 2023, the Company announced that it had entered into, via a wholly owned recently incorporated subsidiary, conditional share subscription and loan agreements to acquire 76 per cent. of White Rivers Exploration Proprietary Limited (“WRE”) an exploration and development company with significant gold assets in South Africa. It is important that Shareholders are aware of the details of this proposed transaction, which are set out below, and the reasons why your Board is unanimously recommending that Shareholders approve Resolution 1.

### **Highlights of the Proposed WRE Acquisition:**

- Proposed acquisition of WRE, an exploration and development company, established by Mr Mark Creasy, with significant gold assets in South Africa;
- £6.7m consideration to be settled approximately 95% in shares issued by the Company on a deferred basis and subject to 12 month lock-up and 12 month orderly market arrangements;
- Cash element of consideration satisfied entirely via a one year unsecured loan to the Company from Mr Creasy;
- Mr Creasy’s and Sunswell Holdings Pty Ltd’s existing loans to WRE being acquired by the Company with a face value of approximately £10m;
- Mr Creasy will potentially become the largest shareholder in Lexington Gold on potential future exercise of certain transaction and milestone related options.

### **1.1 Background to the Proposed WRE Acquisition**

As indicated above, Lexington Gold, via its subsidiary, on 13 May 2023 entered into conditional share subscription and loan agreements to acquire 76 per cent. of WRE, an exploration and development company with significant gold assets in South Africa (the “**WRE Share Subscription and Loan Agreements**”), as well as directly into conditional loan assignment agreements with each of Mr Creasy and Sunswell Holdings Pty Ltd. (“**Sunswell**”) to acquire all of the outstanding loans they have historically made to WRE (the “**WRE Loan Assignments**”) (together, the “**WRE Acquisition and Loan Agreements**”). The aggregate consideration payable by the Company under the WRE Acquisition and Loan Agreements is £6.7m (the “**Consideration**”) with £0.3m, of the Consideration to be paid by way of the provision of a subordinated loan to WRE, and up to £6.4m of the Consideration to be settled by way of the issue of new Common Shares in Lexington Gold based on certain pre-determined milestones being satisfied, with all such shares, to the extent issued, being subject to a 12-month lock-up arrangement followed by a 12-month orderly market arrangement from the date of their issue (the “**Proposed WRE Transaction**”).

### **1.2 Key terms of the Proposed WRE Transaction**

**1.2.1 WRE Share Subscription and Loan Agreements:** As part of the transaction, Lexington Gold is required to advance a £0.3m subordinated loan to WRE (the “**WRE Loan**”) and will be issued 76 per cent. of WRE’s voting shares with the remaining 24 per cent. to be issued to Lexington Gold’s Broad-Based Black Economic

Empowerment (“**BBBEE**”) partners. The WRE Loan will be used to settle all existing WRE creditors other than Mr Creasy and Sunswell and the costs associated with WRE’s current South African business rescue process.

**1.2.2 WRE Loan Assignments:** The £6.4m aggregate amounts payable in respect of the assignment of Mr Creasy’s loans with a face value of ZAR197m (approximately £8.5m) and Sunswell’s loans with a face value of US\$2m (approximately £1.59m) advanced historically to WRE are to be settled by the issue of new Common Shares in Lexington Gold (the “**Consideration Shares**”). The Consideration Shares will be issued based on certain pre-determined milestones being achieved, as described in the Appendix to this letter, and will be subject to a 12-month lock-up arrangement and thereafter a 12-month orderly market arrangement from the date of their issue. In addition, for so long as Mr Creasy is interested in 10 per cent. or more of the Company’s issued Common Shares post completion of the Proposed WRE Transaction, he shall be entitled to nominate a director to the Company’s board of directors. Mr Creasy has no existing shareholding or other interest in the Company.

**1.2.3 Mark Creasy Loan Agreement:** Mr Creasy, who is cited by Forbes ([www.forbes.com](http://www.forbes.com)) as being “one of Australia’s most successful prospectors”, is the founder, controlling majority shareholder and the main financier and creditor of WRE. Mr Creasy has, on 12 May 2023, entered into a £0.3m, one-year unsecured, loan agreement with Lexington Gold, at an interest rate of 7.5 per cent. per annum which will accrue until the scheduled maturity date.

**1.2.4 Conditions Precedent to the Proposed WRE Transaction:** The WRE Acquisition and Loan Agreements are conditional, *inter alia*, on approval from Lexington Gold’s shareholders.

Further details of the key transaction documents can be found in the Appendix to this letter.

### **1.3 Background on WRE**

WRE was incorporated and registered in South Africa as a private company in 2002 and its principal activity is that of mineral exploration and development. It was founded and funded by Mr Creasy to seek to explore the Witwatersrand basin’s significant gold potential.

In 2014, WRE entered into a joint venture arrangement with subsidiaries of Harmony Gold via a vehicle now known as Jelani Resources Proprietary Limited (“**Jelani Resources**”) (formerly called Friedshelf 1541 Proprietary Limited) based on the potential for identifying a JORC compliant gold resource. WRE, through Jelani Resources, commissioned independent scoping studies to assess and determine potential mining rates from different shafts, potential annual gold production rates and an overall mine plan for the joint venture partners.

On 12 January 2023, WRE was placed in business rescue proceedings in South Africa and the Proposed WRE Transaction has subsequently been approved by its creditors and shareholders as part of the business rescue process overseen by the appointed business rescue practitioners. On completion of the Proposed WRE Transaction, WRE will exit business rescue with no creditors other than Lexington Gold.

Mr Creasy is entitled to a gross production royalty at a rate of 2.5 per cent. in respect of WRE’s existing projects and such obligation will remain in place post completion of the Proposed WRE Transaction in respect of any future production from the existing project areas.

### **1.4 Technical summary of WRE’s projects**

WRE is a major tenement holder in the Witwatersrand gold fields, with tenement

interests covering approximately 89,499 ha. Such tenements comprise 10 prospecting rights (six granted licences and four renewal applications), which are grouped into five projects, including the Jelani Resources JV which is an incorporated joint venture arrangement with Avgold Limited, a subsidiary of Harmony Gold. The areas of interest represent brownfield and greenfield targets predominantly located in the Free State Province and one project situated in the North West Province. The main commodity to be explored for is gold, with uranium as a possible by-product.

The Witwatersrand gold fields have accounted for more than a third of the world's reported total gold production since 1886 and, collectively, represent the world's largest single gold producing district. It is estimated that the Witwatersrand gold fields have produced over 2 billion ounces of gold during over a century of mining activity and that approximately 1.2 billion ounces of gold still remains in situ.

WRE has a database with a vast number of borehole logs (approximately 2,500 mother holes) and associated assays from historically drilled holes in the Witwatersrand Basin. Such borehole database was assembled from 25 different sources and is considered by WRE to be the most comprehensive collection of surface Witwatersrand exploration drilling data within South Africa.

WRE's existing licences and renewal applications are divided into five projects (see Figure 1 below) namely:

1. Jelani Resources JV (JV with Harmony Gold);
2. Kroonstad;
3. Bothaville NE;
4. Klerksdorp South; and
5. Ventersburg.

#### ***Jelani Resources JV:***

The Jelani Resources JV is located adjacent to Harmony Gold's Target Mine lease area in the north-western portion of the Welkom Goldfield. It comprises one Prospecting Right and is currently jointly held by WRE (65%) and Avgold Limited (35%). The Jelani Resources Prospecting Right covers an area of 956 ha (see Table 2 below).

In 2018, WRE established an independently estimated gold resource attributable to the Jelani Resources JV but such estimation has not yet been formally verified or accepted by the partners. Although not audited/code compliant, the resource estimate comprised 6.02Moz of gold, of which approximately 2.95Moz would potentially be attributable to WRE if all hurdles in respect of the JV are ultimately achieved, including successful feasibility studies, a decision to mine being made by the JV partners and if WRE chooses to participate in the funding of future development costs to retain a 49 per cent. interest in the JV. The Mineral Resources within the one kilometre Buffer Zone are attributable solely to Harmony Gold (100%). Harmony Gold has previously indicated that the Jelani Resources JV, subject to the successful completion of a bankable feasibility study, will be afforded the opportunity to mine the resources in the Buffer Zone on tribute once a commercially acceptable future agreement has been negotiated between the parties.

#### **Non-JORC/Non-SAMREC compliant resource estimates**

WRE's internally estimated non-JORC/non-SAMREC compliant resources for all five of its projects are set out in Table 1 below.

**Table 1: WRE's non-code compliant Resource estimates derived utilising WRE's internal historical database**

<b>Project</b>	<b>Mt</b>	<b>Grade cmg/t</b>	<b>Grade Au g/t</b>	<b>Au Moz</b>
Jelani Resources JV*	14.18	717	6.47	2.95
Kroonstad				31.00
Bothaville NE	6.8	330	3.33	0.73
Ventersburg	10.55	521	6.91	2.34
Klerksdorp South				0.52
<b>Total:</b>				<b>37.54</b>

Note:

\* - WRE's attributable resource post a potential future decision to mine (WRE assumed retained JV interest of 49%; Harmony Gold 51%).

WRE's Kroonstad project, has an independently estimated non-code compliant gold exploration target of between 6.06 million ounces and 62.41 million ounces with a gold grade of between 4.96 g/t and 11.54 g/t and potentially constitutes a new Witwatersrand goldfield.

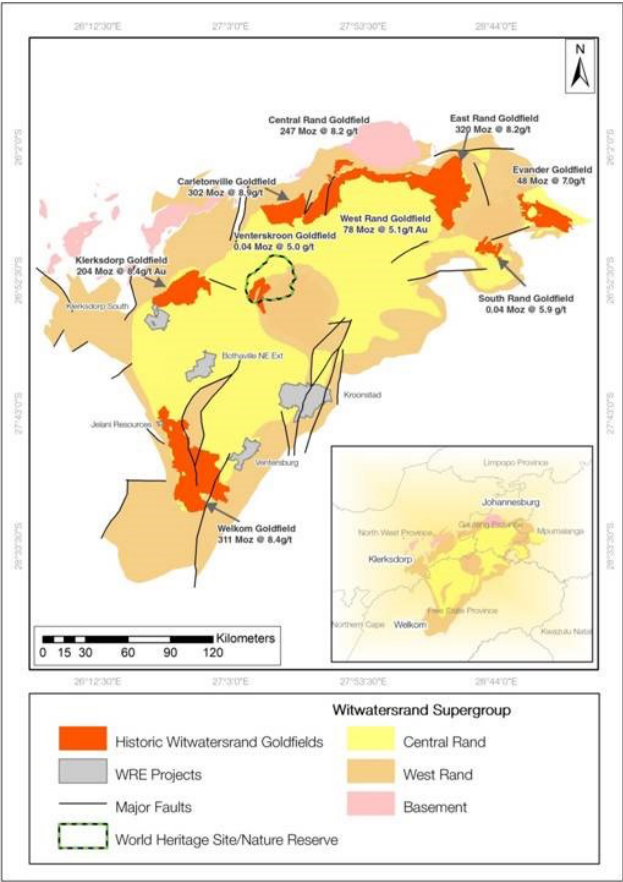
**Table 2: WRE's Prospecting Licences and Prospecting Right Renewal Applications**

<b>Project</b>	<b>Tenement</b>	<b>Area (hectares)</b>	<b>Status</b>	<b>Expiry date</b>
<b>Jelani Resources</b>	FS 30/5/1/1/2/10350 PR	956	Renewal Submitted	*
<b>Kroonstad</b>	FS 30/5/1/1/2/889 PR	13,845	Renewal Submitted	*
<b>Kroonstad</b>	FS 30/5/1/1/2/10520 PR	12,429	Renewal Submitted	*
<b>Kroonstad</b>	FS 30/5/1/1/2/10519 PR	22,193	Executed	28-May-24
<b>Bothaville NE</b>	FS 30/5/1/1/2/10578 PR	9,510	Executed	03-Mar-24
<b>Bothaville NE</b>	FS 30/5/1/1/2/10579 PR	9,119	Executed	17-Mar-24
<b>Ventersburg</b>	FS 30/5/1/1/2/888 PR	8,418	Executed	09-Dec-23
<b>Ventersburg</b>	FS 30/5/1/1/2/10489 PR	8,965	Executed	09-Dec-23
<b>Ventersburg</b>	FS 30/5/1/1/2/10528 PR	2,248	Executed	21-Aug-24
<b>Klerksdorp South</b>	NW 30/5/1/1/2/11335 PR	1,816	Renewal Submitted	*
<b>Total:</b>		<b>89,499</b>		

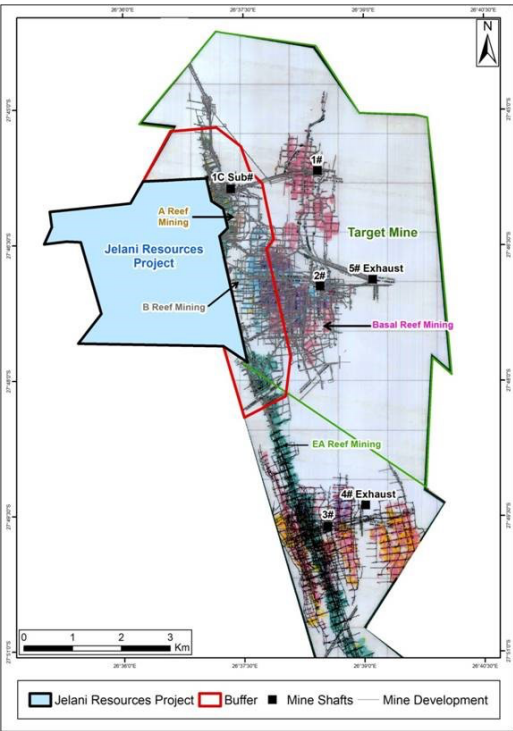
\* - renewals of prospecting rights are for 3 years from the grant date of the renewal.

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**Figure 1: WRE’s tenement interests located in the Witwatersrand Goldfields (including major estimated historic gold production)**



**Figure 2: Location of Jelani Resources JV relative to Harmony Gold’s existing Target Mine operations. Historically mined out areas, shaft positions and underground developments are indicated.**



## **1.5 Strategic and financial effect of the proposed transaction on Lexington Gold**

### **1.5.1 Proposed Work Programme**

The Company's Directors believe that a multi-million-ounce JORC 2012/SAMREC compliant Mineral Resource Estimate ("**MRE**") can be established in respect of WRE's asset portfolio and intends, subject to funding, for the Company to:

- Undertake detailed analysis and modelling of the existing geological database and extensive drilling data set; and
- establish and implement the requisite work required to convert the current non-JORC/non-SAMREC compliant Mineral Resources into a code compliant MRE including verification and duplication drilling, as appropriate, as well as the re-sampling and assaying of historical drill core, where possible.

Furthermore, the Directors plan to unlock value from the Jelani Resources JV by engaging and working closely with Harmony Gold with the aim of progressing the project into potential future gold production.

Whilst WRE has internally estimated that it potentially has over 37 million ounces of non-code compliant gold resources across its projects (see Table 1 in section 1.4 above) there can be no guarantee that the planned exploration and technical work by the Company, subject to funding, will be sufficient to establish JORC (2012) compliant Mineral Resources.

### **Competent Person's Statement**

The technical information contained in this letter that relates to WRE and its existing projects is based upon information compiled by Edward Nealon, Chairman of Lexington Gold. Mr Nealon is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Nealon consents to the inclusion in this letter of the matters based upon the information in the form and context in which it appears.

### **1.5.2 Shareholder Approval**

Although the Company currently has sufficient share capital authorities in place to proceed with the Proposed WRE Transaction, the Board has elected to make the proposed acquisition subject to shareholder approval and is also seeking approval for the issue of new Common Shares on the potential future exercise of the Mark Creasy Milestone Options (as detailed in the Appendix hereto) (which would potentially increase Mr Creasy's interest in the Company to over 30 per cent.) without triggering the requirement in the Company's Bye-laws for him to then make an offer for the Company.

### **1.5.3 Consequences of the Proposed WRE Transaction being approved and successfully completed**

The Board believes that the Proposed WRE Transaction, with its substantial portfolio of gold assets in South Africa, represents a tremendous opportunity for Lexington Gold, and that approval of the Proposed WRE Transaction by shareholders and successful completion of the transaction will expand and diversify the Company's project portfolio and facilitate the generation of long term shareholder value.

#### **1.5.4 Consequences of the Proposed WRE Transaction not being approved**

If the Proposed WRE Transaction is not approved, it will not proceed, the Company will remain focused on the exploration and development of its existing projects in North and South Carolina, USA and be liable to repay the £0.3m loan received from Mr Creasy and accrued interest thereon by its scheduled maturity date.

**1.5.5 Unanimous recommendation:** The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

#### **2. Resolution 2: Non-application of Bye-law 15.2 in relation to the potential issue of new Common Shares to Mr Creasy or his associates representing an interest of over 30% of the Company's then enlarged issued Common Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution:

*"That the restriction in Bye-law 15.2 in respect of any shareholder acquiring a Relevant Interest in Voting Securities of the Company in excess of thirty percent (30%) shall not apply and that pursuant to Bye-law 15.6.5 the holding or acquisition of the Relevant Interest in relation to any new Common Shares issued to Mr Creasy or his associates pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter accompanying the Notice of Special General Meeting) be approved."*

**Unanimous recommendation:** The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

#### **3. Resolution 3: Disapplication of Pre-emption rights (specific)**

To consider and, if thought fit, to pass, without amendment, the following as a resolution requiring a seventy-five per cent. (75%) majority of the votes cast:

*"That, in accordance with:*

- 1. Bye-law 3.3.1 of the Company's Bye-laws, the Board shall be authorised to issue for non-cash consideration; and/or*
- 2. Bye-law 3.4 of the Company's Bye-laws permitting the disapplication of the Pre-Emption Rights in Bye-law 3.3.1 such Pre-Emption Rights shall not apply to the issue by the Company of, and the Board shall be authorised on such basis to issue, for cash consideration,*

*any new Common Shares to be issued pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter accompanying the Notice of Special General Meeting) up to a maximum of 300,000,000 Common Shares so that such authorities conferred on the Directors in respect of the allotment of shares pursuant to the said Bye-law 3.3.1 and Bye-law 3.4 shall be supplemental to all previous and existing authorities conferred on the Directors prior to the date hereof."*

The Company's Bye-laws (specifically Bye-law 3) include a prohibition on any issue of shares by the Company other than in accordance with the pre-emption provisions and exemptions set out therein including the issue of equity securities to be held under an employee share scheme or an employee share option scheme or an allotment or issue of shares pursuant to the exercise of any share options issued pursuant to a share option scheme representing up to 10 per cent. of the issued share capital of the Company from time to time.



Resolution 3 proposes the disapplication of such pre-emption provisions in respect of the issue of any new Common Shares to be issued pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix hereto).

If Resolution 3 is not passed the Proposed WRE Acquisition will not proceed.

**Unanimous recommendation:** The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

#### **4. Resolution 4: Approval of Proposed Incentive Schemes**

To consider and, if thought fit, to pass, without amendment, the following resolution

*“To approve and adopt the Proposed Incentive Schemes the principal terms of which are set out in the Appendix to the Notice of Special General Meeting. Awards under the Proposed Incentive Schemes are not intended to replace the Company’s existing share option scheme and the Proposed Incentive Schemes, if approved, shall continue in place until the Board of the Company has put an alternative incentive scheme to the Company’s shareholders which the Company’s shareholders have approved.”*

The Proposed Incentive Schemes are intended to put in place new short-term, annual and transaction related incentive awards payable in cash and/or new Common Shares to align the interests of directors, officers, employees and consultants with those of Shareholders. These awards are not intended to replace the Company’s existing share option scheme and shall continue until the Board of the Company has put an alternative incentive scheme to the Company’s shareholders which the Company’s shareholders have approved.

**Unanimous recommendation:** The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

#### **5. Special General Meeting**

A Special General Meeting of the Company is to be held at 10.00 a.m. (Bermuda time) at the Company’s registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda on 26 June 2023. The accompanying formal Notice of Special General Meeting provides instructions on how Shareholders can vote at the Meeting and the Explanatory Memorandum which forms part of the Notice describes the various matters to be considered and contains a glossary of terms.

#### **6. Recommendation**

The Directors consider the Proposed WRE Transaction and passing of all the requisite Resolutions and the approval of the Proposed Incentive Schemes to be in the best interests of the Company and its Shareholders as a whole and unanimously recommend that you vote in favour of Resolutions 1 to 4 as they intend so to do in respect of their own beneficial shareholdings which, in aggregate, amount to 13,936,470 Common Shares representing approximately 4.92 per cent. of the Company’s existing issued Common Shares.

Yours faithfully,

**Edward Nealon**

*Non-Executive Chairman*

## APPENDIX

### 1. WRE Share Subscription and Loan Agreements: summary of principal commercial terms

<b>Date</b>	13 May 2023
<b>Parties</b>	Lexington Gold South Africa Proprietary Limited (a recently incorporated wholly owned subsidiary of Lexington Gold) and WRE.
<b>Issue of new shares in WRE and cancellation of old shares</b>	Lexington Gold or its nominee will be issued 76 ordinary shares in the capital of WRE and Lexington Gold's BBEE partner will be issued 24 ordinary shares in the capital of WRE which are to be subscribed for and allotted/issued for an aggregate subscription price of ZAR100 (approximately £5) following which all of the existing issued shares of WRE as held by the current WRE shareholders are to be cancelled. Accordingly, Lexington Gold will have a 76 per cent. shareholding in WRE.
<b>Conditions Precedent</b>	<ol style="list-style-type: none"> <li>1) the change of control of WRE being formally communicated in writing to Avgold Limited the co-shareholder in the Jelani Resources JV;</li> <li>2) Confirmation that the Proposed WRE Transaction does not constitute a reverse takeover under the AIM Rules for Companies ("<b>AIM Rules</b>"); (<i>This condition has already been satisfied</i>)</li> <li>3) Lexington Gold receiving a valid title opinion confirming the validity and status of all licences and renewal applications held by WRE and Jelani Resources in respect of their Prospecting Rights;</li> <li>4) Lexington Gold shareholders' approval of these agreements and the WRE Loan Assignments including but not limited to the issue of new Lexington Gold Common Shares as necessary;</li> <li>5) all other approvals required by applicable law in respect of the Proposed WRE Transaction being obtained including the consent required from the South African Minister of Mineral Resources and Energy to the change of control of WRE in terms of section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002 ("<b>MPRDA</b>") ("<b>Ministerial Consent</b>").</li> </ol>
<b>Long Stop Date</b>	The long stop date by which the remaining Conditions Precedent above must be satisfied is 30 November 2023 or such later date as may be agreed between the parties.
<b>£300k loan to WRE</b>	The £300k five year loan to WRE (the " <b>WRE Loan</b> ") will be subordinated to the extent necessary to render WRE factually solvent, and will be subordinated in favour of all

other creditors whose liabilities are incurred after 6 January 2023 being the date the WRE business rescue commenced, until such time as, in the opinion of WRE's auditors, the assets of the Company, fairly valued, exceed the liabilities of WRE.

The WRE Loan will be drawn down in stages with £50k due within three business days of the signing of this agreement, £50k due within five business days of the signing of this agreement and the balance of £200k within five business days of this agreement becoming unconditional save for Ministerial Consent.

Interest is payable at the prime overdraft rate quoted by the South African Reserve Bank plus 2.5 per cent. compounded monthly.

<b>Representations, indemnities, warranties and rule of law</b>	The agreements also contain certain commercial and other representations, warranties and indemnities customary for a transaction of this nature and are governed by South African law.
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## 2. WRE Loan Assignment Agreement: Mark Creasy summary of principal commercial terms

<b>Date</b>	12 May 2023
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<b>Parties</b>	Lexington Gold, Mark Creasy, Yandal Investments Pty Limited (a company wholly owned by Mr Creasy) and WRE.
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<b>Assignment of Loans</b>	Lexington Gold or its nominee will be assigned Mark Creasy's loans with a face value of approximately ZAR197m (approximately £8.5m) and Sunswell's loans with a face value of US\$2m (approximately £1.59m).
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<b>Mark Creasey Portion of the Lexington Gold Equity consideration payable for the Loan Assignment</b>	<p><b>"Lexington Gold Equity"</b> means an amount of new Common Shares in Lexington Gold which equates to £6.4m to be issued by Lexington Gold to Mark Creasy or his nominee(s) and Sunswell in accordance with the WRE Loan Assignments in the following proportions:</p> <ol style="list-style-type: none"> <li>1) US\$2m (approximately £1.59m) worth of Lexington Gold Common Shares are to be issued to Sunswell or its shareholders based on the £/US\$ foreign exchange rate two business days prior to the first portion of the equity settlement falling due to be issued to Mark Creasy or his nominee(s) (the <b>"Sunswell Portion"</b>); and</li> <li>2) The balance of the £6.4m to be issued to Mark Creasy or his nominee(s) (the <b>"Mark Creasey Portion"</b>).</li> </ol>
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<b>Conditions Precedent</b>	<ol style="list-style-type: none"> <li>1) the change of control of WRE being formally communicated in writing to Avgold Limited the co-shareholder in the Jelani Resources JV;</li> <li>2) Confirmation that the Proposed WRE Transaction does not constitute a reverse takeover under the AIM Rules; (<i>This condition has already been satisfied</i>)</li> <li>3) Lexington Gold receiving a valid title opinion confirming the validity and status of all licences and applications held by WRE and Jelani Resources in respect of their Prospecting Rights;</li> <li>4) Lexington Gold shareholders' approval of the WRE Loan Assignments and the WRE Share Subscription and Loan Agreements including but not limited to the issue of new Lexington Gold Common Shares as necessary;</li> <li>5) all other approvals required by applicable law in respect of the Proposed WRE Transaction being obtained including the consent required from the South African Minister of Mineral Resources and Energy to the change of control of WRE in terms of section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002 ("<b>MPRDA</b>") ("<b>Ministerial Consent</b>").</li> </ol>
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<b>Condition Fulfilment Date</b>	The date by which the remaining Conditions Precedent must be satisfied which is 30 November 2023 or such later date as may be agreed between the parties.
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<b>Transaction related milestones in respect of the issue of the Mark Creasy Portion of the equity settlement</b>	<p>The Mark Creasy Portion of the equity settlement shall be issued based on the 30-day volume weighted average price ("<b>VWAP</b>") for Lexington Gold's Common Shares two days prior to the date of issue of the first tranche of the equity settlement in 1) below:</p> <ol style="list-style-type: none"> <li>1) 35% of the equity settlement on the Condition Fulfilment Date, even if Ministerial Consent remains outstanding;</li> <li>2) 20% of the equity settlement on the later of the Condition Fulfilment Date and the date that Ministerial Consent is granted; and</li> <li>3) 45% of the equity settlement on the later of the Condition Fulfilment Date and the date of renewal of four of the Prospecting Rights split, 25%, 10%, 8% and 2% respectively between the four Prospecting Rights concerned.</li> </ol>
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<b>Deferred consideration Milestone in respect of the issue of the Mark Creasy Milestone Options</b>	The deferred consideration value accretive milestone is the announcement by Lexington Gold of the establishment of at least 1 million ounces of JORC/SAMREC-compliant gold resource in respect of any of WRE's existing projects excluding the Jelani Resources JV (the " <b>Milestone</b> ").
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Upon the later of 12 months from the date of this agreement and the Milestone being achieved, Mark Creasy or his nominee(s) will be granted an option over 110,000,000 new Lexington Gold Common Shares (the **“Mark Creasy Option Shares”**) for a period of 12 months following the date of the announcement of the Milestone being achieved at an exercise price of £0.075 (7.5 pence) per Lexington Gold share which can be exercised in full or in part (the **“Milestone Options”**).

If the Milestone Options were to be issued and exercised in full, their potential future exercise would provide an £8.25m cash inflow to the Company.

<b>Lock-up re Lexington Equity Consideration</b>	The Lexington Gold shares to be issued in connection with the terms of this agreement shall not be disposed of for a period of 12 months after their date of issue (the <b>“Lock-Up Period”</b> ). Following expiry of the Lock-Up Period, there will be a 12-month orderly market arrangement in respect of the potential sale of such Lexington Gold shares.
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<b>Representations and warranties and rule of law</b>	The agreement also contains certain commercial and other representations and warranties customary for a transaction of this nature and is governed by South African law.
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### 3. WRE Loan Assignment Agreement: Sunswell summary of principal commercial terms

<b>Date</b>	13 May 2023
<b>Parties</b>	Lexington Gold, Sunswell Holdings Pty Ltd and WRE
<b>Assignment of Loans</b>	Lexington Gold or its nominee will be assigned Mark Creasy's loans with a face value of approximately ZAR197m (approximately £8.5m) and Sunswell's loans with a face value of US\$2m (approximately £1.59m).
<b>Sunswell Portion of the Lexington Gold Equity consideration payable for the Loan Assignment</b>	<p><b>“Lexington Gold Equity”</b> means an amount of new Common Shares in Lexington Gold which equates to £6.4m to be issued by Lexington Gold to Mark Creasy or his nominee(s) and Sunswell in accordance with the WRE Loan Assignments in the following proportions:</p> <ol style="list-style-type: none"> <li>1) US\$2m (approximately £1.59m) worth of Lexington Gold Common Shares are to be issued to Sunswell or its shareholders based on the £/US\$ foreign exchange rate two business days prior to the first portion of the equity settlement falling due to be issued to Mark Creasy or his nominee(s) (the <b>“Sunswell Portion”</b>); and</li> </ol>

- 2) The balance of the £6.4m to be issued to Mark Creasy or his nominee(s) (the “**Mark Creasey Portion**”).

<b>Conditions Precedent</b>	<ol style="list-style-type: none"> <li>1) the change of control of WRE being formally communicated in writing to Avgold Limited the co-shareholder in the Jelani Resources JV;</li> <li>2) Confirmation that the Proposed WRE Transaction does not constitute a reverse takeover under the AIM Rules; (<i>This condition has already been satisfied</i>)</li> <li>3) Lexington Gold receiving a valid title opinion confirming the validity and status of all licences and applications held by WRE and Jelani Resources in respect of their Prospecting Rights;</li> <li>4) Lexington Gold shareholders’ approval of the WRE Loan Assignments and the WRE Share Subscription and Loan Agreements including but not limited to the issue of new Lexington Gold Common Shares as necessary;</li> <li>5) all other approvals required by applicable law in respect of the Proposed WRE Transaction being obtained including the consent required from the South African Minister of Mineral Resources and Energy to the change of control of WRE in terms of section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002 (“<b>MPRDA</b>”) (“<b>Ministerial Consent</b>”).</li> </ol>
<b>Condition Fulfilment Date</b>	The date by which the remaining Conditions Precedent must be satisfied which is 30 November 2023 or such later date as may be agreed between the parties.
<b>Transaction related milestones in respect of the issue of the Sunswell Portion of the equity settlement</b>	<p>The Sunswell Portion of the equity settlement shall be issued based on the 30-day VWAP for Lexington Gold’s Common Shares two days prior to the date of issue of the first tranche of the equity settlement in 1) below:</p> <ol style="list-style-type: none"> <li>1) 35% of the equity settlement on the Condition Fulfilment Date, even if Ministerial Consent remains outstanding;</li> <li>2) 20% of the equity settlement on the later of the Condition Fulfilment Date and the date that Ministerial Consent is granted; and</li> <li>3) 45% of the equity settlement on the later of the Condition Fulfilment Date and the date of renewal of four of the Prospecting Rights split, 25%, 10%, 8% and 2% respectively between the four Prospecting Rights concerned.</li> </ol>

<b>Lock-Up re Lexington Gold equity consideration</b>	The Lexington Gold shares to be issued in connection with the terms of this agreement shall not be disposed of for a period of 12 months after their date of issue (the “ <b>Lock-Up Period</b> ”). Following expiry of the Lock-Up Period, there will be a 12-month orderly market arrangement in respect of the potential sale of such Lexington Gold shares.
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<b>Representations and warranties and rule of law</b>	The agreement also contains certain commercial and other representations and warranties customary for a transaction of this nature and is governed by South African law.
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#### 4. Mark Creasy Loan Agreement: summary of principal commercial terms

<b>Date</b>	12 May 2023
<b>Parties</b>	Lexington Gold and Mark Creasy.
<b>Amount of Loan</b>	£300,000
<b>Drawdown date</b>	Three business days after the date of the agreement.
<b>Use of proceeds</b>	The Borrower shall utilise all monies borrowed under the agreement solely for its general working capital purposes including settling its liabilities to third parties or to satisfy operating costs and/or advancing the same to one or more of its subsidiaries to settle their liabilities to third parties or to satisfy their operating costs in the normal course of business.
<b>Interest rate</b>	7.5% p.a.
<b>Repayment Date</b>	12 months from the drawdown date.
<b>Representations and warranties</b>	The agreement also contains certain commercial and other representations and warranties customary for a transaction of this nature.

#### Glossary of Technical Terms

“Au”	gold;
“g/t”	grammes per tonne;
“ha”	Hectare;
“Indicated Mineral Resource”	that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit;

“Inferred Mineral Resource”	that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;
“JORC”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;
“JORC (2012)”	the 2012 edition of the JORC Code;
“km <sup>2</sup> ”	square kilometres;
“Mineral Resource”	a ‘Mineral Resource’ is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories;
“MRE”	mineral resource estimate;
“Mt”	millions of tonnes;
“oz”	ounces;
“SAMREC”	the South African code for the reporting of exploration results, mineral resources and mineral reserves; and
“ZAR”	South African Rand.



# Lexington Gold Ltd

(Incorporated and registered in Bermuda)

EXEMPT COMPANY NO. EC33385

## NOTICE OF SPECIAL GENERAL MEETING

and

## EXPLANATORY MEMORANDUM

Date of Meeting: Monday, 26 June 2023  
Time of Meeting: 10.00 a.m. (Bermuda Time)  
Place of Meeting: Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

This Notice of Special General Meeting and Explanatory Memorandum, together with the accompanying Chairman's Letter, should be read in their entirety. If Shareholders are in any doubt about the contents of this Notice or as to how they should vote, they should seek their own independent personal financial advice from their stockbroker, bank manager, accountant, solicitor or other appropriate independent financial adviser prior to voting.

### Notice of Special General Meeting

NOTICE IS HEREBY GIVEN that a Special General Meeting of the shareholders of Lexington Gold Ltd (the "**Company**" or "**Lexington Gold**") will be held at 10.00 a.m. (Bermuda Time) on Monday, 26 June 2023 at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The accompanying Chairman's Letter explains the Resolutions being proposed at the Special General Meeting and provides certain background information in relation to Resolutions 1, 2, 3 and 4 which are being proposed as Special Business items at the Special General Meeting and explains why the Board is unanimously recommending that shareholders vote in favour of such Resolutions.

The Explanatory Memorandum which forms part of this Notice of Special General Meeting describes the various matters to be considered and contains a glossary including those terms that are not defined in full in this Notice of Special General Meeting.

#### Agenda

1. **Appointment of Chairman of the Meeting**
2. **Confirmation of the Notice of Special General Meeting and Quorum**

#### Special Business

3. **Resolution 1: Approval of the Proposed Acquisition of WRE**

To consider and, if thought fit, to pass, without amendment the following resolution:

*"THAT the proposed acquisition by the Company of the entire issued share capital of White Rivers Exploration Proprietary Limited (the "Proposed WRE Acquisition") on and subject to the terms of the WRE Acquisition and Loan Agreements (as defined in the Chairman's Letter) be and is hereby*

*approved, confirmed and ratified and that the directors of the Company be hereby authorised for and on behalf of the Company to approve the signing of any document and/or taking of any action they deem necessary or appropriate in relation to effecting or facilitating the Proposed WRE Acquisition."*

**Background to the Proposed WRE Transaction:** As announced by the Company on 15 May 2023, the Board believes that the Proposed WRE Acquisition, with its substantial portfolio of gold assets in South Africa, represents a tremendous opportunity for Lexington Gold. Full details of the Proposed WRE Acquisition are set out in the accompanying Chairman's Letter.

**Consequences of the Proposed WRE Acquisition being approved and successfully completed:** If the Proposed WRE Acquisition is approved by shareholders and successfully completed it will serve to expand and diversify the Company's project portfolio and facilitate the generation of long term Shareholder value.

**Consequences of the Proposed WRE Acquisition not being approved:** If the Proposed WRE Acquisition is not approved, the Acquisition will not proceed and the Company will remain focused on the exploration and development of its existing projects in North and South Carolina, USA and be liable to repay the £0.3m loan received from Mr Creasy and accrued interest thereon by its scheduled maturity date.

All the Directors recommend that Shareholders vote in favour of Resolution 1, to approve the Proposed WRE Transaction.

**4. Resolution 2: Non-application of Bye-law 15.2 in relation to the potential issue of new Common Shares to Mr Creasy or his associates representing a resultant total interest of over 30% of the Company's then enlarged issued Common Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution:

*"That the restriction in Bye-law 15.2 in respect of any shareholder acquiring a Relevant Interest in Voting Securities of the Company in excess of thirty percent (30%) shall not apply and that pursuant to Bye-law 15.6.5 the holding or acquisition of the Relevant Interest in relation to any new Common Shares issued to Mr Creasy or his associates pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter accompanying the Notice of Special General Meeting) be approved."*

All the Directors recommend that Shareholders vote in favour of Resolution 2.

**5. Resolution 3: Disapplication of Pre-emption rights (specific)**

To consider and, if thought fit, to pass, without amendment, the following as a resolution requiring a seventy-five per cent. (75%) majority of the votes cast:

*"THAT, in accordance with:*

*(i) Bye-law 3.3.1 of the Company's Bye-laws, the Board shall be authorised to issue for non-cash consideration; and/or*

*(ii) Bye-law 3.4 of the Company's Bye-laws permitting the disapplication of the Pre-Emption Rights in Bye-law 3.3.1 such Pre-Emption Rights shall not apply to the issue by the Company of, and the Board shall be authorised on such basis to issue, for cash consideration,*

*any new Common Shares to be issued pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter) up to a maximum of 300,000,000 Common Shares so that such authorities conferred on the Directors in respect of the allotment of shares pursuant to the said Bye-law 3.3.1 and Bye-law 3.4 shall be supplemental to all previous and existing authorities conferred on the Directors prior to the date hereof."*

All the Directors recommend that Shareholders vote in favour of Resolution 3.

## **6. Resolution 4: Approval of Proposed Incentive Schemes**

To consider and, if thought fit, to pass, without amendment, the following resolution:

*“To approve and adopt the Proposed Incentive Schemes the principal terms of which are set out in the Appendix to the Notice of Special General Meeting. Awards under the Proposed Incentive Schemes are not intended to replace the Company’s existing share option scheme and the Proposed Incentive Schemes, if approved, shall continue in place until the Board of the Company has put an alternative incentive scheme to the Company’s shareholders which the Company’s shareholders have approved.”*

All the Directors recommend that shareholders vote in favour of Resolution 4.

**Further information about the proposed Resolutions appears in the Explanatory Memorandum.**

**By Order of the Board on 2 June 2023**

Michael Allardice  
**Group Company Secretary**

## **Proxy and Voting Entitlement Instructions**

### **Proxy Instructions**

Shareholders are entitled to appoint another person or persons (including a body corporate) to act as proxy/proxies to attend the Meeting and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder’s voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise an equal proportion of the votes. If a body corporate is appointed as proxy, the body corporate may appoint an individual as a representative to exercise its powers at the Meeting.

The Proxy Form (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or email/facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or sent by email/facsimile transmission to one of the following locations, by 10.00 a.m. (U.K. Time) on Friday, 23 June 2023 or not less than 48 hours before the time of any adjourned Meeting as the case may be, at which the individual named in the Proxy Form proposes to vote.

Conyers Corporate Services (Bermuda) Limited  
2 Church Street  
Clarendon House  
Hamilton HM CX  
Bermuda  
Facsimile (1 441) 292 4720

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZY  
United Kingdom  
Email: [#UKCSBRSPProxy.Processing@computershare.co.uk](mailto:#UKCSBRSPProxy.Processing@computershare.co.uk)

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, by its duly authorised representative. The proxy may, but need not, be a shareholder of the Company. In the case of shares jointly held by two or more persons, all joint holders must sign the Proxy Form.

A Proxy Form is enclosed with this Notice if you are a registered shareholder. If you need an additional Proxy Form(s) these can be obtained from Computershare Investor Services PLC at the contact details provided above.

### **Depository Interest Holders**

If you are a Depository Interest Holder, you will need to submit a Form of Instruction to the Custodian “Computershare Company Nominees Limited” by 10.00 a.m. (U.K. Time) on Thursday, 22 June 2023. A Form of Instruction is available from Computershare Investor Services PLC at the contact details provided above.

### **Voting Entitlement**

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at the close of business (U.K. Time) on Wednesday, 21 June 2023. Accordingly, transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of members in Lexington Gold Ltd in connection with the business to be conducted at the Special General Meeting of the Company to be held at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda on Monday, 26 June 2023 at 10.00 a.m. (Bermuda Time).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice of Special General Meeting. A glossary of defined terms is included at the end of this Explanatory Memorandum. The Company also recommends that shareholders read the Chairman's Letter. Full details of the Resolutions to be considered at the Meeting are set out below.

### Agenda Item

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#### 3. Resolution 1: Approval of the Proposed WRE Transaction

To consider and, if thought fit, to pass, without amendment the following resolution:

*"THAT the proposed acquisition by the Company of the entire issued share capital of White Rivers Exploration Proprietary Limited (the "Proposed WRE Acquisition") on and subject to the terms of the WRE Acquisition and Loan Agreements (as defined in the Chairman's Letter be and is hereby approved, confirmed and ratified and that the directors of the Company be hereby authorised for and on behalf of the Company to approve the signing of any document and/or taking of any action they deem necessary or appropriate in relation to effecting or facilitating the Proposed WRE Acquisition."*

**Background to the Proposed WRE Acquisition:** As announced by the Company on 15 May 2023, the proposed acquisition of WRE, with its substantial portfolio of gold assets in South Africa, represents a tremendous opportunity for Lexington Gold. Full details of the Proposed WRE Acquisition are set out in the accompanying Chairman's Letter.

**Consequences of the Proposed WRE Acquisition being approved and successfully completed:** If the Proposed WRE Acquisition is approved by Shareholders and successfully completed it will serve to expand and diversify the Company's project portfolio and facilitate the generation of long term Shareholder value.

**Consequences of the Proposed WRE Acquisition not being approved:** If the Proposed WRE Acquisition is not approved, the transaction will not proceed and the Company will remain focused on the exploration and development of its existing projects in North and South Carolina, USA and be liable to repay the £0.3m loan received from Mr Creasy and accrued interest thereon by its scheduled maturity date.

All the Directors recommend that Shareholders vote in favour of Resolution 1, to approve the Proposed WRE Transaction.

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#### 4. Resolution 2: Non-application of Bye-law 15.2 in relation to the potential issue of new Common Shares to Mr Creasy or his associates representing a potential resultant interest in over 30% of the Company's then enlarged issued Common Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution:

*"That the restriction in Bye-law 15.2 in respect of any shareholder acquiring a Relevant Interest in Voting Securities of the Company in excess of thirty percent (30%) shall not apply and that pursuant to Bye-law 15.6.5 the holding or acquisition of the Relevant Interest in relation to any new Common Shares issued to Mr Creasy or his associates pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter accompanying the Notice of Special General Meeting) be approved."*

Under Bye-law 15.2 there is a restriction preventing any Shareholder acquiring a Relevant Interest in Voting Securities of the Company in excess of thirty per cent. (30%) if it does not make a bid in accordance with the Company's Bye-laws to acquire all the Company's Voting Securities not already owned by the person required to make the bid.

Bye-law 15.6.5 provides that the prohibition in Bye-law 15.2 shall not apply if the holding or acquisition of a Relevant Interest in Voting Securities has been approved at a general meeting of the Company's shareholders at which no person proposing to make the acquisition, or its associates, has voted in favour of the resolution.

**Acquisition of Common Shares to which this resolution would apply:** The purpose of this resolution is to seek shareholder approval that Bye-law 15.2 does not apply in relation to any new Common Shares to be issued to Mr Creasy or his associates pursuant to the WRE Acquisition and Loan Agreements including on the potential future exercise of the Mark Creasy Milestone Options.

**Person to whom this resolution would apply:** Mark Creasy or any person associated with him which he nominates to receive any Common Shares due to be issued under the terms of the WRE Acquisition and Loan Agreements and the associated Milestone Options.

**Maximum number of Common Shares to which this resolution would apply:** the Mark Creasy Portion of the Lexington Gold Equity consideration payable for the Loan Assignment and up to 110 million new Common Shares in respect of the potential future exercise of the Milestone Options, both as set out and defined in the Appendix to the Chairman's Letter.

All the Directors recommend that Shareholders vote in favour of Resolution 2, to approve the non-application of Bye-law 15.2 pursuant to Bye-law 15.6.5 in relation to any shares to be issued under the terms of the WRE Acquisition and Loan agreements and the associated Milestone Options to Mr Mark Creasy or his associates.

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## 5. Resolution 3: Disapplication of Pre-emption rights (specific)

To consider and, if thought fit, to pass, without amendment, the following as a resolution requiring a seventy-five per cent. (75%) majority of the votes cast:

*"THAT, in accordance with:*

- (i) Bye-law 3.3.1 of the Company's Bye-laws, the Board shall be authorised to issue for non-cash consideration; and/or*
- (ii) Bye-law 3.4 of the Company's Bye-laws permitting the disapplication of the Pre-Emption Rights in Bye-law 3.3.1, such Pre-Emption Rights shall not apply to the issue by the Company of, and the Board shall be authorised on such basis to issue, for cash consideration,*

*any new Common Shares to be issued pursuant to the WRE Acquisition and Loan Agreements including the potential future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter) up to a maximum of 300,000,000 Common Shares so that such authorities conferred on the Directors in respect of the allotment of shares pursuant to the said Bye-law 3.3.1 and Bye-law 3.4 shall be supplemental to all previous and existing authorities conferred on the Directors prior to the date hereof."*

The Company's Bye-laws (specifically Bye-law 3) include a prohibition on any issue of shares by the Company other than in accordance with the pre-emption provisions and exemptions set out therein including the issue of equity securities to be held under an employee share scheme or an employee share option scheme or an allotment or issue of shares pursuant to the exercise of any share options issued pursuant to a share option scheme representing up to 10 per cent. Of the issued share capital of the Company from time to time.

Resolution 3 proposes the disapplication of such pre-emption provisions in respect of the issue of any new Common Shares to be issued pursuant to the WRE Acquisition and Loan Agreements including the potential issue and future exercise of the Mark Creasy Milestone Options (as set out in the Appendix to the Chairman's Letter) up to a maximum of 300,000,000 Common Shares so that such authorities conferred on the Directors in respect of the allotment of shares pursuant to the said Bye-law 3.3.1 and Bye-law 3.4 shall be supplemental to all previous and existing authorities conferred on the Directors prior to the date hereof.

If Resolution 3 is not passed the Proposed WRE Acquisition will not proceed.

All the Directors recommend that Shareholders vote in favour of Resolution 3, to approve the disapplication of pre-emption rights in respect of, *inter alia*, the potential grant and future exercise of the Milestone Options.

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## 6. Resolution 4: Approval of Proposed Incentive Schemes

To consider and, if thought fit, to pass, without amendment, the following resolution:

*"To approve and adopt the Proposed Incentive Schemes the principal terms of which are set out in the Appendix to the Notice of Special General Meeting. Awards under the Proposed Incentive Schemes are not intended to replace the Company's existing share option scheme and the Proposed Incentive*

*Schemes, if approved, shall continue in place until the Board of the Company has put an alternative incentive scheme to the Company's shareholders which the Company's shareholders have approved."*

The Proposed Incentive Schemes are intended to put in place new short-term, annual and transaction related incentive awards payable in cash and/or new Common Shares to align the interests of directors, officers, employees and consultants with those of Shareholders. These awards are not intended to replace the Company's existing share option scheme and shall continue until the Board of the Company has put an alternative incentive scheme to the Company's shareholders which the Company's shareholders have approved.

All the Directors recommend that shareholders vote in favour of Resolution 4.

## Glossary of Terms:

For definitions and full terms, please refer to the glossary of terms below and the Glossary of Technical Terms set out in the Chairman's Letter.

In the Notice of Special General Meeting and this Explanatory Memorandum the following words and expressions have the following meanings:

**"Board"** means the board of Directors of the Company.

**"Chairman's Letter"** means the letter dated the same date as the Notice and enclosed with the papers being sent to the Company's Shareholders in relation to the Special General Meeting.

**"Completion"** means completion of the Proposed WRE Acquisition.

**"Common Share"** or **"Share"** means the common shares of par value US\$0.003 each in the share capital of the Company.

**"Companies Act"** means the Companies Act 1981 of Bermuda as amended from time to time.

**"Company"** or **"Lexington Gold"** means Lexington Gold Ltd. Exempt Company No. 33385.

**"Directors"** means the directors of the Company from time to time.

**"Explanatory Memorandum"** means this explanatory memorandum.

**"Form of Instruction"** means the form of instruction for use by holders of depositary interests in connection with the Special General Meeting.

**"GBP, £ or pence"** means the lawful currency of the United Kingdom.

**"Meeting"** or **"Special General Meeting"** means the special general meeting of shareholders in the Company or any adjournment thereof, convened by the Notice.

**"Notice"** or **"Notice of Special General Meeting"** means the notice of Special General Meeting, which accompanies this Explanatory Memorandum.

**"Proposed WRE Acquisition"** or **"Acquisition"** has the meaning ascribed to it in section 1 of the Chairman's Letter.

**"Proposed WRE Transaction"** has the meaning ascribed to it in section 1.1 of the Chairman's Letter.

**"Proxy Form"** means the form of proxy for use in connection with the Special General Meeting which accompanies this document for registered shareholders as applicable.

**"Relevant Interest in Voting Securities"** has the meaning ascribed to it in Bye-law 16.4.

**"Resolution"** means a resolution referred to in the Notice of Special General Meeting.

**"Shareholders"** means the holders of Common Shares from time to time.

**"Special Business"** means business that is not of a routine or ordinary course nature.

**"Voting Securities"** means the issued and outstanding Common Shares of the Company that give their holders the right to vote at meetings of Members of the Company.

Summary of the principal terms of Lexington Gold's Proposed Incentive Schemes (the "**Proposed Incentive Schemes**").

**Overview:** The Proposed Incentive Schemes are intended to put in place new short-term, annual and transaction related incentive awards payable in cash and/or new Common Shares to align the interests of directors, officers, employees and consultants with those of Shareholders. These awards are not intended to replace the Company's existing share option scheme and shall continue until the Board of the Company has put an alternative incentive scheme to the Company's shareholders which the Company's shareholders have approved.

**Eligibility:** Directors, officers, employees and consultants of the Lexington Gold group ("**Eligible Participants**"). Eligible Participants, who are good leavers, may continue to be eligible for awards for up to 12 months from their resignation or retirement.

**Operation and purpose:** The remuneration committee of the Company will make awards to Eligible Participants to reward, retain and recruit Eligible Participants and reward performances against performance measures determined by the remuneration committee. A member of the remuneration committee will not participate in determining of their own award. The remuneration committee will in determining awards relative to annual salary have regard to median salaries of public company executives in the annual KPMG or similar type comparative survey of the remuneration of public company executives of companies with comparable projects at a similar stage of development to Lexington Gold ("**Comparable Median Annual Salary**"). The remuneration committee will in making awards determine appropriate key performance indicators for the Eligible Participant to meet ("**Award Triggers**").

**Short Term Incentive Awards:** Eligible Participants with direct involvement in meeting short term operational targets for example production or exploration targets will be eligible for incentive awards determined by the remuneration committee. The maximum award shall be capped at two (2) times the Eligible Participants' Comparable Median Annual Salary. Awards may be paid in cash and /or Common Shares and if in Common Shares based on the 30-day VWAP following announcement of the Company's interim and final results. Awards of Company shares to Directors and PDMRs may be subject to a minimum holding period of up to 3 months to be determined.

**Annual Incentive Awards:** These will be awarded to Eligible Participants with approximately 25% of their awards being related to Company performance and approximately 75% related to individual key performance indicators determined by the remuneration committee. The maximum award shall be capped at three (3) times the Eligible Participants' Comparable Median Annual Salary. Awards may be paid in cash and/or new Common Shares and if in Common Shares based on the 30-day VWAP following announcement of the Company's interim and final results. Awards of Common Shares to Directors and PDMRs may be subject to a minimum holding period of up to 3 months to be determined. An Eligible Participant who has been awarded a Short Term Incentive Award is eligible for an Annual Incentive Award but their Annual Incentive Award will be reduced by the amount due to them under their Short Term Incentive Award.

**Transaction Incentive Awards:** These will be awarded to Eligible Participants and the Award Triggers will be based on the Company completing a successful acquisition or disposal transaction (the "**Transaction**") based on criteria determined by the remuneration committee. The maximum award payable in relation to a Transaction will be up to 5% of the Transaction value and be allocated amongst the Eligible Participants by the remuneration committee. Awards may be paid in cash and / or Common Shares and if in Common Shares based on the 30-day VWAP following the date that the Company announced the Transaction.

**Corporate Event:** In the event of a takeover or merger, general offer being made to shareholders, scheme of arrangement, member's voluntary winding up, change of control or other similar corporate event (a "**Corporate Event**"), the Eligible Participant will be deemed to have met their Annual Incentive Award and / or Award Trigger unless determined otherwise by the remuneration committee taking into account the Eligible Participants Annual Trigger and / or Award Trigger.