



**LEXINGTON GOLD LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**LEXINGTON GOLD LTD**

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FOR THE YEAR ENDED 31 DECEMBER 2023**

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**LEXINGTON GOLD LTD**

**CORPORATE DIRECTORY  
FOR THE YEAR ENDED 31 DECEMBER 2023**

|                            |   |
|----------------------------|---|
| <b>Directors:</b>          | Edward Nealon - Non-Executive Chairman<br>Bernard Olivier - Chief Executive Officer<br>Melissa Sturgess - Non-Executive Director<br>Rhoderick Grivas - Non-Executive Director   |
| <b>Registered office:</b>  | Clarendon House, 2 Church Street,<br>Hamilton, HM 11, Bermuda<br><br>Email: <a href="mailto:info@lexingtongold.co.uk">info@lexingtongold.co.uk</a><br>Website: <a href="http://www.lexingtongold.co.uk">www.lexingtongold.co.uk</a>                                       |
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| <b>Solicitors:</b>         | Joelson JD LLP<br>30 Portland Place, London W1B 1LZ   |
| <b>Auditors:</b>           | BDO Audit (WA) Pty Ltd<br>Level 9, Mia Yellagonga Tower 2<br>5 Spring Street<br>Perth<br>WA 6000, Australia   |
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## LEXINGTON GOLD LTD

### CHAIRMAN'S STATEMENT

Dear Fellow Shareholder,

Reflecting on the twelve months ended 31 December 2023, I am immensely proud of the progress and achievements of our team at Lexington Gold. This year marked a series of strategic milestones coming to fruition that have significantly transformed our operational scope and bolstered our market standing.

Our acquisition of White Rivers Exploration Proprietary Limited ("**WRE**"), completed in early September 2023, has been a key focus, bringing access to extensive gold deposits in South Africa's Witwatersrand Basin, an area synonymous with rich gold reserves. The integration of WRE has not only expanded our resource base but also diversified our operational risk and enhanced our growth potential. The recent renewal of the Jelani Resources Prospecting Right until May 2026 underscores the long-term value we foresee in its asset portfolio.

In the Carolinas, USA, we have continued our drilling activities with significant progress at the Jennings-Pioneer Project. The discovery of multiple gold-bearing structures adjacent to the historic Barite Hill Main Pit has provided further confirmation of the high-grade mineralisation potential within our existing resource areas.

We have successfully executed a comprehensive drilling programme across the majority of our Carolinas portfolio, culminating in a better understanding of the geological characteristics of our various projects and refining our exploration models. Such efforts are ultimately aimed at upgrading our resource classifications and extending our known mineral zones.

Our financial strategy remains robust, characterised by prudent management of cash reserves and strategic capital allocation. The successful equity raise of approximately £2.5 million gross in July 2023 has provided us with the necessary funds to pursue our ambitious exploration goals and ensure operational excellence is maintained.

Post-period end, 2024 to date has seen further progress across our operations, continuing last year's momentum. Our Jennings-Pioneer drilling programme in the USA, targeting gold mineralisation adjacent to Barite Hill, has shown promising results with recently announced assays yielding extensions of the Barite Hill Trend gold mineralisation which serves to further support the high potential of this exploration area. Over in South Africa, the Bothaville Project has made significant strides, with drilling activities enhancing our existing geological data and expanding potential mineralisation zones.

The renewal of the Jelani Resources licence until May 2026 demonstrates our commitment to long-term value creation. This renewal triggered the issuance of 25,806,451 deferred consideration shares in connection with the WRE acquisition, predominantly to Mark Creasy/his nominee. Accordingly, Mr Creasy and his nominees are now interested in approximately 13.35 per cent. of the Company's enlarged issued share capital. In addition, on 6 June 2024 our unlisted 10 pence warrants, expiring in July 2026, were admitted to JP Jenkins' matched bargain platform thereby providing an accessible trading venue for our warrant holders.

As we look to the future, our strategy is clear and focused. We are committed to advancing our projects, enhancing shareholder value, and achieving sustainable growth through strategic exploration and development.

I am grateful for your continued support and confidence in our strategic vision and look forward to reporting further successes as we move forwards.



**Edward Nealon**  
**Non-Executive Chairman**

26 June 2024

## LEXINGTON GOLD LTD

### CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2023

#### 1. Overview

FY2023 was a transformational year for Lexington Gold with the acquisition of White Rivers Exploration Proprietary Limited (“WRE”) which affords access to extensive gold deposits in South Africa's Witwatersrand Basin. Following successful completion of the acquisition, the Company conducted a 2,355m drill campaign, the results of which have provided invaluable data, confirming the presence of a potentially significant gold system. The Company has also undertaken drilling across its other assets in the Carolinas, USA. Discoveries of gold-bearing structures near the historic Barite Hill Main Pit at the Jennings-Pioneer Project have confirmed its high-grade mineralisation potential. A successful equity raise of approximately £2.5 million gross has enabled the pursuit of our ambitious exploration goals.

Momentum has continued into 2024 with the Jennings-Pioneer drill programme delivering promising results, whilst the Bothaville Project in South Africa has made substantial progress. The renewal of the Jelani Resources licence until May 2026 triggered the issuance of an initial tranche of deferred consideration shares as part of the WRE acquisition, predominantly to Mark Creasy/his nominee, whilst earlier this month our unlisted 10 pence warrants, expiring in July 2026, were admitted to JP Jenkins' matched bargain trading platform.

#### Operational Highlights:

##### USA Drilling Operations

Both the Jennings-Pioneer and Argo projects in the Carolinas, USA, made good progress during 2023, especially Jennings-Pioneer where drilling has yielded potentially significant results. Drilling at Jennings-Pioneer intersected several new gold zones, thereby confirming the high-grade potential adjacent to the historic Barite Hill Main Pit. These latest results will help refine our geological models and guide future exploration efforts.

##### Jennings-Pioneer Project (“Jennings-Pioneer”)

In February 2023, the Company announced the competition of a soil and surface sampling programme at Jennings-Pioneer targeting gold, silver and base metals through multi-element assaying to verify and supplement historical sampling conducted on the deposit. Selected highlights included:

- 505 soil samples on a 30m by 123m grid spacing with a tighter 15m x 123m grid spacing on the Barite Hill Trend
- 17 surface samples collected concurrent with the surface mapping campaign
- A total of 522 samples were submitted to ALS Geochemistry in Nevada

The results of the 505 soil and 17 rock grab samples were announced in April 2023 and findings included:

- The identification of 13 gossans (targets at surface) within three separate mineralisation trends: the Barite Hill Trend, the Jennings Trend and the Self Trend
- The Barite Hill Trend represents the north east extension of the historic Barite Hill Mine, which continues 600m along strike onto Lexington Gold's tenured property
- Identification of a 350 metre surface extent of the Red Hill mineralisation extending from the historic Barite Hill pit
- United States critical mineral by-product potential including barite and tellurium with diverse industrial applications

##### Argo Project (“Argo”)

In February 2023, the Company also completed its surface trenching and sampling campaign, involving a total of 13 trench lines, with a total combined length of approximately 844m, with 409 composite channel samples of 2m each collected. An additional 30 rock samples were taken at surface and as point samples in trenches. The, in aggregate, 439 samples were shipped to ALS in Nevada for assaying. The trenching, sampling and mapping activity sought to better define the grade distribution and structure of the mineralised zones in order to facilitate the design of a potential Phase I drilling campaign for the project in due course.

## LEXINGTON GOLD LTD

### CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

In late July 2023, the Company received the results of the aforementioned campaign which were a promising first set of assays for Argo showing high-grade surface mineralisation at both the Northeast and Southern workings. Other key findings included:

- The trench assay results confirming that gold is present at surface at the project:
  - Trench AT-04: 24m @ 1.10 g/t Au from 14m to 38m, including:
    - 2m @ 7.50 g/t Au from 14m to 16m
    - 2m @ 2.51 g/t Au from 26m to 28m
  - Trench AT-07: 8m @ 0.61 g/t Au from 16m to 24m, including:
    - 2m @ 1.24 g/t Au from 22m to 24m
  - Trench AT-13: 8m @ 0.34 g/t Au from 24m to 32m
- Rock samples from trenches and outcrops showed local high grade ore shoots:
  - ARRK-016: 12.65 g/t Au from trench wall of AT-07
  - ARRK-017: 2.89 g/t Au from trench wall of AT-07
  - ARRK-011: 2.70 g/t Au from trench wall of AT-06
  - ARRK-014: 1.21 g/t Au from historic waste dump
  - ARRK-024: 43.30 g/t Ag from surface outcrop

#### South African Operations

The acquisition of WRE, completed in early September 2023, has greatly enhanced our resource inventory, particularly with respect to the Bothaville Project where our recent drill campaign has confirmed the presence of gold-bearing formations. This project alone represents a significant step towards benefiting from the vast potential of the Witwatersrand Basin.

In December 2023, the Company commenced its planned initial drill campaign, comprising of four mother holes plus wedging at the Bothaville Project. The campaign involved:

- Confirming and expanding the area of gold mineralisation intersected in historic third-party drilling, with half of the drilling penetrating the Karoo Supergroup (the “**Karoo cover**”); and
- The main exploration targets were the gold-bearing conglomerates of the Kimberley Formation (including A-Reef) which subcrops beneath the Karoo cover starting at a depth of 250m, where diamond drilling was to be utilised.

In May 2024, the Company announced that a total of four drillholes had been completed at Bothaville, amounting to 2,355m of drilling. Three of the four holes were completed successfully with a total of eight intersections of the A-Reef from three motherholes and five deflections. The drilling tested for a gold-bearing channel at shallow depth in the target A-Reef horizon, as postulated by the drilling of two third party historic holes which returned 7.1 g/t Au over 71 cm and 5.53 g/t over 77 cm, respectively.

#### South African Licence Overview

Lexington Gold South Africa Proprietary Limited (“**Lexington Gold South Africa**”) through its subsidiaries, is a major tenement holder in the Witwatersrand gold fields of South Africa, covering approximately 114,638 hectares. Its portfolio assets are estimated to contain potential resources of over 37 million ounces of gold. Such resources are primarily located in shallow deposits close to established infrastructure, thereby enhancing their potential value and accessibility.

#### Key Projects and Technical Highlights:

Jelani Resources Proprietary Limited (“**Jelani Resources**”): The shareholders of Jelani Resources are Lorraine Gold Mines Limited and Avgold Limited (both subsidiaries of Harmony Gold Mining Company Limited (JSE: HAR) (“**Harmony**”)) (together, the “**Harmony Group**”) (35%) and WRE (65%). The recently renewed Jelani Resources prospecting right covers an area of 956 hectares adjacent to Harmony’s Target Mine in the north-western portion of the Welkom Gold Fields. An historic independently estimated resource suggested a potential 6.02 million ounces of gold at an average grade of 6.47 g/t. Jelani Resources represents a significant component of our strategic asset base in South Africa.

## LEXINGTON GOLD LTD

### CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

**Kroonstad Project:** This area is particularly exciting, with an estimated gold exploration target of between 6.06 and 62.41 million ounces, at grades ranging from 4.96 g/t to 11.54 g/t. Kroonstad could potentially represent a new goldfield within the Witwatersrand region.

**Bothaville NE and Klerksdorp South Projects:** These areas are included in our detailed exploration and development plans, focused on expanding the known mineralisation and improving our geological understanding of such zones.

WRE's extensive historical database, consisting of approximately 2,500 mother holes and their associated assays, forms a critical part of our strategy to convert resources into JORC-compliant mineral resource estimates. This database is considered to be one of the largest and most comprehensive collections of surface exploration data in South Africa.

## 2. Financial Performance

**Net loss for the year** from continuing operations was US\$0.1 million (2022: US\$0.9 million).

**Total assets** were US\$18.2 million (2022: US\$5.1 million) at the year end.

**Net cash** position of US\$2.6 million (2022: US\$0.42 million) as at the year end.

**Total liabilities** of US\$1.1 million (2022: US\$0.1 million) as at the year end.

## 3. Dividend

The directors have not declared a dividend (2022: Nil).

## 4. Corporate Activities

In March 2023, the Company entered into a US\$150,000 unsecured loan facility with Lexington Gold's Chairman, Edward Nealon, to support the group's ongoing working capital requirements and the costs associated with evaluating potential additional new gold projects/opportunities.

In May 2023, the Company announced a substantial development in the form of the proposed acquisition of WRE, an exploration and development company with significant gold assets in the Witwatersrand gold fields in South Africa, which historically was the largest single gold producing district in the world. The aggregate amount payable by the Company under the associated WRE Acquisition and Loan Agreements is £0.3 million, by way of the provision of a subordinated loan to WRE, and up to £6.4 million to be settled by way of the issue of new common shares in Lexington Gold based on certain pre-determined milestones being satisfied, with such shares being subject to a 12-month lock-up arrangement followed by a 12-month orderly market arrangement from the date of their issue.

WRE's tenement interests have been estimated by WRE's former management to contain non-code compliant potential resources of over 37 million ounces of gold. WRE has focussed its exploration efforts on shallow (200 to 1,200m depth) deposits close to well-established infrastructure. Its tenement interests comprised 10 prospecting rights (six granted licences and four renewal applications – of which one has recently been successfully renewed), grouped into five projects. Most significantly, WRE holds 65 per cent. of Jelani Resources with the Harmony Group holding the remaining 35 per cent. Jelani Resources has a non-code compliant independently estimated resource of 6.02 million ounces of gold at an average grade of 6.47 g/t.

WRE was established by well-known Australian explorer, Mark Creasy, in 2002, with whom, on 12 May 2023, the Company entered into a one year unsecured loan agreement for a principal amount of £300,000. As announced on 10 July 2023, the Company subsequently raised, in aggregate, gross proceeds of £2,516,300 (the "**Fundraising**") at a price of six pence (the "**Fundraising Price**") per common share of US\$0.003 each in the capital of the Company ("**Common Shares**") from the issue of, in aggregate, 41,938,334 new Common Shares (the "**Fundraising Shares**"). The Fundraising comprised a placing of 17,188,334 new Common Shares (the "**Placing Shares**") to raise £1,031,300 at the Fundraising Price (the "**Placing**"), via the Company's joint brokers, Peterhouse Capital Limited and WH Ireland Limited, and share subscriptions for, in aggregate, 24,750,000 new Common Shares at the Fundraising Price to raise £1,485,000 (the "**Share Subscriptions**"). The Share Subscriptions included a subscription of £100,000 by Edward Nealon, Lexington Gold's Chairman, for 1,666,667 Fundraising Shares.

## LEXINGTON GOLD LTD

### CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

The Company also issued warrants to the Fundraising participants to subscribe for up to a further 41,938,334 new Common Shares which are exercisable at 10 pence per share until expiry on 20 July 2026 (the "Fundraising Warrants").

In addition, the Company agreed to settle, in aggregate, £423,518 of outstanding loans including accrued interest on the same terms as the Fundraising by way of the issue of 7,058,639 new Common Shares and 7,058,639 warrants with the same terms as the Fundraising Warrants. £120,061 of this amount was due to Edward Nealon, the Company's Chairman, in relation to his US\$150,000 loan to the Company announced on 14 March 2023 which was settled by the issue of 2,001,024 new Common Shares and 2,001,024 warrants with the same terms as the Fundraising Warrants. The remaining £303,457 was due to Mark Creasy in relation to his £300,000 loan to the Company announced on 15 May 2023 which was settled by the issue of 5,057,615 new Common Shares and 5,057,615 warrants with the same terms as the Fundraising Warrants.

On 7 September 2023, the Company announced the completion of its acquisition of WRE and on 17 October 2023 completion of the associated Broad-Based Black Economic Empowerment ("BBBEE") arrangements such that the Company is now the ultimate beneficial owner of 74 per cent. of WRE with 26 per cent. held by Lexington Gold's BBBEE partners Letsema Holdings Proprietary Limited ("Letsema").

In accordance with the terms of the acquisition, in September 2023 Lexington Gold issued 36,129,032 new common shares (the "Initial Consideration Shares") to settle £2.24 million, representing 35 per cent. of the maximum Lexington Gold Equity of up to £6.4 million to be paid as consideration under the WRE Acquisition and Loan Agreements.

The Initial Consideration Shares were issued at a price of 6.20 pence per new common share (the "Issue Price") based on the 30-day VWAP to Tuesday, 5 September 2023 being 2 business days prior to the announcement of 7 September 2023.

In May 2024, further to the renewal of the Jelani Resources Prospecting Right, a further tranche of 25,806,451 new common shares (the "Initial Deferred Consideration Shares") were issued at the Issue Price in respect of the aforementioned Lexington Gold Equity.

The balance of the consideration due under the WRE Acquisition and Loan Agreements is to be settled by way of the issue of further new common shares in Lexington Gold at the Issue Price based on certain milestones being achieved, namely:

| Lexington Gold Equity |                      |   |
|-----------------------|----------------------|---|
| %                     | No. of common shares | Milestone event   |
| 20%                   | 20,645,162           | Later of 30 November 2023 and the date of renewal of three of the Prospecting Rights split, 10%, 8% and 2% respectively between the three Prospecting Rights concerned. |
| 20%                   | 20,645,161           | Receipt of Ministerial Consent.   |

In September 2023, Mark Creasy also invested an amount of £100,000 by way of a subscription for 1,666,666 new common shares (the "Creasy Subscription Shares") and 1,666,666 associated Fundraising Warrants on the same commercial terms as the Company's approximate £2.5 million equity fundraising announced on 10 July 2023.

Table 1 below shows the current status of WRE's Prospecting licences and Prospecting Right applications.

**Table 1: WRE's Prospecting Licences and Prospecting Right Applications**

| Project          | Tenement                      | Area (hectares "ha") | Status               | Expiry date            |
|------------------|-------------------------------|----------------------|----------------------|------------------------|
| Jelani Resources | FS 30/5/1/1/2/10350(10627) PR | 956.76               | Renewal Granted      | 26-May-26 <sup>1</sup> |
| Kroonstad        | FS 30/5/1/1/2/889(10637) PR   | 13,845.77            | Renewal under appeal | <sup>2</sup>           |



## LEXINGTON GOLD LTD

### CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

|                                     |                               |                   |                                       |                          |
|-------------------------------------|-------------------------------|-------------------|---------------------------------------|--------------------------|
| <b>Kroonstad</b>                    | FS 30/5/1/1/2/10520(10643) PR | 12,429.45         | Renewal under appeal                  | 2                        |
| <b>Kroonstad</b>                    | FS 30/5/1/1/2/10519(10684) PR | 22,193.1          | Renewal Granted                       | 29-May-27                |
| <b>New Kroonstad North</b>          | FS 30/5/1/1/2/10696 PR        | 18,340.46         | New Application Accepted              | 3                        |
| <b>Bothaville</b>                   | FS 30/5/1/1/2/10273(10578) PR | 9,510             | Withdrawn (See FS10695 PR)            | 03-Mar-24                |
| <b>Bothaville</b>                   | FS 30/5/1/1/2/10274(10579) PR | 9,119.58          | Withdrawn (See FS 10695 PR)           | 17-Mar-24                |
| <b>New Bothaville Cons</b>          | FS 30/5/1/1/2/10695 PR        | 18,627.20         | New Application Accepted              | 4                        |
| <b>Ventersburg</b>                  | FS 30/5/1/1/2/888(10686) PR   | 8,418.7           | Renewal Granted                       | 16-April-27 <sup>1</sup> |
| <b>Ventersburg</b>                  | FS 30/5/1/1/2/10489(10687) PR | 8,965.9           | Renewal Granted                       | 16-April-27 <sup>1</sup> |
| <b>Ventersburg</b>                  | FS 30/5/1/1/2/10528(10701) PR | 2,248.6           | Executed (Renewal Lodged and pending) | 21-Aug-24                |
| <b>Oribi</b>                        | FS 30/5/1/1/2/10486 PR        | 6,795             | Executed                              | 18-Dec-24                |
| <b>Klerksdorp</b>                   | NW 30/5/1/1/2/11335(13484) PR | 1,816.9           | Renewal under appeal                  | 2                        |
| <b>Active licences total (ha):*</b> |                               | <b>114,637.84</b> |                                       |                          |

Notes:

\* - excluding the two withdrawn Bothaville applications detailed above.

<sup>1</sup> In South Africa renewals are for 3 years from granting of renewal rights.

<sup>2</sup> Renewals under appeal by WRE following an initial refusal due to technical non-compliance of original renewals previously submitted by WRE. New applications by Reef Exploration, a subsidiary of Lexington Gold South Africa have also been submitted over the same areas.

- In respect of Kroonstad (FS 889 PR), Reef Exploration lodged an application under DMRE reference FS 30/5/1/1/10677 PR to secure the area pending the appeal process.
- In respect of Kroonstad (FS 10520 PR), Reef Exploration lodged an application under DMRE reference FS 30/5/1/1/10681 PR to secure the area pending the appeal process.
- In respect of Klerksdorp (NW 11335 PR), Reef Exploration lodged an application under DMRE reference NW 30/5/1/1/13963 PR to secure the area pending the appeal process.

<sup>3</sup> New areas adjacent to the existing Kroonstad Rights have been identified to be of interest for additional exploration. An application for a prospecting right was lodged by WRE. The application was accepted and is being processed.

<sup>4</sup> To re-secure the two Bothaville prospecting areas which expired after their 3-year period, Reef Exploration, a subsidiary of Lexington Gold South Africa, lodged a consolidated application for a prospecting right in respect of both areas. The application was accepted and is being processed.

Further to Lexington Gold South Africa's receipt of its interest in WRE, the procedural application for Ministerial Consent in respect of the transaction was made and the parties to the WRE Acquisition and Loan Agreements agreed an extension to the deadline for obtaining such consent to 31 August 2024 or such later date as may be further agreed between the parties.

The Initial Consideration Shares, the Initial Deferred Consideration Shares and future issues of Lexington Gold Equity are subject to a 12 month lock-up from their date of issue and thereafter to a further 12-month orderly market arrangement via Lexington Gold's brokers.

In October 2023, warrants to subscribe for a total of 3,268,485 new common shares were exercised by their holder at a price of 2.75 pence per share with the Company receiving approximately £90k.

#### 5. Post-year end Events

2024 to date has seen continued momentum with several significant developments as follows:

##### USA Operations:

**Jennings-Pioneer Drilling:** 495m drill programme comprising three diamond core holes completed targeted at exploring the extension of gold mineralisation adjacent to Barite Hill. Assay results received and announced in June 2024, yielded promising extensions of the Barite Hill Trend gold mineralisation. The findings indicated the presence of substantial gold mineralisation and tellurium mineralisation as well as the potential for further discoveries. In summary:

- Assays results from 495m of drill core from three drill holes confirmed the along strike and down plunge continuation of the Barite Hill Trend gold mineralisation

## LEXINGTON GOLD LTD

### CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

- All three mineralised zones of the Barite Hill trend were successfully intersected, namely the Middle Ore Zone, the Foot Wall Ore Zone and the Red Hill Ore Zone
- Multi-element assays, geologic logs, and core photos from this latest drill programme have been used to update and expand the Company's explicit geologic model for the Barite Hill Trend.

#### South African Operations:

**Bothaville Project Progress:** Drilling activities at Bothaville, completed in early 2024, have not only expanded our geological data but also indicated the presence of mineralisation in new zones. These findings will play a crucial role in our ongoing exploration strategy and we are confident that continued exploration will serve to further define and expand this promising gold system and the larger Bothaville Project. In summary:

- Three of the four holes were completed successfully with a total of eight intersections of the A-Reef from three motherholes and five deflections
- The latest drilling has proven the concept of A-Reef channels occurring at Bothaville and has provided significantly more information on the presence and orientation of one such channel first intersected by historic third party drilling
- The three new successful drillholes intersected gold mineralisation approximately 250m towards the NW, NE and SE of the historical drillholes, thereby significantly expanding the potential area of mineralisation and indicating a possible significant gold system.

**Renewal of Jelani Resources Licence:** The renewal of the Jelani Resources Prospecting Right until May 2026 is a testament to our commitment to long-term value creation and strengthens our position in the region.

As announced on 13 May 2024, the renewal of the Jelani Resources Prospecting Right was a milestone for the issue of, in aggregate, 25,806,451 deferred consideration shares in respect of the Company's acquisition of WRE such that the following new common shares were issued:

- 19,387,703 shares to Mark Creasy or his nominee; and
- 6,418,748 shares to Sunswell Holdings Pty Limited ("**Sunswell**") or its nominees.

Accordingly, further to the issue of such shares:

- Mr Creasy and his nominees are interested, in aggregate, in 53,254,768 common shares representing approximately 13.35 per cent. of the Company's enlarged issued share capital; and
- Freefire Technology Ltd, one of Sunswell's nominees owns 15,250,947 common shares representing approximately 3.82 per cent. of the Company's enlarged issued share capital.

**Warrant Trading Facility:** On 6 June 2024, the Company announced that its existing unlisted 10 pence warrants expiring on 20 July 2026, were being admitted to trading on JP Jenkins' matched bargain securities platform. This facility provides warrant holders with an efficient and accessible venue to potentially trade their securities.

These further developments underscore Lexington Gold's operational capabilities and strategic approach to maximising the value of its project portfolio. We look forward to announcing further growth and success in the coming years.



**Bernard Olivier**  
Chief Executive Officer

26 June 2024

## LEXINGTON GOLD LTD

### STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations. The directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are required to give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures discussed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any point in time, the financial position of the Group which are free from material misstatement whether due to fraud or error and to enable them to ensure that the financial statements comply with IFRS. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatements or loss.

### DIRECTORS' DECLARATION

The directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Lexington Gold Ltd and the undertakings included in the consolidation as a whole;
- the Report of the Directors includes a fair review of the development or performance of the business and the position of Lexington Gold Ltd and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- there are reasonable grounds to believe that the Group will be able to pay its debts when they become due and payable in the foreseeable future (at least 12 months from the date of this report).

On behalf of the board



**Bernard Olivier**  
Chief Executive Officer

26 June 2024

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present this report, together with the audited consolidated financial statements for the year ended 31 December 2023 for Lexington Gold Ltd (the “Company”, “Lexington Gold” or “Lexington”) and together with its subsidiaries (the “Group”).

#### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group’s principal activity is gold exploration and development. The main focus, in the year under review, has been on its four diverse gold projects within a well mineralised Super Terrane in North and South Carolina, USA and its newly acquired South African projects.

A detailed review of the Group’s activities, the development of its business and an indication of likely future developments is set out in the Chief Executive’s operational and financial review on pages 3 to 8.

#### GOING CONCERN

For the year ended 31 December 2023, the Group recorded a loss of US\$0.1 million and had net cash outflows from operating activities of US\$0.7 million. An operating loss is expected in the year subsequent to the date of these accounts. The ability of the entity to continue as a going concern is dependent on the Group generating positive operating cash flows and/or securing additional funding through the raising of debt or equity to fund its projects.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity’s ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company secured additional funding by way of a £2.5 million gross equity fundraise and conversion of certain loans on 10 July 2023;
- The Directors are confident that they will be able to raise additional funds to satisfy the Group’s cash requirements as and when necessary; and
- The Directors have the ability to reduce expenditure in order to preserve cash if required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

#### RESULTS

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 and the consolidated statement of financial position at that date are set out on pages 24 and 25 of this report respectively. The Group recorded a loss from continuing operations for the year ended 31 December 2023 of US\$0.1 million (2022: US\$0.9 million).

Taking into account these losses, fund raising activity, an asset acquisition and exploration expenditure, shareholders’ equity at 31 December 2023 was US\$14.5 million (2022: US\$4.0 million). The Directors have not declared a dividend (2022: Nil).

#### A CLASS SHARE CAPITAL

When Lexington Gold historically acquired certain tanzanite assets from Afgem Limited (“Afgem”), a mechanism was put in place to accommodate any of Afgem’s South African shareholders’ desire to maintain their investment in the tanzanite assets and to comply with South African Reserve Bank (“SARB”) foreign exchange regulations pertaining to foreign investments by South African citizens. This mechanism involved the creation of TanzaniteOne SA, a South African domiciled wholly-owned subsidiary of Lexington Gold Ltd.

In order to facilitate an exit for those TanzaniteOne SA class A shareholders, Lexington Gold made an offer to acquire their A class shares, where the offer shall be binding on Lexington Gold for a period of 20 years from April 2004.

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### A CLASS SHARE CAPITAL (CONTINUED)

On 28 February 2015, TanzaniteOne SA issued notice to class A shareholders convening a Scheme meeting on 26 March 2015 and notice to shareholders convening a meeting of shareholders of TanzaniteOne SA on 26 March 2015, both meetings duly approved a Scheme of Arrangement the details of which are:

- (a) each A class shareholder received one redeemable class A share with no par value and a premium of R0.0003 per share in the capital of Rohstein Class A Proprietary Limited, Registration Number 2014/093972/07 (“**Rohstein**”), a wholly owned subsidiary of Lexington Gold for each class A share they owned in the Company (the “**Scheme Consideration Shares**”); and
- (b) all the TanzaniteOne SA class A shares were cancelled.

Lexington Gold made an offer on 25 February 2015 which expired on 29 April 2024 (the “**Offer**”) to all holders of the Scheme Consideration Shares to purchase their Scheme Consideration Shares on *mutatis mutandis*, the same terms and conditions as the terms and conditions on which Lexington Gold offered to purchase each existing class A share of TanzaniteOne SA.

On 27 March 2015, TanzaniteOne SA sold Rohstein to Lexington Gold so that the Scheme Consideration Shares are issued by a wholly owned subsidiary of Lexington Gold rather than TanzaniteOne SA.

#### DIRECTORS

The following directors have held office during and subsequent to the reporting year up to the date of sign-off of these accounts:

- Edward Nealon
- Bernard Olivier
- Melissa Sturgess
- Rhoderick Grivas

The current Directors’ biographical details:

##### **Edward Nealon (73), Chairman**

Mr Nealon is a geologist with over 49 years’ experience in the mining and exploration industry. After graduating in 1974, he commenced his career in South Africa with Anglo American Corporation, before moving to Australia in 1980 where he spent two years in exploration with Rio Tinto. He founded his own consulting company in 1983 and has practiced in most of the world’s major mining centres. Mr Nealon was the founder of Aquarius Platinum Ltd and served as either its CEO or Executive Chairman for a number of years. He holds a Masters degree in Geology and is a member of the Australian Institute of Mining and Metallurgy.

##### **Bernard Olivier (48), Chief Executive Officer**

Dr Bernard Olivier is a qualified geologist and has been involved with the mining and exploration industry for the past 25 years. Dr Olivier has over 16 years’ experience as a public company director of ASX-listed and AIM-quoted mining and exploration companies. Dr Olivier was previously the CEO of Tanzanite One Limited (AIM:TNZ) and was credited with restructuring and returning the group to profitability in 2010. As CEO he also led the team which established a maiden JORC Resource estimate of 3.9 million gold ounces for Bezant Resources plc’s (AIM:BZT) Mankayan project and achieved an 8 pence per share return of capital to its shareholders. Dr Olivier is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and currently also serves as a Director and Chief Executive Officer of URA Holdings plc.

##### **Melissa Sturgess (57), Non-Executive Director**

Ms Sturgess holds a BSc. and an MBA and has many years’ experience acting as a director of AIM-quoted and ASX-listed companies, mainly involved in the acquisition, structuring and financing of natural resources transactions across Africa. Ms Sturgess commenced her career in Australia as a member of the Executive Committee of Aquarius Platinum Limited, one of the first Australian/UK dual listed companies and a miner of platinum in South Africa and Zimbabwe. She was also founding director of Sylvania Resources Limited and a number of other companies operating in the metals and mining sector throughout Africa and quoted on AIM. Ms Sturgess relocated from Australia to London in 2006 and during her career has raised significant

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### DIRECTORS (CONTINUED)

amounts of capital. She was a key driver in the successful recapitalisation of Messaging International plc during 2016 which subsequently changed its name to SigmaRoc Plc, acquired a building materials business from LaFargeHolcim via a reverse takeover and raised £50 million from a range of investors in the Channel Islands and the UK. Ms Sturgess is also CEO and a major shareholder of Ananda Developments Plc, quoted on the Aquis Stock Exchange in the UK.

#### Rhoderick Grivas (57), Non-Executive Director

Mr Grivas is a professional geologist with over 30 years' experience in the natural resources industry. He is currently Non-Executive Chairman of ASX listed exploration and development company Osmond Resources Ltd (ASX:OSM). Mr Grivas has also held a number of director and management positions with publicly listed mining and exploration companies, including Managing Director of ASX and TSX listed gold miner Dioro Exploration NL (ASX:DIO), where he oversaw the discovery and development of a gold resource through feasibility to production. Mr Grivas has a strong combination of equity market, M&A, commercial, strategic, and executive management capabilities. Mr Grivas is a member of the AusIMM.

#### MEETINGS OF THE DIRECTORS

The number of meetings of the board of directors of the Company and its committees held during the year ended 31 December 2023 and the number of meetings attended by each director is tabled below:

##### 2023

| Director         | Number of meetings held whilst in office |   |                                 |                 | Number of meetings attended |   |                                 |                 |
|------------------|--|---|---------------------------------|-----------------|-----------------------------|---|---------------------------------|-----------------|
|                  | Board                                    | Remuneration<br>and<br>Succession<br>Planning | Audit and<br>Risk<br>Management | Nomi-<br>nation | Board                       | Remuneration<br>and<br>Succession<br>Planning | Audit and<br>Risk<br>Management | Nomi-<br>nation |
|                  |  |   |                                 |                 |                             |   |                                 |                 |
| Edward Nealon    | 4  | 1   | 2                               | -               | 4                           | 1   | 2                               | -               |
| Bernard Olivier  | 4  | -   | 2                               | -               | 4                           | -   | 2                               | -               |
| Melissa Sturgess | 4  | 1   | 2                               | -               | 4                           | 1   | 2                               | -               |
| Rhoderick Grivas | 4  | -   | -                               | -               | 4                           | -   | -                               | -               |

##### 2022

| Director         | Number of meetings held whilst in office |   |                                 |                 | Number of meetings attended |   |                                 |                 |
|------------------|--|---|---------------------------------|-----------------|-----------------------------|---|---------------------------------|-----------------|
|                  | Board                                    | Remuneration<br>and<br>Succession<br>Planning | Audit and<br>Risk<br>Management | Nomi-<br>nation | Board                       | Remuneration<br>and<br>Succession<br>Planning | Audit and<br>Risk<br>Management | Nomi-<br>nation |
|                  |  |   |                                 |                 |                             |   |                                 |                 |
| Edward Nealon    | 5  | 1   | 2                               | -               | 5                           | 1   | 2                               | -               |
| Bernard Olivier  | 5  | -   | 2                               | -               | 5                           | -   | 2                               | -               |
| Melissa Sturgess | 5  | 1   | 2                               | -               | 5                           | 1   | 2                               | -               |
| Rhoderick Grivas | 5  | -   | -                               | -               | 5                           | -   | -                               | -               |

#### INTERESTS IN THE SHARES OF THE COMPANY

The interest of the current directors and their related entities in the shares of Lexington Gold were:

|                  | <u>As at 31 December 2023</u><br><u>Common Shares</u> | <u>As at date of report</u><br><u>Common Shares</u> |
|------------------|---|---|
| Edward Nealon    | 11,583,836  | 11,583,836  |
| Bernard Olivier  | 1,776,937   | 1,776,937   |
| Melissa Sturgess | 331,250   | 331,250   |
| Rhoderick Grivas | 3,912,138   | 3,912,138   |

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The Board is responsible for determining and reviewing compensation arrangements for the directors and executive management. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to industry and market conditions. In determining the nature and amount of officers' emoluments, the Board takes into consideration the Group's financial and operational performance. Details of the nature and amount of each element of the remuneration of each director of the Group during the financial year are shown in the table below:

#### 2023

|                  | <b>Directors'<br/>fees</b> | <b>Executive<br/>fees<br/>(<sup>1</sup>)</b> | <b>Share<br/>based<br/>payments<br/>(options)</b> | <b>Total</b>   |
|------------------|----------------------------|--|---|----------------|
|                  | <b>US\$</b>                | <b>US\$</b>                                  | <b>US\$</b>                                       | <b>US\$</b>    |
| Edward Nealon    | 22,500                     | 13,500                                       | -   | 36,000         |
| Bernard Olivier  | 22,500                     | 86,500                                       | -   | 109,000        |
| Melissa Sturgess | 22,500                     | -  | -   | 22,500         |
| Rhoderick Grivas | 22,500                     | 18,750                                       | -   | 41,250         |
|                  | <u>90,000</u>              | <u>118,750</u>                               | <u>-</u>  | <u>208,750</u> |

#### 2022

|                  | <b>Directors'<br/>fees</b> | <b>Executive<br/>fees<br/>(<sup>1</sup>)</b> | <b>Share<br/>based<br/>payments<br/>(options) (<sup>2</sup>)</b> | <b>Total</b>   |
|------------------|----------------------------|--|--|----------------|
|                  | <b>US\$</b>                | <b>US\$</b>                                  | <b>US\$</b>  | <b>US\$</b>    |
| Edward Nealon    | 22,500                     | 13,500                                       | 12,862   | 48,862         |
| Bernard Olivier  | 22,500                     | 78,000                                       | 20,364   | 120,864        |
| Melissa Sturgess | 22,500                     | -  | 12,862   | 35,362         |
| Rhoderick Grivas | 22,500                     | 13,500                                       | 12,862   | 48,862         |
|                  | <u>90,000</u>              | <u>105,000</u>                               | <u>58,949</u>  | <u>253,949</u> |

(1) For duties as executive director and consulting.

(2) In accordance with the requirements of IFRS 2 Share-based payments, the estimated fair value for the share options granted was calculated using a Black Scholes option pricing model.

#### SHARE OPTIONS AND WARRANTS

On 4 December 2020, the Company granted, in aggregate, 19,610,910 options over new common shares to its directors and senior managers exercisable at a price of 2.75 pence per share (the "Options").

The Options vest in three equal tranches being: (i) one third on their date of issue; (ii) one third on 25 November 2021; and (iii) one third on 25 November 2022, and are exercisable for a period of 10 years from their date of grant. Details of the Options granted to directors are set out in the table below:

| <b>Directors</b> | <b>Number of Options<br/>granted and resultant<br/>holding of Options</b> |
|------------------|---|
| Edward Nealon    | 2,614,788   |
| Bernard Olivier  | 4,140,081   |
| Melissa Sturgess | 2,614,788   |
| Rhoderick Grivas | 2,614,788   |
| <b>Total:</b>    | <u>11,984,445</u>   |

During the 2023 year, the Company issued warrants for the potential issue of 50,663,639 shares at an exercise price of 10 pence per share which expire on 20 July 2026. Details of warrants outstanding to directors are set out in the table below:

| <b>Directors</b> | <b>Number of warrants<br/>outstanding</b> |
|------------------|---|
| Edward Nealon    | 3,667,691                                 |
| <b>Total:</b>    | <u>3,667,691</u>                          |

## **LEXINGTON GOLD LTD**

### **REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **DIRECTORS' AND OFFICERS' INSURANCE**

During the year, the Company paid an insurance premium in respect of an insurance contract, taken out against the liability of current directors and officers. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as disclosure is prohibited under the terms of the contract.

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

Companies within the Group are required, on cessation of mining operations, to rehabilitate the relevant mining area on which mining operations have been conducted. Bernard Olivier, Chief Executive Officer, is the officer responsible for compliance on these matters for all mining properties within the Group. Environmental activities are continuously monitored to ensure that established criteria from each operation and environmental management programmes, approved by relevant authorities, have been met. There have been no known significant breaches of any environmental conditions.

#### **CORPORATE GOVERNANCE**

As an AIM-quoted company, Lexington Gold Ltd and its subsidiaries are required to apply a recognised corporate governance code, demonstrating how the Group complies with such corporate governance code and where it departs from it.

The Directors of the Company have formally taken the decision to apply the QCA Corporate Governance Code (the "QCA Code"). The Board recognises the principles of the QCA Code, which focus on the creation of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which small to medium sized companies, such as Lexington, have been created.

#### **THE BOARD**

The Board has, from Admission on 25 November 2020, comprised of four Directors of which one is an executive and three are non-executive, reflecting a blend of different experience, expertise and backgrounds. The Board considers that Melissa Sturgess is the sole independent non-executive director. Edward Nealon, in light of his significant tenure at the Company since 2004, and Rhod Grivas, in light of the potential for him to receive future payments from the Company pursuant to the Tranche 1 Deferred Consideration and Tranche 2 Deferred Consideration aspects of the acquisition by the Company of Global Asset Resources Ltd, are not deemed to be independent non-executive directors. The Board notes that the presence of only one independent non-executive director does not currently and will not comply with principle 5 of the QCA Code, namely that a company should have at least two independent non-executive directors. Nevertheless, the Board believes that the current Board composition is appropriate in light of the balance of skills and experience of its members and the Company's size and early stage of development, however it will monitor this position on an ongoing basis as the Group grows and develops and seek to make appropriate changes or additions to the composition of the Board as necessary. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively, and that all Directors will have adequate time to fulfil their roles.

The Board further notes that the Company does not comply with Principle 7 of the QCA Code, being the requirement to evaluate board performance based on clear and relevant objectives, seeking continuous improvement. Given the size and nature of the Company, the Board does not currently consider it appropriate to have a formal performance evaluation procedure in place, as described and recommended in Principle 7 of the QCA Code, but will closely monitor this situation as the Group grows.

The Board is responsible for determining policy and business strategy, setting financial and other performance objectives and monitoring achievement throughout the year and all major decisions will be taken by the full Board. The Chairman takes responsibility for the conduct of the Company and Board meetings and ensures that directors are properly briefed to enable full and constructive discussions to take place. The Group's day-to-day operations are managed by Bernard Olivier as Chief Executive Officer. All Directors will have access to the Company's solicitors, along with the Group's Company Secretary and any Director requiring independent professional advice in the furtherance of his/her duties may obtain such advice at the expense of the Group.

Details of the current Directors, their roles and background are set out on the Company's website at [www.lexingtongold.co.uk](http://www.lexingtongold.co.uk).



## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### THE BOARD (CONTINUED)

The role of the Chairman is to provide leadership of the Board and ensure its effectiveness on all aspects of its remit to maintain control of the Group. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance.

The role of the Chief Executive Officer is to oversee the strategic development of the Group and communicating it clearly to the Board and, once approved by the Board, implementing it. In addition, the Chief Executive Officer is responsible for overseeing the management of the Group and its executive management.

Under the Company's Bye-laws, the appointment of all new Directors must be approved by shareholders in a general meeting. In addition, one third of Directors are required to retire and to submit themselves for re-election at each Annual General Meeting.

#### APPLICATION OF THE QCA CODE

In the spirit of the QCA Code it is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to the Group. The Board will continue to monitor the governance framework of the Group as it grows.

**Strategy and Business model:** The Company is a mining exploration and development company and its strategy and business model is to seek to create medium and long-term value for shareholders by acquiring mining exploration projects and then leveraging the technical knowledge and experience of its Directors and senior management to develop and realise value from such projects. As part of this strategy the Company utilises modern geological methods, analysis of historical exploration data and results of ongoing exploration activities to plan and reduce the development risks for its projects. The Chief Executive's operational and financial review for the year ended 31 December 2023 in this annual report provides a summary of the exploration activities undertaken during the period. The risks associated with the Company's strategy are summarised below under the heading Risk Factors and Management. The Company does not generate any revenue and as referred to in Note 2(a) of the Financial Statements, the Group intends to seek additional funding by way of further debt and/or equity raising as and when required. Management has successfully raised money in the past, but there can be no guarantee that adequate funds will be available when needed in the future and management seeks to reduce the funds required by maintaining tight budgetary controls on ongoing corporate and exploration expenditure. The key performance indicators for the Company are therefore linked to the achievement of project milestones and the increase in overall enterprise value.

The Company announced on 25 November 2020 the completion of a reverse takeover transaction to acquire 4 gold exploration projects in North Carolina and South Carolina, a fundraising of £3.3m gross and re-admission of the Company's shares to trading on the AIM Market of the LSE under the ticker code LEX.

When considering the reverse takeover transaction and more recent acquisition of WRE, Lexington was focussed on securing projects whose operations are conducted in a manner that protects the environment, the health and safety of employees, third parties and local communities in general. Lexington believes that a successful project is best achieved through maintaining close working relationships with local communities, and this social ideology is at the forefront of all of Lexington's field activities by establishing and maintaining co-operative relationships with local communities, hiring local personnel and using local contractors and suppliers. Where issues are raised, the Board takes the matters seriously and, where appropriate, steps are taken to ensure that these are integrated into the Company's strategy.

Careful attention is given to ensure that all exploration and development activity is performed in an environmentally responsible manner and abides by all relevant mining and environmental acts. Lexington takes a conscientious role in all of its operations and is aware of its social responsibility and its environmental duty.

Both engagement with local communities and the performance of all activities in an environmentally and socially responsible way are closely monitored by the Board to ensure that ethical values and behaviours are recognised.

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### CORPORATE GOVERNANCE COMMITTEES

The Board has established four committees comprising Non-Executive Directors and Executive Directors.

The composition of the committees is as follows:

| <b>Audit</b>  | <b>Remuneration</b>                                | <b>Nomination</b>  | <b>AIM Rules/MAR<br/>Compliance</b>              |
|---|--|--|--|
| Melissa Sturgess ( <i>Chair</i> )<br>Edward Nealon<br>Bernard Olivier | Edward Nealon ( <i>Chair</i> )<br>Melissa Sturgess | Edward Nealon ( <i>Chair</i> )<br>Melissa Sturgess<br>Bernard Olivier<br>Rhod Grivas | Melissa Sturgess ( <i>Chair</i> )<br>Rhod Grivas |

#### THE AUDIT COMMITTEE

The audit committee receives reports from management and the external auditors relating to the interim report and the annual report and financial statements, reviews reporting requirements and ensures that the maintenance of accounting systems and controls is effective.

The audit committee has unrestricted access to the Company's auditors. The audit committee also monitors the controls which are in force and any perceived gaps in the control environment. The Board believes that the current size and nature of the Group does not justify the establishment of an independent internal audit department/function. Finance personnel are periodically instructed to conduct specific reviews of business functions relating to key risk areas and to report their findings to the Board.

The audit committee meets during the year to review the published financial information, the effectiveness of external audit and internal financial controls including the specific matters set out below.

Significant issues considered by the audit committee during the year have been the Principal Risks and Uncertainties and their effect on the financial statements. The audit committee tracked the Principal Risks and Uncertainties through the year and kept in contact with the Group's management, external service providers and advisers. The audit committee is satisfied that there has been appropriate focus and challenge on the high-risk areas.

BDO Audit (WA) Pty Ltd, the current external auditors, have been in office since 2015 and the last time a tender for the audit took place was in 2020. The external auditors present their annual audit findings to the Board.

#### REMUNERATION COMMITTEE

The remuneration committee determines the scale and structure of the remuneration of the executive Directors and approves the granting of options to Directors and senior employees and the performance related conditions thereof. The remuneration committee also recommends to the Board a framework for rewarding senior management, including Executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group and ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

#### NOMINATIONS COMMITTEE

All the Board are members of the nominations committee which is involved in the identification and approval of Board members which the Board considers to be appropriate given the Company's size and nature, but it will continue to monitor the situation as it grows.

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### CORPORATE CULTURE

The Board believes that the Company and its employees and consultants should act in an ethical manner and comply with relevant regulations governing its operations as: i) this is the right practice to adopt and ii) adopting an ethically positive corporate culture assists the Company in meeting its strategy and business plan objectives referred to above. In this regard, the Company has, as described below, formed an AIM Rules & MAR Compliance committee, adopted an ESG policy, a Bribery and Anti-Corruption policy and a Share Dealing policy. The Company also ensures that all exploration and development activities undertaken on its projects are in compliance with local environmental rules and regulations. Adherence to the Corporate culture and its related policies are monitored and any exceptions reported to the Board.

#### AIM RULES & MAR COMPLIANCE COMMITTEE

The AIM Rules and MAR Compliance Committee monitors the Company's compliance with the AIM Rules and MAR and seeks to ensure that the Company's Nominated Adviser is maintaining contact with the Company on a regular basis and vice versa. The committee ensures that procedures, resources and controls are in place with a view to ensuring the Company's compliance with the AIM Rules and MAR. The committee also ensures that each meeting of the Board includes a discussion of AIM matters and assesses (with the assistance of the Company's Nominated Adviser and other advisers as appropriate) whether the Directors are aware of their AIM responsibilities from time to time and, if not, ensures that they are appropriately updated on their AIM responsibilities and obligations.

#### INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems manage rather than eliminate the risks to which the Group is exposed and such systems, by their nature, can provide reasonable but not absolute assurance against misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures which the Directors have established with a view to providing effective internal control, are as follows:

- Identification and control of business risks  
The Board identifies the major business risks faced by the Group and determines the appropriate course of action to manage those risks.
- Budgets and business plans  
Each year the Board approves the business plan and annual budget. Performance is monitored and relevant action taken throughout the year through the regular reporting to the Board of changes to the business forecasts.
- Investment appraisal  
Capital expenditure is controlled by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board. Appropriate due diligence work is carried out if a business or asset is to be acquired.
- Annual review and assessment  
The Board during the year conducted a detailed review and assessment of the effectiveness of the Group's strategy, a process that will be maintained on an ongoing basis.

#### *Financial Statements*

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### ESG POLICY

The Company is a mineral exploration company, and its activities are, at this stage, confined to onsite exploration activities. The Board believes it is part of the Group's corporate responsibility to ensure its current and future operations are conducted in a responsible manner and in compliance with all local environmental regulations and that integrating ESG matters into its operations is an important element to being a responsible corporate citizen.

#### BRIBERY AND ANTI-CORRUPTION POLICY

The Company has adopted an anti-corruption and bribery policy which applies to the Board and employees, it also applies to suppliers, contractors and consultants to the Group. It generally sets out the responsibilities of the management and employees of, and suppliers, contractors and consultants to, the Group in observing and upholding a zero tolerance position on bribery and corruption in all the jurisdictions in which the Group operates as well as providing guidance to those working for the Group on how to recognise and deal with bribery and corruption issues and the potential consequences. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in an honest and ethical manner, be aware of and refer to this policy in all of their business activities and to conduct business on the Company's behalf in compliance with it.

#### SHARE DEALING CODE

The Company has adopted a share dealing code which sets out the requirements and procedures for the Board and applicable employees' dealings in any of its AIM securities in accordance with the provisions of MAR and of the AIM Rules. The Company takes all reasonable steps to ensure compliance with such dealing code by the Directors, related parties and any relevant employees.

#### RELATIONS WITH SHAREHOLDERS

The Board attaches considerable importance to the maintenance of good relationships with shareholders. Presentations by the Directors to institutional shareholders and City analysts are made as and when considered appropriate by the Board and the Company's advisers.

The Company's principal shareholder contact is its Chief Executive Officer, Bernard Olivier.

The Company has its own website ([www.lexingtongold.co.uk](http://www.lexingtongold.co.uk)) for the purposes of improving information flow to shareholders, as well as to potential investors.

#### DEPARTURE FROM THE QCA CODE

In accordance with the AIM Rules for Companies, the following paragraphs explain where Lexington departs from the QCA Code:

##### **Principle 5 - "Maintain the board as a well-functioning, balanced team led by the chair"**

The Board notes that the presence of only one independent non-executive director does not currently and will not comply with Principle 5 of the QCA Code, namely that a company should have at least two independent non-executive directors. Nevertheless, the Board believes that the Board composition is appropriate in light of the balance of skills and experience of its members and the Company's size and early stage of development, however it will monitor this position on an ongoing basis as the Group grows and develops and seek to make appropriate changes or additions to the composition of the Board as necessary. The Board is satisfied that it will have a suitable balance between independence on the one hand, and knowledge of the Company's projects on the other, to enable it to discharge its duties and responsibilities effectively, and that all Directors will have adequate time to fulfil their roles.

##### **Principle 7 - "Evaluate board performance based on clear and relevant objectives, seeking continuous improvement"**

The Board further notes that the Company does not comply with Principle 7 of the QCA Code, being the requirement to evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. Given the size and nature of the Company, the Board does not currently consider it appropriate to have a formal performance evaluation procedure in place, as described and recommended in Principle 7 of the QCA Code, but will closely monitor this situation as the Group grows.

## LEXINGTON GOLD LTD

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

#### DEPARTURE FROM THE QCA CODE (CONTINUED)

##### Shareholder Meetings held in Bermuda

The Company is incorporated in Bermuda and holds its Shareholder Meetings in Bermuda which does not facilitate shareholder engagement as much as a UK incorporated company holding meetings in England. The Company does provide detailed explanatory notes of all resolutions put to Shareholder Meetings in notices of shareholder meetings so as to assist shareholders in their voting decisions.

#### RISK FACTORS AND MANAGEMENT

The Company's Admission document dated 30 October 2020 in Part III on page 46 detailed the risk factors applicable to the Company and its operations. The Admission document can be downloaded from the Company's AIM Rule 26 web page. These risks include but are not limited to:

##### Title risk

The Group has diligently investigated its title to, and rights and interests in, the Mining Lease Agreements and licences that constitute its projects in the USA and South Africa respectively, and, to the best of its knowledge, such title, rights and interests are in good standing, although this should not be construed as a guarantee of the same. The Mining Lease Agreements and licences may be subject to undetected defects. If a defect does exist, it is possible that the Group may lose all or part of its interest in the Mining Lease Agreements and licences to which the defect relates and its planned exploration programmes and future activities and prospects may accordingly be adversely affected.

##### General exploration and mining extraction risks

The business of exploration for, and development and exploitation of, mineral deposits is speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Mineral deposits assessed by the Group may not ultimately contain economically recoverable volumes of resources and even if they do, delays in the construction and commissioning of mining projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required.

##### Commodity price risk

The inherent value and economic viability of the Company's exploration projects is linked to commodity prices generally and specifically to the price of gold as the Company's current projects are all gold focussed.

##### Currency risk

The Group reports its financial results and maintains its accounts in United States Dollars, the currency in which the Group primarily operates. The Group does not have any currency hedges in place and is exposed to foreign currency movements.

##### Dependence on key personnel

The success of the Group is, and will continue to be, to a significant extent, dependent on retaining the services of the directors and senior management and the loss of one or more could have a materially adverse effect on the Group.

Signed in accordance with a resolution of the directors.



**Bernard Olivier**  
Chief Executive Officer

26 June 2024

## INDEPENDENT AUDITOR'S REPORT

To the members of Lexington Gold Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Lexington Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion the accompanying financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Codes.

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

#### Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

#### Key audit matters

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

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Acquisition Accounting

| <i>Key audit matter</i>   | <i>How the matter was addressed in our audit</i>   |
|---|--|
| <p>As disclosed in Note 26 of the financial report, the group completed the acquisition of White Rivers Exploration Proprietary Limited which is recognised as an asset acquisition.</p> <p>Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset or business combination, estimating the fair value of the net assets acquired and estimating the fair value of purchase consideration.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the acquisition agreement to understand the key terms and conditions of the acquisition;</li> <li>• Assessing management’s conclusion of the acquisition as an asset acquisition;</li> <li>• Assessing management’s calculation of the total consideration including the key assumptions made in determining the contingent consideration;</li> <li>• Evaluating the assumptions and the methodology used in management’s determination of the fair value of assets acquired and liabilities assumed; and</li> <li>• Assessing the adequacy of the Group’s disclosures as disclosed in note 26 of the financial report.</li> </ul> |

### Recoverability of Exploration and Evaluation Assets

|  |   |
|--|---|
| <p>As disclosed in Note 6 to the financial report, the carrying value of capitalised exploration and evaluation assets represents a significant asset of the Group at 31 December 2023.</p> <p>In accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources, the recoverability of exploration and evaluation expenditure requires judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group’s exploration budgets, AIM announcements and directors’ minutes;</li> <li>• Considering whether any areas of interest had reached a stage where a reasonable</li> </ul> |
|--|---|

assessment of economically recoverable reserves existed;

- Considering whether any facts or circumstances existed to suggest impairment testing was required; and
- Assessing the adequacy of the related disclosures in Note 2(m) and Note 6 to the Financial Report.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the Financial Report**

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



from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial statement is located in Appendix 1. This description forms part of our auditor's report.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink. The signature starts with 'BDO' in a simple, blocky font. Below it, there is a cursive signature that appears to read 'Ashleigh Woodley'. A long, sweeping horizontal stroke is drawn across the signature.

**Ashleigh Woodley**  
**Director**

Perth

26 June 2024

## **APPENDIX 1 ADDITIONAL INFORMATION ON THE AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENT**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

LEXINGTON GOLD LTD

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | Note | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|---|------|-------------------------|-------------------------|
| <b><u>CONTINUING OPERATIONS</u></b>   |      |                         |                         |
| Other income  |      | -                       | -                       |
| Operating expenses  | 4    | <u>(770)</u>            | <u>(708)</u>            |
| <b>Operating loss</b>   |      | <b>(770)</b>            | <b>(708)</b>            |
| Fair value gain/(loss) on derivative liability  | 18   | <b>703</b>              | <b>(149)</b>            |
| Net finance income/(cost)   |      | <u><b>6</b></u>         | <u><b>(67)</b></u>      |
| <b>Loss before taxation</b>   |      | <b>(61)</b>             | <b>(924)</b>            |
| Income tax charge   | 5    | <u>-</u>                | <u>-</u>                |
| <b>Loss for the year</b>  |      | <u><b>(61)</b></u>      | <u><b>(924)</b></u>     |
| <b>Attributable to:</b>   |      |                         |                         |
| Equity owners of the parent   |      | <b>50</b>               | <b>(924)</b>            |
| Non-controlling interest  |      | <b>(111)</b>            | <b>-</b>                |
| <b>Other comprehensive income</b>   |      |                         |                         |
| Loss for the year   |      | <b>(61)</b>             | <b>(924)</b>            |
| <i>Items that may be reclassified to profit or loss:</i>                                |      |                         |                         |
| Exchange losses arising on translation of foreign operations                            |      | <u><b>(87)</b></u>      | <u>-</u>                |
| <b>Total comprehensive loss for the year</b>  |      | <u><b>(148)</b></u>     | <u><b>(924)</b></u>     |
| <b>Attributable to:</b>   |      |                         |                         |
| Equity owners of the parent   |      | <b>(46)</b>             | <b>(924)</b>            |
| Non-controlling interest  |      | <u><b>(102)</b></u>     | <u>-</u>                |
| <b>Total comprehensive loss for the year</b>  |      | <u><b>(148)</b></u>     | <u><b>(924)</b></u>     |
| <b>Profit/(loss) per share attributable to the owners of the parent during the year</b> |      |                         |                         |
|   | 15   |                         |                         |
| Basic profit/(loss) per share from continuing operations (US cents/share)               |      | <b>0.02</b>             | <b>(0.35)</b>           |
| Diluted profit/(loss) per share from continuing operations (US cents/share)             |      | <b>0.01</b>             | <b>(0.35)</b>           |

The accompanying notes form part of these financial statements.

**LEXINGTON GOLD LTD**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

|   | Note | 2023<br>US\$'000 | 2022<br>US\$'000 |
|---|------|------------------|------------------|
| <b>Assets</b>   |      |                  |                  |
| <b>Non-current assets</b>                                       |      |                  |                  |
| Exploration and evaluation assets                               | 6    | <u>15,490</u>    | <u>4,556</u>     |
| <b>Total non-current assets</b>                                 |      | <u>15,490</u>    | <u>4,556</u>     |
| <b>Current assets</b>   |      |                  |                  |
| Other receivables   | 7    | 79               | 74               |
| Restricted cash and cash equivalents                            | 8    | 45               | -                |
| Cash and cash equivalents                                       | 9    | <u>2,617</u>     | <u>424</u>       |
| <b>Total current assets</b>                                     |      | <u>2,741</u>     | <u>498</u>       |
| <b>Total assets</b>   |      | <u>18,231</u>    | <u>5,054</u>     |
| <b>Equity</b>   |      |                  |                  |
| Share capital   | 10   | 1,121            | 851              |
| Share premium   | 11   | 65,425           | 60,163           |
| Shares to be issued   | 26   | 5,058            | -                |
| Share option reserve  | 12   | 651              | 651              |
| Foreign currency translation reserve                            | 13   | (98)             | (2)              |
| Accumulated loss  |      | <u>(57,624)</u>  | <u>(57,674)</u>  |
| <b>Total equity attributable to equity owners of the parent</b> |      | <u>14,533</u>    | <u>3,989</u>     |
| Non-controlling interest  | 14   | <u>2,633</u>     | <u>970</u>       |
| <b>Total equity</b>   |      | <u>17,166</u>    | <u>4,959</u>     |
| <b>Current liabilities</b>                                      |      |                  |                  |
| Trade and other payables  | 16   | 673              | 95               |
| Borrowings  | 17   | -                | -                |
| Derivative liability  | 18   | <u>392</u>       | <u>-</u>         |
| <b>Total current liabilities</b>                                |      | <u>1,065</u>     | <u>95</u>        |
| <b>Total equity and liabilities</b>                             |      | <u>18,231</u>    | <u>5,054</u>     |

The accompanying notes form part of these financial statements.

LEXINGTON GOLD LTD

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Note      | Issued share capital<br>US\$'000 | Share premium<br>US\$'000 | Shares to be issued<br>US\$'000 | Share option reserve<br>US\$'000 | Foreign currency translation reserve<br>US\$'000 | Accumulated loss<br>US\$'000 | Total equity attributable to shareholders<br>US\$'000 | Non-controlling interest<br>US\$'000 | Total equity<br>US\$'000 |
|--|-----------|----------------------------------|---------------------------|---------------------------------|----------------------------------|--|------------------------------|---|--------------------------------------|--------------------------|
| <b>Year ended 31 December 2023</b>                           |           |                                  |                           |                                 |                                  |  |                              |   |                                      |                          |
| <b>At start of year</b>                                      |           | 851                              | 60,163                    | -                               | 651                              | (2)  | (57,674)                     | 3,989   | 970                                  | 4,959                    |
| Total comprehensive loss for the year                        |           | -                                | -                         | -                               | -                                | (96)   | 50                           | (46)  | (102)                                | (148)                    |
| Profit/(loss) for the year                                   |           | -                                | -                         | -                               | -                                | -  | 50                           | 50  | (111)                                | (61)                     |
| Foreign exchange gain on translation                         | 13        | -                                | -                         | -                               | -                                | (96)   | -                            | (96)  | 9                                    | (87)                     |
| <b>Transactions with owners in their capacity as owners:</b> |           |                                  |                           |                                 |                                  |  |                              |   |                                      |                          |
| Issue of share capital                                       | 10&11     | 153                              | 3,712                     | -                               | -                                | -  | -                            | 3,865   | -                                    | 3,865                    |
| Share issue cost   | 11        | -                                | (163)                     | -                               | -                                | -  | -                            | (163)   | -                                    | (163)                    |
| Warrants exercised   | 11        | 9                                | 102                       | -                               | -                                | -  | -                            | 111   | -                                    | 111                      |
| Warrants granted   | 18        | -                                | (1,095)                   | -                               | -                                | -  | -                            | (1,095)   | -                                    | (1,095)                  |
| Acquisition of subsidiary                                    | 10,11 &26 | 108                              | 2,706                     | 5,058                           | -                                | -  | -                            | 7,872   | 1,765                                | 9,637                    |
| <b>At end of year</b>  |           | <b>1,121</b>                     | <b>65,425</b>             | <b>5,058</b>                    | <b>651</b>                       | <b>(98)</b>                                      | <b>(57,624)</b>              | <b>14,533</b>   | <b>2,633</b>                         | <b>17,166</b>            |
| <b>Year ended 31 December 2022</b>                           |           |                                  |                           |                                 |                                  |  |                              |   |                                      |                          |
| <b>At start of year</b>                                      |           | 787                              | 59,096                    | -                               | 555                              | (2)  | (56,750)                     | 3,686   | 970                                  | 4,656                    |
| Total comprehensive loss for the year                        |           | -                                | -                         | -                               | -                                | -  | (924)                        | (924)   | -                                    | (924)                    |
| Loss for the year  |           | -                                | -                         | -                               | -                                | -  | (924)                        | (924)   | -                                    | (924)                    |
| Foreign exchange gain on translation                         | 13        | -                                | -                         | -                               | -                                | -  | -                            | -   | -                                    | -                        |
| <b>Transactions with owners in their capacity as owners:</b> |           |                                  |                           |                                 |                                  |  |                              |   |                                      |                          |
| Issue of share capital                                       | 10&11     | 64                               | 1,093                     | -                               | -                                | -  | -                            | 1,157   | -                                    | 1,157                    |
| Share issue cost   | 11        | -                                | (26)                      | -                               | -                                | -  | -                            | (26)  | -                                    | (26)                     |
| Share options  | 12        | -                                | -                         | -                               | 96                               | -  | -                            | 96  | -                                    | 96                       |
| <b>At end of year</b>  |           | <b>851</b>                       | <b>60,163</b>             | <b>-</b>                        | <b>651</b>                       | <b>(2)</b>                                       | <b>(57,674)</b>              | <b>3,989</b>  | <b>970</b>                           | <b>4,959</b>             |

The accompanying notes form part of these financial statements.

**LEXINGTON GOLD LTD**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | <b>Note</b> | <b><u>2023</u></b><br><b>US\$'000</b> | <b><u>2022</u></b><br><b>US\$'000</b> |
|---|-------------|---------------------------------------|---------------------------------------|
| <b>Cash flows from operating activities</b>             |             |                                       |                                       |
| Cash utilised by operations                             | 19.1        | (742)                                 | (684)                                 |
| Interest received                                       |             | 13                                    | -                                     |
|   |             | <u>(729)</u>                          | <u>(684)</u>                          |
| Net cash flows utilised in operating activities         |             |                                       |                                       |
| <b>Cash flows from investing activities</b>             |             |                                       |                                       |
| Payments for exploration                                |             | (493)                                 | (792)                                 |
| Acquisition of subsidiary, net of cash                  | 19.2        | (287)                                 | -                                     |
|   |             | <u>(780)</u>                          | <u>(792)</u>                          |
| Net cash flows utilised by investing activities         |             |                                       |                                       |
| <b>Cash flows from financing activities</b>             |             |                                       |                                       |
| Proceeds from issue of shares                           | 19.3        | 3,432                                 | 579                                   |
| Share issue cost  |             | (163)                                 | (26)                                  |
| Proceeds from borrowings                                |             | 525                                   | -                                     |
| Proceeds from convertible loans                         |             | -                                     | 416                                   |
|   |             | <u>3,794</u>                          | <u>969</u>                            |
| Net cash flows generated from financing activities      |             |                                       |                                       |
| Net increase/(decrease) in cash and cash equivalents    |             | <u>2,285</u>                          | <u>(507)</u>                          |
| <b>Movement in cash and cash equivalents</b>            |             |                                       |                                       |
| Net foreign currency exchange losses                    |             | (92)                                  | (22)                                  |
| At the beginning of the year                            |             | 424                                   | 953                                   |
| Net increase/decrease in cash and cash equivalents      |             | <u>2,285</u>                          | <u>(507)</u>                          |
| <b>Cash and cash equivalents at the end of the year</b> |             | <u>2,617</u>                          | <u>424</u>                            |

The accompanying notes form part of these financial statements.

# LEXINGTON GOLD LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1 GENERAL INFORMATION

Lexington Gold Ltd (the “**Company**”, “**Lexington Gold**” or “**Lexington**”) and its subsidiaries (together, “**the Group**”) is focused on the exploration and development of its four diverse gold projects, covering a combined area of approximately 1,675 acres in North and South Carolina, USA and six gold projects covering approximately 114,638 hectares in South Africa.

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The Company is quoted on the Alternative Investment Market (“**AIM**”) of the London Stock Exchange. The financial statements were authorised for issue by the directors on 26 June 2024.

#### 2 MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

##### (a) Going concern basis of accounting

For the year ended 31 December 2023, the Group recorded a loss of US\$0.1 million and had net cash outflows from operating activities of US\$0.7 million. An operating loss is expected in the year subsequent to the date of these accounts. The ability of the entity to continue as a going concern is dependent on the Group generating positive operating cash flows and/or securing additional funding through the raising of debt or equity to fund its projects.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity’s ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company secured additional funding by way of a £2.5 million gross equity fundraise and conversion of certain loans on 10 July 2023;
- The Directors are confident that they will be able to raise additional funds to satisfy the Group’s cash requirements as and when necessary; and
- The Directors have the ability to reduce expenditure in order to preserve cash if required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

##### (b) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”) and Bermuda Companies Act, 1981. The consolidated financial statements have been prepared under the historical cost convention, as modified by:

- Share options measured at fair value; and
- Financial assets and liabilities at fair value through profit or loss.



LEXINGTON GOLD LTD

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarised below.

Judgements:

- Control over Projects – Notes 2(e) and 23  
The assessment of control over a subsidiary requires significant judgement and consideration of various factors. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- The capitalisation and recoverability of exploration and evaluation expenditures – Notes 2(m) and 6  
The application of the Group's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that costs incurred will be recovered through successful development or sale of the asset under review when assessing impairment. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised is written off in the net profit or loss in the period when the new information becomes available.

Estimates and assumptions:

- Accounting for warrant liabilities – Notes 2(p), 18 and 21  
When the fair value of financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are measured using model valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in estimating fair values. The application of the Black-Scholes option-pricing model requires the use of a number of inputs and significant assumptions including volatility.

(d) New and amended standards not early adopted by the Group

At the date of approval of these financial statements, the following Standards and Interpretations which may be applicable to the Group, but have not been applied in these financial statements, were in issue but not yet effective:

| <i>Details of amendment</i>  | <i>Effective date</i>   |
|--|---|
| <b>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</b><br><br>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. | Annual reporting periods beginning on or after 1 January 2024 |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(d) New and amended standards not early adopted by the Group (continued)**

|  |   |
|--|---|
| <b>Non-current Liabilities with Covenants (Amendments to IAS 1)</b><br>The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. | Annual reporting periods beginning on or after 1 January 2024 |
| <b>Lack of Exchangeability (Amendments to IAS 21)</b><br>The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.   | Annual reporting periods beginning on or after 1 January 2025 |

The Group is in the process of assessing the impact that the adoption of these standards will have on its financial statements in the period of initial adoption.

**(e) Consolidation**

*(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Foreign currency**

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars ("US\$") rounded to the nearest thousand unless stated otherwise.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to US\$ at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to US\$ at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss. Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

**(g) Financial instruments**

*(i) Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*(ii) Classification and subsequent measurement of financial assets*

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Financial instruments (continued)**

*(iii) Subsequent measurement financial assets*

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

*(iv) Classification and measurement of financial liabilities*

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**(h) Share capital**

Ordinary and A class shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are shown in equity as a deduction, net of tax, from the proceeds.

**(i) Employee benefits**

*Share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Employee benefits (continued)**

Share-based payment transactions (continued)

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Short-term employee benefits

Short-term employee benefits are those that are paid within 12 months after the end of the period in which the services have been rendered and are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Contributions to defined contribution retirement benefit plans are recognised in profit or loss in the periods during which services are rendered by employees. The Group pays contributions to publicly administered pension insurance plans on a mandatory and contractual basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

**(j) Expenses**

Finance income and costs

Finance costs comprises interest payable on borrowings calculated using the effective interest rate method and unwinding of the discount on provisions.

Finance income is recognised in profit or loss as it accrues, using the effective interest method.

**(k) Tax expense**

Tax expense comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and does not give rise to equal taxable and deductible temporary differences;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and
- the initial recognition of assets and liabilities in a transaction that is not a business combination.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Tax expense (continued)**

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rate enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Additional taxes that arise from the distribution of dividends to A class shareholders in South Africa are recognised at the same time as the liability to pay the related dividend.

**(l) Earnings per share**

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes, warrants and share options granted to employees.

**(m) Exploration, evaluation and development expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are transferred to development assets and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(n) Asset acquisition**

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value.

**(o) Convertible debt**

The proceeds received on issue of the Group's convertible debt which fail the fixed-for-fixed criterion under IFRS are allocated into their liability and derivative liability components. The derivative liability is measured at fair value with subsequent changes recognised in profit or loss. The debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Warrant liabilities**

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms. The assessment considers whether the warrants have the characteristics of a derivative financial liability that is measured at fair value, with changes in value recorded in profit or loss or an equity instrument. The equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (the "fixed for fixed" criteria).

For issued warrants that meet the criteria for equity classification, the warrants are recorded as a component of additional paid-in capital at the time of issuance. For issued warrants that do not meet all the criteria for equity classification, the warrants are recorded as a derivative liability at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognised as a non-cash gain or loss in profit or loss.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**3 SEGMENT REPORTING**

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incurs expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker ("CODM") which in the case of the Group is the Board of Directors. The CODM makes decisions about the resources to be allocated to the segment and assesses its performance, where discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions.

Segment information is presented in respect of the Group's business segment. The primary format, business segments, is based on the Group's management and internal reporting structures.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

**3.1 Business operating segments**

The Group has three reportable segments. The strategic business units offer different focus areas for the Group. The Group comprises the following reportable segments:

- Corporate;
- Exploration activities USA; and
- Exploration activities RSA.

The accounting policies of the reportable segments are the same as described in note 2.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/loss before income tax, as included in the internal management reports that are reviewed by the Executive Committee. Segment profit/loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate in such sectors. Inter-segment pricing is determined on an arm's length basis.

|  | Corporate<br>2023<br>US\$'000 | Corporate<br>2022<br>US\$'000 | Exploration<br>USA<br>2023<br>US\$'000 | Exploration<br>USA<br>2022<br>US\$'000 | Exploration<br>RSA<br>2023<br>US\$'000 | Exploration<br>RSA<br>2022<br>US\$'000 | Total<br>2023<br>US\$'000 | Total<br>2022<br>US\$'000 |
|--|-------------------------------|-------------------------------|--|--|--|--|---------------------------|---------------------------|
| External revenues                            | -                             | -                             | -                                      | -                                      | -                                      | -                                      | -                         | -                         |
| Reportable segment loss<br>before income tax | (718)                         | (708)                         | (4)                                    | -                                      | (48)                                   | -                                      | (770)                     | (708)                     |
| Income tax (charge)/credit                   | -                             | -                             | -                                      | -                                      | -                                      | -                                      | -                         | -                         |
| Exploration expenditure                      | -                             | -                             | (404)                                  | (792)                                  | (89)                                   | -                                      | (493)                     | (792)                     |
| Reportable segment assets                    | 2,493                         | 153                           | 4,965                                  | 4,901                                  | 10,773                                 | -                                      | 18,231                    | 5,054                     |
| Reportable segment liabilities               | 422                           | 67                            | 17                                     | 28                                     | 626                                    | -                                      | 1,065                     | 95                        |



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

| <b>4 OPERATING EXPENSES</b>     | <b><u>2023</u></b><br><b>US\$'000</b> | <b><u>2022</u></b><br><b>US\$'000</b> |
|---------------------------------|---------------------------------------|---------------------------------------|
| Auditors' remuneration          | (31)                                  | (34)                                  |
| Directors' emoluments and fees  | (209)                                 | (195)                                 |
| Net foreign exchange gain       | 2                                     | 29                                    |
| Office expenses                 | (44)                                  | (45)                                  |
| Professional and other services | (467)                                 | (349)                                 |
| Share option expense (Note 11)  | -                                     | (96)                                  |
| Travel and accommodation        | (20)                                  | (10)                                  |
| Other expenses                  | (1)                                   | (8)                                   |
|                                 | <u>(770)</u>                          | <u>(708)</u>                          |
| Total operating expenses        | <u>(770)</u>                          | <u>(708)</u>                          |

**5 INCOME TAX CREDIT**

***Current tax charge***

|                |   |   |
|----------------|---|---|
| Current period | - | - |
|----------------|---|---|

***Deferred tax credit***

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

|                                  |          |          |
|----------------------------------|----------|----------|
| Total income tax charge/(credit) | <u>-</u> | <u>-</u> |
|----------------------------------|----------|----------|

Most of the tax losses of the continuing operations were sustained in Bermuda. No income tax or capital gains tax is payable in Bermuda and therefore there is no contingent deferred tax asset.

**6 EXPLORATION AND EVALUATION ASSETS**

|                                 | <b><u>2023</u></b><br><b>US\$'000</b> | <b><u>2022</u></b><br><b>US\$'000</b> |
|---------------------------------|---------------------------------------|---------------------------------------|
| <b>United States</b>            |                                       |                                       |
| Balance at beginning of year    | 4,556                                 | 3,764                                 |
| Additions                       | 404                                   | 792                                   |
|                                 | <u>4,960</u>                          | <u>4,556</u>                          |
| <b>South Africa</b>             |                                       |                                       |
| Balance at beginning of year    | -                                     | -                                     |
| Acquired (Note 26)              | 10,256                                | -                                     |
| Additions                       | 89                                    | -                                     |
| Foreign currency                | 185                                   | -                                     |
|                                 | <u>10,530</u>                         | <u>-</u>                              |
| <b>Total at the end of year</b> | <u>15,490</u>                         | <u>4,556</u>                          |

**United States**

The amount relates to exploration and development activities in respect of the Group's 51% investment in four diverse gold projects, covering a combined area of over 1,675 acres in North and South Carolina, USA.

The projects are situated in the highly prospective Carolina Super Terrane ("CST"), which has seen significant historic gold production and is host to a number of multi-million-ounce mines operated by majors and was also the site of the first US gold rush in the early 1800s, before gold was discovered in California.

In order for the Company to retain its 51% membership interests in the four projects, it has to make certain Minimum Funding Contributions in respect of each of the projects in each of the four years and throughout the four-year period following its re-admission to AIM in November 2020, in an aggregate amount of AU\$5 million (the "Minimum Funding Contributions"). The Minimum Funding Contributions are further detailed in Note 22 which have been met to date.

In the event that the Minimum Funding Contributions are not satisfied by the Company, Uwharrie Resources Inc., has the option to acquire the Company's 51% interest in the relevant project for a nominal sum of AU\$1.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**6 EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**South Africa**

The amount relates to the Group's exploration and development activities in respect of its six gold projects covering approximately 114,638 hectares in South Africa assessing the Witwatersrand basin's significant gold potential.

The directors have assessed the value of the total exploration and evaluation assets having considered any indicators of impairment, and in their opinion, based on a review of future expected availability of funds to develop the projects concerned and the intention to continue exploration and evaluation, no impairment is necessary.

**7 OTHER RECEIVABLES**

|             | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|-------------|-------------------------|-------------------------|
| Prepayments | 79                      | 74                      |
|             | <u>79</u>               | <u>74</u>               |

All of the Group's other receivables have been reviewed for indicators of impairment. None of the receivables were found to be impaired.

Other receivables consist of balances receivable in the following currencies:

|                       |           |           |
|-----------------------|-----------|-----------|
| United States Dollars | 69        | 74        |
| South African Rand    | 10        | -         |
|                       | <u>79</u> | <u>74</u> |

Translated into United States Dollars at foreign exchange rates applicable at the reporting date. The Group's exposure to credit risk is disclosed in note 20.1.

**8 RESTRICTED CASH AND CASH EQUIVALENTS**

|                     | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|---------------------|-------------------------|-------------------------|
| Short-term deposits | 45                      | -                       |
|                     | <u>45</u>               | <u>-</u>                |

Short-term deposits are denominated in South African Rand and have been pledged as collateral for the financial assurance lodged with the Department of Mineral Resources and Energy in South Africa.

**9 CASH AND CASH EQUIVALENTS**

|                          | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|--------------------------|-------------------------|-------------------------|
| Cash at bank and on hand | 2,617                   | 424                     |
|                          | <u>2,617</u>            | <u>424</u>              |

Cash and cash equivalents consist of balances denominated in the following currencies:

|                       |              |            |
|-----------------------|--------------|------------|
| United States Dollars | 69           | 10         |
| Australian Dollars*   | 1            | 3          |
| British Pounds*       | 2,359        | 406        |
| South African Rand*   | 188          | 5          |
|                       | <u>2,617</u> | <u>424</u> |

\* Translated into United States Dollars at foreign exchange rates applicable at the reporting date. The Group's exposure to interest rate risk and sensitivity analysis for financial instruments is disclosed in note 20.

LEXINGTON GOLD LTD

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|           |   |                     |                    |
|-----------|---|---------------------|--------------------|
| <b>10</b> | <b>SHARE CAPITAL</b>  | <b><u>2023</u></b>  | <b><u>2022</u></b> |
|           |   | <b>US\$'000</b>     | <b>US\$'000</b>    |
|           | <b>10.1 Common share capital</b>                                |                     |                    |
|           | <b>Authorised</b>   |                     |                    |
|           | 3,000,000,000 Common Shares of US\$0.003 each                   | <b>9,000</b>        | 9,000              |
|           | <b>Issued</b>   |                     |                    |
|           | 373,163,158 (2022: 283,102,002) Common Shares of US\$0.003 each | <b>1,120</b>        | 850                |
|           | <b>Common share capital</b>                                     |                     |                    |
|           | Balance at the beginning of the year                            | <b>850</b>          | 786                |
|           | Share placement and subscription                                | <b>126</b>          | 31                 |
|           | Loans converted   | <b>22</b>           | 33                 |
|           | Warrants exercised  | <b>9</b>            | -                  |
|           | Consideration shares  | <b>108</b>          | -                  |
|           | Creasy Subscription Shares                                      | <b>5</b>            | -                  |
|           | Balance at the end of the year                                  | <b><u>1,120</u></b> | <u>850</u>         |

Each fully paid common share carries the right to one vote at a meeting of the Company. Holders of common shares also have the right to receive dividends and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

|   |                                    |                         |
|---|------------------------------------|-------------------------|
| <b>Reconciliation of number of Common Shares in issue</b> | <b>Number of shares</b>            | <b>Number of shares</b> |
|   | <b><u>2023</u></b>                 | <b><u>2022</u></b>      |
| Common Shares in issue at beginning of the year           | <b>283,102,002</b>                 | 261,478,810             |
| Share placement and subscription                          | <b>41,938,334<sup>(1)(5)</sup></b> | 10,526,317              |
| Loans converted   | <b>7,058,639<sup>(2)(5)</sup></b>  | 11,096,875              |
| Warrants exercised  | <b>3,268,485</b>                   | -                       |
| Consideration shares                                      | <b>36,129,032<sup>(3)</sup></b>    | -                       |
| Creasy Subscription Shares                                | <b>1,666,666<sup>(4)(5)</sup></b>  | -                       |
| Common Shares in issue at end of the year                 | <b><u>373,163,158</u></b>          | <u>283,102,002</u>      |

In addition, there are 727,499 common shares held within treasury which are non-voting and are excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

Notes:

- (1) As announced on 10 July 2023, the share placement and subscription comprised a placing of 17,188,334 new Common Shares (“**Placing Shares**”) and share subscriptions for 24,750,000 new Common Shares (“**Share Subscriptions**”). The Share Subscriptions included a subscription of £100,000 by Edward Nealon, Lexington Gold’s Chairman, for 1,666,667 new Common Shares.
- (2) Pursuant to the announcement of 10 July 2023, an amount of £120,061 due to Edward Nealon in relation to his US\$150,000 loan to the Company announced on 14 March 2023 was settled by the issue of 2,001,024 new Common Shares and £303,457 due to Mark Creasy in relation to his £300,000 loan to the Company announced on 15 May 2023 was settled by the issue of 5,057,615 new Common Shares.
- (3) As announced on 7 September 2023, the Company issued 36,129,032 new Common Shares (the “**Initial Consideration Shares**”) as consideration under the WRE Acquisition and Loan Agreements.
- (4) Further to the announcement of 7 September 2023, Mark Creasy invested an amount of £100,000 by way of a subscription for 1,666,666 new common shares (the “**Creasy Subscription Shares**”).
- (5) One warrant per new Common Share also granted to subscribe on a one-to-one basis for new Common Shares in the Company which are exercisable at 10 pence per share for an exercise period to 20 July 2026.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

|           |   |   |   |
|-----------|---|---|---|
| <b>10</b> | <b>SHARE CAPITAL</b>  | <b><u>2023</u></b>                          | <b><u>2022</u></b>                          |
|           |   | <b>US\$'000</b>                             | <b>US\$'000</b>                             |
|           | <b>10.2 A class share capital</b>   |   |   |
|           | <b>Authorised</b>   |   |   |
|           | 66,666,667 A class shares of ZAR 0.0003 each  | <u>3</u>                                    | <u>3</u>                                    |
|           | <b>Issued</b>   |   |   |
|           | 1,009,029 A class shares of ZAR 0.0003 each issued by the Company's wholly-owned subsidiary, Rohstein Class A (Proprietary) Limited (" <b>Rohstein Class A (Pty) Ltd</b> ") | <u>1</u>                                    | <u>1</u>                                    |
|           | A class shares have been converted at the historical rate at 1 June 2004 of ZAR6.52 to the US Dollar.   |   |   |
|           | <b>Total issued share capital<br/>(Common shares and A class shares)</b>  | <u><b>1,121</b></u>                         | <u>851</u>                                  |
|           | <b>Reconciliation of A Class share capital</b>  | <b>Number of<br/>shares<br/><u>2023</u></b> | <b>Number of<br/>shares<br/><u>2022</u></b> |
|           | Shares in issue at beginning and end of the year  | <u><b>1,009,029</b></u>                     | <u>1,009,029</u>                            |

An equivalent amount of common shares are held by Rembrandt Nominees via an account with Investec Wealth & Investment.

**Rights attaching to A Class shares**

The following rights, privileges and conditions are attached to the Rohstein Class A (Pty) Ltd A Class shares:

Each Rohstein Class A (Pty) Ltd A Class share has been issued on the basis that:

1. if the Lexington Gold common shares are consolidated or subdivided, the same will apply, *mutatis mutandis*, to the Rohstein Class A (Pty) Ltd A Class shares;
2. if any rights issue is implemented by Lexington Gold, Rohstein Class A (Pty) Ltd will automatically have a rights issue in respect of the Rohstein Class A (Pty) Ltd A Class shares on identical terms to the rights issue implemented by Lexington Gold, which will include but not be limited to the price per rights issue share and ratio of rights shares to existing shares; and
3. if the common shareholders of Lexington Gold receive shares in substitution for all their Lexington Gold common shares then the number of Rohstein Class A (Pty) Ltd A Class shares will be automatically adjusted such that each Rohstein Class A (Pty) Ltd A Class shareholder will own the number of Rohstein Class A (Pty) Ltd Class A shares as equals their existing number of Rohstein Class A (Pty) Ltd A Class shares, multiplied by the number of substitution shares issued for each Lexington Gold common share.

The holders of the Rohstein Class A (Pty) Ltd A Class shares will only be entitled to a dividend if Lexington Gold declares dividends in respect of any year, and then the Rohstein Class A (Pty) Ltd A Class shares will be entitled to a preference dividend out of the profits of Rohstein Class A (Pty) Ltd available for distribution per Rohstein Class A (Pty) Ltd A Class share equal to "D" calculated in accordance with the following formula:

$$D = A \times F$$

where

A = the dividend declared and payable by Lexington Gold in respect of each Lexington Gold common share; and

F = the spot foreign exchange rate quoted by Standard Bank of South Africa Limited on the date upon which the relevant Lexington Gold dividend is payable to Lexington Gold common shareholders.

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**10 SHARE CAPITAL (CONTINUED)**

**Rights attaching to A class shares (continued)**

Rohstein Class A (Pty) Ltd in general meeting or the directors of Rohstein Class A (Pty) Ltd shall be entitled to declare preference dividends in respect of the Rohstein Class A (Pty) Ltd A Class shares on the basis that the preference dividend payable shall be payable, within four months after the date upon which the relevant dividend is declared to the shareholders of Lexington Gold, to the holders of the Rohstein Class A (Pty) Ltd A Class shares registered as such on the declaration date of the relevant Lexington Gold dividend.

With respect to voting rights in Rohstein Class A (Pty) Ltd, each Rohstein Class A (Pty) Ltd ordinary share shall have 1,000,000 votes and each Rohstein Class A (Pty) Ltd A Class share shall have one vote. The holders of Rohstein Class A (Pty) Ltd A Class shares will be entitled to receive notice of and to attend and vote at any general meeting of Rohstein Class A (Pty) Ltd.

Payment in respect of preference dividends and any other payments will be made in the currency of South African Rand at the risk of the relevant holder of Rohstein Class A (Pty) Ltd A Class shares either by cheque sent by prepaid registered post to the address of each holder of Rohstein Class A (Pty) Ltd A Class shares as recorded in the register of Rohstein Class A (Pty) Ltd's shareholders or by electronic transfer to such bank account nominated in writing by any holder of Rohstein Class A (Pty) Ltd A Class shares for such purpose.

All or any of the rights attaching to the issued Rohstein Class A (Pty) Ltd A Class shares may not be modified, altered, varied, added to or abrogated, without the prior written consent of the:

1. holders of at least three-quarters of the issued Rohstein Class A (Pty) Ltd A Class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A Class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A Class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd A Class shares holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three-quarters of the total votes to which the holders of the Rohstein Class A (Pty) Ltd A Class shares present in person or by proxy are entitled to vote; and
2. holders of three quarters of the ordinary shares.

No shares in the capital of Rohstein Class A (Pty) Ltd, ranking in priority to or *pari passu* with the Rohstein Class A (Pty) Ltd A Class shares of any class but excluding the issue of ordinary shares, shall be created or issued, without the prior written consent of the holders of at least three-quarters of the issued Rohstein Class A (Pty) Ltd A Class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A Class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A Class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd A Class shares holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three-quarters of the total votes to which the holders of the Rohstein Class A (Pty) Ltd A Class shares present in person or by proxy are entitled to vote.

Rohstein Class A (Pty) Ltd cannot be put into voluntary liquidation by its shareholders, without the prior written consent of the holders of at least three-quarters of the issued Rohstein Class A (Pty) Ltd A Class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A Class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A Class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd A Class shares holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three-quarters of the total votes to which the holders of the Rohstein Class A (Pty) Ltd A Class shares present in person or by proxy are entitled to vote.

Should Lexington Gold acquire any Rohstein Class A (Pty) Ltd A Class shares, Rohstein Class A (Pty) Ltd will automatically redeem out of moneys which may be lawfully applied for that purpose those Rohstein Class A (Pty) Ltd A Class shares on the basis that the price payable for each Rohstein Class A (Pty) Ltd A Class share on redemption of same will be at a redemption price of 0.003 (point zero zero three) cents per Rohstein Class A (Pty) Ltd A Class share. Notwithstanding the provisions of this clause, all of the Rohstein Class A (Pty) Ltd A Class shares that are in issue at 21 April 2024 shall be automatically redeemed on the basis that the price payable for the redemption of each A share on redemption of same will be at a redemption price of 0.003 (point zero zero three) cents per Rohstein Class A (Pty) Ltd A Class share.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**10 SHARE CAPITAL (CONTINUED)**

**Rights attaching to A class shares (continued)**

At every meeting of the holders of the Rohstein Class A (Pty) Ltd A Class shares the provisions of the articles of Rohstein Class A (Pty) Ltd relating to general meetings of holders of ordinary shares shall apply *mutatis mutandis* except that a quorum at any such general meeting of the holders of the A shares shall be a person or persons holding or representing by proxy at least 25% (twenty five per centum) of the issued Rohstein Class A (Pty) Ltd A Class shares, provided that if at any adjournment of such meeting a quorum is not present, then the provisions of the relevant articles of Rohstein Class A (Pty) Ltd relating to adjourned meetings shall, *mutatis mutandis*, apply.

Upon the date of redemption of any Rohstein Class A (Pty) Ltd A Class shares, there shall be paid on any Rohstein Class A (Pty) Ltd A Class shares redeemed, all preference dividends (including any which are in arrears) accrued in respect of the same, up to the date fixed for redemption thereof, and the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the share certificate in respect of the Rohstein Class A (Pty) Ltd A Class shares, payment of the redemption moneys is not affected by Rohstein Class A (Pty) Ltd. The holders of the Rohstein Class A (Pty) Ltd A Class shares shall deliver the certificate/s representing those Rohstein Class A (Pty) Ltd A Class shares which are to be redeemed to Rohstein Class A (Pty) Ltd at its registered office. Upon such delivery of the share certificate/s Rohstein Class A (Pty) Ltd shall pay to the holders of the Rohstein Class A (Pty) Ltd A Class shares the amount due in respect of the redemption and shall then be entitled to cancel the relevant Rohstein Class A (Pty) Ltd A Class shares.

Rohstein Class A (Pty) Ltd shall not be liable to a shareholder of Rohstein Class A (Pty) Ltd A Class shares for interest on any unclaimed redemption moneys and arrears of dividends. Any dividends payable in respect of Rohstein Class A (Pty) Ltd A Class shares (including any which are in arrears) that remain unclaimed for 3 (three) years may become the property of Rohstein Class A (Pty) Ltd.

The holders of the Rohstein Class A (Pty) Ltd A Class shares shall not be entitled to dispose of any Rohstein Class A (Pty) Ltd A Class shares to any party other than Lexington Gold and the share certificates issued in respect of the Rohstein Class A (Pty) Ltd A Class shares shall be endorsed to this effect. Notwithstanding the provisions of this clause, a holder of the Rohstein Class A (Pty) Ltd A Class shares shall be entitled to transfer the relevant Rohstein Class A (Pty) Ltd A Class shares to a family entity or a family member provided that they pay any and all costs relating to the transfer.

No additional shares in the capital of Rohstein Class A (Pty) Ltd of the same or similar nature as the Rohstein Class A (Pty) Ltd A Class shares shall be issued save as provided for above.

**11 SHARE PREMIUM**

|                                  | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|----------------------------------|-------------------------|-------------------------|
| Balance at beginning of the year | 60,163                  | 59,096                  |
| Share placement and subscription | 3,070                   | 527                     |
| Share issue costs                | (163)                   | (26)                    |
| Loans converted                  | 522                     | 566                     |
| Warrants exercised               | 102                     | -                       |
| Consideration shares             | 2,706                   | -                       |
| Creasy Subscription Shares       | 120                     | -                       |
| Warrants issued                  | (1,095)                 | -                       |
| Balance at end of year           | <u>65,425</u>           | <u>60,163</u>           |

**12 SHARE OPTION RESERVE**

|                                  |            |            |
|----------------------------------|------------|------------|
| Balance at beginning of the year | 651        | 555        |
| Share-based payment expense      | -          | 96         |
| Balance at end of year           | <u>651</u> | <u>651</u> |

**LEXINGTON GOLD LTD**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**12 SHARE OPTION RESERVE (CONTINUED)**

**Share-based payments**

The terms and conditions of the share option plan are as follows:

| <b>Grant date</b> | <b>Number of share options</b> | <b>Vesting conditions</b>                          | <b>Contractual life</b>    |
|-------------------|--------------------------------|--|----------------------------|
| 4 December 2020   | 19,610,910                     | 1/3 immediately, 1/3 in one year, 1/3 in two years | 10 years from vesting date |
| Total options     | <u>19,610,910</u>              |  |                            |

The number and weighted average exercise prices of share options and warrants are as follows:

|  | <u>2023</u>   |                                   | <u>2022</u>   |                                   |
|--|---|-----------------------------------|---|-----------------------------------|
|  | <b>Weighted average exercise price (UK pence/share)</b> | <b>Number of options/warrants</b> | <b>Weighted average exercise price (UK pence/share)</b> | <b>Number of options/warrants</b> |
| Exercisable at the beginning of the year | 2.75  | 27,455,274                        | 2.75  | 27,455,274                        |
| Exercised warrants                       | 2.75  | (3,268,485)                       |   | -                                 |
| Forfeited warrants                       | 2.75  | (4,575,879)                       |   | -                                 |
| Exercisable at the end of the year       |   | <u>19,610,910</u>                 | 2.75  | <u>27,455,274</u>                 |

**13 FOREIGN CURRENCY TRANSLATION RESERVE**

|   | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|---|-------------------------|-------------------------|
| Balance at beginning of the year              | (2)                     | (2)                     |
| Translation of foreign operations in the year | <u>(96)</u>             | <u>-</u>                |
| Balance at end of the year                    | <u>(98)</u>             | <u>(2)</u>              |

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

**14 NON-CONTROLLING INTEREST**

|  | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|--|-------------------------|-------------------------|
| Balance at beginning of year                       | 970                     | 970                     |
| 26% interest in White Rivers Exploration (Pty) Ltd | 1,765                   | -                       |
| Loss allocated                                     | <u>(102)</u>            | <u>-</u>                |
| Balance at end of year                             | <u>2,633</u>            | <u>970</u>              |

Project Carolina Belle, LLC, Project Jennings-Pioneer, LLC, Project Argo, LLC and Project JKL, LLC are 51% owned. White Rivers Exploration (Pty) Ltd and Western Allen Ridge Gold Mines (Pty) Ltd are 74% owned and Jelani Resources (Pty) Ltd is 65% (together, the "White Rivers Exploration Group") owned by the Group. Refer to Note 23 for principal place of business. All have material non-controlling interests (NCI). No dividends were paid by these entities.

Summarised financial information in relation to Project Carolina Belle, LLC, Project Jennings-Pioneer, LLC, Project Argo, LLC, Project JKL, LLC and the White Rivers Exploration Group before intra-group eliminations, is presented below together with amounts attributable to NCI:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**14 NON-CONTROLLING INTEREST (CONTINUED)**

|   |                                 |                                 |
|---|---------------------------------|---------------------------------|
| <b>Project Carolina Belle, LLC<br/>As at 31 December</b>      | <b><u>2023</u><br/>US\$'000</b> | <b><u>2022</u><br/>US\$'000</b> |
| <i>Assets:</i>  |                                 |                                 |
| Exploration and evaluation assets                             | 1,586                           | 1,505                           |
| <i>Liabilities:</i>   |                                 |                                 |
| Loans and other borrowings                                    | (1,091)                         | (1,010)                         |
| Accumulated non-controlling interests                         | (242)                           | (242)                           |
| No profit or loss impact for the year ended 31 December 2023. |                                 |                                 |
| <b>Project Jennings-Pioneer, LLC<br/>As at 31 December</b>    | <b><u>2023</u><br/>US\$'000</b> | <b><u>2022</u><br/>US\$'000</b> |
| <i>Assets:</i>  |                                 |                                 |
| Exploration and evaluation assets                             | 771                             | 654                             |
| <i>Liabilities:</i>   |                                 |                                 |
| Loans and other borrowings                                    | (276)                           | (159)                           |
| Accumulated non-controlling interests                         | (243)                           | (243)                           |
| No profit or loss impact for the year ended 31 December 2023. |                                 |                                 |
| <b>Project Argo, LLC<br/>As at 31 December</b>                | <b><u>2023</u><br/>US\$'000</b> | <b><u>2022</u><br/>US\$'000</b> |
| <i>Assets:</i>  |                                 |                                 |
| Exploration and evaluation assets                             | 700                             | 607                             |
| <i>Liabilities:</i>   |                                 |                                 |
| Loans and other borrowings                                    | (205)                           | (112)                           |
| Accumulated non-controlling interests                         | (243)                           | (243)                           |
| No profit or loss impact for the year ended 31 December 2023. |                                 |                                 |
| <b>Project JKL, LLC<br/>As at 31 December</b>                 | <b><u>2023</u><br/>US\$'000</b> | <b><u>2022</u><br/>US\$'000</b> |
| <i>Assets:</i>  |                                 |                                 |
| Exploration and evaluation assets                             | 1,653                           | 1,488                           |
| <i>Liabilities:</i>   |                                 |                                 |
| Loans and other borrowings                                    | (1,158)                         | (993)                           |
| Accumulated non-controlling interests                         | (242)                           | (242)                           |
| No profit or loss impact for the year ended 31 December 2023. |                                 |                                 |



**LEXINGTON GOLD LTD**

**FINANCIAL STATEMENTS  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**14 NON-CONTROLLING INTEREST (CONTINUED)**

|   | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|---|-------------------------|-------------------------|
| <b>White Rivers Exploration (Pty) Ltd Group</b> |                         |                         |
| <b>For the period ended 31 December</b>         |                         |                         |
| Operating expenses                              | 59                      | -                       |
| <b>Operating loss</b>                           | <u>59</u>               | -                       |
| Finance cost                                    | (483)                   | -                       |
| <b>Loss before taxation</b>                     | <u>(424)</u>            | -                       |
| Income tax charge                               | -                       | -                       |
| <b>Loss for the year</b>                        | <u>(424)</u>            | -                       |
| Loss allocated to NCI                           | (111)                   | -                       |
| Other comprehensive loss allocated to NCI       | 9                       | -                       |
| Total comprehensive loss allocated to NCI       | <u>(102)</u>            | -                       |
|   | <u>2023</u>             | <u>2022</u>             |
| <b>As at 31 December</b>                        | <b>US\$'000</b>         | <b>US\$'000</b>         |
| <i>Assets:</i>                                  |                         |                         |
| Exploration and evaluation assets               | 10,530                  | -                       |
| Restricted cash and cash equivalents            | 45                      | -                       |
| Cash and cash equivalents                       | 71                      | -                       |
| <i>Liabilities:</i>                             |                         |                         |
| Trade and other payables                        | (623)                   | -                       |
| Loans and other borrowings                      | (9,714)                 | -                       |
| Accumulated non-controlling interests           | (1,663)                 | -                       |

**15 EARNINGS PER SHARE**

**Basic and diluted profit/(loss) per share**

The calculation of basic and diluted profit per share at 31 December 2023 was based on the profit attributable to common shareholders from continuing operations of US\$50,000 (2022: loss of US\$924,000) and a weighted average number of common shares outstanding during the year ended 31 December 2023 for basic EPS of 319,173,625 (2022: 265,921,932) and diluted EPS of 456,544,948 (2022: 265,921,932) calculated as follows:

|  | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|--|-------------------------|-------------------------|
| Profit/(loss) attributable to common shareholders from continuing operations       | <u>50</u>               | <u>(924)</u>            |
|  | <b>Number of</b>        | <b>Number of</b>        |
| <b>Weighted average number of common shares</b>                                    | <b>shares</b>           | <b>shares</b>           |
|  | <b>2023</b>             | <b>2022</b>             |
| Weighted average number of common shares used in basic EPS                         | 319,173,625             | 265,921,932             |
| Effects of:  |                         |                         |
| Share options  | 19,610,910              | -                       |
| Warrants   | 50,663,639              | -                       |
| Contingent share consideration   | 67,096,774              | -                       |
| Weighted average number of common shares used in diluted EPS                       | <u>456,544,948</u>      | <u>265,921,932</u>      |
| Basic profit/(loss) per common share from continuing operations (US cents/share)   | 0.02                    | (0.35)                  |
| Diluted profit/(loss) per common share from continuing operations (US cents/share) | 0.01                    | (0.35)                  |

The diluted loss per share and the basic loss per share are recorded as the same amount in 2022, as conversion of share options decreases the basic loss per share, thus being anti-dilutive.

LEXINGTON GOLD LTD

FINANCIAL STATEMENTS  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|           |   |                         |                         |
|-----------|---|-------------------------|-------------------------|
| <b>16</b> | <b>TRADE AND OTHER PAYABLES</b>   | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|           | Trade and other payables  | 637                     | 95                      |
|           | <b>Total trade and other payables</b>   | <u>637</u>              | <u>95</u>               |
|           | Trade and other payables consist of balances payable in the following currencies: |                         |                         |
|           | United States Dollars   | 48                      | 82                      |
|           | Australian Dollars  | -                       | 1                       |
|           | British Pounds  | -                       | 11                      |
|           | South African Rand  | 589                     | 1                       |
|           |   | <u>637</u>              | <u>95</u>               |
| <b>17</b> | <b>BORROWINGS</b>   |                         |                         |
|           | <b>Interest bearing borrowings</b>  |                         |                         |
|           | Balance at the beginning of the year  | -                       | -                       |
|           | Convertible loan receipts   | -                       | 416                     |
|           | Derivative liability allocation   | -                       | (47)                    |
|           | Proceeds from borrowings  | 525                     | -                       |
|           | Interest accrued  | 7                       | 67                      |
|           | Foreign exchange  | 12                      | (28)                    |
|           | Loan converted to equity  | (544)                   | (408)                   |
|           | Balance at the end of the year  | <u>-</u>                | <u>-</u>                |

**Loan from director**

As announced on 14 March 2023, a wholly owned subsidiary of the Company entered into a US\$150,000 unsecured loan facility (the "**Loan Facility**") with Edward Nealon (the "**Lender**"), to be utilised to satisfy the Group's ongoing working capital requirements and costs associated with evaluating potential additional new gold projects/opportunities.

The Loan Facility had a 12-month term from the date of drawdown, and bore interest at a rate of 5 per cent. per annum, payable on maturity. The agreement had customary terms and conditions for a facility of this nature, including a condition that the Company and its relevant subsidiary would not pledge or charge any assets to any other creditors without the prior consent of the Lender, such consent not to be unreasonably withheld. In the event of any unremedied default, interest was payable at a rate of 1 per cent. per month.

**Loan from Mr Mark Creasy**

On 12 May 2023, the Company entered into a one-year unsecured loan agreement with Mark Creasy, alongside the acquisition of White Rivers Exploration (Pty) Limited, for a principal amount of £300,000 (approximately US\$375,000) (the "**Mark Creasy Loan Agreement**"). The loan bore interest at a rate of 7.5 per cent. per annum which accrued until its maturity.

As announced on 10 July 2023, the outstanding loans (together with accrued interest thereon) from Edward Nealon and Mark Creasy were settled by way of the issue of new equity on the same terms as the then fundraising in order to conserve the Company's working capital.

**Prior year convertible loans**

As announced on 25 April 2022, the Company entered into unsecured convertible loan agreements with respect to borrowing, in aggregate, £335,000 principal amount (the "**Convertible Loan**"), predominantly with certain long term significant shareholders and Company Directors (together, the "**Lenders**"). The Convertible Loan was unsecured and repayable with accrued interest on 30 April 2023.

Interest accrued at 6 per cent. per annum to maturity and was payable in full in new common shares ("**Shares**") if the Convertible Loan was converted. The interest rate would increase to 10 per cent. per annum in the event of any unremedied default as set out in the underlying agreements.

**LEXINGTON GOLD LTD**

**FINANCIAL STATEMENTS  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**17 BORROWINGS (CONTINUED)**

The conversion price was the lower of: a) 3.2 pence per Share; or b) 0.9 times the price at which the Company issued any Shares for cash prior to the conversion date (a “**Qualifying Financing**”); or c) 0.9 times the price offered by any person and their affiliates (an “**Offeror**”) to buy Shares with the objective of seeking to acquire more than a 30% relevant interest in the Company’s issued Shares (a “**General Offer**”).

The Company subsequently raised, in aggregate, approximately £500,000 (before expenses) through a placing on 17 October 2022. As the placing represented a qualifying financing in respect of the Convertible Loan, conversion of the Convertible Loan was triggered, the Company therefore issued, in aggregate, 11,096,875 new Common Shares to the providers of the Convertible Loan in respect of the automatic conversion of the principal amount of the Convertible Loan (and accrued interest thereon of £20,100) at the previously fixed price of 3.2 pence per Common Share (the “**Loan Settlement Shares**”).

**18 DERIVATIVE LIABILITY**

|   | <u>2023</u><br>US\$'000 | <u>2022</u><br>US\$'000 |
|---|-------------------------|-------------------------|
| <b>Derivative liability from warrants</b>                               |                         |                         |
| Balance at the beginning of the year                                    | -                       | -                       |
| Warrant liability recognised at inception                               | <b>1,095</b>            | -                       |
| Change in fair value of warrants  | <b>(703)</b>            | -                       |
|   | <u><b>392</b></u>       | <u>-</u>                |
| <b>Derivative liability from option to redeem borrowings for shares</b> |                         |                         |
| Balance at the beginning of the year                                    | -                       | -                       |
| Derivative liability allocation   | -                       | 47                      |
| Fair value adjustment allocated to profit and loss                      | -                       | 149                     |
| Loan converted to equity  | -                       | <b>(196)</b>            |
|   | <u>-</u>                | <u>-</u>                |
|   | <u><b>392</b></u>       | <u>-</u>                |
| Balance at the end of the year  | <u><b>392</b></u>       | <u>-</u>                |

Warrants were issued to fundraising participants, Edward Nealon and Mark Creasy, allowing them to subscribe for new Common Shares at an exercise price of 10 pence per share on a one-to-one basis (refer to Note 10). The warrants are accounted for as liabilities as the Company concluded that the warrants failed to meet the fixed for fixed criteria as the exercise price is priced in pence per share and the Company’s functional currency is United States dollars.

The fair value of the warrants was estimated using the Black-Scholes-pricing model. The application of the Black-Scholes option-pricing model requires the use of a number of inputs and significant assumptions including volatility. The following reflects the inputs and assumptions:

|                           | <b>31 December<br/>2023</b> | <b>7 September<br/>2023</b> | <b>8 July<br/>2023</b> |
|---------------------------|-----------------------------|-----------------------------|------------------------|
| Share price               | 4.2 pence                   | 6 pence                     | 5.9 pence              |
| Exercise price            | 10 pence                    | 10 pence                    | 10 pence               |
| Risk-free interest rate   | 3.9 %                       | 3.9 %                       | 3.9 %                  |
| Expected terms (in years) | 2.55 years                  | 2.87 years                  | 3 years                |
| Expected dividend yield   | 0 %                         | 0 %                         | 0 %                    |
| Expected volatility       | 59.9 %                      | 60.7 %                      | 62.1 %                 |

**Prior year derivative liability from option to redeem borrowings for shares**

It was determined that the redemption option (refer to Note 17) upon the occurrence of a redemption event (e.g. a Qualifying Financing, etc.) should be bifurcated and accounted for separately.

The embedded derivative liability represents the combined fair value of the right of borrowers to receive Shares upon conversion. The embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in profit and loss.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

| <b>19</b> | <b>NOTES TO THE STATEMENT OF CASH FLOWS</b>             | <u>2023</u><br><b>US\$'000</b> | <u>2022</u><br>US\$'000 |
|-----------|---|--------------------------------|-------------------------|
|           | <b>19.1 Cash utilised by operations</b>                 |                                |                         |
|           | Loss before income tax                                  | (61)                           | (924)                   |
|           | Adjusted for:   |                                |                         |
|           | ▪ Net finance (income)/cost                             | (6)                            | 67                      |
|           | ▪ Fair value adjustment of derivative liability         | (703)                          | 149                     |
|           | ▪ Share options expense                                 | -                              | 96                      |
|           | ▪ Net foreign exchange difference                       | (2)                            | (29)                    |
|           | Cash from operations before working capital changes     | (772)                          | (641)                   |
|           | Working capital changes:                                |                                |                         |
|           | Trade and other receivables                             | (5)                            | (28)                    |
|           | Trade and other payables                                | 35                             | (15)                    |
|           | Cash utilised by operations before interest and tax     | <u>(742)</u>                   | <u>(684)</u>            |
|           | <b>19.2 Acquisition of subsidiary, net of cash</b>      |                                |                         |
|           | Exploration and evaluation assets                       | (10,256)                       | -                       |
|           | Restricted cash and cash equivalents                    | (43)                           | -                       |
|           | Trade and other payables                                | 376                            | -                       |
|           | Non-controlling interest                                | 1,765                          | -                       |
|           | Issue of Lexington common shares                        | 2,814                          | -                       |
|           | Contingent issuable common shares                       | 5,058                          | -                       |
|           |   | <u>(286)</u>                   | <u>-</u>                |
|           | <b>19.3 Proceeds from issue of shares</b>               |                                |                         |
|           | Share capital and premium at end of year (Note 10 & 11) | 66,546                         | 61,014                  |
|           | Share issue cost  | 163                            | 26                      |
|           | Loans converted to shares*                              | (544)                          | (408)                   |
|           | Acquisition of subsidiary*                              | (2,814)                        | -                       |
|           | Warrants issued*  | 1,095                          | -                       |
|           | Derivative liability realised*                          | -                              | (196)                   |
|           | Share capital and premium at beginning of year          | (61,014)                       | (59,883)                |
|           | Proceeds from issue of shares net off transaction costs | 3,269                          | 553                     |
|           | Share issue cost shown separately                       | 163                            | 26                      |
|           |   | <u>3,432</u>                   | <u>579</u>              |

\* Non-cash financing and investing activities

**20 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**20.1 Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents and bank deposits. Those balances reflect the maximum exposure to credit risk.

The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

# LEXINGTON GOLD LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 20 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 20.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored on a monthly basis. At present, no liquidity risk is foreseen.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

##### Financial liabilities

Financial liabilities are payable as follows:

|                         | <b>Trade<br/>and other<br/>payables<br/>US\$'000</b> |
|-------------------------|--|
| <b>31 December 2023</b> |  |
| Less than one year      | 673  |
| One to five years       | -  |
|                         | <u>673</u>   |
| <b>31 December 2022</b> |  |
| Less than one year      | 95   |
| One to five years       | -  |
|                         | <u>95</u>  |

##### 20.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

##### Interest rate risk

The Group is not exposed to significant interest rate risks as interest bearing borrowings are mainly of a short-term nature.

##### Foreign currency risk

The Group does not hedge foreign exchange fluctuations and therefore is exposed to all foreign currency movements.

In the normal course of business, the Group enters into transactions primarily denominated in US\$. However, the Group has investments and liabilities in a number of different currencies. As a result, the Group is subject to translation exposure from fluctuations in foreign currency exchange rates. The Company's strategy towards managing its foreign currency exposure is through transacting using its functional currency.

##### Sensitivity analysis

A 10 per cent. strengthening of the United States Dollar against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as at 31 December 2022.

|                       | <b>2023<br/>US\$'000</b> | <b>2022<br/>US\$'000</b> |
|-----------------------|--------------------------|--------------------------|
| <b>Profit or loss</b> |                          |                          |
| British Pounds        | (236)                    | (40)                     |
| South African Rand    | 113                      | -                        |
|                       | <u>113</u>               | <u>-</u>                 |

A 10 per cent. weakening of the United States Dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# LEXINGTON GOLD LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 20 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 20.4 Price risk

The Group's exposure to price risk on its financial assets is considered negligible as the Group does not hold any investments in either equity or debt securities.

##### 20.5 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's target is to achieve a return on capital of between 12 and 16 per cent. The Group achieved a negative return on capital of 5% in 2023 (2022: 18%). There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

#### 21 FINANCIAL INSTRUMENTS

##### Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### Trade payables and Trade and Other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For receivables/payables with a remaining useful life of less than one year, the carrying amount is deemed to reflect fair value.

##### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

##### Financial instruments by category

The fair value of financial instruments together with the carrying amounts shown in the statement of financial position are as follows:

|   | Note | Carrying<br>amount<br>US\$'000 | Fair<br>value<br>US\$'000 |
|---|------|--------------------------------|---------------------------|
| <b>2023</b>   |      |                                |                           |
| Restricted cash and cash equivalents                    | 8    | 45                             | 45                        |
| Cash and cash equivalents                               | 9    | 2,617                          | 2,617                     |
| <b>Financial assets measured at amortised cost</b>      |      | <b>2,662</b>                   | <b>2,662</b>              |
| Trade and other payables                                | 16   | 673                            | 673                       |
| Derivative liability                                    | 18   | 392                            | 392                       |
| <b>Financial liabilities measured at amortised cost</b> |      | <b>1,065</b>                   | <b>1,065</b>              |

LEXINGTON GOLD LTD

FINANCIAL STATEMENTS  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 FINANCIAL INSTRUMENTS (CONTINUED)

|   | Note | Carrying<br>amount<br>US\$'000 | Fair<br>value<br>US\$'000 |
|---|------|--------------------------------|---------------------------|
| <b>2022</b>   |      |                                |                           |
| Trade and other receivables (excluding prepayments)     | 7    | -                              | -                         |
| Cash and cash equivalents                               | 9    | 424                            | 424                       |
| <b>Financial assets measured at amortised cost</b>      |      | <u>424</u>                     | <u>424</u>                |
| Trade and other payables                                | 16   | 95                             | 95                        |
| <b>Financial liabilities measured at amortised cost</b> |      | <u>95</u>                      | <u>95</u>                 |

The carrying amount of trade and other payables approximates their fair value.

*Fair value hierarchy*

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is based on the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(in \$'000)

|                              | Level 1 | Level 2 | Level 3 |
|------------------------------|---------|---------|---------|
| <b>2023</b>                  |         |         |         |
| <b>Financial liabilities</b> |         |         |         |
| Derivative liability         | -       | -       | 392     |
| <b>2022</b>                  |         |         |         |
| <b>Financial liabilities</b> |         |         |         |
| Derivative liability         | -       | -       | -       |

There were no transfers between levels for recurring fair value measurements during the year.

*Reconciliation: Level 3 recurring fair value measurements*

|                                      | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| Derivative liability                 |                  |                  |
| Opening balance                      | -                | -                |
| On initial recognition of borrowings | -                | 47               |
| On initial recognition of warrants   | 1,095            | -                |
| Fair value adjustment                | (703)            | 149              |
| Loan converted to equity             | -                | (196)            |
|                                      | <u>392</u>       | <u>-</u>         |

*Sensitivity - Derivative liability*

A reasonably possible change in the volatility rate of +/- 2% would result in:

- An increase in the carrying value of US\$67,553 (+2%)
- A decrease in the carrying value of US\$1,978 (-2%).

## LEXINGTON GOLD LTD

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22 COMMITMENTS AND CONTINGENCIES

### United States projects

Lexington is required to pay conditional deferred consideration, of, in aggregate, AU\$1.5m (being the Tranche 1 Deferred Consideration if the Tranche 1 Performance Milestone detailed below is met) and the sum of, in aggregate, AU\$3.0m (being the Tranche 2 Deferred Consideration if the Tranche 2 Performance Milestone detailed below is met) to the Sellers and Uwharrie Resources Inc. ("URI"), in cash or Common Shares at the Company's sole discretion, subject to the achievement by the Group of the Tranche 1 Performance Milestone and Tranche 2 Performance Milestone or the occurrence of certain Vesting Events within five years of completion of the Company's acquisition of Global Asset Resources Ltd ("GAR").

The Tranche 1 Performance Milestone comprises confirmation by an independent geologist and announcement by the Company of JORC 2012 compliant resources in respect of any one of the GAR Projects (including any Additional Projects) that are not Excluded Projects of at least:

- a) 0.8 million ounces of gold at a grade of more than 1 g/t; or
- b) 0.6 million ounces of gold at a grade of more than 2.5 g/t; or
- c) 0.4 million ounces of gold at a grade of 5 g/t or more.

The Tranche 1 Deferred Consideration, payable within 21 business days of the achievement of the Tranche 1 Performance Milestone or occurrence of certain Vesting Events, comprises AU\$1,299,000, payable in cash or Common Shares at the Relevant Price (in whole or in part) at the Company's sole discretion, to the Sellers; and AU\$201,000, payable in cash or Common Shares at the Relevant Price (in whole or in part) at the Company's sole discretion, to URI.

The Tranche 2 Performance Milestone comprises the commissioning from an independent geologist, completion and announcement by the Company, in accordance with the AIM Rules, of a pre-feasibility study in respect of any one of the GAR Projects (including any Additional Projects) that are not Excluded Projects confirming a pre-tax NPV of more than US\$50m at a discount rate of at least 8 per cent.

The Tranche 2 Deferred Consideration, payable within 21 business days of the achievement of the Tranche 2 Performance Milestone or occurrence of certain Vesting Events, comprises AU\$2,598,000, payable in cash or Common Shares at the Relevant Price (in whole or in part) at the Company's sole discretion, to the Sellers; and AU\$402,000, payable in cash or Common Shares at the Relevant Price (in whole or in part) at the Company's sole discretion, to URI. If the Tranche 1 Deferred Consideration has not previously been paid at the time of achievement of the Tranche 2 Performance Milestone, the Tranche 1 Deferred Consideration will also become payable in cash or Common Shares (at the Company's sole discretion) at such time.

No provision has been made for the payment of the deferred consideration as the Tranche 1 Performance Milestone and Tranche 2 Performance Milestone events have not occurred. The Group's projects are in the exploration phase and therefore it is not certain that an economic assessment of mineral potential or a pre-feasibility study will be completed in the next few years, if at all.

The Joint Venture Implementation Deed between GAR, URI and Carolina Gold Resources also sets out certain Minimum Funding Contributions in respect of each of the GAR Projects to be provided by the Company in each of the four years and throughout the four year period following Admission in order to retain its 51 per cent. interest in the Projects which are summarised below. In the event that the Minimum Funding Contributions are not satisfied by Lexington (on both an annual and overall basis), URI has the option to acquire the Company's 51 per cent. membership interest (via GAR Holdings) in the relevant Project SPV for a nominal sum of AU\$1. Annual commitments have been met to date. The Company similarly has the option to sell its 51 per cent. membership interest in any of the GAR Projects to URI at any time during the four-year period following Admission for AU\$1 should the Board determine that the Company no longer wishes to proceed with one or more of the GAR Projects.

#### Minimum Funding Contributions for the Company to retain its 51 per cent. membership interests in its US Projects

| Project          | AU\$             |                |                |                |                |
|------------------|------------------|----------------|----------------|----------------|----------------|
|                  | Minimum Total    | Minimum Year 1 | Minimum Year 2 | Minimum Year 3 | Minimum Year 4 |
| JKL              | 1,500,000        | 250,000        | 150,000        | 150,000        | 150,000        |
| Carolina Belle   | 1,500,000        | 250,000        | 100,000        | 100,000        | 100,000        |
| Jennings-Pioneer | 1,000,000        | 100,000        | 100,000        | 100,000        | 100,000        |
| Argo             | 1,000,000        | 100,000        | 100,000        | 100,000        | 100,000        |
|                  | <u>5,000,000</u> | <u>700,000</u> | <u>450,000</u> | <u>450,000</u> | <u>450,000</u> |



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**22 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

At the end of the initial four year period following Admission and satisfaction of the Minimum Funding Contributions for a Project, if URI elects not to fund its proportionate share of future costs or fails to make an election then, in accordance with the terms of the Joint Venture Implementation Deed, the Company will potentially be able to increase its interest in each of the Project SPVs to 80 per cent. by meeting certain further funding commitments in years 5 and 6 (on both an annual and overall basis) following Admission (the “**Extended Period**”).

**Extended Period funding contributions from the Company to acquire an additional 29 per cent. membership interest and increase its total interest to 80 per cent. in its US Projects**

| <b>Project</b>   | <b>Minimum<br/>Total</b> | <b>Minimum<br/>Year 5</b> | <b>Minimum<br/>Year 6</b> |
|------------------|--------------------------|---------------------------|---------------------------|
| JKL              | 2,500,000                | 150,000                   | 150,000                   |
| Carolina Belle   | 2,500,000                | 100,000                   | 100,000                   |
| Jennings-Pioneer | 1,500,000                | 100,000                   | 100,000                   |
| Argo             | 1,500,000                | 100,000                   | 100,000                   |
|                  | <b>8,000,000</b>         | <b>450,000</b>            | <b>450,000</b>            |

If the Company does not meet the Extended Period funding contributions in relation to a particular Project, it will retain its 51 per cent. initial interest in such Project SPV.

In the event that the Company increases its interest in any of the Project SPVs to 80 per cent. and URI elects not to fund its proportionate share of future costs in respect of its then 20 per cent. residual interest in the GAR Project concerned or fails to make an election, the Company is able to increase its interest in the relevant Project to 100 per cent. by agreeing to pay for the relevant Project a Net Smelter Royalty to URI of 0.5 per cent. for future production up to 50,000 oz gold equivalent, 2.0 per cent. for future production from 50,000 to 400,000 oz gold equivalent and 1.0 per cent. for future production in excess of 400,000 oz gold equivalent.

There are no contingencies for the year ended 31 December 2023 (2022: Nil).

**23 RELATED PARTIES**

*Identity of related parties*

The Group has a related party relationship with key management personnel.

*Related party transactions*

Current directors of the holding company and their close family members as at the date of this report control 4.72% (2022: 4.25%) of the voting shares of Lexington Gold.

|   | <u>2023</u><br><b>US\$'000</b> | <u>2022</u><br>US\$'000 |
|---|--------------------------------|-------------------------|
| <b>Short-term benefits</b>                  |                                |                         |
| <b>Directors' emoluments for the year</b>   |                                |                         |
| <b>Services as directors of the Company</b> |                                |                         |
| <b>Directors' fees</b>                      |                                |                         |
| Salary                                      | <u>90</u>                      | <u>90</u>               |
| <b>Executive fees</b>                       |                                |                         |
| Salary                                      | <u>119</u>                     | <u>105</u>              |
| Share options                               | <u>-</u>                       | <u>59</u>               |

**Loan from director**

As announced on 14 March 2023, a wholly owned subsidiary of the Company entered into a US\$150,000 unsecured loan facility with Edward Nealon, to be utilised to satisfy the Group's ongoing working capital requirements.

## LEXINGTON GOLD LTD

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 23 RELATED PARTIES (CONTINUED)

##### Loan from director (continued)

As announced on 10 July 2023, the outstanding loan (together with accrued interest thereon) from Edward Nealon to the Company was settled in new equity on the same terms as the simultaneous fundraising in order to conserve the Company's cash reserves by way of the issue of 2,001,024 new common shares and 2,001,024 warrants with the same terms as the Fundraising Warrants. In addition, the Share Subscriptions included a subscription of £100,000 by Edward Nealon for 1,666,667 Fundraising Shares and 1,666,667 associated Fundraising Warrants.

##### Loan from shareholder

On 12 May 2023, the Company entered into a one-year unsecured loan agreement with Mark Creasy for a principal amount of £0.3m.

As announced on 10 July 2023, the outstanding loan (together with accrued interest thereon) from Mark Creasy was settled in new equity on the same terms as the simultaneous fundraising in order to conserve the Company's cash reserves by way of the issue of 5,057,615 new common shares and 5,057,615 warrants with the same terms as the Fundraising Warrants.

As announced on 7 September 2023, Mark Creasy was issued 27,142,784 new common shares pursuant to the WRE Acquisition and Loan Agreements. In addition, Mark Creasy invested an amount of £100,000 by way of a subscription for 1,666,666 new common shares and 1,666,666 associated Fundraising Warrants on the same commercial terms as the Company's approximate £2.5 million equity fundraising announced on 10 July 2023.

##### Share options

On 4 December 2020, the Company granted, in aggregate, 19,610,910 options over new common shares to its directors and senior managers exercisable at a price of 2.75 pence per share (the "Options") (refer to Note 12).

The Options vested in three equal tranches being: (i) one third on their date of issue; (ii) one third on 25 November 2021; and (iii) one third on 25 November 2022, and are exercisable for a period of 10 years from their date of grant. Details of the Options granted to directors are set out in the table below:

| Directors        | Number of Options<br>granted and resultant<br>holding of Options |
|------------------|--|
| Edward Nealon    | 2,614,788  |
| Bernard Olivier  | 4,140,081  |
| Melissa Sturgess | 2,614,788  |
| Rhoderick Grivas | 2,614,788  |
| <b>Total:</b>    | <b>11,984,445</b>  |

##### Remuneration of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The remuneration of key management personnel recognised in profit or loss including salaries and other current employee benefits amounted to US\$208,750 (2022: US\$253,949). No terminal or other long-term benefits were paid to key management personnel during the year (2022: Nil).

**LEXINGTON GOLD LTD**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**23 RELATED PARTIES (CONTINUED)**

**Group entities**

| Significant subsidiaries                  | Country of incorporation | Products/Services    | Net amounts owing by subsidiaries |                  | Functional currency | Share holding 2023 | Share holding 2022 |
|---|--------------------------|----------------------|-----------------------------------|------------------|---------------------|--------------------|--------------------|
|   |                          |                      | 2023<br>US\$'000                  | 2022<br>US\$'000 |                     |                    |                    |
| Global Asset Resources Pty Ltd            | Australia                | Holding company      | (94)                              | (92)             | AUD                 | 100%               | 100%               |
| Global Asset Resources Holdings, Inc      | United States            | Exploration company  | (4)                               | (4)              | US\$                | 100%               | 100%               |
| Project Carolina Belle, LLC               | United States            | Exploration company  | (1,091)                           | (1,010)          | US\$                | 51%                | 51%                |
| Project Jennings-Pioneer, LLC             | United States            | Exploration company  | (276)                             | (159)            | US\$                | 51%                | 51%                |
| Project Argo, LLC                         | United States            | Exploration company  | (205)                             | (112)            | US\$                | 51%                | 51%                |
| Project JKL, LLC                          | United States            | Exploration company  | (1,158)                           | (993)            | US\$                | 51%                | 51%                |
| Lexington Gold SA Limited                 | Hong Kong                | Holding company      | 6                                 | -                | US\$                | 100%               | 100%               |
| Lexington Gold South Africa (Pty) Ltd     | South Africa             | Holding company      | (140)                             | (6)              | ZAR                 | 100%               | 100%               |
| Rohstein Class A (Pty) Ltd                | South Africa             | A Class shareholding | -                                 | -                | ZAR                 | 100%               | 100%               |
| White Rivers Exploration (Pty) Ltd        | South Africa             | Exploration company  | (8,519)                           | -                | ZAR                 | 74%                | -                  |
| Reef Exploration (Pty) Ltd                | South Africa             | Exploration company  | (15)                              | -                | ZAR                 | 74%                | -                  |
| Western Allen Ridge Gold Mines (Pty) Ltd* | South Africa             | Exploration company  | (9)                               | -                | ZAR                 | 74%                | -                  |
| Jelani Resources (Pty) Ltd*               | South Africa             | Exploration company  | (1,186)                           | -                | ZAR                 | 48%                | -                  |

\* - Indirectly held via White Rivers Exploration (Pty) Ltd ("WRE").

The assessment of control over a subsidiary requires significant judgement and consideration of various factors. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All transfers of funds between South African entities and non-South African entities are subject to South Africa's exchange control rules and regulations.

**24 SUBSEQUENT EVENTS**

As announced on 13 May 2024, the prospecting right owned by Jelani Resources Proprietary Limited ("Jelani Resources") (the "Jelani Resources Prospecting Right") was formally renewed until 29 May 2026.

## LEXINGTON GOLD LTD

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24 SUBSEQUENT EVENTS (CONTINUED)

The renewal of the Jelani Resources Prospecting Right was a milestone for the issue of, in aggregate, 25,806,451 deferred consideration shares in respect of the Company's acquisition of WRE such that the following new common shares were issued:

- 19,387,703 shares to Mark Creasy or his nominee; and
- 6,418,748 shares to Sunswell Holdings Pty Limited ("**Sunswell**") or its nominees

Further to the issue of the Initial Deferred Consideration Shares:

- Mr Creasy and his nominees, in aggregate, are now interested in 53,254,768 common shares representing approximately 13.35 per cent. of the Company's enlarged issued share capital; and
- Freefire Technology Ltd, one of Sunswell's nominees now owns 15,250,947 common shares representing approximately 3.82 per cent. of the Company's enlarged issued share capital.

Other than the above, no significant events have occurred subsequent to the reporting date that would have a material impact on the consolidated financial statements.

#### 25 ULTIMATE HOLDING COMPANY

The Company is widely owned by the public and is quoted on AIM, a market operated by London Stock Exchange plc.

#### 26 ACQUISITION OF SUBSIDIARY

On 7 September 2023, the Company announced the completion of its acquisition of White Rivers Exploration Proprietary Limited ("**WRE**") an exploration and development company with significant gold assets in South Africa for an initial consideration comprising 36,129,032 fully paid new common shares (the "**Initial Consideration Shares**") in Lexington.

The Initial Consideration Shares were issued at a price of 6.20 pence per new common shares (the "**Issue Price**") based on the 30-day VWAP to 5 September 2023.

Since the acquisition date, WRE has contributed nil to group revenues and a loss of US\$39,000 to group loss. If the acquisition had occurred on 1 January 2023, group revenue would have been nil and group loss for the period would have been US\$355,000.

The acquisition-date values of the assets acquired and liabilities assumed and the consideration transferred were as follows:

|   | <b>Acquisition<br/>US\$'000</b> |
|---|---------------------------------|
| Exploration and evaluation assets               | 10,256                          |
| Restricted cash and cash equivalents            | (43)                            |
| Cash and cash equivalents                       | (149)                           |
| Trade and other payables                        | (376)                           |
| Non-controlling interest at proportionate share | <u>(1,765)</u>                  |
| Net assets and liabilities acquired             | <u>7,923</u>                    |
| Consideration                                   |                                 |
| - Issue of Lexington common shares              | (2,814)                         |
| - Contingent issuable common shares             | (5,058)                         |
| - Acquisition cost                              | <u>(51)</u>                     |
| Total consideration                             | <u>(7,923)</u>                  |

**LEXINGTON GOLD LTD**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**26 ACQUISITION OF SUBSIDIARY (CONTINUED)**

The contingent issuable new Common Shares, will fall due to be issued at the Issue Price upon the achievement of the following milestones:

| <b>Lexington Gold Equity</b> |                                     |  |
|------------------------------|-------------------------------------|--|
| <b>%</b>                     | <b>No. of<br/>common<br/>shares</b> | <b>Milestone event</b>   |
| 45%                          | 46,451,613*                         | Later of 30 November 2023 and the date of renewal of four of the Prospecting Rights split, 25%, 10%, 8% and 2% respectively between the four Prospecting Rights concerned. |
| 20%                          | 20,645,161                          | Receipt of Ministerial Consent.  |

Note:

\* - 25,806,451 of these shares (25%) were issued on 13 May 2024 pursuant to the renewal of the Jelani Resources Prospecting Right.

The fair value of the contingent consideration has been based on the acquisition date share price (6.20 pence per share) and is deemed highly likely to be issued. The potential obligation to issue shares is classified as an equity instrument and recognised in the "shares to be issued" reserve.

As part of the WRE acquisition agreement, Mr Creasy or his nominee(s), by way of certain additional deferred consideration, will also be granted an option over 110 million new common shares in Lexington Gold upon the later of 12 months from the date of his assignment agreement (being 12 May 2023) and a value accretive milestone being achieved, namely the establishment of at least 1 million ounces of JORC/SAMREC-compliant gold resource in respect of any of WRE's existing projects excluding Jelani Resources. If granted, such options will be exercisable in full or in part for a period of 12 months following the date of the announcement of the milestone having been achieved at an exercise price of 7.5 pence per share. No provision has been made for the potential payment of the additional deferred consideration as WRE's projects are in the exploration phase and therefore it is not certain that 1 million ounces of JORC/SAMREC-compliant gold resource will be achieved, or at all.

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 in respect of any future production from the existing project areas.