THE NEXT LEADING EMERGING MARKETS GOLD COMPANY

Chaarat Gold Holdings Limited
Annual Report & Financial Statements 2020

Contents

Our Highlights

Kapan Production

58.2koz AuEq

2020 production at our Kapan mine exceeding guidance by 6%

Kapan Resource

2,961koz AuEq

Kapan underground resource at 5.89g/t with the potential to extend mine life substantially

Group EBITDA

US$9.3m

Achieved the first positive EBITDA in the history of the Company

Kapan Revenue

US$76.0m

Up 12% from US$68.1m in 2019

Tulkubash Resource

944koz

Tulkubash constrained resource at 1.21g/t within 5.5km of a strike zone

Kapan EBITDA

US$19.4m

A significant increase over 2019

Kyzyltash Resource

5,377koz

Kyzyltash underground resource at 3.75g/t within 4km of a 15km trend

ESG – Integral part of day-to-day operations

We continue to improve environmental and social standards at the Kapan mining operation and implemented the latest international standards on the Tulkubash construction project. COVID-19 had highest priority in 2020

Organic and external growth pipeline

Anticipated organic growth in the Kyrgyz Republic to increase AuEq production 10x by 2026 with additional potential from external growth through our M&A strategy

Strong shareholder support

Existing and new shareholders continued to support the Company through the US$13.8m equity raise despite being in the midst of the COVID-19 outbreak

Operational Overview

Armenia
Kapan

Overview
Chaarat Kapan was acquired in early 2019 and is a producing underground polymetallic mine with a production of 58koz AuEq p.a. including copper, zinc and silver.

Read more: COO's Review on p.14 to 17.

Kyrgyz Republic
Tulkubash

Overview
The Tulkubash oxide heap leach represents the first phase of development for the Chaarat project via a simple, low-cost processing method.

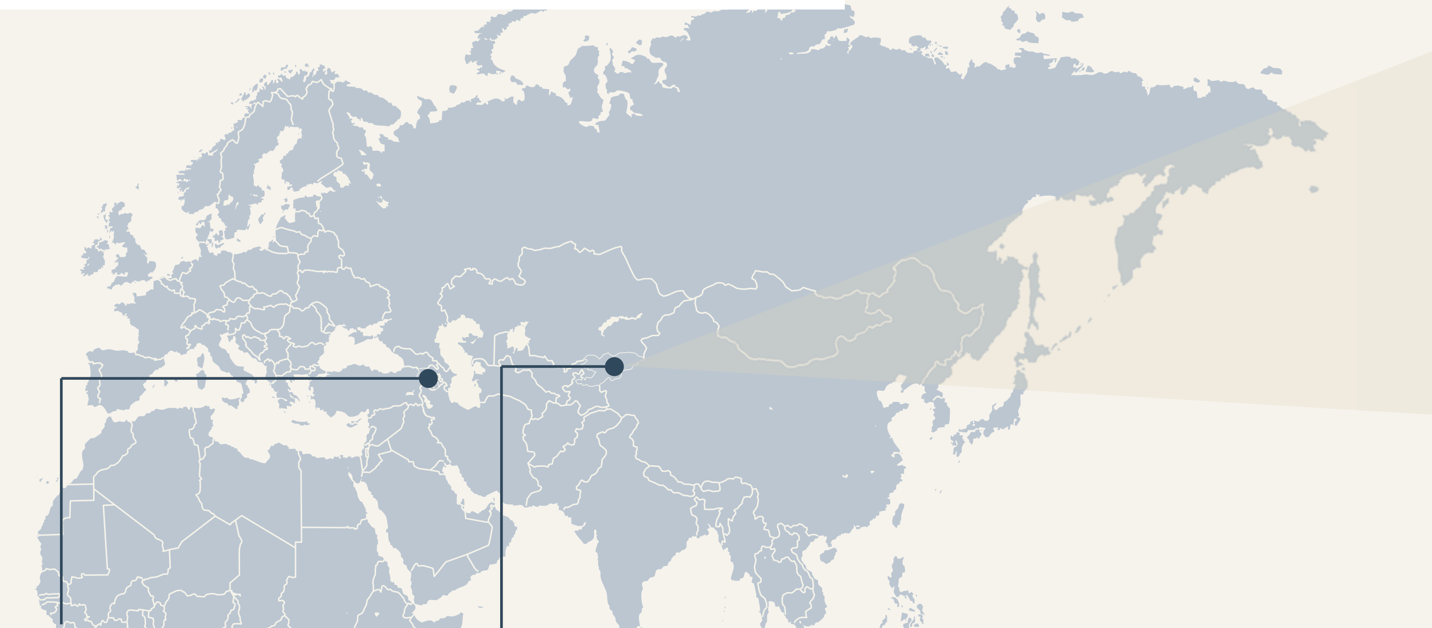
Read more: COO's Review on p.18 to 21.

Kyrgyz Republic
Kyzyltash

Overview
The large, higher grade Kyzyltash sulphide ore body will form the second phase of development at the Chaarat project.

Read more: COO's Review on p.22 and 23.

CHAARAT'S ASSETS ARE LOCATED IN WELL-ESTABLISHED MINING JURISDICTIONS WITH KAPAN IN ARMENIA AND TULKUBASH AND KYZYLTASH IN THE TIEN SHAN GOLD BELT IN THE KYRGYZ REPUBLIC



Armenia
Kapan

Overview
The Kapan operation produces Copper and Zinc concentrate in a conventional flotation process with Gold contributing approximately 65% of revenues.

Read more: COO's Review on p.14 to 17.

Kyrgyz Republic
Tulkubash & Kyzyltash

Overview
Our Kyrgyz operations have a combined resource of c. 6.32 Moz including a stage 1 open pit able oxide deposit and a stage 2 sulphide underground deposit. The oxide open pit is expected to start production in Q4 2022.

Read more: COO's Review on p.18 to 23.

Kapan

58.2koz AuEq

2020 Production at our Kapan mine exceeding guidance by 6%

Kapan resources as at 1 August 2019 (see note on page 16 regarding subsequent depletion)

Reduce to tonnes – AuEq grade – AuEq koz	Tonnes (Mt)	Au (g/t)	Metal (koz)
Measured	0.76	8.21	200
Indicated	8.04	5.67	1,463
Measured and Indicated	**8.80**	**5.89**	**1,663**
Inferred	7.64	5.29	1,298
Total	**16.44**	**11.18**	**2,961**

Tulkubash

944koz

Tulkubash constrained resource at 1.21g/t within 5.5km of a strike zone

Tulkubash resources as at 31 December 2018

Tulkubash open pit heap leach cut-off grade ("COG") 0.3g/t Au	Tonnes (mt)	Au (g/t)	Metal (koz)
Measured	5.27	1.28	216
Indicated	18.08	1.21	702
Measured and Indicated	**23.35**	**1.22**	**918**
Inferred	9.10	0.90	26
Total	**24.26**	**1.21**	**944**

Kyzyltash

5,377koz

Kyzyltash sulphide resource at 3.75 g/t within 4km of a 15km trend

Kyzyltash resources as at 19 October 2014

Resource statement JORC 2014 (cut-off grade 2g/t)	Tonnes (Mt)	Au (g/t)	Metal (Moz)
Measured	6.72	3.26	0.7
Indicated	32.70	3.79	3.9
Measured and Indicated	**39.52**	**3.70**	**4.6**
Inferred	6.61	4.05	0.8
Total	**46.12**	**3.75**	**5.4**

BUILDING A LEADING EMERGING MARKETS GOLD COMPANY

2020 was a challenging year for Chaarat due to external headwinds but we have demonstrated that we are a resilient business.

Dear shareholder
I am pleased to present the annual report of Chaarat Gold Holdings Limited for the financial year ended 31 December 2020.

Overview
The past 12 months have been unlike any other period in the Company's history as the COVID-19 pandemic has disrupted the world and impeded the normal course of business activity.

This year we have demonstrated that we are a resilient business. I am pleased to be able to announce that the team at our Kapan mine exceeded our 55koz AuEq production guidance despite the dual impact of the pandemic and the hostilities in the neighbouring Nagorno-Karabakh region during the final quarter of the year.

The COVID-19 pandemic impacted the ability of potential funders to conduct due diligence on our assets and it was unfortunate that we had to postpone the date for first gold pour from Tulkubash due to material and personnel movement restrictions. However, we have made progress on the early construction, engineering and updates of our studies. I am hopeful that we will secure project finance during the first half of 2021.

Our people
First and foremost, on behalf of the Board, I would like to extend my sincere thanks to all our employees, in particular those at our Kapan mine. The team at Kapan met each new challenge it faced with agility and dedication to ensure that the mine remained operational. The hard work that they put in every day made the difference.
Our employees at Kapan continued to work throughout the COVID-19 crisis, highlighting their commitment, dedication, and loyalty. It was their outstanding resilience and hard work that enabled us to exceed our production guidance.

2020 progress
Despite the disruption caused by the COVID-19 pandemic, we have made progress during the year in relation to each of the pillars of our strategy and details of that progress are included in the Strategic Report on pages 11 to 13.

Health and safety
The health and safety of our employees and host communities remains one of our key values. Our lost time injury frequency rate at Kapan for the year was 0.37 per one million hours worked (2019: 0.39). Over 850,000 hours at Tulkubash were worked in 2020 with no lost time injuries. Further details of how we create and maintain a safe workplace can be found in our ESG report on page 25.

Last month we reported the loss of life of an employee of our mining contracting company on 4 March 2021. Learnings from this tragic event will be used to further develop and improve the safety culture and performance not only at Kapan but throughout all areas of the Company.

During the year we implemented measures to minimise the risk of our employees contracting COVID-19 as a result of their work activities. Additionally, we supported hospitals and communities local to our operations to help contain the virus and to assist with medical treatment. Further details of the initiatives we put in place can be found in our ESG report on page 25.

Sustainability
As a responsible business we are committed to treating people well, managing environmental issues and working with integrity. In keeping with our ESG guidance principles, our main areas of focus in our host communities continue to be health, education, and sustainable development opportunities. Further details can be found in our ESG report on page 24.

Corporate governance
My Board colleagues and I are firmly of the view that strong and functioning corporate governance and risk management are essential to the success of the Company. Chaarat has adopted the Quoted Companies Alliance Corporate Governance Code.
The role of the Board remains that of setting strategy, ensuring the right resources are in place to deliver it, promoting long-term success, generating value, and contributing to wider society. I report separately on the Group's approach to governance and the improvements that we have made during the year in my corporate governance statement which can be found on page 38.

Investors
In April 2020 we raised US$13.8 million via a share placement, welcoming new individual and institutional investors to the shareholder register. I was pleased to see that existing shareholders, the Company's directors, and senior management participated and showed strong belief in our story. I would like to take this opportunity to thank our loyal shareholders for their patience over the course of the year.

2021 and beyond
I was delighted with the response to our financing in February 2021, which raised US$30.0 million of new cash and reduced our indebtedness by US$22.2 million. Now that we have raised the equity portion of the funds required for our Tulkubash project, we will focus our efforts on raising the debt finance element of the project. I would like to thank our existing and new investors for their support in our recent fundraise.

Against the backdrop of a challenging and uncertain world, in the coming year our priorities will be to secure project finance for Tulkubash to take advantage of the full 2021 construction season, to progress Kyzyltash by conducting metallurgical testing to enable Chaarat to choose the appropriate technology for project development.

Chaarat owns quality assets, and I am confident that these will yield excellent returns for our shareholders in the future.

Martin Andersson
Chairman

7 April 2021

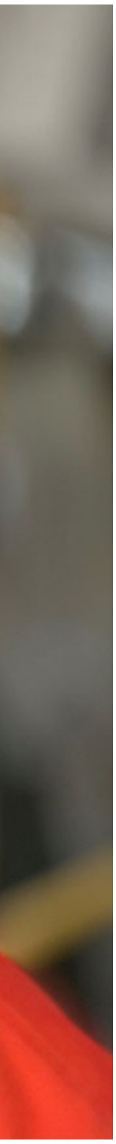
STRATEGIC REPORT

WE CONTINUE TO MAKE PROGRESS

We have continued to make progress towards achieving our goal of becoming a leading emerging markets gold company with a focus on the Former Soviet Union and which delivers value to all our stakeholders.

Overview
2020 was a challenging year in many respects. In addition to the pandemic, we had to operate during an active military conflict in one country and political unrest in the other. However, we are pleased to report that Chaarat emerged as a much stronger company, outperforming on our operational and financial targets at Kapan in Armenia and continuing development of our prospective cluster in the Kyrgyz Republic. These achievements were made possible through proactive engagement with our host communities in both countries, strong Chaarat culture, lean set up and seamless integration between the teams in various countries.

Our team
I would like to reiterate the comments made by our Chairman in relation to our outstanding employees, whose hard work, dedication, and mutual support have contributed to our performance during the year by exceeding our production guidance of 55koz by 6%. I am proud of how our team has responded to the extreme circumstances of the past year.



Our impact

Health and safety – The health and safety of our employees and communities has been our main priority during the COVID-19 pandemic and we continue to monitor the situation daily in all our countries of operation. We have restricted travel by our employees, and limited visitors to our facilities. Our employees continue to work from home where possible and additional measures are in place to protect those still working at our operating sites. The team's proactive precautionary measures reduced the impact of COVID-19 to the minimum possible and continue during the current second wave of the pandemic. Further details of the measures taken can be found in our ESG report on page 25. In the wake of the tragic fatal incident at our Kapan mine last month, we have been focused on reinforcing Chaarat's standards regarding attitudes and behaviours across the entire workforce, including employees of our contractors.

Environment – During the year COVID-19 did not get in the way of us continuing proactively to manage and improve environmental aspects at our operations. Further details of measures taken can be found in our ESG report on page 27.

Community – We have strengthened community relations in our two countries of operation with our continued support during the COVID-19 pandemic and, in the final quarter of the year, with support in Kapan during the hostilities in the neighbouring Nagorno-Karabakh region, and in the Kyrgyz Republic during the political unrest. Further details of our community initiatives can be found in our ESG report on page 25.

Our strategy

On page 11, I outline the progress we have made during the year towards achieving our vision of building a leading emerging markets gold company with a focus on the former Soviet Union and which delivers value to all our stakeholders by adhering to the highest ESG standards. Whilst the COVID-19 pandemic has meant that we have not made as much progress as we would have liked, I am confident that, once that is behind us, we will be able to make significantly more progress.

Our performance

Kapan – We ended the year achieving production of 58.2koz AuEq, exceeding our production guidance by 6% and with revenues of US$76.0 million (2019: US$68.1 million) due to operational improvements, supported by strong commodity prices. Accordingly, EBITDA contribution from Kapan increased significantly to US$19.4 million in 2020 compared with US$8.6 million in 2019.

Tulkubash – Good progress has been made on the permitting and design/engineering fronts and the project is now fully permitted to produce. We are in the process of undertaking a full update of the 2019 bankable feasibility study ("BFS"). Pending the results of the updated BFS and completion of the debt financing, we continue to target the start of production in Q4 2022.

Kyzyltash – We completed a preliminary metallurgical assessment in April and we have defined a metallurgical test programme for 2021 to identify the optimal processing method.

Further details of the performance of all our assets can be found on pages 14 to 23 of our operational review.

Funding and liquidity

In April, during the first wave of the COVID-19 pandemic, we raised US$13.8 million via an equity placement, US$6.3 million of which was used to reduce borrowings and interest accrued under our working capital facility to zero. We also extended the maturity of US$22.0 million of the Group's indebtedness; this was subsequently converted into equity in early 2021. We also repaid a further US$8.0 million of our Kapan loan in accordance with its planned repayment schedule. Additionally, during the year, we undertook an efficiency review and were successful in reducing our overheads.

Further details can be found in our financial review on page 34 of this report.

Commodity prices

Given the polymetallic nature of our Kapan mining operation we are affected not only by gold prices but also by movements in copper, zinc, and silver. Copper and zinc prices were strong in H2 2020 and have remained so into 2021. While the COVID-19 pandemic caused a significantly lower than expected base and precious metals environment in the first half of 2020, the recovery seen in the second half of 2020 has been stronger than expected resulting in a marginally better price environment for our Kapan operation compared to our forecast.

Since year end

In February of 2021 we were delighted with the results of our US$52.2 million financing, comprising an equity raise and loan conversion which has further strengthened our institutional, high net worth, and retail investor base and significantly reduced our gearing.

Our focus for 2021

Details of our key areas of focus for 2021 are set out on page 11 of our strategic report. These include the raising of project finance for Tulkubash and refinancing of the convertible loan notes. Chaarat has good quality assets with a highly skilled workforce. I have every confidence in the actions that we are taking to progress our strategy to realise our full potential in the current gold price environment.

Artem Volynets
Chief Executive Officer

7 April 2021

OUR VISION IS TO BUILD A LEADING EMERGING MARKETS GOLD COMPANY WITH A FOCUS ON THE FORMER SOVIET UNION REGION, WHICH DELIVERS VALUE TO ALL OUR STAKEHOLDERS BY ADHERING TO THE HIGHEST ESG STANDARDS.

Our strategy for achieving this vision is based on the following key pillars:

ESG

We will work responsibly to:
- provide a safe work environment built on the highest standards of safety management
- operate to the highest standards of environmental stewardship
- enhance the infrastructure, education, and healthcare in our host communities and to improve the living standards and opportunities for those communities

Organic growth

We will maximise our production via:
- operational improvements, mine life extension, and brownfield development at our Kapan mine in Armenia
- staged development of the assets at our Kyrgyz Republic operations (Tulkubash and Kyzyltash)

Non-organic growth

We will selectively identify value-accretive opportunities in our target region which will deliver value to shareholders in both the short term and through longer-term exploration and development potential

People

We will attract, retain, and develop a skilled and diverse workforce across all levels of our organisation with a focus on developing local talent in our host communities and creating an environment in which those employees can thrive and learn

Finance

We will identify opportunities to secure funding and reduce the cost of capital with the main objective of maximising value for shareholders with appropriate consideration to levels of shareholder dilution

Strategy Progress and Priorities for 2021

ESG	2020 progress	2021 priorities	Measures	Risks
Safety Read more: p.25	Implementation of a revised comprehensive health and safety policy, a vehicle safety policy, unified health and safety protocols, and integrated reporting Development and implementation of COVID-19 emergency response plan	A review by the Board's HSEC Committee of the HSEC plans and procedures for Kapan Improved reporting to include leading as well as lagging indicators	Total recordable injury frequency rate (TRIFR)	Operations expose employees to a variety of health and safety risks
Environmental Read more: p.27	Buttressing of the tailings storage facility (TSF) and raise of the north wall of the TSF completed Review of avalanche controls Acid rock drainage (ARD) – acid-base accounting (ABA) testing carried out to assist in the development of mitigation measures Installation of low energy lightbulbs throughout Kapan Near completion of the environmental and social impact assessment (ESIA) for Tulkubash	Development and implementation of a groupwide environmental policy Tailings management improvement measures with a view to demonstrating a pathway to compliance with new global industry standard on tailings management Review of how to incorporate solar power at Tulkubash, and consideration of green water purification technology	Number of incidents	Pollution from operations Climate change
Community Read more: p.24	New kindergarten at Kapan COVID-19 community support initiatives		Number of issues raised	Opposition from local communities

Strategy Progress and Priorities for 2021
continued

Organic growth	2020 progress	2021 priorities	Measures	Risks
Kapan Read more: p.14	Identified potential solutions to grade issues Concluded contracts for treatment of third-party ore Work started on further developing the exploration of the area adjacent to the existing mine (East Flank)	Continued actions to improve grade and reduce dilution Optimise capacity at the mill Treat more third-party ore Commence East Flank development	Grade Production AISC Revenue Mine tonnes Recoveries Fleet availability EBITDA contribution	Production risk: Inability to achieve volumes, grades, or recoveries assumed in life of mine plan Exploration risk: Inability to find mineral resources and to replenish reserves
Tulkubash Read more: p.18	Advancement of construction, permitting, and design and completed detailed pre-construction engineering Progress in updating the 2019 bankable feasibility study to confirm the existing resource and exploration potential, cost estimates, and sound economics of the project Completed a 2,000-metre confirmatory drilling programme and identified continuation of the mineralisation outside the pit boundaries and at depth	Finalisation of engineering work Continued advancement of construction: commencement of construction of major structures and purchase of long lead line items Completion of DFS level study of the project Update Mineral Resource and Ore Reserves estimates Further drilling programme to extend mine life Finalise joint venture arrangements with Çiftay, our construction partner in the Kyrgyz Republic	Mineral Resources Ore Reserves	Delays to construction schedule Cost overruns Inability to raise project finance Further drilling programme to extend mine life
Kyzyltash Read more: p.22	Completion of metallurgical assessment	Drill a representative sample and test for optimal processing route Metallurgical drilling campaign Assessment of optimal processing route	Metallurgical testing Analysis of processing alternatives	Metallurgical risk

Non-organic	2020 progress	2021 priorities	Measures	Risks
M&A	Identified, evaluated, and progressed various opportunities	Continue to identify and evaluate value enhancing acquisition opportunities and, if appropriate, execute one or more		Target selection risk Transaction execution risk Post-acquisition performance risk
People Read more: p.25	Safe and attractive work environment for all employees	Continued focus on cultural change including empowerment of employees to take decisions locally where appropriate. Continued efforts to secure best in class people, deliver excellent training programmes, and act proactively in relation to changing environment	% of locals employed Number of training hours delivered	Failure to retain key employees or recruit new employees
Finance Read more: p.34	Raised US$13.8 million via an equity placement Continued to reduce Kapan loan with a further US$8.0 million repaid in accordance with planned schedule Extended the maturity of US$22.0 million of the Group's indebtedness to 31 December 2024 Strengthened institutional, high net worth and retail investor base	Secure project finance for Tulkubash Raise equity – US$30 million of new cash was raised in February 2021 and US$22.2 million of debt was converted into equity Repay or refinance 2021 convertible loan notes	Cost of finance Interest cover Leverage ratio Return on equity Shareholder dilution Capital expenditure	Commodity price risk Liquidity risk Political, legal, and regulatory risk Inability to raise project finance

KAPAN

CONSOLIDATING OUR POSITION AS AN EFFICIENT OPERATOR


Kapan is an underground narrow vein polymetallic mine, producing copper and zinc concentrates containing high levels of gold and silver. The mine has a capacity of approximately 700kt pa. The milling and flotation circuits have a capacity of approximately 800-1,000 kt pa.

Chaarat acquired the Kapan Mining and Processing Company CJSC ("Kapan") in early 2019 and 2020 was the Company's first full year as operator.

2020 Kapan highlights

- Lost time injury frequency rate ("LTIFR") of 0.37 (per one million hours worked) versus 0.39 in 2019 (-5.1%). Lost Time Injuries ("LTI") remain too high and further improvement of the safety performance at Kapan remains a continuous focus for the organisation.
- An improved standalone EBITDA contribution of US$19.4 million for Kapan (2019: US$8.6 million, 11-month period).
- 2020 production of 58.2koz AuEq exceeding guidance by 6%, despite the ongoing COVID-19 situation and border hostilities in H2 of 2020.
- Exceeded target of processing 50 thousand tonnes ("kt") of third-party ore by 17.8 kt (+36%) in 2020.
- All-in-sustaining cost ("AISC") of US$ 1,034/oz in line with 2019 of US$ 1,040/oz.
- Limited impact from the COVID-19 pandemic and regional conflict.

Production comments

- Total tonnes mined were 684,156 in line with 2019 (678,382t (+0.8%)). This is despite operational restrictions experienced during Q4 as a result of the imposition of martial law in the country and a significant number of employees called up for military duty.
- Mine head grade was up 3% to 3.03g/t oz versus 2.93/t oz (+3%) in 2019. Significant work was carried out during the year to reduce mine dilution. This included a return to hand-held drilling in some areas not suitable for mechanised mining due to the narrowness of the veins.
- Mill throughput was consistent at 744,705t compared to 742,402t (+0.3%) in 2019. Throughput included 67,838t of third-party ore vs 8,543t (+794%) in 2019. Third-party ore replaced stockpiled ore which was available for treatment and helped mill throughput exceed mine production in 2019.
- Chaarat signed two new contracts with third-party ore producers in Q2 2020 and received continuous feed from June 2020. Supply is expected to remain strong for 2021.
- Mill feed grade for Kapan ore was 3.03g/t vs 2.92g/t (+ 3.8%) in 2019. All ore mined was treated in 2020 providing a consistent mill and head grade.
- Kapan metallurgical recoveries dropped in 2020 to 79.9% compared with 81.4% in 2019 (-1.8%). The areas mined in 2020 had higher proportions of oxidation and pyrite which adversely impact recoveries. Mineralogical work is being conducted to identify opportunities to improve recoveries when treating these ore types. The recovery drop was mitigated by the improvements to grind size control due to the start-up of two new cyclone clusters which were installed in early Q2.
- Underground development was 21,985 metres, slightly lower than the 23,136 metres in 2019 (-5%). The lower development is a direct impact of the reduced workforce during the conflict. This will result in slightly lower production levels in Q1 2021 while additional work is carried out to catch up on access development.

2020 full year production consists of:

Kapan	2020	2019	% Change
Production (oz AuEq)	**58,178**	60,252	(3)
All-in sustaining cost (US$/oz)[1]	**1,034**	1,040	(0.6)
Sales (oz AuEq)	**48,387**	55,255	(12)
Gold production (oz)	**30,837**	32,791	(6)
Silver production (oz)	**587,718**	557,001	6
Copper production (t)	**2,154**	1,719	25
Zinc production (t)	**7,625**	6,476	18
Realised gold price (US$/oz)	**1,773**	1,413	25
Realised silver price (US$/oz)	**20.4**	16.4	24
Realised copper price (US$/t)	**6,117**	6,008	2
Realised zinc price (US$/t)	**2,222**	2,444	(9)

* Full year production costs given for comparative purposes. The Group consolidated results include 11 months of Kapan operations.

2019 Ore Resources and Reserves

The last full review of resource and reserve was carried out in late 2019. There was no update performed in 2020 and the next full update will be conducted during 2021. Exploration drilling continued during 2020 at the same pace as previous years. Historically conversion of inferred to measured and indicated, and resource to reserve has been in line with depletion. The same is anticipated to have been the case in 2020.

Depletion since the last Reserve update is 114.5koz AuEq* based on the same metal prices used for the Resource estimate. As depletion is calculated using the Resource model, the depletion number will differ from stated production figures due to differences in actual areas mined versus the model.

* Depletion calculated August 2019 to February 2021 inclusive using the 2019 Resource model

Exploration and potential at Kapan

Within the existing exploration licence (covering 90.7km2) there are several mineralised exploration target areas that are in close proximity to the mine. One of these targets is known as East Flank. A full review of the historic drilling database of 62 drill holes comprising 22 km of drilling was carried out during 2020 and an exploration programme has been developed for implementation in 2021. Initial assessment of the East Flank Exploration Target* shows a potential of 5-6 million tonnes with Au grades of 2.2 - 2.6 g/t. Should the drill results be positive, access development would commence in 2022 via a decline from surface as well as from existing underground workings. Initial timeline to implementation is approximately two years subject to funding and capex requirements.

* An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a mineral Resource. The potential quantity and grade are conceptual in nature, there has been insufficient exploration to estimate a mineral Resource and it is uncertain if further exploration will result in the estimation of a mineral Resource.

Ore Reserves

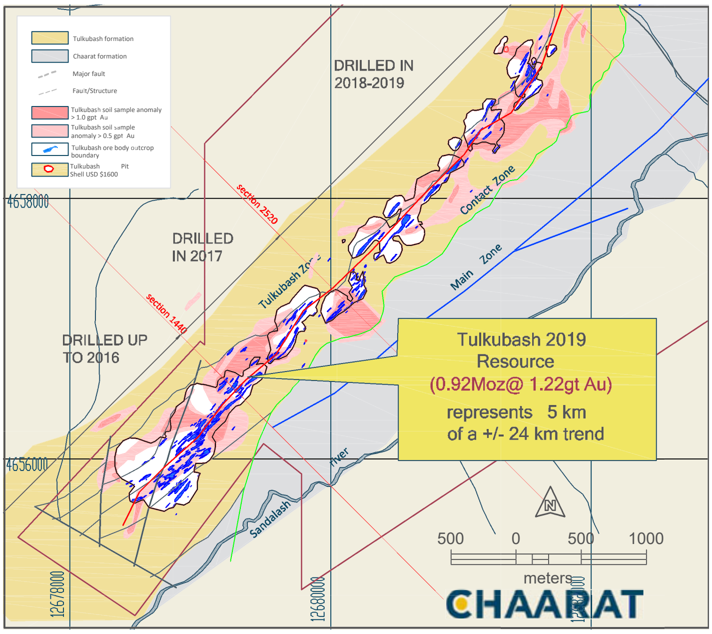
The following table summarises the 2019 Ore Reserves:

		Grade					Metal				
Classification	**Tonnes (Mt)**	**Au (g/t)**	**Ag (g/t)**	**Cu (%)**	**Zn (%)**	**AuEq (g/t)**	**Au (Koz)**	**Ag (Koz)**	**Cu (Kt)**	**Zn (Kt)**	**AuEq (Koz)**
Proven	0.17	2.65	40.39	0.42	2.06	4.8	14	220	0.71	3.49	26
Probable	4.34	1.65	31.38	0.34	1.31	3.19	230	4,373	14.86	56.88	445
Total Proven and Probable	**4.5**	**1.69**	**31.72**	**0.35**	**1.34**	**3.25**	**245**	**4,594**	**15.57**	**60.38**	**471**

Notes:
- The Ore Reserves have been compiled and reported fulfilling the requirement of the JORC Code (2012) reporting code.
- Ore Reserves are based on long-term metal prices of US$1,400/oz Au, US$17/oz Ag, US$6,000/t Cu, and US$2,400 Zn.
- Ore Reserves are based on a gold equivalent cut-off of 2.5g/t Au.
- Mineral Resources which are not Ore Reserves do not have demonstrated economic viability.
- Table subject to rounding errors.
- The average density of Measured and Indicated Resources is 3.02 t/m3. A density of 2.64 t/m3 was used for diluting waste material.
- Tonnes reported are in situ, dry tonnes.

TULKUBASH

PROJECT DEVELOPMENT USING A SIMPLE, LOW-COST PROCESSING METHOD



Overview

The Tulkubash oxide heap leach represents the first phase of development for the Chaarat project via a simple, low-cost processing method.

Introduction

Tulkubash is the first of a multi-project pipeline being developed in the Kyrgyz Republic by Chaarat. The oxide gold deposit will be developed using basic heap leach gold extraction technology. It has a JORC-compliant proven and probable reserve with an estimated mine life of five years with further exploration potential that should see mine life extended for several more years.

2020 Tulkubash highlights

- No lost time injuries since start of construction
- First full winter of year-round construction activity completed at site (2019-20), without incident
- Full revision of Mineral Resource estimate and Ore Reserves being finalised to support latest update to the Bank Feasibility Study
- ESIA updated to reflect developments in project engineering and permitting
- Completion of additional 80-bed temporary construction camp facility
- Continuation of ore haul road and platforms construction including bridge (from concrete culverts) over Kumbeltash stream
- Finalisation of Issued for Construction (IFC) detailed design drawings for heap leach facility ("HLF") and completion of tree cutting to start construction of HLF
- Partial delivery of Phase 1 shift camp modules
- Delivery and storage of waste-water treatment plant ("WWTP")

Construction

Construction work during 2020 was significantly impacted by COVID-19 and the control measures implemented by the Kyrgyz national and regional governments. Travel restrictions for the first half of the year prevented mobilization of additional equipment and personnel from our construction partner Çiftay. Matters were further compounded later in the year when political instability led to unrest throughout the country and negativity towards international mining companies in particular. Most mining activity was shut down for a period of time following attacks on mine equipment and personnel. Chaarat was not targeted but we took the decision to remove our personnel from site until the situation in country improved. Pending completion of the project financing, work is expected to resume in H1 2021.

Çiftay progressed with planned work streams to the extent possible during the year. They remained on site during the initial in-country COVID restrictions.

Further work was carried out on haul road construction, preparatory earth moving for the heap leach facility ("HLF") and foundation pad construction for the permanent camp and crushing circuit buildings. Preparatory work also started by clearing the area of vegetation and trees for the HLF. The permanent camp for employees was ordered and fabricated in Turkey. Modular construction units were partially delivered to site and erected. The waste-water treatment plant was delivered and stored for future installation.

Camp construction was put on hold over the winter period this year. A small crew remains in place over winter to maintain essential services which will support a quick resumption of construction activity in 2021.

Chief Operating Officer's Review
Kyrgyz Republic continued
Tulkubash continued

658koz

Updated Tulkubash Reserves at 0.92g/t

Resource and Reserves

Due to COVID travel restrictions and political unrest, the 2020 drilling programme was significantly shorter than previous years. 2,000 metres of infill drilling were carried out during Q3 to provide better confidence related to mineralised zones as well as better delineation of the Main Pit boundaries.

No exploration of new areas was carried out in 2020 due to the limited field season available. However, additional visual studies and mapping of target mineralisation was carried out to develop the scope of the 2021 exploration programme.

A new Mineral Resource Estimate ("MRE") and Ore Reserves ("OR") are being developed incorporating the 2020 exploration results. For the new MRE, the resource model has also been revised to incorporate the recommendations of the current geology team as well as recommendations from independent reviews of the model by SLR Consulting Ltd. and Wardell Armstrong International Ltd. These reports will be issued in Q2 2021, along with the revised project DFS.

Exploration potential

To date drilling has only been carried out on a small part of the exploration license area. Only 5.5kms of the 24km length have been extensively explored despite the fact that the Tulkubash mineralisation remains open along strike to the North East. The 2021 exploration programme will focus on two main areas:

- Further definition drilling of the current resource to convert additional inferred and unclassified mineralisation to measured and Indicated
- Further improving the Company's understanding of the extent of mineralisation across the whole licence area. This work will include geotechnical exploration in addition to drilling of any defined target areas.

944koz

Tulkubash constrained Resource at 1.21g/t within 5.5km of a strike zone

Study updates

The results of the new Mineral Resource Estimate ("MRE") and Ore Reserves ("OR") are the basis for the revision to the 2019 BFS. This is being updated by Logiproc of South Africa to reflect the latest stage of detailed engineering, design construction, and the comprehensive environmental and social studies that have been carried out since the last reports were finalised (2017 and 2019 respectively). The Environmental and Social Impact Assessment ("ESIA") for the project has also been revised to reflect all of the positive developments made in the last few years. The last ESIA was conducted in 2017 by WAI and they have carried out the revision as well.

These updates will provide a comprehensive update for the project finance lender due diligence process. Based on the information available to date, the conclusions of the updated BFS are expected to be similar to the 2019 bankable feasibility study.

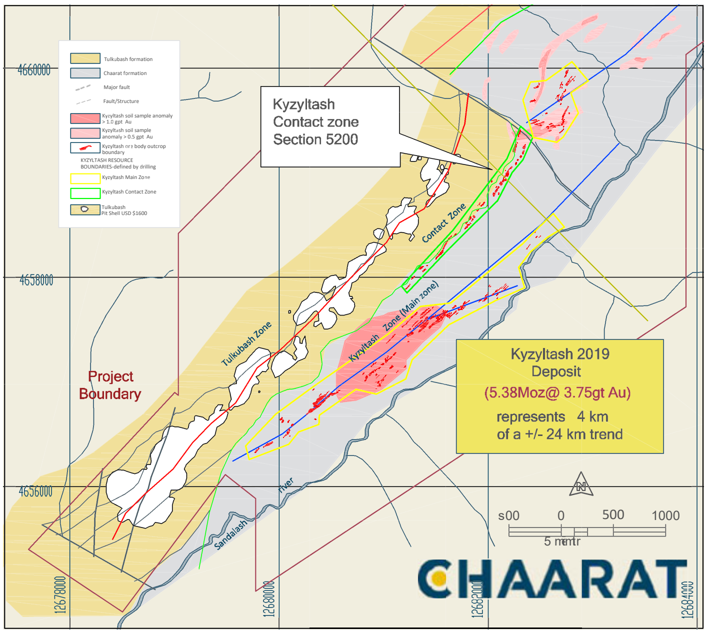
Tulkubash Reserves as at 1 April 2019

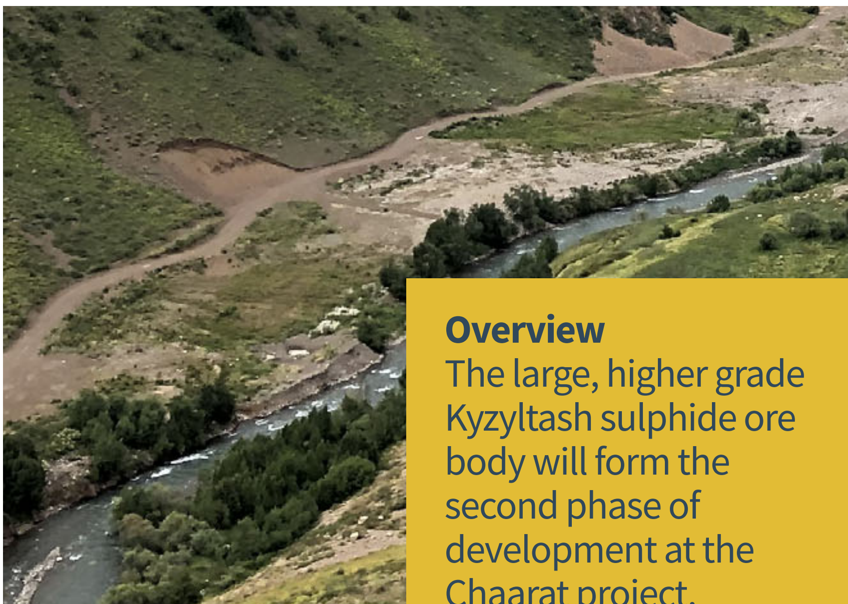
Classification	Tonnes (Mt)	Au (g/t)	Metal (oz)
Proven	6.8	0.95	206
Probable	15.4	0.91	451
Total	**22.2**	**0.92**	**658**

1. Ore Reserves are reported with appropriate modifying factors of dilution and recovery. The Reserve is higher tonnage than the Resource due to dilution.
2. Numbers are rounded in accordance with disclosure guidelines and may not sum accurately.
3. Ore reserves based on a gold price of US$1300 per ounce.

KYZYLTASH

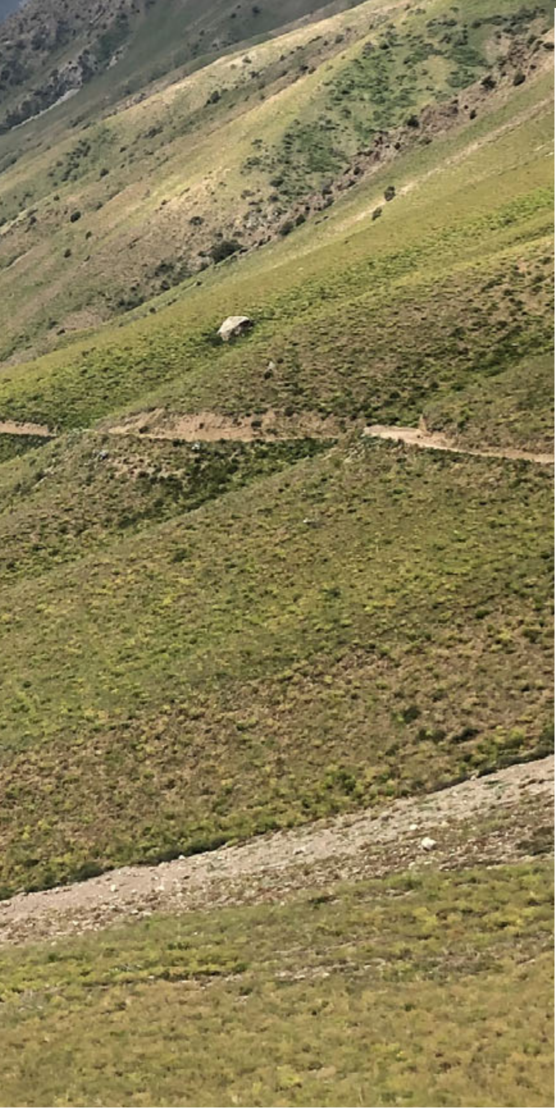
THE FUTURE OF CHAARAT GOLD PROCESSING IN THE KYRGYZ REPUBLIC





Overview

The large, higher grade Kyzyltash sulphide ore body will form the second phase of development at the Chaarat project.



5,377koz

Kyzyltash Resources at 3.75g/t defined within 4km of 15km trend

The Kyzyltash project, is the mid- to long-term goal for Chaarat. The higher-grade sulphide ore body lies below the Tulkubash oxide mineralisation. To date, a total of 5.4 million ounces of gold have been delineated in the global resource. The currently defined M&I resource of 4.6 million ounces of gold is potentially capable of supporting a seven- to 10-year mine life at an assumed production rate of 300,000 ounces of gold per year, subject to further definition of the project. The resource was defined with a total of 80,000 metres drilled within approximately 4 kilometres of a c. 15 kilometres strike length leaving significant potential for resource expansion and mine life extension.

Our initial plan for 2020 was to carry out a targeted drilling campaign designed to extract representative material for extensive metallurgical testing to define the optimum processing route for this type of refractory ore. The global pandemic resulted in us scaling back activities significantly until 2021.

We completed a comprehensive review, including external expert opinions on further test requirements. We also reviewed the engineering and project management routes that we would utilize to drive this large and transformational project to a successful completion. The strategy is to bring both Tulkubash and Kyzyltash into production by 2026, with a potential of producing up to 400,000 ounces of gold per annum together from then onwards.

Kyzyltash resources as at 19 October 2014

Resource statement JORC 2014 (cut-off grade 2g/t)	Tonnes (mt)	Au (g/t)	Metal (moz)
Measured	6.72	3.26	0.7
Indicated	32.79	3.79	3.9
Measured and Indicated	**39.52**	**3.70**	**4.6**
Inferred	6.61	4.05	0.8
Total	**46.12**	**3.75**	**5.4**

CHAARAT IS COMMITTED TO GOOD INTERNATIONAL INDUSTRY PRACTICE

Our Corporate Commitment
Our goal is to ensure that those impacted by our businesses benefit economically, socially, and environmentally from our activities.

Introduction
Environmental, social, and governance (ESG) lie at the heart of everything that we do at Chaarat. All meetings start with discussions on ESG issues to emphasise it as a core foundation of the business. We have also started publishing a monthly ESG newsletter so that all our employees have improved access to see the various ESG initiatives currently underway and to encourage further improvement.

Our communities
The pandemic made us really think about how best to ensure the welfare of our employees and our communities. We are proud of how our teams have worked during a very challenging year.

We worked with local health care professionals and community groups to target COVID-19 support to the most needed areas.

In the Kyrgyz Republic travel restrictions were imposed early on. In preparation for the difficulties the lockdown might create, we provided flour and sanitising products to the villages in the Chatkal region and to the local hospital in preparation for border closures and travel restrictions within the country. Early on, the country suffered an

acute shortage of testing capacity, so we worked with the health authorities to purchase a PCR unit and test kits to help increase government testing capacity. As knowledge about treatment of the disease grew, we purchased oxygen concentrators to ensure appropriate health support in both Bishkek and Chatkal.

In Armenia we helped the local hospital by renovating an unused wing at the hospital and prepared it for use as a COVID ward. We provided beds and renovations to equip a rest facility for personnel in high-risk occupations, such as the police, so that they had a place to stay rather than risk taking COVID back to their families every day. We also helped children in the community by providing computer equipment to enable better access to distance learning.

During the conflict, Kapan's social aid programme was adjusted to provide support to various charities carrying out humanitarian work, such as providing food and shelter to people displaced by the conflict.

Thankfully there were positive events throughout the year also. Kapan is glad to say that work was completed on the new music and arts school and the facility opened for the benefit of children from Kapan and the neighbouring communities. Three new rubbish collection trucks were also delivered to the Kapan Municipality as part of the social assistance package agreed with local communities. Work was also completed on the Shmavon Movsisyan History Museum which is dedicated to showing the history of mining in the Kapan region over the ages.

For 2021, we plan to adjust the initial financial assistance programme to focus more on the legacy issues of 2020, including ongoing support for families displaced by the war, and on helping the region recover from the longer-term effects of COVID-19.

Sadly, the pandemic did impact several of our ongoing initiatives in the Kyrgyz Republic. The annual "Chaarat Cup" to support the growth of sporting activities in the region was cancelled due to restrictions on social gatherings. Hopefully, some form of this well-liked event can resume again in 2021.

During 2020 we completed an update of the Environmental and Social Impact Assessment ("ESIA"). We modified the normal engagement practices typical of the ESIA process to take account of COVID restrictions. Social gathering events were exchanged for video conferences, use of social media and other messaging, voice and video services. We also utilised the ESIA update to review and assess the effectiveness of our internal processes, procedures, and documents. As a result, we identified improvements we could make to aspects such as employee welfare, employment rights, equality, and prevention of harassment in the workplace. This review involves board-level oversight to ensure fit with our stated goals and requirements. The finalised ESIA will be ready for publication in Q2 2021.

Our people

The impacts of COVID-19, the political issues in the Kyrgyz Republic, and conflict in Armenia affected the ability to secure full project funding and ramp up operations as planned. The funding impact required Chaarat to take steps to optimise its costs. The Company carried out a comprehensive cost reduction exercise in Q2 2020, reviewing all aspects of the business. We took the decision to maintain full employment at our impacted operations despite extended periods when access to site in the Kyrgyz Republic was closed. We were able to keep affected personnel of Chaarat and our main contractor employed on reduced pay in line with country legislation during these periods. To ensure continued employment of all personnel we focused on equity of pay issues. Management agreed to a temporary reduction of salary for the duration to ensure that those most at risk from the economic impact of COVID were not affected.

The events of last year required us to refocus on the key priorities so as not to distract the efforts of our people. They also required us to rethink how we conduct training and engagement activities. Face-to-face meetings, training, and group sessions were adversely impacted in 2020, and our management systems are heavily based on these forms of interaction. During 2021 we will need to review and assess what changes we make going forward to be less dependent on such methods.

The ongoing cultural change at Kapan focused on replacing a traditional central office culture with one that focuses more on local ownership, entrepreneurship, and decision making was impacted by the two key events affecting Kapan last year. Less time had to be dedicated to this initiative to focus on the more immediate issues affecting the Company. This multi-year programme to provide improved skills, competencies, and ways of thinking about decision making will be a focus again in 2021.

Health and safety

The health and safety of our employees, contractors, and visitors has always been fundamental for Chaarat since starting work on the Kyzyltash and Tulkubash projects in the Kyrgyz Republic. That same commitment was at the forefront of our activities at Kapan since acquiring the mine in early 2019. We have made good progress over the last two years. Sadly, that progress was not sufficient as evidenced by a fatal incident on 4 March 2021. This event is a sad reminder that work on creating and maintaining a world class safety system never ends. Hazards and risks can always be present and appropriate controls and behaviours are always needed to prevent such tragic events from occurring again. This event will refocus and strengthen our efforts across the Company going forward.

For 2020 there was one lost time injury in Kapan (April 2020). A miner was struck by a piece of loose rock while carrying out scaling activities at the start of the shift. Fortunately, the injuries were not critical, and he was able to return to full duties shortly after the incident. The annual Lost Time Injury Frequency Rate ("LTIFR") for 2020 was 0.37 per one million hours worked (2019: 0.39).

Due to the unusual circumstances of 2020, Chaarat's health and safety ("H&S") focus for 2020 centred on three main areas:

- Maintaining the positive improvements built into our operations during 2019,
- Managing the health risks to our people, contractors, and visitors to our site from COVID-19.
- Ensuring that despite the significant distraction of COVID-19 our collective focus remained on working safely at all times.

Chaarat Zaav continued its excellent safety performance record with no lost time injuries in 2020. Since the start of the project, Chaarat Zaav has gone 850,000 hours with no lost time injuries. The task for 2021 will be to further refine our safety managements systems as construction activities ramp up and new risks need to be managed.

Environmental, Social, and Governance
continued

Doctors and Nurses at the newly renovated female health department of Kapan Medical Center sponsored by Chaarat Kapan.

Health and safety (continued)
We implemented policies and procedures at our workplaces at the start of the crisis to help reduce the risk of infection to our employees and their families.
We implemented remote working in all our jurisdictions and took actions to implement increased protections in those areas where remote working was not an option. We introduced social distancing, carried out health screening, regular disinfection and mandatory face mask wearing in all workplaces. Face-to-face meetings were minimised or moved to outdoor environments to optimise ventilation. Canteen practices were changed to provide packed meals or staggered servings to minimize social contact. Our Kyrgyz operation supplemented the controls by requiring PCR screening tests prior to anyone entering the camp. These efforts were successful in keeping COVID from our workplaces for the first wave from March to July.

As global infections increased, our efforts were not able to prevent exposures, especially those from outside of the workplace. Infection rates increased in both our operations. When that occurred, we communicated to our employees to self-isolate rather than coming to work and further exposing their colleagues. Thankfully, all our employees have made a full recovery. Sadly, several of our team suffered the loss of loved ones from this terrible disease. We offer our heartfelt condolences to our team and all those around the world who have suffered such loss during this pandemic.

Chaarat Zaav continued its excellent safety performance record with no lost time injuries in 2020. Since the start of the project, Chaarat Zaav has gone 850,000 hours with no lost time injuries. The task for 2021 will be to further refine our safety managements systems as construction activities ramp up and new risks need to be managed.

Environment

Our key focus for 2020 was to carry out work to reduce the risk to our communities and the environment related to the Tailings Storage Facility ("TSF") at Kapan. The Kapan TSF is what is called an upstream tailings dam. This was the most common dam type built at the time of its construction. Although fully compliant with design standards at the time of construction, it is now recognised that there are inherent weaknesses with the upstream design. One method of improving the safety factors of this type of dam is to buttress the outside face of the dam. Buttressing work on the north wall of the TSF commenced in 2020. This work is part of a multi-year project to reinforce the dam stability and other safety factors to a higher level. Further work is planned for the next two to three years to finalise the north wall and then start on the south side of the dam.

In addition to the buttressing work, the team has made several other improvements to the dam structure during 2020. New raises to the dam walls have been installed with finger drains to increase water drainage from the tails closest to the wall. Old lifts have been retrofitted with horizontal drains as well to control the moisture seepage of existing dam structure.

In August 2020, new Global Industry Standards on Tailings Management were published. Chaarat has undertaken a high-level internal gap analysis to identify areas that need to be addressed to meet the standards. In 2021, a third-party assessment will be carried out to develop a detailed work plan on the additional steps needed to comply fully with the new standards and the time frame to achieve compliance.

As part of our actions related to climate change, Kapan continues to roll out its energy saving programme across the Company. The focus in 2020 was to replace the old energy-intensive lights in use almost exclusively both underground and at the processing plant with modern low-intensity bulbs and fixtures.

The mine has also undertaken a campaign to seal off old headings with simple block walls. This has the double benefit of improving air quality in working areas, and reduce the amount of air needed to be blown underground. This is one of the major electrical uses for the mine.

During 2021 we will be working on our reporting standards related to ESG metrics to better demonstrate the improvements being made across our operations.

Government relations

For the first time in four years Chaarat, the Government of the Kyrgyz Republic and the European Bank for Reconstruction and Development was unable to hold the Kyrgyz-British Investment Forum. This annual event has historically been held in London. The Forum was initially delayed due to COVID-19 and was then put on hold due to the political events in country in the latter part of the year. Chaarat looks forward to working with the new President and Government to resume the Forum once more in 2021.

The investment agreement between Chaarat Zaav and the Government that was expected to be signed early in 2020 was delayed as the Government focused heavily on COVID-19 management. Ongoing government support and commitment for the project was restated in March of this year during meetings held between Charaat's Chairman and member of the new government including the President, Prime Minister, and head of the country's Investment Agency.

In Armenia, relations with the government at both the local, regional, and national level remain positive. The Company's assistance during the COVID crisis was recognised at the highest levels. The social aid programme, developed jointly with the municipality, continues to be an excellent example of partnership. In addition to healthcare and education, the programme will likely include funding next year to support related to COVID-19 and help with humanitarian support for those displaced by the hostilities in Nagorno-Karabakh.

Risk Management

Leadership and oversight
Identifying and managing risk will be key to us being able to deliver long-term shareholder value and protect our business, assets, people, and reputation. The Board has overall responsibility for risk management at Chaarat. The following is an overview of the risk management governance structure we are in the process of implementing:

Board of Directors – Risk Leadership

- Overall responsibility for risk management
- Sets and communicates risk appetite
- Identifies and communicates those risks to which it has zero tolerance
- Approves code of conduct and other policies to underpin desired culture
- Satisfies itself that there is in place an appropriate risk management framework
- Provides oversight of risk exposures and risk taking
- Monitors effectiveness of governance practices

Executive Team

- Assesses effectiveness of and provides assurance to the board that financial and non-financial risk management and internal control systems are operating effectively in all material respects
- If additional controls are required, ensures that they are identified, and responsibility assigned
- Provides recommendations to the board on risk policy, frameworks, and risk practices
- Makes sure the business remains within the limits of the board's risk appetite
- Identifies risks, establishes root causes, assesses impacts and likelihood of occurrence
- Prioritises key risks, identifies risk mitigation actions and assigns responsibilities
- Allocates to each key risk an executive committee member "owner"
- Monitors progress of actions to mitigate key risks
- Manages reporting on risk matters

Business

- Owns and manages risk
- Provides perspectives on new risks

Oversight by Audit, Technical, and HSEC Committees

- Oversee risk management framework and processes
- Review action plans to manage significant risks

Independent Assurance

- External audits and/or reviews of control environment (where appropriate)

Risk governance framework
Chaarat is in the process of implementing a risk management framework designed to ensure that we have control over our principal business risks and emerging risks to help achieve strategic objectives and create sustainable value for shareholders.

Board independence Read more: page 46	The majority of our board is independent and consists of directors bringing a suitable mix of skills and experience, and diversity to board oversight and decision making.
Board committees Read more: page 44	The board has established audit, remuneration, nomination, technical and HSEC committees, each with its own terms of reference, to assist with the discharge of its responsibilities.
Organisational structure Read more: page 44	There is an established organisational structure and reporting lines with appropriate authorities and responsibilities. These include guidelines and limits for approval of contracts and capital expenditure. There is a list of matters reserved for Board approval.
Code of conduct and Whistleblowing policy Read more: pages 49 and 54	There is a Code of Conduct aimed at ensuring that anyone who is employed by Chaarat acts in an ethical manner. There is also a whistleblowing policy.
Risk review Read more: pages 30 and 54	We have commenced a risk review process that identifies, assesses, and prioritises risks, identifies risk mitigation actions and assigns responsibilities.
Compliance programme Read more: pages 49 and 54	During the year we implemented an organisational compliance programme and are starting to implement ongoing monitoring of compliance and incident reporting process.

Risk appetite and tolerance
During the year, the Board had an initial discussion regarding risk appetite and tolerance. In 2021 the Board will work towards articulating a risk appetite statement.

Risk identification
In 2020, the chief operating officer undertook a detailed risk assessment update process with his team, facilitated by the company secretary. The pre-mitigation likelihood and impact of each risk was assessed, mitigating activities identified, residual likelihood and impact scores post mitigation were assessed and each risk was allocated an executive committee risk owner. The preliminary outcome of this exercise was documented, discussed with the full executive committee, and adjustments made to reflect the outcome of discussion and debate. The Board reviewed the preliminary outcome of the risk assessment process and the risk register and provided feedback to management which has been reflected in the most recent version of the register. The register is used as part of executive management's reviews with their teams to ensure that mitigating actions are being undertaken and to ensure that the correct risks continue to be identified.

Principal Risks & Uncertainties

Risk	Existing mitigating actions	Pillar
Environmental		
Chaarat may suffer from reputational risk and may be liable for losses arising from environmental hazards associated with its activities and may be subject to fines and/or penalties. Read more: page 27	Implementation of proper geohazard mitigation measures and maintenance of a proper hazard management programme, including engineering hazard mitigation measures. Monitoring of tailings storage facility (TSF), pipelines, emergency pools, and treatment facilities, and analysis of monitoring data. Annual identification of environmental hazards and planned internal reviews of hazard management. Employee training on environmental issues, in particular on waste control methods.	
Community relations		
Communities living in the areas surrounding the Group's operations may oppose the Group's activities. Actions by those communities may result in loss of production, increased costs and decreased revenues, longer lead times, additional exploration costs and may have an adverse impact on the Group's ability to obtain permits. Read more: page 25	Chaarat is committed to work to best international social practices as per the Equator Principles, EBRD, and IFC guidelines. In particular, our mitigation strategy includes: Operation of social orientation assistance programmes to the communities in which we operate and ensure labour force involvement from affected communities. Conduct public hearings on social assistance packages. Timely communication of relevant issues to avoid speculation and rumour. Ensure that decisions are clearly explained.	
Health and safety ("H&S")		
Chaarat's operations present inherent H&S risks to our employees and contractors. Failure to manage these risks may result in occupational illness, accidents, a work slowdown, or stoppage and/or may damage the reputation of the Group and hence its ability to operate. Read more: pages 25 and 26	Embedding of policies, standards, and procedures in place across Chaarat for systematic control of significant H&S risks. Purchase of high quality personal protective equipment (PPE). Conduct of planned preventative maintenance of equipment and upgrade equipment in a timely manner. Targeted recruitment of experienced specialists and regular training of employees and contractors Continuous monitoring of highest risk workplace areas. Employee training.	
Pandemics and national and/or regional epidemics		
Chaarat's business is exposed to such risks which can impact its organic and non-organic growth strategy. Read more: page 25	Implementation of extensive mitigation measures during the 2020 COVID-19 pandemic to ensure that our operations could continue whilst at the same time ensuring the safety of our employees and contractors, further details of which can be found in our ESG report on page 25. In 2021, Chaarat will focus on continuing to monitor World Health Organisation and local government advice regarding precautionary measures and ensure that we implement all measures necessary to ensure the safety of our people.	

Risk	Existing mitigating actions	Pillar
Government policy and legal and regulatory compliance		
There remains potential for social, political, economic, legal, and fiscal instability. The laws and regulations in our areas of operation are still developing in some areas and some provide regulators and officials with substantial discretion in their application, interpretation, and enforcement. A government decree in 2011 was passed revising the boundaries of the UNESCO world heritage site. Due to an administrative error these changes were not properly communicated to UNESCO and some areas of "highly protected territory" were not properly transferred to "industrial territory". The government has recognised this error, and all formal works in country have been completed to finalise the amendment. A prime ministerial decree addressing this issue is being prepared for public consultation and then formal signature in H1 2021 to correct this matter. Some areas of Chaarat's exploration licence and the area for heap leach operation are shown as being in these UNESCO and highly protected areas as a result of this 2011 error. However, Chaarat's mining licence agreement is compliant with Kyrgyz law and the Company has all permits and licences necessary for the construction and operation of the Tulkubash project within its entire licensed area, including the land that is in the process of being correctly reclassified. **Read more: page 27**	Process in place to monitor prospective legislative changes, discuss them with competent state bodies and make suggestions. Participation in working groups with other mining companies. Stabilisation agreement in place In the Kyrgyz Republic. Regular dialogue with ministerial departments.	
Exploration		
Exploration and development are time and capital-intensive activities and may involve high degrees of risk. Chaarat's long-term future operating margins and profitability depend upon its ability to find mineral resources through exploration or acquisition and to replenish reserves. **Read more: pages 18 to 23**	Development and implementation of a robust exploration plan. Review of exploration plan by the Board's technical committee. Identify attractive prospective areas to apply for or acquire.	

Principal Risks & Uncertainties
continued

Risk	Existing mitigating actions	Pillar
Construction and development		
Depending on the timing of completion of project financing, there is a possibility of delays to the start of production and cost overruns relating to Chaarat's development of its Tulkubash project. **Read more: pages 18 to 23**	Operation of a proper contractor, supplier, expert and other adviser selection and management process to ensure that they are reliable and meet required performance standards.	
Non-organic growth – mergers and acquisitions ("M&A") strategy and delivery		
Chaarat faces risks arising from its non-organic growth strategy such as lack of suitable targets. Acquisition integration risks and issues could arise impacting the delivery of expected benefits, either within expected time frames or to the extent anticipated. If anticipated benefits are not realised or if performance of an acquired asset falls below expectations, it may be necessary to impair the carrying value of those assets. **Read more: page 13**	Clear delegated authority for the review and approval of all transactions by the Board. Subject matter experts as senior stakeholders in acquisition process in place. Regular board reviews and updates of pipeline of identified potential targets. Due diligence undertaken for all M&A transactions, with involvement of the Board's technical and HSEC committees, and use of external advisers where required. Acquisitions priced and structured so as to minimise impairment risk. We will continue our efforts to identify suitable M&A opportunities and adopt the existing safeguards relative to our non-organic growth risks.	
People – attraction, succession, retention		
The loss of the services of key employees or if Chaarat encountered labour shortages or was unable to attract people for core business roles, could have an adverse effect on the Company's operations, financial condition, and prospects. **Read more: page 25**	Integration of skilful personnel to train and develop new and less experienced employees. Succession planning for specific positions. Monitoring of working conditions to ensure that any issues are identified, and solutions provided promptly. Fair and attractive remuneration policy. Provision of career development opportunities. Partnership with colleges and training centres. Internship, on-the-job training, and mentoring. Employer brand development so that Chaarat becomes a local employer of choice. In 2021 the Board will undertake a review of corporate culture. The Board's remuneration committee will also undertake a review of the reward framework to ensure that it is competitively aligned to the market.	

Risk	Existing mitigating actions	Pillar
Future financing		
The Group requires significant additional financing in the future to develop projects and to meet ongoing financial needs. There can be no assurance that additional financing will be available, or if available, that it will be on acceptable or favourable terms. The failure to obtain additional financing as needed on reasonable terms, or at all, may require the Group to reduce the scope of its operations or anticipated expansion, dispose of or forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations. **Read more: pages 34 and 35**	Maintenance of discussions with existing lenders and potential finance providers. Address potential gating items to securing project finance. Looking for new funding options.	$
Commodity price volatility		
Adverse movements in precious metals prices could materially impact the Group in various ways beyond a reduction in the financial results of operations. These include the feasibility of projects and the economics of mineral resources. **Read more: pages 34 and 35**	Hedging strategies are periodically considered Conservative long-term prices are used to evaluate projects AISC at Kapan remains below gold prices	$

MANAGEMENT ARE COMMITTED TO CONTINUE RAISING FUNDS TO DELIVER ON OUR AMBITIONS

Income statement
Revenue during 2020 amounted to US$76.0 million (2019: US$68.1 million). This represented sales of concentrate at Chaarat Kapan for 12 months in 2020 compared to 11 months in 2019 following acquisition by the Group on 30 January 2019. During this period, Kapan sold 58,178 ounces of Au Eq (2019: 55,255 ounces) with a realised gold price per ounce of US$1,773 (2019: US$1,413).

The operating profit for the Group for the year ended 31 December 2020 was US$1.9 million (2019: loss of US$18.4 million) and the Group EBITDA was US$9.3 million (2019: negative US$12.8 million). The adjusted Group EBITDA, excluding non-cash items as detailed below, was US$13.6 million (2019: negative US$2.4 million).

	2020 Armenia US$'000	**Kyrgyz Republic & Corporate US$'000**	**2020 Total US$'000**	2019 Armenia US$'000	Kyrgyz Republic & Corporate US$'000	2019 Total US$'000
Earnings before interest, tax, depreciation and amortisation	**19,429**	**(10,126)**	**9,303**	8,624	(21,404)	(12,780)
Change in provisions – non-cash	**545**	**-**	**545**	(563)	-	(563)
Unrealised foreign exchange loss	**(2,649)**	**-**	**(2,649)**	-	-	-
Depreciation and amortisation	**(5,232)**	**(727)**	**(5,959)**	(4,490)	(589)	(5,079)
Finance income	**19**	**-**	**19**	9	-	9
Finance costs	**(3,149)**	**(17,628)**	**(20,777)**	(4,287)	(5,160)	(9,447
Fair value gain on warrant	**-**	**595**	**595**	-	-	-
Loss before income tax expense	**8,962**	**(27,886)**	**(18,923)**	(707)	(27,153)	(27,860)
Income tax charge	**(3,520)**	**-**	**(3,520)**	(1,540)	(5)	(1,545)
Loss after income tax expense	**5,442**	**(27,886)**	**(22,443)**	(2,247)	(27,158)	(29,405)

The adjusted Group EBITDA, excluding non-cash items, was as follows:

	2020 US$'000	2019 US$'000
Kapan EBITDA	**19,429**	8,624
Corporate/Kyrgyz Republic EBITDA	**(10,126)**	(21,404)
Group EBITDA	**9,303**	(12,780)
Corporate share-based payment expense	**3,612**	9,780
Unwinding of discount – provision for rehabilitation	**655**	621
Adjusted Group EBITDA	**13,570**	(2,379)

Finance costs in 2020 were US$21.4 million compared to US$9.4 million in 2019, due to refinancing activities that took place in relation to the Group's other loans. As disclosed in Note 12, this was a combination of cash and non-cash transactions, including an amount of US$8.5 million settled through the issuance of 27.5 million shares to Labro, a US$1.1 million modification loss and US$1.4 million for the issue of warrants.

Income taxes were US$3.5 million compared with US$1.5 million in the comparable year, reflecting the improved profit achieved at Kapan. Consequently, the Group made a loss for the year after tax of US$22.4 million compared with US$29.4 million in the 2019 financial year.

Balance sheet

Non-current assets increased from US$103.1 million at 31 December 2019 to US$109.3 million at 31 December 2020. The increase was mainly due to capitalised exploration and evaluation costs of US$6.3 million relating to the asset in the Kyrgyz Republic.

Current assets were US$25.8 million at 31 December 2020 compared with US$23.9 million at 31 December 2019. The increase mainly related to inventories offset by a decrease in trade and other receivables. Current assets at 31 December 2020 included cash and cash equivalents of US$6.9 million.

Total liabilities at 31 December 2020 were US$110.7 million compared with US$106.8 million at 31 December 2019. This was mainly due to accrued interest on other loans, advances from Kapan's customers of US$5.3 million, offset by bank debt repayments of US$11.2 million. The movement in liabilities is set out in more detail in Notes 24 to 29, including the split between long-term and short-term components, information relating to covenants and the treatment of refinancing activities that took place in 2020. In addition, liabilities at 31 December 2020 included a rehabilitation provision of US$7.5 million (2019: US$8.6 million) relating to Kapan.

Total equity was US$24.5 million at 31 December 2020 compared with US$20.2 million at 31 December 2019. This mainly reflects the increase in share premium of $23.0 million and increase in the share option reserve of $3.6 million as a result of the "MIP" that was implemented in 2019 offset by the loss for the year of US$22.4 million (2019:US$29.4 million). The movement in share capital is set out in more detail in Note 22 (b).

Cash flow

During 2020, the Group generated operating cash flows of US$15.9 million, compared with operating cash flows of US$2.6 million in 2019. The positive cash generation mainly represented the improved positive EBITDA contribution from Kapan and favourable working capital movements, partly offset by expenditure on corporate overheads and development costs.

Net cash used in investing activities in the 2020 financial year was US$11.9 million, compared with US$54.3 million in the corresponding 2019 financial year. This mainly reflected the purchase of property, plant and equipment at Kapan together with capitalised exploration and development spend in the Kyrgyz Republic. Investing activities in 2019 were significantly higher as they included US$38 million relating to the acquisition of Kapan.

Net cash used in financing activities amounted to US$0.9 million, compared with US$54.1 million generated in 2019. This mainly related to the funds received from the equity raise in the year of US$6.3 million and proceeds from other loans of US$5.3 million offset by bank repayments of US $11.2 million. Cash flow from financing activities in 2019 included the bank loan for the Kapan acquisition and amounts drawn on the working capital facility.

Cash and cash equivalents at 31 December 2020 were US$6.9 million compared with US$3.6 million at the start of the year.

Since year end

In February 2021, the Group completed an equity raise of US$52.2 million, comprising cash of US$30.0 million and loan conversion of US$22.2 million.

Consequently, at 1 March 2021, the Group had approximately US$31.2 million of cash and US$50.1 million of debt (excluding lease liabilities and contract liabilities).

Key targets for 2021 will include securing project or other finance for the Tulkubash project and repaying or refinancing the convertible loan notes to the extent these are not converted

Going concern

In order to achieve the planned future capital developments of assets and to refinance the convertible loan notes, management will need to raise future financing.Management is committed to raising additional funds and has an established track record of successfully achieving this in the past as demonstrated by the fundraising activities in early 2021.

Subject to the above, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, there are currently no binding agreements in place in respect of any additional funding and there is no guarantee that any course of funding will proceed. This indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Further details of the Group's status as a going concern and expected future financing plans are set out below in Note 2 to the financial statements.

GOVERNANCE

BUILDING A LEADING EMERGING MARKETS GOLD COMPANY

Good corporate governance is fundamental to the success of our business

Introduction
I am pleased to present this year's corporate governance report and to update you on our progress throughout the year.

Good corporate governance is fundamental to the success of our business. Corporate governance provides the structure to enable the Company to operate within a framework that ensures it is well controlled and mitigates undue risk. The Board and its committees play a key role in our governance framework by providing external and independent support and challenge, understanding the views of shareholders and wider stakeholder communities, and ensuring that a culture of good governance is promoted across the business.

At the start of the year, we engaged a dedicated and experienced company secretary who has supported me and our committee chairs in improving our governance, risk, and compliance processes.

QCA Code compliance
The Board is accountable to shareholders for the governance of the Group's affairs and is committed to maintaining high standards of corporate governance for the long-term success of the Company. The Company reviews its standards of governance against the principles and recommendations of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code is designed for growing companies and which we believe is the most appropriate for Chaarat at this stage of its development. There are no significant areas where our governance structures and practices differ from the QCA Code's expectations.

This corporate governance report explains our approach to governance and include the disclosures required in the annual report.

My role as Chairman
As Chairman, I am responsible for running the Board and for the Group's overall corporate governance, with the support of the company secretary. My role is to ensure that the Board operates effectively in delivering the long-term success of the Company. In fulfilling this role, I seek to ensure that Board proceedings are conducted in such a way as to allow all directors to have the opportunity to express their views openly and that, in particular, the non-executive directors are able to provide constructive support and challenge to the senior management team. More about my role, and the roles of all the directors and the Board's committees, can be found on pages 44 and 45.

Board committees
The Board continues to be supported by the audit, remuneration, nominations, HSEC, and technical committees, whose reports can be found on pages 50 to 59. Much of the work of the nominations committee has been conducted through the Board as a whole due to the fact that all non-executive directors are members of that committee.

Board leadership and succession planning
An area of focus of our governance work this year has been to review the composition of the Board and its committees to ensure that it continues to be diverse in terms of background, skills and experience to support the strategic and operational direction of the Group. Nevertheless, we have identified that our Board might benefit from a deeper knowledge of environmental, social, and governance ("ESG") issues, and we are considering ways of how we might achieve that.

Board effectiveness
As Chair, I am responsible for ensuring we continue to have an effective and functioning Board. This year, supported by the company secretary, I led the annual evaluation of the effectiveness of the Board, its committees, and individual directors during the year under review. The internally led Board evaluation gave us the opportunity to reflect on our own performance and consider areas of focus which will drive positive change over the coming years. The evaluation was undertaken internally by way of a series of questionnaires and individual meetings with directors, a method I believe to be appropriate and proportional to the Company, and which yielded useful results. The 2020 evaluation considered whether the Board as a whole was adequately discharging its key functions, Board processes, composition, balance of skills, experience, and knowledge, Board behavioural dynamics, and other factors relevant to its effectiveness. Results were anonymised by the company secretary and provided to me for consideration. I presented the findings to the Board, including individual recommendations made by directors. My performance was appraised by the Senior Independent Director who had taken feedback from the other non-executive directors. We discussed the outcomes and agreed that the Board, its committees, and individual directors were operating effectively, whilst also noting areas for development. Corporate culture, succession planning, and non-financial performance monitoring were areas identified as requiring greater focus. Further details of the Board evaluation can be found on page 49.

2021 and beyond
The Board has made good progress this year in enhancing its governance arrangements, but we recognise there is still work to do. I am committed to improving the governance of our Board and will continue to seek out ways to enhance our corporate governance in line with developing best practice. During 2021 the Board will set aside time to focus on understanding and developing our corporate culture as well as ensuring that we have the right leadership to enable us to maximise the opportunities that lie ahead. A key area of focus for the nomination committee will be succession planning.

Martin Andersson
Chairman

7 April 2021

Board of Directors

	Executive Directors		Non-Executive Directors	
Name Position held	**Martin Andersson** Executive Chairman	**Artem Volynets** Chief Executive Officer and Executive Director	**Gordon Wylie** Senior Independent Director	**Hussein Barma** Independent Non- Executive Director
Date of appointment	October 2016	March 2018	November 2017	December 2018
Committee membership	N		A N H T	A R N
Biography	A graduate of the Stockholm School of Economics and HEC Paris, Martin worked in mergers and acquisitions at Booz Allen Hamilton, and advised the Russian Government on its privatisation programme. In 1993 he co-founded Brunswick Brokerage – a Moscow based investment bank that was later sold to UBS – initially holding the position of CEO and from 1999 as Chairman of the joint venture, Brunswick UBS Warburg. Between 2006 and 2013 he was a shareholder serving on the board of Siberian Coal Energy Company (SUEK), one of the largest thermal coal producers in Russia. Martin first invested in Chaarat in 2011 and he intends (via Labro) to be a long term and supportive shareholder. Martin manages an active investment portfolio with an interest in real estate, financial services and information technology.	From 2003 to 2013 Artem was a key executive in Russian aluminium and energy sectors - including roles as CEO of En+ Group, Deputy CEO and Director for Corporate Strategy at UC RUSAL, and SVP Strategy at SUAL International. In 2009 and 2010 he also served as Chairman of the International Aluminium Institute From 1997 to 2003, Artem was a management consultant and corporate finance advisor with Monitor Group in London. Artem also served as independent director of Norilsk Nickel in 2018-19. Artem's leadership drive to build Chaarat into a leading gold company in the FSU region. His hands-on experience in managing large mining businesses in the region, track record of M&A-led sector consolidation, combined with his local knowledge and network, together with global industry and investor connections, will be invaluable to the execution of Chaarat's growth strategy.	**Skills, experience, and contribution** Gordon has 42 years' experience in the mining industry and directly relevant experience of growing companies from exploration to production. During his eight years as a member of AngloGold Ashanti's senior management team, Gordon was responsible for their global exploration programme, part of which included moving into new prospective, higher risk, geographical regions. Gordon has been a non-executive director of numerous junior exploration companies operating globally since leaving AngloGold Ashanti. He was previously the chairman of Lydian International which was constructing a mine at the Amulsar open pit, heap leach, gold project in Armenia. **Current external appointments** Gordon is a director of Silverton Metals Corp., the TSX-listed silver exploration and development company.	**Skills, experience, and contribution** A qualified lawyer and chartered accountant by background with over 20 years' experience in senior positions in the mining sector, Hussein brings to Chaarat a wealth of experience in accounting, internal control, governance, risk management, and compliance. Hussein has significant FTSE-50 senior executive experience, gained over 15 years as UK based CFO at Antofagasta plc, where he led its UK presence through a period of change and growth as the UK-based chief financial officer. He has also had earlier careers in professional services and academia. **External commitments** Hussein is an independent non-executive director and the audit chair of Atalaya Mining plc. He is also a principal at Barma Advisory where he has worked on various assignments within the natural resources and other sectors. He is a governor of the University of the Arts London.

A Audit Committee
R Remuneration Committee
N Nomination Committee
H Health, Safety, Environment & Community Committee
T Technical Committee
Denotes Committee Chair





Robert Benbow
Non-Executive Director

July 2018

N H T

Skills, experience, and contribution
A civil engineer with over 45 years' experience in gold mining, Bob brings invaluable technical knowledge to Chaarat. During his 45-year career, Bob has taken three greenfield gold developments into production, including Alacer Gold Corp.'s Çöpler Gold Mine in Turkey, which has produced over 1 million ounces as one of the lowest cost producers in the world.

External commitments
Bob is a Director of Powderhouse Gulch LLC (Colorado).

Robert Edwards
Independent
Non-Executive Director

September 2018

R N H T

Skills, experience, and contribution
A mining engineer with a degree from the Camborne School of Mines, Robert is the former chairman of Global Mining at Renaissance Capital and has also worked for HSBC and the Royal Bank of Canada. He has worked in the natural resources industry for 28 years primarily in frontier and emerging markets, advising the managements of numerous companies on a range of industrial issues. Robert brings to Chaarat his deep sector knowledge of the FSU mining sector. Robert has played a central role in multiple IPOs, capital raisings and M&A transactions and is a well-known figure across the global mining investor base.

External commitments
Robert is currently an Independent Non-Executive Director and a member of the Corporate Governance, Remuneration and Audit committees of PJSC MMC Norilsk Nickel and an adviser to several private natural resource companies. Robert also holds a number of other directorships.

Warren Gilman
Independent
Non-Executive Director

March 2019

A R N

Skills, experience, and contribution
Warren was Chairman and CEO of CEF Holdings Ltd, a mining focused investment company jointly owned by CK Hutchison Holdings Ltd and the Canadian Imperial Bank of Commerce from 2011 to 2019. He is a mining engineer and co-and founded CIBC's Global Mining Group in 1988. During his 25 years at CIBC, he ran the mining investment banking teams in Canada, Australia, and Asia, serving as managing director and head of the Asia Pacific region for 10 years, and latterly as vice chairman for CIBC World Markets. He has acted as advisor to the largest mining companies in the world including BHP, Rio Tinto, Anglo American, Noranda, Falconbridge, Meridian Gold, China Minmetals, Jinchuan, and Zijin and was responsible for some of the largest equity capital markets financings in Canadian mining history.

External commitments
Warren founded Queen's Road Central Capital Ltd, where he is Chairman and CEO, in 2019. He is also a Board member of NYSE/TSX listed NexGen Energy Ltd, a uranium exploration and development company, and private mining company, Niobec Inc, which jointly owns the Niobec niobium mine in Canada with CEF, Temasek of Singapore and Magris Resources of Canada.

Senior Management

Chris Eger
Chief Financial Officer

July 2018

Chris has extensive financial, M&A and commercial expertise in the metals and mining sector, gained over a 20-year career in investment banking, metals trading and private equity. He was previously the CFO of Nyrstar NV, where he played a major role in developing and implementing the Company's transformation strategy in addition to strengthening the balance sheet. Prior to that, he was M&A Director at Trafigura AG, and a member of the investment banking group of Bank of America Merrill Lynch, where he worked with metals and mining companies on debt and equity financing, and M&A. He also worked as a director in the global metals and mining group at BMO.

Darin Cooper
Chief Operating Officer

June 2019

Darin joined Chaarat with more than 30 years' experience in the metals and mining industry spanning operations, projects, restructuring and culture change. Immediately prior to joining Chaarat, Darin was Head of Mining at Fusion Capital, a Swiss investment firm, where he was responsible for due diligence of potential projects, assessment of early-stage exploration projects, and development of capital and operating plans for proven development assets. Darin held senior roles at Nyrstar, the global multi-metals business, from 2012-2017, latterly as Vice President of Zinc Smelting. He has also served as COO of Talvivaara Mining Company (Finland) where he worked with the Finnish government, creditors and investors to secure financing options during their restructuring. Darin started his career at the Rio Tinto-Zinc Corporation. He obtained a BEng in Metallurgy from the University of Newcastle upon Tyne and an MBA from the Open University Business School, Great Britain.

Company Secretary
Frances Robinson was appointed company secretary in January 2020. She has over 20 years' experience as a company secretary at UK listed companies. Prior to moving into industry she was a partner in a London law firm specialising in corporate law.

Compliance with the QCA code

The Company has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code (the "QCA Code"). In this report we have set out a summary of what we have done to comply with the 10 principles of the QCA Code and what we will continue to do.

Deliver growth

Principle	What we did in 2020
1. Establish a strategy and business model which promote long-term value for shareholders	We have continued to pursue our stated organic and non-organic strategy. Information regarding our business model and strategy including key challenges and how they are addressed are contained in our strategic report. **Read more: pages 8 to 33**
2. Seek to understand and meet shareholder needs and expectations	Due to the COVID-19 pandemic shareholders were requested not to attend our AGM in person and were instead invited to submit questions by email. Details of questions received, and the answers were included in our AGM results announcement. Chaarat participates in the top global conferences during the year in order to allow shareholders and potential new investors to meet in person and discuss any relevant topics. In 2020, most of these conferences were online and Chaarat decided to opt out on a few occasions and interacted on a bilateral basis instead. Throughout 2020, c. 20 newsletters were sent out, direct shareholder communication via email was provided and on particular events such as the April 2020 equity capital raise, shareholders were invited to participate. The improvements on the homepage and ongoing news flow in Chaarat's social media channels provided another interaction and update opportunity for shareholders. **Read more: page 49**
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	We provided support to our employees and their families consequent upon the Nagorno-Karabakh conflict. We provided assistance to local communities during COVID-19 pandemic. We have continued to roll out our energy saving programme across the Company. **Read more: pages 24 to 27**
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The board reviewed the Company's risk management process and management undertook an exercise to identify and document the Group's key risks, assess their likelihood and impact, and identify mitigating actions and associated responsibilities. **Read more: page 49** With the support of the board's audit committee, management progressed a compliance improvement programme, implementing new and revising existing policies and developed assurance reporting for the board's audit committee. **Read more: page 54**

Maintain a dynamic management framework

Principle	What we did in 2020
5. Maintain the board as a well-functioning, balanced team led by the chair	The board undertook a review of board committee composition. The board undertook succession planning discussions. Read more: page 49
6. Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities	The board undertook a review of its skills and capabilities to identify any gaps. Read more: page 49 The board and other members of senior management undertook refresher training in directors' responsibilities Read more: page 47
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Chairman led a detailed evaluation exercise of the board, its committees, and individual directors. Read more: page 49
8. Promote a corporate culture that is based on ethical values and behaviours	The board had a discussion regarding corporate culture and further work has been identified for the coming year. Read more: page 49
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Company applied the QCA Code and will keep its governance processes under review to ensure that they remain fit for purpose. Read more: pages 46 to 47

Build trust

Principle	What we did in 2020
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Chaarat communicates its governance activities as part of its ESG principles through a number of channels and interactions. Channels include: • Corporate Homepage with dedicated ESG section and governance principles • Regularly updated corporate investor presentation available for download or upon request • Social Media channels • Regular interviews, press releases and presentations at global leading conferences • Innovative online marketing platforms where existing and new shareholders can approach the Company • Share chat platforms where communications are followed and, if required, commented on • Direct email and telephone conversations Read more: page 49

Governance, Board Composition, and Operation

Governance framework
There is a clear division between the Board's responsibilities and those which it has delegated to management.

Board of Directors

Role of the Board

The Board is responsible for ensuring that the affairs of the Group are organised and controlled in a manner that promotes the long-term success of the Company, generates value for shareholders and which is consistent with the Company's articles of association, law, and regulation, and good corporate governance practice.

The Board's responsibilities include:
- Strategy
- CEO and management team oversight
- Monitoring
- Governance, risk management, and compliance
- Stakeholders
- Decision
- Culture

The Board is supported by its five committees. The committees' terms of reference are available on the Company's website www.chaarat.com.

The Board has delegated responsibility for management of the Group to the Chief Executive Officer and the management team.

Matters reserved for the Board

The Board has a formal schedule of matters specifically reserved for its decision, covering the following themes:
- Strategic oversight
- Governance and management
- Risk management, systems, and controls
- Financial reporting
- Communication
- Corporate structure and capital
- Expenditure, transactions, borrowings, and security
- Senior executive remuneration

Supported by

Audit Committee

Purpose: To assist the Board in discharging its responsibilities relating to financial reporting and internal control and risk management.

Read more: p.53

HSEC Committee

Purpose: To assist the Board in discharging its responsibilities relating to health, safety, environmental, and community matters.

Read more: p.50

Nomination Committee

Purpose: To assist the Board in keeping under review the structure, size, and composition of the Board, formulating plans for succession, and managing the appointment process for new board directors.

Read more: p.52

Remuneration Committee

Purpose: To assist the Board in discharging its responsibilities relating to remuneration policy and practices.

Read more: p.58

Technical Committee

Purpose: To assist the Board in discharging its responsibilities relating to technical matters including resource and reserve disclosures.

Read more: p.51

Roles and responsibilities of the directors and officers of the Company

Executive Chairman ("EC")	**Our EC is responsible for:** • **Board leadership** – ensuring its effectiveness in all aspects of its role, setting its agenda, oversight of the Company's corporate governance model, and ensuring good and timely information flows between executive and non-executive directors. • **ESG** – fostering ethical and responsible decision making by the Board. • **Strategic development** – working with the Board and the CEO to develop the strategy for the Company's future growth and working with the CEO to identify opportunities for value-enhancing strategic initiatives including acquisitions, joint ventures, and strategically important relationships. • **Communications** – ensuring effective communication with shareholders and working with the CEO on critical issues related to government relations. • **Operational oversight** – acting as a sounding board, adviser, and confidant to the CEO.
Senior Independent Director ("SID")	Our SID provides a sounding board for the EC and serves as an intermediary for other directors and shareholders when required. The SID is also responsible or conducting the annual performance evaluation of the executive chairman, in conjunction with other independent NEDs. The SID also acts as the clearance officer under the Company's share dealing code.
Non-Executive Directors ("NEDs")	Our NEDs are members of the Board who are not employees of the Company such that they bring to the Board qualities of independence and impartiality. They have been appointed due to their wide executive and industry experience, special knowledge and personal attributes that add value to the effectiveness of the Board. NEDs support the EC and provide objective and constructive challenge to management. Five of the seven directors of the Board are non-executive, all but one of whom the Board has determined to be independent. Further information regarding our Board's independence can be found on page 46.
Chief Executive Officer ("CEO")	**Our CEO's responsibilities include:** • **Leadership** – developing and leading the executive team • **Operational excellence** – running the Group's business • **Stakeholders** – overseeing community, government, and investor relations and ensuring that the Company maintains high social responsibility standards in all jurisdictions in which it operates • **Strategy** – preparing and communicating the strategy of the Group and the detailed underlying operational plans to deliver it and working with the EC to identify opportunities for value-enhancing strategic initiatives including acquisitions, joint ventures, and strategically important relationships.
Chief Operating Officer ("COO")	**Our COO's responsibilities include:** • **Operating team** – developing a strong operating team using modern mining techniques to optimise performance. • **Health and safety ("H&S")** – establishing and executing industry best H&S practices • **Environment** – implementing improvements and developing actions that seek to minimise any negative environmental impact caused by the Company's activities. • **Community** – ensuring that the Group maintains good relationships with the local communities in which it operates. • **Ethics** – ensuring that the Group's operations comply with company ethical and professional standards and meet legal requirements on an international level.
Chief Financial Officer ("CFO")	**Our CFO's responsibilities include:** • **Financial strategy** – providing sound financial support, insights, and strategic financial recommendations to enable the Board and executive team to make critical business decisions. • **Financial reporting** – both external and internal including budgeting and forecasting. • **Internal controls and risk management** – managing and overseeing the Group's financial systems, ensuring that effective financial controls are in place, and ensuring that the business has a solid risk management framework in place. • **Legal and compliance** – oversight of the Group's legal and secretariat functions.
Company Secretary	The Company Secretary advises the Board on all governance matters affecting the Company. She is responsible for supporting the EC and CEO with the setting of the Board's agenda and facilitating the flow of information to and from the Board. She is also responsible for supporting the chairs of the various Board committees and for the efficient administration of the Company, including ensuring compliance with statutory and regulatory requirements, and ensuring that decisions of the Board are implemented.

Governance, Board Composition and Operation
continued

Board composition

Balance	The Board is currently comprised of seven directors, five of whom are non-executives.
Independence	The Chairman of the Board is not defined as independent according to the QCA Code, owing to his executive status and significant beneficial interest in the Company. Gordon Wylie is the Senior Independent Non-Executive Director. During the year, the Board conducted a thorough assessment of the independence of its directors. Four non-executive directors, namely Hussein Barma, Robert Edwards, Warren Gilman, and Gordon Wylie, are considered by the Board to be independent in character and judgement. The remaining non-executive director, Robert Benbow, was until 31 May 2019, a former executive of the Company and is therefore not considered by the Board to be independent. Other than their interests in shares in the Company and the receipt of fees for acting as directors, none of the non-executive directors has business relationships that would interfere with their independent judgement.
Skills and experience	In June 2020, the Board undertook a review of its skills and experience. The current balance of skills of the Board as a whole reflects a range of commercial and professional skills across mining, accounting, banking and finance. The Board's review concluded that its breadth and depth of skills and experience enabled it to discharge its duties properly.
Diversity	The Board consists of individuals with different backgrounds and expertise including mining engineering, geology, and finance which of itself brings diversity of thought to Board discussions. The Board is mindful of the benefits that more diversity would bring to the Board. Whilst the Board is of the view that it is not appropriate to increase the size of the Board specifically to address diversity, it is committed to addressing its lack of gender diversity via its succession planning activities.
Retirement and re-election of directors	The Articles require one-third of the directors (excluding the CEO) to retire annually by rotation with those retiring being eligible for re-election. Martin Andersson and Robert Edwards, being the directors who have been longest in office since their last election, will retire and will stand for re-election at the forthcoming AGM.

Operation of the Board

Commitment	Each director is expected to commit such time as is necessary to perform his duties as an officer of the Company. All NEDs are required to disclose other significant commitments both before appointment and following subsequent changes so that the Board can satisfy itself that each of the directors has sufficient time to allocate to the Company to discharge their responsibilities effectively.
Meetings and site visits	There are four scheduled Board meetings a year with additional ad hoc meetings convened as and when required. In normal circumstances, the four scheduled meetings would be "in person" meetings, at least two of which would be site visits. However, due to the COVID-19 pandemic, no "in person" Board meetings or Board site visits took place in 2020, with all meetings taking place by video conference. In circumstances where a director is unable to attend a meeting, he is afforded the opportunity to provide his views on the subjects being discussed in advance so that those views can be taken account of at the meeting. Details of Board meeting attendance in 2020 can be found on page 48 and Board committee meeting attendance details can be found in the individual committee reports on pages 50 to 59. Minutes of all Board meetings are formally approved by all directors attending the meeting. Minutes of all Board committee meetings, once approved by the relevant committee chair, and subsequently other committee members, are provided to the Board and papers for all Board committee meetings are available to all directors on the Board's portal.

Operation of the Board (continued)

Information	Assisted by the company secretary, the chairman is responsible for ensuring that directors receive accurate and timely information on all relevant matters. The directors receive a monthly report of current and forecast trading results and treasury positions.
Advice	All directors have access to the company secretary for advice. Additionally, directors may, at the expense of the Company, seek independent advice in conducting their duties.
Training	The Board is kept informed on an ongoing basis by the company secretary about their duties and corporate governance requirements. Training is provided to the Board each year and in 2020 training topics included directors' duties, ongoing obligations under the AIM Rules and the Market Abuse Regulation. Directors are invited to identify to the company secretary any desired skills and knowledge enhancements that they require so that appropriate training can be arranged.
Induction	No new directors joined the Board during 2020. If any new director were to join the Board, they would be provided with a thorough induction facilitated by the company secretary.
Insurance and indemnity	The Company has arranged insurance cover and indemnifies directors in respect of legal action against them to the extent permitted by law. Neither applies in situations where a director has acted fraudulently or dishonestly.
Conflict of interest	The directors have a duty to avoid conflicts of interest. In accordance with the Articles, each director is required to disclose his interests in all matters relating to the Company. A director having an actual or potential conflict of interest absents himself from any decision making regarding that subject matter. Directors are required to disclose any other new appointments before agreeing to take them on, so that any conflicts of interest can be identified and addressed. The Board would also assess conflicts of interest before making any new appointments.
Relationship Agreement with Labro Investments Limited	Chaarat's Chairman, Martin Andersson, is the largest shareholder of Chaarat as he is indirectly beneficially interested in the majority of the shares in Labro Investments Limited ("Labro") which as at 7 April 2021 holds 41.00% of the Company's issued share capital. In 2016 a relationship agreement was put in place between the Company and Labro which provides, inter alia, that for so long as Labro beneficially owns or is interested in 20% or more of the issued share capital of the Company, Labro shall have the right to nominate one director to the Board, and not take any action which will circumvent the proper application of the AIM Rules or enter into any transactions with the Company or the Group on any other than on normal commercial terms. For all the transactions with Labro, the independent directors of the Company considered, at the time of the relevant transaction, having consulted with the Company's nominated adviser at the time, that the terms of the transactions were fair and reasonable insofar as the Company's shareholders were concerned.
Takeover provisions in the Articles	There is a provision in the Articles which states that the Board has the right to require any holder of more than 20% of the Company's shares to make a mandatory offer to all the Company's shareholders to acquire their shares if they acquire an additional interest in any shares. The Board believes this is best practice for corporate governance purposes in order to protect minority holders of the Company's shares so that there is no perception that shares are being accumulated with the objective of acquiring the Company at a potentially depressed valuation. The Board has previously exercised its discretion to waive the requirement for a mandatory offer when Labro has acquired shares in excess of a 20% holding. During 2020 the Board exercised its discretion on eight occasions in order to facilitate Labro's participation in an equity fundraise undertaken by the Company, the payment of financing fees and to enable it to make market purchases of shares. On 7 April 2021 the Board agreed to grant a further waiver to enable Labro to make market purchases of up to three million shares between 8 April and 30 June 2021.

Board Activity in 2020

Meeting attendance

During the year there were 22 meetings of the Board (including ad hoc committees of the Board):

	Four scheduled Board meetings / eligibility	15 ad hoc Board meetings called on short notice / eligibility	Three meetings of ad hoc committees of the Board / eligibility
M Andersson [1,2,3]	4/4	5/5	0/0
A Volynets [1,2,3]	4/4	4/11	0/0
H Barma [3]	4/4	12/15	3/3
R Benbow [1]	4/4	15/15	0/0
R Edwards [2,3]	4/4	15/15	2/2
W Gilman [1,3]	4/4	13/15	0/0
G Wylie [1]	4/4	15/15	1/1

Reasons for non-attendance

1 Not invited because not a member of the ad hoc board committee to which the business of the meeting had been delegated
2 Not invited because interested in most of the business before the meeting or not a NED
3 Meeting called on short notice and/or unavoidable circumstances

Key focus of the Board during 2020

Strategy	• Received and reviewed the CEO's quarterly strategic updates
Operations	• Received quarterly presentations from the COO regarding the Kapan operations • Reviewed and approved commercial arrangements relating to construction at Tulkubash • Received regular updates from the chair of the Board's technical committee
Health, safety, and environment	• Kept under review the Group's response to the COVID-19 pandemic and in particular the measures to ensure the safety of its employees and contractors • Kept under review the Group's management of its Kapan operation during the Azerbaijan–Armenia hostilities in the final quarter of the year • Received regular updates from the chair of the Board's HSEC committee
Finance, internal control, and risk management	• Received quarterly reports and presentations from the CFO regarding the Group's financial performance and refinancing plans • Reviewed and approved an equity capital raising of US$13.8 million, and the associated related party aspects • Reviewed and approved two refinancings of the former US$19.4 million investor loan that had originally been due to mature on 31 March 2020, and the associated related party aspects • Reviewed and approved changes to the maturity of the Labro working capital facility • Received updates on the various funding initiatives to raise finance for the Tulkubash project • Reviewed and approved the Company's 2019 annual report and financial statements and the 2020 interim results to 30 June 2020 • Received regular reports from the audit committee chair • Reviewed and approved the Company's risk governance framework, the principal risks facing the group and discussed risk appetite • Reviewed and approved a revised schedule of matters reserved for the Board and a revised authority limits schedule
M&A opportunities	• Considered various potential M&A opportunities

Governance, risk, and compliance ("GRC")	• Reviewed and approved various GRC policies, including a related party disclosure policy, a policy on the employment of former employees of the external auditor, a financial crime policy and an anti-monopoly and local law compliance policy and reviewed and approved revisions to the Company's whistleblowing policy and code of conduct • Undertook a re-assessment of individuals to be classified as PDMRs • Reviewed the Board's skills and experience • Reviewed and approved Board committee composition, the structure of NED fees and conducted a thorough review of the Board's independence • Agreed the process for the conduct of the 2020 evaluation of the Board and its committees • Reviewed and approved changes to the responsibilities of the COO and CFO • Had initial discussions on succession planning • The independent members of the Board considered whether it was appropriate to grant waivers of the mandatory takeover provisions in the Articles so as to enable Labro to participate in the equity fundraise and to enable it to make market purchases of Chaarat shares. • Reviewed compliance with BVI economic substance requirements
Relationship with shareholders / stakeholder management	The Board recognises the importance of maintaining a dialogue with all its shareholders and carefully considering the feedback and taking appropriate action. The impact of the COVID-19 pandemic has meant that a physical AGM and in-person meetings with shareholders have not been possible. However, the chairman, CEO, and CFO have engaged with the Company's shareholders during the year, discussing the Company's strategy, performance, and ESG matters. The Board also reviewed shareholder votes cast in respect of the business before the Company's 2020 AGM and the investor feedback that had been received from the 2020 interim results investor conference calls. For further information, please see the description of how we comply with QCA Code principle 2 on page 42.
Culture	Discussed culture and its importance and agreed the further work that was required in 2021
New Nomad and joint broker appointments	Reviewed and approved the appointment of Canaccord Genuity Limited as the Company's Nomad and joint broker and the appointment of Panmure Gordon (UK) Limited as a joint broker to the Company

Board evaluation

As part of its commitment to good practice corporate governance and as required by the Quoted Companies Alliance Corporate Governance Code, a formal and rigorous board effectiveness review was undertaken encompassing an evaluation of the Board as a whole, its committees and individual directors. The review was led by the chairman and facilitated by the company secretary.

The approach for the Board, committee, individual director, and chairman evaluations was discussed and agreed with the Company chairman. The review of the Board was conducted by means of a questionnaire agreed with the Company chairman comprising 40 questions covering the key board functions, governance roles, board effectiveness, improving board processes, board behavioural dynamics, and overall performance. The questionnaires for the Board committee reviews were agreed with the respective committee chairs.

The themes for the chairman's discussions with individual directors regarding their performance during the year were agreed with the Company chairman and the one-on-one director discussions took place in January 2021 (including a discussion between the Company chairman and the senior independent director regarding the chairman's performance).

Responses to all Board and committee questionnaires were collated, anonymised, and included in reports which were considered by the Company chairman and, for the committees, the relevant committee chair and subsequently the relevant committee. The Board as a whole then discussed the outcome of the Board and individual committee evaluations.

Areas where the Board scored strongly

- Varied experience and technical expertise
- Ability to challenge constructively and listen
- Responsiveness and availability

Areas for improvement identified and actions for 2021

- Corporate culture
- Succession planning
- Monitoring of non-financial performance

Health, Safety, Environmental, and Community Committee

Gordon Wylie
Chair of the HSEC committee

2020 membership and attendance

Name	Committee member since	Attendance/ Eligibility
Robert Benbow	14 December 2018	4/4
Robert Edwards	14 December 2018	4/4
Gordon Wylie	14 December 2018	4/4

Key responsibilities
The committee assists the Board in discharging governance responsibilities in respect of the Company's safety, health, environmental, and community functions. It provides oversight and ensures that appropriate arrangements are in place in the following areas:
- Safeguarding the health of the Group's employees, contractors, and the public
- Maintaining good community relations
- Ensuring that the standards and procedures adopted for the Group's operations meet the requirements of both the laws of the relevant local jurisdictions and international standards of best practice

The committee's terms of reference describe the committee's responsibilities in detail, and they are available on the Company's website.

Key activities in 2020
The committee met four times in 2020. The chief operating officer attended all meetings of the committee in 2020 in order to brief the committee. The table below summarises the committee's key oversight and monitoring activities during the year:

Safety and health:
- COVID-19 precautions on site at Kapan and Tulkubash
- Safety measures at the Tulkubash camp construction
- Avalanche controls
- Actions agreed during 2019
- Monitoring of safety performance at Kapan and Tulkubash

Environmental:
- Progress of the engineering works on water diversion piping, and the buttressing works to, and the raising of the North wall of, the Kapan tailings storage facility
- Tree cutting activities at Tulkubash
- Global Industry Standard on Tailings Management launched on 5 August 2020

Community:
- Community programmes undertaken by the Group at Kapan nd Tulkubash during the year
- Community support given during the COVID-19 pandemic
- Humanitarian support activities in the aftermath of the Azerbaijan–Armenia hostilities

Other:
- ESG aspects of M&A opportunities
- Progress with updated environmental and social impact assessment ("ESIA") for Tulkubash

Committee evaluation
The committee undertakes an annual evaluation of its performance and effectiveness. For 2020 an internal questionnaire was used to evaluate the work of the committee. The review concluded that the committee functioned effectively although it would benefit from the addition of a committee member with a deeper day-to-day working knowledge of ESG issues. It was agreed that the priority for 2021 would be for the committee to have one or more dedicated health and safety session on site once COVID-19 travel restrictions are lifted. Additionally, following the fatal incident at Kapan in March 2021, the committee will be monitoring the cultural change programme being undertaken at Kapan.

Technical Committee

Robert Benbow
Chair of the technical committee

2020 membership and attendance

Name	Committee member since	Attendance/ Eligibility
Robert Benbow	14 December 2018	10/10
Robert Edwards	14 December 2018	10/10
Gordon Wylie	13 November 2017	10/10

Key responsibilities
The committee assists the Board in discharging governance responsibilities in respect of technical matters including; operational performance and reporting of operational results, resource and reserve disclosures, technical aspects of mergers and acquisitions, and high value and/or technically complex projects.

The committee's terms of reference describe the committee's responsibilities in detail, and they are available on the Company's website.

Key activities in 2020
The committee met 10 times in 2020 in addition to reviewing technical matters between meetings. The chief operating officer attended all meetings of the committee in 2020 in order to brief the committee. The table below summarises the committee's key oversight and review activities during the year:

Kapan:
- Operational performance
- Grade control
- East Flank resources estimate
- Rehabilitation provision for asset retirement obligation

Tulkubash:
- Resources and reserves
- Construction and engineering activities
- 2020 drilling results
- Geochemical work required

Kyzyltash:
- Identifying a path to a western standard BFS

Other:
- Oversight of technical due diligence of M&A opportunities
- Capital expenditure on a 360° drilling rig
- Geology team changes
- 2019 FY operational review and Q1, H1, and Q3 2020 operational and production updates
- Technical aspects of July 2020 investor presentation

Committee evaluation
The committee undertakes an annual evaluation of its performance and effectiveness. For 2020 an internal questionnaire was used to evaluate the work of the committee. The review concluded that the committee functions effectively. However, it was agreed that management would continue to improve the timeliness of distribution of technical papers prior to meetings to afford committee members more time to give them proper consideration in advance of meetings.

Nomination Committee

Martin Andersson
Chair of the nominations committee

2020 membership and attendance

Name	Committee member since	Attendance/ Eligibility
Martin Andersson	14 December 2018	1/1
Hussein Barma	14 December 2018	1/1
Robert Benbow	14 December 2018	1/1
Robert Edwards	14 December 2018	1/1
Warren Gilman	16 May 2019	1/1
Gordon Wylie	14 December 2018	1/1

Key responsibilities
The committee is responsible for keeping under review the structure, size, and composition of the board, giving consideration to succession planning for directors and other senior executives and identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.

The committee's terms of reference describe the committee's responsibilities in detail, and they are available on the Company's website.

Key activities in 2020
Further to the five new appointments to the board following the comprehensive review of the Board's composition during 2018, the committee did not wish to propose any further changes to the Board's composition during the year. Consequently, the committee met formally only once during the year to discuss succession planning. However, the Board as a whole kept under review other matters which fall within the remit of the committee including the conduct in June 2020 of a review of the Board's skills and experience and Board committee composition.

Committee evaluation
Given that during the year most of the work of the committee was undertaken by the Board as a whole in respect of which there was a thorough evaluation, no separate review of the performance of the committee was undertaken in 2020.

Report of the Audit Committee

Hussein Barma
Chair of the audit committee

2020 membership and attendance

Name	Committee member since	Attendance/ Eligibility
Hussein Barma	14 December 2018	6/6
Warren Gilman[1]	16 May 2019	5/6
Gordon Wylie	13 November 2017	6/6

1 Mr Gilman was unable to attend one meeting due to unavoidable circumstances

Key responsibilities
The committee's terms of reference describe the committee's responsibilities in detail, and they are available on the Company's website.

The committee assists the board in meeting its responsibilities relating to financial reporting and internal control and risk management. It provides oversight and ensures that formal and transparent arrangements are in place in the following areas:

- Financial reporting, including responsibility for reviewing the year-end and half-year financial reports
- Oversight of the external audit process and management of the relationship with the Group's external auditor
- Risk management and related controls and compliance
- Review of arrangements for whistleblowing and prevention of fraud, bribery, and corruption

Dear Shareholder
The audit committee provides oversight of the financial reporting process to ensure that the information provided to shareholders is fair, balanced, and understandable and allows accurate assessment of the Company's position, performance, business model, and strategy. During the year, the committee continued to oversee the Company's risk management and internal control systems and is satisfied that the controls over the accuracy and consistency of information are robust.

Committee composition and governance
The committee comprises three independent non-executive directors and acts independently of management. As independent non-executive directors, my colleagues and I work co-operatively with management and the external auditors and will constructively challenge their decisions and opinions wherever we feel this is necessary. For the purposes of the assessment conducted by the board during the year, each committee member confirmed that he considered that he remained independent throughout the year. In particular, each member confirmed that the quantum of share incentives in the Company held by him was not material to himself, and would not create a conflict of interest, impact his decision-making, or compromise his independence in any way.

The board reviewed the composition of the committee during the year and concluded that the committee did not need to be refreshed at this time. Amongst its members, the committee has extensive business experience, knowledge of financial markets, an understanding of risk and other management practices, knowledge of the mining sector, and understanding of the operational aspects of the Group in order to discharge its duties in accordance with its terms of reference. The committee has recent and relevant financial experience through myself, as chair of the committee.

The committee has four scheduled meetings a year and additional meetings as required. In circumstances where a committee member is unable to attend a meeting, that member's views on the matters that are to be the subject of discussion at the meeting are obtained in advance of the meeting. Other regular attendees of committee meetings are the chief financial officer, the group financial controller, the head of legal, the company secretary, and representatives from the external auditor. All non-executive directors have an open invitation to meetings of the committee and have access to the papers for each meeting. Minutes of committee meetings are provided to all directors and the committee chair provides a verbal update at each subsequent board meeting. The committee met privately with the external auditors on four occasions during the year in addition to a meeting between myself and the BDO audit director before each scheduled audit committee meeting.

Report of the Audit Committee
continued

Key activities in 2020
The committee met six times in 2020 and the table below summarises its key activities during the year:

Financial reporting:	• Reviewed the full-year results including the annual report and accounts, and the preliminary announcement of the full-year results • Assisted the board in ensuring that the annual report, when taken as a whole, is fair, balanced, and understandable • Reviewed the interim results statement and, as the external auditor had not been engaged to perform a review of the same, challenged management's underlying assumptions in detail to ensure that all key risk areas had been identified and appropriately addressed • Reviewed the basis for the going concern statement for the purposes of the interim and full-year results statements including consideration of the potential impacts of COVID-19, particularly on the Company's ability to raise additional finance • Considered the appropriateness of accounting policies, and matters of key accounting significance and judgement
External audit:	• Reviewed and approved the audit engagement letter, audit plan and strategy including fees • Assessed the effectiveness of the external audit process • Assessed the effectiveness and independence of the external auditor • Reviewed management's responses to auditor's prior year management letter points
Risk and internal control:	• Reviewed the internal control environment including the impact of COVID-19 • Reviewed the need for an internal audit function and agreed that it was an area to be kept under review • Assisted the Board in its review of the effectiveness of risk management and internal control processes further details of which can be found on page 29 of the Strategic Report • Monitored developments in the Group's risk management processes
Compliance:	• Monitored compliance with the Quoted Companies Alliance Corporate Governance Code • Reviewed and approved for recommendation to the Board: – Related party disclosure policy – Non-audit services policy – Policy on the employment for former external auditor employees – Financial crime policy – Anti-monopoly and local law policy – Revised schedule of matters reserved for board decision – Revised authority limits matrix • Reviewed compliance with and arrangements under: – AIM Rules compliance code – Share dealing code – Anti-bribery and corruption policy – Code of conduct – Whistleblowing policy • Reviewed the committee's terms of reference

Review of matters of accounting significance and judgement

The committee received reports from management and the external auditor setting out the significant accounting and financial reporting matters and judgements in respect of the financial statements. The table below summarises the main areas of judgement considered by the committee. For each area, the committee was satisfied with the accounting and disclosures in the financial statements.

Carrying value of exploration and production mining assets	• The committee considered the carrying value of the Group's mining assets in the Kyrgyz Republic and Armenia and challenged management's impairment indicator review. The committee concluded there were no indicators of impairment and therefore no impairment review was required for either asset.
Going concern assumptions	• The committee reviewed management's forecasts for 2021 and 2022 and considered risks to the projections and underlying assumptions, as well as potential mitigating actions. The committee reviewed the adequacy of the disclosures in Note 2 to the financial statements relating to going concern and the related material uncertainty. It concluded it was satisfied that it remained appropriate to prepare the financial statements on a going concern basis.
Accounting for agreement with Çiftay	• The committee challenged management's accounting treatment of its agreement with Çiftay in view of its current status and concluded that the costs incurred on behalf of the Group by Çiftay were appropriately recognised in the financial statements as liabilities.
Accounting for modification of borrowings	• The committee reviewed the accounting treatment adopted by management in respect of modification of borrowings, challenging the judgements and estimates made around the refinancings that occurred during the year, including the associated share-based and other costs incurred. The committee concluded that the accounting treatment of modification of borrowings was appropriate based on relevant accounting standards.
Accounting for Kapan	• The committee requested the technical committee to assist with this by reviewing the Kapan mine closure plan and the associated validation work undertaken by management to ensure that, from a technical and substantive perspective, it was appropriate in order to support the rehabilitation provision contained in the Group's financial statements. Based on this review, the committee considered the accounting treatment in the financial statements and concluded this remained appropriate.

Report of the Audit Committee
continued

External auditor

The committee monitors the relationship with the external auditor, BDO LLP ("BDO"), and annually reviews the Group's audit requirements together with the effectiveness of the incumbent external auditor prior to any decision to re-appoint. The committee is responsible for ensuring that the independence and objectivity of the external auditor is not compromised or put at risk of compromise.

Audit process	• The external auditor prepares an audit plan for the review of the full-year financial statements. The audit plan sets out the scope, objectives, and components of the audit together with audit risks and audit timetable. The plan is reviewed and agreed in advance by the committee. Following completion of the audit, the external auditor presents its findings to the committee for discussion and has a private discussion with the committee without management present. No major areas of concern were highlighted by the external auditor. Following completion of year-end formalities, the committee reviews management's responses to the external auditor's management letter points and discusses with management the process for the year-end audit with a view to identifying any improvements for the following year.
Independence	• The committee considers the independence of the external auditor annually. That consideration involves a review of the details of rotation arrangements for key members of the audit team and others involved in the audit engagement and a review of non-audit service fees. In order to formalise the Company's own safeguards of external auditor independence and objectivity, during the year, on the recommendation of the committee, the board adopted a formal policy for the provision of non-audit services by the external auditor together with a policy on the employment of former employees of the external auditor. The committee monitors the nature and extent of non-audit services provided by the external auditor. There were no non-audit service fees in 2020 (2019: £21,000) and no former employees of the external auditor were employed by the Group during the year. BDO has confirmed to the committee that it complies with the Financial Reporting Council's Ethical Standard for Auditors and, in its professional judgement, is independent and objective within the meaning of those standards.
Effectiveness	• In order to facilitate continued improvement to the external audit process, the committee conducts an annual review of the effectiveness of the audit. This review incorporates the views of management and others involved in the audit process. The assessment, which encompasses both the effectiveness of the external auditor and the audit itself, considers a number of factors including: – Quality of advice on key accounting and audit judgements, technical issues, and best practice – Identification of useful areas for improvements in company procedures – Team member competence and technical expertise – Completion of work to schedule and with minimal disruption Following completion of this year's review, the committee concluded that it continued to be satisfied with the effectiveness of the external audit and the effectiveness of BDO.
Appointment and tendering	• BDO has been external auditor to the Group since April 2013 when PKF (UK) LLP merged with BDO (the former having been appointed external auditor to the Group in 2009) . The current audit partner, Jack Draycott, has served five years and will rotate off the Group's audit before 31 December 2021. The committee will consider annually whether the re-appointment of BDO remains appropriate given the size of the Group. In the meantime, the committee is satisfied with both the independence and performance of the external auditor and has therefore recommended to the board the re-appointment of BDO.

Committee evaluation

The committee undertakes an annual evaluation of its performance and effectiveness. For 2020 an internal questionnaire was used to evaluate the work of the committee. The review concluded that the committee was performing effectively. However, it was agreed that there would continue to be more focus on risk and compliance related matters in 2021.

Key areas for committee focus in 2021

Risk and internal control:	• Reassessment of need for an internal audit function • Monitoring of the Group's internal control activities • Monitoring of implementation of risk mitigation action plans
Compliance:	• Review of effectiveness of new policies adopted this year • Review of assurance reporting

The committee's oversight of financial reporting and the control and risk environments have been areas of significant focus during the year and will remain so for the 2021 financial year.

I would like to extend my thanks to committee colleagues for their work and support during the year.

Hussein Barma
Chair of the audit committee

7 April 2021

Remuneration Committee

Robert Edwards
Chair of the remuneration committee

2020 membership and attendance

Name	Committee member since	Attendance/ Eligibility
Hussein Barma	14 December 2018	7/7
Robert Edwards[1]	1 October 2020	1/1
Warren Gilman[2]	16 May 2019	6/7
Gordon Wylie[1]	14 December 2018	6/6

1 Following a review by the Board of committee composition in June 2020, with effect from 1 October 2020 Gordon Wylie stood down from chairing and being a member of the committee and was replaced by Robert Edwards.
2 Warren Gilman was unable to attend one meeting of the committee due to unavoidable circumstances.

Key responsibilities
The role of the committee is to review the performance of the executive directors and senior management and to set the scale and structure of their remuneration, having due regard to the interests of shareholders as a whole and the performance of the Group. The committee also oversees the Company's share incentive arrangements under The Chaarat Gold Holdings Limited Management Incentive Plan (the "MIP").

The committee's terms of reference describe the committee's responsibilities in detail, and they are available on the Company's website.

Dear Shareholder

Remuneration policy
The policy of the Company is to ensure the members of the Board and senior management are fairly remunerated with regard to the responsibilities undertaken and with regard to comparable pay levels in the mining industry. Bonuses and the award of share options are used to attract, retain, and motivate directors and senior management where appropriate.

Committee composition and governance
The committee comprises three independent non-executive directors and acts independently of management. For the purposes of the independence assessment conducted by the Board during the year, each committee member confirmed that he considered that he remained independent throughout the year. In particular, each member confirmed that that the quantum of share incentives in the Company held by him was not material to himself, and would not create a conflict of interest, impact his decision-making, or compromise his independence in any way.

The committee has four scheduled meetings a year and additional meetings as required. In circumstances where a committee member is unable to attend a meeting, that member's views on the matters that are to be the subject of discussion at the meeting are obtained in advance of the meeting. Other regular attendees of committee meetings are the company chairman and the company secretary, although neither is present when their own remuneration is discussed. All non-executive directors have an open invitation to meetings of the committee and have access to the papers for each meeting. Minutes of committee meetings are provided to all directors and the committee chair provides a verbal update at each subsequent board meeting.

Key activities in 2020

The committee met 7 times in 2020 and the table below summarises its key oversight and review activities during the year:

Existing management incentive plan:	• Review of performance against criteria for the vesting of the second tranche of restricted stock units ("RSUs") performance • Review and approval of a proposed share incentive award to a senior executive • Reviewed and challenged the proposed performance criteria for the vesting of the third tranche of RSUs
Long-term incentive plan for beyond 2020:	• Considered and discussed potential structures for long-term incentives for beyond 2020 • Reviewed and agreed proposals for executive shareholding guidelines to apply to any new incentive plan • Considered and approved proposals for a two-year post-employment shareholding requirement to apply to shares acquired through any new share incentive plan
Remuneration:	• Reviewed senior management compensation • Reviewed voluntary reductions in salaries for directors and senior management as part of the cost optimisation programme • Received presentations from the country managers of the Group's operations in Armenia and the Kyrgyz Republic on employment conditions in their respective operations
Other:	• Considered a briefing paper from the company secretary on the published views of the Company's largest institutional investor, other institutional shareholders and proxy advisory agencies on executive remuneration • Reviewed and approved the 2019 remuneration report • Reviewed adherence to the committee's terms of reference

Committee evaluation

The committee undertakes an annual evaluation of its performance and effectiveness. For 2020 an internal questionnaire was used to evaluate the work of the committee. The review concluded that, overall, the committee functioned effectively. However, it was agreed that there would continue to be more focus on developing executive remuneration policy in 2021.

Key areas for committee focus in 2021

Continue work on developing and articulating an executive remuneration policy that is fair, supports strategy, and has regard to stakeholders.

I would like to extend my thanks to Gordon Wyle for his work in chairing the committee for the first nine months of the year and to my committee colleagues for their work and support during the year.

Robert Edwards
Chair of the remuneration committee

7 April 2021

Total remuneration of directors serving during the year:

Year ended 31 December 2020	Salary US$'000	Fees US$'000	Termination payments US$'000	Share-based payments* US$'000	Total US$'000
Executive Directors					
Martin Andersson	-	317	-	967	1,284
Artem Volynets	444	-	-	988	1,431
Non-Executive Directors					
Hussein Barma	-	55	-	34	90
Robert Benbow	-	56	-	131	187
Robert Edwards	-	46	-	34	80
Warren Gilman	-	45	-	34	79
Gordon Wylie	-	134	-	69	203
Total	**444**	**653**	**-**	**2,258**	**3,355**

* As noted below, the committee is still in the process of reviewing the performance of the executive directors and has not yet made a final determination regarding the vesting of tranche 3 of their respective RSUs. The Board has also decided to defer vesting of the non-executive directors' tranche 3 RSUs until the awards of executive directors vest. Accordingly, the amounts for share-based payments in the table above for 2020 are based on management estimates and any final adjustments will be reported in 2021.

Year ended 31 December 2019	Salary US$'000	Fees US$'000	Termination payments US$'000	Share-based payments US$'000	Total US$'000
Executive Directors					
Martin Andersson	-	375	-	2,820	3,195
Artem Volynets	588	-	-	3,006	3,594
Non-Executive Directors					
Hussein Barma	-	58	-	116	174
Robert Benbow*	191	36	-	271	498
Robert Edwards**	-	45	-	116	161
Warren Gilman	-	35	-	116	151
Martin Wiwen-Nilsson***	-	497	-	(3)	4946
Gordon Wylie	-	154	-	232	386
Total	779	1,200	-	6,674	8,653

* executive director until 31 May 2019
** appointed 21 March 2019
*** resigned 20 March 2019

Directors' Interests

Share Interests

Directors' interests in Ordinary Shares
The interests of the directors who held office as at 31 December 2020 (and of persons connected with them), in the Company's Ordinary Shares as at year end and as at the date of this report are shown below:

	Ordinary Shares of US$0.01 each		
Director*	at 7 April 2021	at 31 December 2020	at 31 December 2019
Executive Directors			
M A C Andersson	*287,357,963	224,922,569	**166,548,824
A O Volynets	5,515,106	5,515,106	3,837,727
Non-Executive Directors			
H Barma	210,886	210,886	166,722
R D Benbow	1,004,976	1,004,976	960,812
R W J Edwards	165,987	165,987	131,722
W P Gilman	515,987	515,987	481,722
G F Wylie	444,539	444,539	327,277

* This figure comprises 281,527,967 Ordinary Shares held by Labro and 5,829,996 Ordinary Shares in which Mr Andersson is personally interested following the vesting of awards under the MIP.
** This figure comprises 164,737,642 Ordinary Shares held by Labro and 1,811,182 Ordinary Shares in which Mr Andersson is personally interested following the vesting of an award under the MIP.

The Chaarat Gold Holdings Limited Employee Benefit Trust (the "EBT") holds shares to satisfy the vesting of MIP awards. Executive directors are deemed to have an interest in the Ordinary Shares held by the EBT. As at each of 31 December 2020 and the date of this report the EBT held 8.504,596 Ordinary Shares.

Directors' interests in convertible loans
As at each of the date of this report, 31 December 2020 and 31 December 2019, Martin Andersson was indirectly interested in loan notes for US$1,000,000 convertible into 2,849,330 Ordinary Shares (assuming full conversion of principal and interest to maturity).

Save as disclosed above, no directors of the Company who held office as at 31 December 2020 (or any persons connected with them), had any interest in loan notes convertible into, and warrants to subscribe for, Ordinary Shares as at year end or as at the date of this report.

The Chaarat Gold Holdings Limited Management Incentive Plan

Tranche 3 of RSUs granted on 18 September 2019

During the year under review, the remuneration committee set five key performance objectives for the executive directors related to environmental, safety, social and governance matters, achievement of the Kapan mine business plan, M&A activity, progress with the Tulkubash project, and investor relations and funding.

The committee is still in the process of reviewing the performance of the executive directors and has not yet made a final determination regarding the vesting of tranche 3 of their respective RSUs.

Directors' interests in restricted share awards

At 31 December 2020 the directors held the following restricted share awards in the Company which relate to tranche 3 and are still subject to vesting:

Director	Date of award	Market price at award	Market price at vesting	Number at 01 January 2020	Number awarded during 2020	Number (vested) during 2020	Number (lapsed) during 2020	31 December 2020
Executive Directors								
M A C Andersson	18 September 2019	£0.314	£0.3640	3,622,364	0	(1,448,946)	(362,236)	1,811,182
A O Volynets	18 September 2019	£0.314	£0.3640	3,622,364	0	(1,448,946)	(362,236)	1,811,182
A O Volynets	04 October 2019	£0.359	-	371,213	0	0	0	*371,213
Non-Executive Directors								
H Barma	18 September 2019	£0.314	-	65,862	0	0	0	*65,862
R D Benbow	18 September 2019	£0.314	£0.3640	395,167	0	**(167,946)	(29,638)	*197,583
R D Benbow	04 October 2019	£0.359	-	360,284	0	0	0	*360,284
R W J Edwards	18 September 2019	£0.314	-	65,862	0	0	0	*65,862
W P Gilman	18 September 2019	£0.314	-	65,862	0	0	0	*65,862
G F Wylie	18 September 2019	£0.314	-	131,723	0	0	0	*131,723

* These awards are not subject to performance conditions and were due to vest on 31 December 2020 but will now vest at the same time as the executive directors' RSUs following final determination by the remuneration committee of the extent to which performance criteria have been achieved.

** Robert Benbow was an executive director until 31 May 2019, whereupon he became a non-executive director. Tranche 2 of his 18 September 2019 RSU award was subject to performance conditions.

Directors' interests in share options

At 31 December 2020 the directors held options to subscribe for Ordinary Shares as follows:

Director	Date of grant	Exercise price	Number of Ordinary Shares under option as at 2020	Number granted during 2020	Number (lapsed/ surrendered) 2020	Number of Ordinary Shares under option as at 2020	Earliest date	Exercise end date
Executive Directors								
M A C Andersson	18 September 2019	£0.42	16,300,639	0	0	16,300,639	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024
A O Volynets	18 September 2019	£0.42	16,300,639	0	0	16,300,639	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024
Non-Executive Directors								
H Barma	18 September 2019	£0.42	592,751	0	0	592,751	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024
R D Benbow	18 September 2019	£0.42	1,788,252	0	0	1,788,252	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024
R W J Edwards	18 September 2019	£0.42	592,751	0	0	592,751	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024
W P Gilman	18 September 2019	£0.42	592,751	0	0	592,751	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024
G F Wylie	18 September 2019	£0.42	1,185,501	0	0	1,185,501	One third 15 October 2019	18 September 2024
							One third 31 December 2019	18 September 2024
							One third 31 December 2020	18 September 2024

Directors' Report

The directors of the Company (the "Directors" and/or the "Board") present their report and audited financial statements for the year ended 31 December 2020 (the "Directors' Report").

The strategic report on pages 7 to 35, which incorporates the chief executive officer's report, chief operating officer's report, the environmental, social, and governance report, and the financial review (the "Strategic Report"), is incorporated by reference in the Directors' Report. The governance report on pages 37 to 61 also forms part of and is incorporated by reference in the Directors' Report.

Incorporation
Chaarat Gold Holdings Limited is incorporated in the British Virgin Islands under company registration number 1420336.

Registered office
The Company's registered office is: Palm Grove House, PO Box 438, Road Town, Tortola, VG 1110, British Virgin Islands.

Principal place of business
The Company's principal place of business is at 10th floor, Business Centre "Victory", 103 Ibraimov str., Bishkek 720011, Kyrgyz Republic.

Trading of shares
The ordinary shares of the Company are admitted to trading on AIM, a sub-market of the London Stock Exchange (AIM:CGH).

Principal activity
Chaarat is a gold mining company which owns and operates the Kapan mine in Armenia as well as the Tulkubash and Kyzyltash gold projects in the Kyrgyz Republic. Further information is included in the Strategic Report.

Results and dividends
The Group made a consolidated loss after taxation for the year of US$22.4 million (2019: US$29.4 million). The Directors do not recommend the payment of a dividend (2019: Nil).

Review of the period
The Strategic Report provides a review of the Group's business, together with a description of the principal risks and uncertainties that it faces, is set out on pages 8 to 33 of the Strategic Report.

The Strategic Report contains certain forward-looking statements, particularly concerning the development plans at the Chaarat Gold project and the Group's M&A strategy. These statements have been made by the Directors in good faith based on the information available at the time of the approval of this Annual Report. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements depending on a variety of factors such as, inter alia, increased costs, possible variations in mineral resources, grades or recovery rates, disruption of supplies, failure of equipment or processes to operate as anticipated, a weaker gold market and changes in exchange rates.

Directors
The Directors who held office during the year and up to the date of approval of the financial statements were:

Executive Directors	
Martin A C Andersson	Executive chairman
Artem O Volynets	Chief executive officer
Non-Executive Directors	
Hussein Barma	Independent non-executive director
Robert D Benbow	Non-executive director
Robert W J Edwards	Independent non-executive director
Warren P Gilman	Independent non-executive director
Gordon F Wylie	Independent non-executive director

Directors' interests
The Directors' interests in the shares of the Company are disclosed on the Remuneration Report on pages 60 and 61.

Share capital
The Company's issued share capital as at the date of this report is comprised of 686,612,153 ordinary shares of US$0.01 each nominal value ("Ordinary Shares"). Each Ordinary Share carries the right to one vote at general meetings of the Company.

Further details of the Company's share capital, including share options and warrants, and shares and share options issued in the year, are disclosed in Note 22 to the financial statements.

Issuing of new Ordinary Shares
At a general meeting of the Company held on 26 April 2019, the directors were authorised by shareholders to allot and grant rights of the unissued share capital and to allot and grant rights over Ordinary Shares up to a maximum of 1,000,000,000 shares without first making a pro rata offer to all existing ordinary shareholders (the "2019 Authority"). That authority is due to expire on 26 April 2021 and shareholder approval will be sought at the 2021 annual general meeting to renew the authority in respect of up to a maximum of 708,554,862 shares, being the unused portion of the 2019 Authority as at the date of this report.

Substantial shareholdings
On 7 April 2021, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Number of shares	%
Labro Investments Limited*	281,527,967	41.00%
China Nonferrous Metals Int'l Mining Co. Ltd	22,469,289	3.27%

* Martin Andersson, the Company's executive chairman, is the ultimate controlling party of Labro Investments Limited ("Labro"). He is also personally beneficially interested in 5,829,996 Ordinary Shares, representing 0.85% of the Company's issued share capital. Mr Andersson's interests combined with Labro's total 41.85%.

Shares not in public hands
So far as the Company is aware, the percentage of the Company's issued share capital that is not in public hands for the purposes of the AIM Rules is 44.93% .

Distribution of shares

Range	Total number of registered holders	Percentage of registered holders	Total number of shares	Percentage of issued share capital
1 to 1,000	21	7.24%	13,968	0.00%
1,001 to 10,000	80	27.59%	362,898	0.05%
10,001 to 100,000	73	25.17%	2,514,116	0.37%
100,001 to 1,000,000	63	21.72%	24,255,354	3.53%
1,000,001 to 10,000,000	41	14.14%	127,838,254	18.62%
10,000,001 to 50,000,000	11	3.79%	217,650,248	31.70%
50,000,001 to 500,000,000	1	0.34%	313,977,315	45.73%
Totals	**290**	**100%**	**686,612,153**	**100%**

Financial risk management objectives and policies
The Group's exposure to financial risks and its policies in relation to the use of financial instruments are explained in Note 34 to the financial statements.

Going concern
Details of the Group's status as a going concern are set out in Note 2 to the financial statements.

Articles of association
The Company's articles of association can be found on our website at www.chaarat.com. They may only be amended by a special resolution at a general meeting of shareholders.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with applicable legislation in the British Virgin Islands governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditor
The Directors in office at the date of this report are not aware of any relevant information that has not been made available to the auditor and each Director has taken steps to be aware of all such information and to ensure that it is available to the Company's auditor.

Re-appointment of auditor
BDO LLP has expressed its willingness to continue in office as the Group's auditor and, accordingly resolutions to reappoint it and to authorise the audit committee, for and on behalf of the directors, to determine its remuneration, will be proposed at the forthcoming annual general meeting.

Annual general meeting
The Company's annual general meeting ("AGM") will be held at 11:00am on Tuesday, 18 May 2021 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA. The notice of AGM (the "Notice") is available on the Company's website. The Notice specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

By Order of the Board

Frances Robinson
Company Secretary

7 April 2021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FINANCIAL STATEMENTS

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements and have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the state of affairs of the Group and of its profit or loss 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 accounting 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping records that are sufficient to show and explain the Group's transactions and will, at any time, enable the financial position of the Company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps to prevent and detect fraud and other irregularities and for the preparation of any additional information accompanying the financial statements that may be required by law or regulation.

Independent Auditor's Report
to the Members of Chaarat Gold Holdings Limited

Opinion on the financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

We have audited the financial statements of Chaarat Gold Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern
We draw attention to Note 2 in the financial statements concerning the Group's ability to continue as a going concern. The matters explained in the note indicate that the Group requires to refinance the convertible loan notes to the extent that they are not converted to equity before 31 October 2021 and also requires additional funding to proceed with the development of assets in Kyrgyz Republic. There is no certainty that the funding required by the Group will be secured within the necessary timescale. These events or conditions, along with the other matters as set out in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We also considered going concern to be a Key Audit Matter based on our assessment of the risk and the effect on our audit. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:
- We challenged the Directors' forecasts to assess the Group's ability to meet their financial obligations as they fall due within the period of twelve months from the date of approval of the financial statements by reviewing the assumptions and inputs in the Directors' cash flow forecasts to assess whether these were in line with our understanding of the Group's operations and other information obtained by us during the course of the audit. This included understanding Management's assessment of the risk of potential impacts of the Covid-19 pandemic to the mining operations.
- We compared the forecast income and expenditure for both the Kyrgyzstan project and Kapan by reference to actual income and expenditures in 2020, the Directors' budgeted expenditure in 2021 and 2022 and the life of mine plan to check that the forecast expenditure is reasonable.
- We performed a mechanical check on the cash flow forecast model prepared by the Directors.
- We reviewed the existing contractual debt agreements including the Directors' covenants and forecast covenants compliance assessment.
- We performed sensitivities to determine the point at which the Group requires further funding by considering the scenarios such as: reductions in concentrate grade, revenues and production stoppage for one month.
- We evaluated potential mitigating actions identified by management. In doing so we reviewed the correspondence and the term sheet with certain potential lenders.
- We reviewed the adequacy and completeness of the disclosure included within the financial statements in respect of going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	91% (2019: 92%) of Group loss before tax 100% (2019: 100%) of Group revenue 99% (2019: 99%) of Group total assets		
		2020	2019
Key audit matters	Carrying value of the mining assets	✔	✔
	Going concern	✔	✔
	Accounting for modification of other borrowings	✔	
	Accounting for the fair values of the assets and liabilities of Kapan at the date of acquisition		✔
	The accounting for the fair values of the assets and liabilities of Kapan at the date of acquisition is no longer considered to be a key audit matter because the acquisition of Kapan occurred in 2019.		
	The accounting for modification of other borrowings is considered to be a key audit matter this year because the modifications occurred in 2020.		
Materiality	Group financial statements as a whole US$1,000,000 (2019:US$965,000) based on 0.75% (2019: 0.75%) of total assets		

1 These are areas which have been subject to a full scope audit by the group engagement team

Financial Statements

Independent Auditor's Report
to the Members of Chaarat Gold Holdings Limited
continued

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group's operations principally comprise exploration of gold deposits located in the Kyrgyz Republic and production of copper and zinc concentrate from a deposit located in Armenia. We assessed there to be three significant components Chaarat Kapan CJSC, Chaarat Zaav CJSC and the Parent Company. The audit of Chaarat Kapan CJSC was performed in Armenia by a local BDO member firm under the supervision and direction of the Group audit team. The audits of Chaarat Zaav CJSC, the Parent Company and the Group consolidation were performed in the United Kingdom by the Group engagement team. These were subject to full scope audits and non-significant components were principally covered using analytical review procedures by the Group engagement team. All audit work was performed by the Group audit team and BDO member firm in Armenia.

Our involvement with component auditors
For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters), and set out the information to be reported to the Group audit team.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- The Group audit team reviewed the component auditor's work papers remotely, attended clearance meetings for the significant component and engaged with the component auditor during their fieldwork and completion phases.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report
to the Members of Chaarat Gold Holdings Limited
continued

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of the mining assets As at 31 December 2020, the Group's mining assets were carried at US$101.9m comprising US$71.3m related to the Chaarat Gold Project in Kyrgyzstan and US$30.6m to the Kapan project in Armenia as disclosed in Notes 15 and 17. The Directors' performed an impairment indicator review to assess whether there were any indicators of impairment for the exploration asset and production asset. Following this assessment, the Directors' concluded that there were no indicators of impairment and therefore no impairment review was required for the exploration asset in Kyrgyzstan and the production asset in Armenia. Given the inherent judgement and significant estimates involved in the assessment of impairment indicators, such as selling price, grade, recovery and discount rate, and consideration of other potential impairment triggers such as impact of COVID-19, political disruptions, the financing, the hostilities in the neighbouring region, we considered this area to be a key audit matter.	**Chaarat Gold Project - exploration asset** We assessed the Directors' review of indicators of impairment against the relevant accounting standards. In doing so we performed the following procedures: • We assessed the appropriateness of Management's determination of cash generating unit (CGU) in line with the relevant accounting standard. • We obtained and read the existing licences to confirm that the Group holds a valid right to explore the Chaarat Gold Project. • We assessed the commitments and obligations associated with the licences to confirm compliance with the licences. • We assessed existing and potential legal claims and considered whether these represented indicators of impairment. • We evaluated management's conclusions that the existing and potential legal claims does not have an impact on the license and there is no suggestion that the license is invalid. In doing so, we considered the nature of each claim, obtained legal letter from the Group's internal lawyer in Kyrgyzstan and assessed the objectivity and competence of the Group's internal lawyer. • We read Board minutes, made specific inquiries of management and reviewed budgets and work programmes submitted to the Kyrgyz authorities to confirm that further drilling and exploration is planned. • We inspected capital expenditures made during the year, which indicate that the Group continues to invest in the exploration of the project. • We made enquiries of Management and reviewed budgets and forecasts to establish whether there was a plan to continue exploration. • We considered other potential impairment triggers such as impact of COVID-19, political disruptions in Kyrgyzstan in 2020, a delay in the expected financing, the contractor leaving the site. • We reviewed the disclosures included in the financial statements at Notes 15 and 17. **Kapan project – production asset** We obtained and examined management's impairment indicator paper, together with the discounted cash flow forecasts which formed part of their impairment review. • We obtained the Directors' assessment of the impairment indicators and checked whether it was prepared in accordance with accounting standards, examined the key assumptions in the life of mine plan and challenged the appropriateness of estimates with reference to empirical data and external evidence. • We compared the actual performance of the mine during 2020 to budgets for the period and life of mine plan in order to assess the quality of management's forecasting with specific emphasis on the following assumptions: metal prices, recoveries, grade, reserves and production levels, operating and development costs and discount rate. • We reviewed management's sensitivity analysis and performed our own sensitivity analysis on key inputs to assess the impact of changes in assumptions in management's discounted cash flow model on the carrying value of the assets. • We assessed the consistency of production profiles and capital expenditure forecasts against the mine plan, approved budget and external reserves statement, and met with operational management to inform our assessment and understanding of these plans and budgets. • We compared the 2P reserves included in the models to the Reserve Statement prepared by the Group's internal and external reserve engineers and performed procedures to assess for both their independence, objectivity and competence. We met with both the internal and external reserve engineers as part of this process and ascertained there had been no limitation to their scope. • We read the key licence agreements and confirmed that the Group holds valid licences. • We assessed the commitments and obligations associated with the licences to confirm compliance with the licences. • We read Board minutes, made specific inquiries of management and reviewed budgets and mining results submitted to the Armenian authorities to confirm compliance with work programmes. • We considered other potential impairment triggers, such as impact of COVID-19, the hostilities in the neighbouring Nagorno-Karabakh region. • We reviewed the adequacy of disclosures included in the financial statements including within Note 17. **Key observations:** We found the Directors' conclusion that no impairment indicators exist on the Group's mining assets to be appropriate.

Independent Auditor's Report
to the Members of Chaarat Gold Holdings Limited
continued

<table>
<tr><th>Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Accounting for modification of other borrowings

As disclosed in Notes 25 and 29, the Group is financed through convertible loan notes, a bank loan and other borrowings, which have been subject to several amendments in 2020 which involve complex contract terms and conditions.

Accounting for the modification of other borrowings is considered a key audit matter as significant judgements and estimates are involved in the following areas:
• Accounting for amendment of loan terms, extensions and refinancing under relevant accounting standard, i.e. either as substantial or non-substantial modification of loan.
• Accounting for the associated non-cash security and commitment fees and if accounted for as transaction costs - allocation of those between the loans.
• Accounting for conversion of loan as part of the modification.
• Accounting for an extension option and associated warrants issued.</td><td>We obtained and reviewed Management's assessment of the amendments to the borrowings agreements and subsequent refinancing for compliance with relevant accounting standards. In doing so, we performed the following:
• We assessed the objectivity, competence and independence of management's expert appointed to make an assessment of the accounting treatment.
• We obtained and examined all the loan agreements associated with the amendments and refinancing in the year and checked that all material terms and conditions were appropriately accounted for.
• We evaluated the assessment and conclusion of each amendment of the loan agreements whether the modification is substantial or non-substantial and whether accounting for each modification was in accordance with applicable standards.
• We evaluated the accounting treatment of the security and commitment fees and assessed the reasonableness of Management's judgements made for inclusion in transaction costs in assessing if the modification is quantitatively substantial in line with the requirements of applicable accounting standards.
• We recalculated the effective interest rates and agreed the underlying inputs to the amended agreement terms.
• We assessed valuations of warrant and the related estimates involved, and its key inputs: life of warrant, volatility rates, share price, exchange rates and exercise price with reference to the agreement terms and market data as applicable.
• We performed a recalculation of interest expense for convertible loan notes and other borrowings.
• We evaluated the adequacy and completeness of disclosures in the financial statements in relation to other borrowings within Note 29, including any significant estimates and judgements associated with accounting for modifications.

Key observations:

We found the accounting treatment of modification of other borrowings to be appropriate based on relevant accounting standards.</td></tr>
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Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2020	2019
Materiality	US$1,000,000	US$965,000
Basis for determining materiality	0.75% of total assets	
Rationale for the benchmark applied	The Group is focused on both exploration and production. We consider total assets to be the most relevant consideration of the Group's financial performance as the Group continues to focus on enhancing its assets.	
	We considered 0.75% of total assets to be low enough for sensitive balances, transactions or disclosure in the accounts, and determined not to set any lower levels of materiality.	
Performance materiality	US$750,000	US$724,000
Basis for determining performance materiality	75% of Group Materiality considering the nature of activities and historic audit adjustments	

Component materiality
We set materiality for each component of the Group based on a percentage of between 38% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US$380,000 to US750,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US$20,000 (2019: US$20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.
If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's Report
to the Members of Chaarat Gold Holdings Limited
continued

Responsibilities of Directors
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the audit committee to understand the laws and regulations relevant to the Group and company. These included the significant laws and regulations of Armenia, the Kyrgyz Republic to be those relating to the mining industry, elements of financial reporting framework, tax legislation and environmental regulations;
- Holding discussions with management and the audit committee to determine any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements (refer to key audit matters above);
- Extending inquiries to individuals outside of Management and the accounting department to corroborate Management's ability and intent to carry out plans that are relevant to developing the estimate set out in the key audit matters section above;
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit; and
- Directing the auditors of the significant components to ensure an assessment is performed on the extent of the components compliance with the relevant local and regulatory framework.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with the terms of our engagement letter dated 7 December 2020. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
London
7 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement
For the year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Revenue	4	**75,994**	68,088
Cost of Sales	5	**(55,286)**	(55,652)
Gross Profit		**20,708**	12,436
Selling expenses	7	**(1,864)**	(3,024)
Administrative expenses	8	**(16,970)**	(27,834)
Other income		**21**	-
Operating profit/(loss)	6	**1,895**	(18,422)
Finance income		**19**	9
Finance costs	12	**(21,432)**	(9,447)
Fair value gain on warrant	30	**595**	-
Loss before tax for the year, attributable to equity shareholders of the parent		**(18,923)**	(27,860)
Income tax charge	13	**(3,520)**	(1,545)
Loss after tax for the year, attributable to equity shareholders of the parent		**(22,443)**	(29,405)
Loss per share (basic and diluted) – US$ cents	14	**(4.40)**	(7.06)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	2020 US$'000	2019 US$'000
Loss for the year, attributable to equity shareholders of the parent	**(22,443)**	(29,405)
Items which have been reclassified to profit and loss		
Exchange differences on translating foreign operations disposed of during the year	**73**	-
Items which may subsequently be reclassified to profit and loss		
Exchange differences on translating foreign operations and investments	**(480)**	523
Other comprehensive income for the year, net of tax	**(407)**	523
Total comprehensive loss for the year attributable to equity shareholders of the parent	**(22,850)**	(28,882)

The accompanying notes are an essential part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2020

	Note	2020 US$'000	2019 US$'000
Assets			
Non-current assets			
Exploration and evaluation costs	15	**61,359**	55,070
Other intangible assets	16	**1,221**	1,609
Property, plant and equipment	17	**40,538**	38,269
Prepayments for non-current assets		**563**	501
Deferred income tax assets	18	**5,631**	7,652
Total non – current assets		**109,312**	103,101
Current assets			
Inventories	19	**12,251**	9,676
Trade and other receivables	20	**6,646**	9,782
Deferred VAT receivable		**-**	837
Cash and cash equivalents	21	**6,928**	3,585
Total current assets		**25,825**	23,880
Total assets		**135,137**	126,981
Equity and liabilities			
Equity attributable to shareholders			
Share capital	22(b)	**5,401**	4,688
Share premium	22(b)	**191,594**	168,616
Own shares reserve	22(f)	**(216)**	(216)
Convertible loan note reserve	22(e)	**2,493**	2,493
Merger reserve		**10,885**	10,885
Share option reserve	22(c)	**14,103**	10,624
Shares to be issued	22(d)	**-**	217
Translation reserve		**(15,282)**	(14,875)
Accumulated losses		**(184,527)**	(162,253)
Total equity		**24,451**	20,179
Liabilities			
Non-current liabilities			
Provision for rehabilitation	23	**7,479**	8,638
Convertible loan notes	25	**-**	19,994
Lease liabilities	28	**771**	302
Other loans	29	**21,947**	-
Total non-current liabilities		**30,197**	28,934
Current liabilities			
Trade and other payables	27	**17,400**	16,759
Contract liabilities	26	**5,328**	-
Deferred VAT payable		**-**	837
Lease liabilities	28	**654**	276
Other loans	29	**31,400**	59,258
Warrant financial liability	30	**814**	-
Convertible loan notes	25	**23,252**	-
Other provisions for liabilities and charges	31	**1,641**	738
Total current liabilities		**80,489**	77,868
Total liabilities		**110,686**	106,802
Total liabilities and equity		**135,137**	126,981

The financial statements were approved and authorised for issue by the Board of Directors on 7 April 2021.

Artem Volynets
Chief Executive Officer

Christopher Eger
Chief Financial Officer

The accompanying notes are an essential part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020

	Note	Share Capital US$'000	Share Premium US$'000	Own shares Reserve US$'000	Share Warrant Reserve US$'000	Convertible loan note Reserve US$'000	Merger Reserve US$'000	Share Option Reserve US$'000	Shares to be Issued US$'000	Translation Reserve US$'000	Accumulated Losses US$'000	Total US$'000
As at 1 January 2019		**3,951**	**152,063**	**-**	**1,352**	**2,360**	**10,885**	**1,414**	**-**	**(15,398)**	**(132,984)**	**23,643**
Loss for the year		-	-	-	-	-	-	-	-	-	(29,405)	(29,405)
Translation gains for the year		-	-	-	-	-	-	-	-	523	-	523
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**523**	**(29,405)**	**(28,882)**
Share options lapsed		-	-	-	-	-	-	(204)	-	-	136	(68)
Share options expense		-	-	-	-	-	-	9,847	-	-	-	9,847
Share options exercised		3	95	-	-	-	-	(20)	-	-	-	78
Share scheme modification		-	-	-	-	-	-	(413)	-	-	-	(413)
Issuance of shares for cash	22 (b)	157	6,387	-	-	-	-	-	-	-	-	6,544
Issuance of shares for settlement of liabilities	22 (b)	69	3,041	-	-	-	-	-	-	-	-	3,110
Issuance of treasury shares	22 (g)	216	-	(216)	-	-	-	-	-	-	-	-
Issuance of shares for acquisition of Kapan	22 (b)	146	5,109	-	-	-	-	-	-	-	-	5,255
Equity element of convertible loan note	22 (f)	-	-	-	-	133	-	-	-	-	-	133
Warrants exercised	22 (b)	146	1,921	-	(1,352)	-	-	-	217	-	-	932
As at 31 December 2019		**4,688**	**168,616**	**(216)**	**-**	**2,493**	**10,885**	**10,624**	**217**	**(14,875)**	**(162,253)**	**20,179**
Loss for the year		-	-	-	-	-	-	-	-	-	(22,443)	(22,443)
Translation losses for the year		-	-	-	-	-	-	-	-	(407)	-	(407)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(407)**	**(22,443)**	**(22,850)**
Share options lapsed		-	-	-	-	-	-	(159)	-	-	159	-
Share options expense		-	-	-	-	-	-	3,612	-	-	-	3,612
Share options exercised		1	21	-	-	-	-	(10)	-	-	10	22
Share scheme modification		-	-	-	-	-	-	36	-	-	-	36
Issuance of shares for cash	22 (b)	191	6,041	-	-	-	-	-	-	-	-	6,232
Issuance of shares for settlement of liabilities	22 (b)	513	16,707	-	-	-	-	-	-	-	-	17,220
Issuance of shares for exercised warrants	22 (b)	8	209	-	-	-	-	-	(217)	-	-	-
As at 31 December 2020		**5,401**	**191,594**	**(216)**	**-**	**2,493**	**10,885**	**14,103**	**-**	**(15,282)**	**(184,527)**	**24,451**

Consolidated Cash Flow Statement
For the Year Ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Operating profit/(loss)		**1,895**	(18,422)
Depreciation and amortisation	6	**5,959**	5,079
Loss on disposal of property, plant and equipment	6	**66**	185
Non-cash expenses	6, 20	**335**	496
Gain on disposal of subsidiary	35	**(7)**	-
Change in provisions	20, 23, 31	**(897)**	297
Foreign exchange losses/(gains)	6	**2,456**	(45)
Share based payments	6	**3,612**	9,780
(Increase)/decrease in inventories		**(3,263)**	7,828
Decrease/(increase) in trade and other receivables		**2,330**	(5,218)
(Decrease)/increase in trade and other payables		**(1,682)**	4,036
Increase in contract liabilities	26	**5,334**	-
Cash generated in operations		**16,138**	4,016
Income taxes paid		**(205)**	(1,034)
Cash payments for RSUs replaced		**-**	(413)
Net cash generated in operations		**15,933**	2,569
Investing activities			
Acquisition of subsidiary, net of cash acquired		**-**	(38,479)
Purchase of property, plant & equipment	17	**(7,417)**	(3,970)
Purchase of intangible assets	16	**(155)**	(1,385)
Exploration and evaluation costs	15	**(4,389)**	(10,482)
Proceeds from sale of property, plant & equipment		**51**	31
Disposal of subsidiary	35	**(5)**	-
Interest received		**19**	-
Net cash used in investing activities		**(11,896)**	(54,285)
Financing activities			
Proceeds from issue of share capital	22	**6,255**	6,622
Receipt of funds for shares to be issued		**-**	161
Receipt of funds for warrants exercised		**-**	49
Repayments of principal portion of lease liabilities	28	**(573)**	(120)
Proceeds from convertible loan notes issued, net of costs		**-**	1,072
Finance costs paid for modifications of other loans	24	**(686)**	-
Repayments of principal amount of loan	29	**(8,000)**	(4,000)
Repayments of interest	29	**(3,185)**	(2,727)
Proceeds from loans	29	**5,300**	53,000
Net cash (used in)/from financing activities		**(889)**	54,057
Net change in cash and cash equivalents		**3,148**	2,341
Cash and cash equivalents at beginning of the year		**3,585**	1,168
Effect of changes in foreign exchange rates		**195**	76
Cash and cash equivalents at end of the year	21	**6,928**	3,585

Notes to the Financial Statements

1. GENERAL INFORMATION AND GROUP STRUCTURE

Chaarat Gold Holdings Limited (the "Company") (registration number 1420336) was incorporated in the British Virgin Islands (BVI) and is the ultimate holding company for the companies set out below (the "Group"). The Company's shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange (AIM:CGH). The registered address of the Company is: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands, VG1110.

As at 31 December 2020 the Group consisted of the following companies all of which are wholly owned:

Group company	Country of incorporation	Principal activity
Chaarat Gold Holdings Limited	BVI	Ultimate holding company
Zaav Holdings Limited	BVI	Holding company
Chon-tash Holdings Limited	BVI	Holding company
At-Bashi Holdings Limited	BVI	Holding company
Akshirak Holdings Limited	BVI	Holding company
Goldex Asia Holdings Limited	BVI	Holding company
Chon-tash Mining LLC*	Kyrgyz Republic	Exploration
At-Bashi Mining LLC*	Kyrgyz Republic	Exploration
Akshirak Mining LLC*	Kyrgyz Republic	Exploration
Goldex Asia LLC*	Kyrgyz Republic	Exploration
Chaarat Zaav CJSC*	Kyrgyz Republic	Exploration
Chaarat Gold International Limited	Cyprus	Holding company
Chaarat Gold Services Limited	England and Wales	Services company
Chaarat Kapan CJSC*	Armenia	Production company

*Companies owned indirectly by the Company.

2. GOING CONCERN

As at 1 March 2021 the Group had approximately US$31.2 million of cash and cash equivalents and US$50.1 million of debt (excluding lease liabilities and contract liabilities):

- US$23.8 million convertible loan notes including accrued interest to 1 March 2021 (Note 25)
- US$26.3 million borrowings outstanding, including US$0.3 million accrued interest to 1 March 2021 (Note 29)

Kyrgyz Republic
In order to achieve the planned (though as yet uncommitted) capital developments of assets in the Kyrgyz Republic, future financing will need to be raised.

Kapan
The Board has based the cash flow forecasts for Kapan on the most recent budgets. Chaarat Kapan has experienced minimal disruptions to supply chains and shipment as a result of COVID-19 and the hostilities in the neighbouring Naborno-Karabakh region during the final quarter of the year. Based on the 2021 budget for Kapan, Kapan is expected to generate sufficient revenue to cover its operating costs and principal and interest payments. Based on current forecasts covenants will be met, however, performance of Kapan is sensitive to commodity prices and production. If these were to decrease, there is a risk that covenants will be breached.

Convertible Loan Notes
In October 2021 the convertible loan notes are due to be redeemed by conversion into equity at approximately £0.36 per ordinary share, at the holder's option, or will be repaid in cash for a total of US$26.4 million (which includes accrued interest and equity portion).

Labro Term Loan
In February 2021 Labro converted all of the outstanding US$22 million term loan due, as well as the US$0.2 million of accrued interest for US$22.2 million in equity. Labro subscribed for 62,380,154 ordinary shares of US$0.01 each in the Company at the Issue Price of 26 pence per share (non-cash). The loan therefore has been extinguished, avoiding any related financing required in future periods.

Labro Facility Loan
In February 2021 the company repaid the outstanding US$0.8 million owing under the Labro Facility Loan and does not expect to draw down anything in the future.

Conclusion
The forecasts show that the convertible loan notes will need to be refinanced with cash or alternative funding, to the extent that loan note holders do not choose to convert to equity, prior to 31 October 2021. To proceed with the development in Kyrgyz Republic further financing will also be required.

The Board has a reasonable expectation that the Group will be able to raise additional funds as demonstrated by the Group's established track record in historical fund raisings, most recently in the equity raise of February 2021 which raised US$30.0 million in cash.

Subject to the above, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, there are currently no binding agreements in place in respect of any additional funding and there is no guarantee that any course of funding will proceed. Therefore, as set out above, this indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

3. ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of these consolidated financial statements are summarised below:

Basis of preparation
The consolidated financial information has been prepared in accordance with IFRS as adopted by the European Union and on a historical cost basis.

New and revised standards and interpretations
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2020.

Standard	Description	Effective date
IAS 1 and IAS 8	Amendments to definition of material	1 January 2020
IFRS 3	Amendments to definition of a business	1 January 2020
IFRS 9 and IFRS 7	Interest Rate Benchmark Reform amendments	1 January 2020

Impact of amendments to IAS 1 and IAS 8 - Definition of material
The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments clarify the definition of material in IAS 1 and are not intended to alter the underlying concept of materiality in IFRS standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of "material" or refer to the term "material" to ensure consistency.

The adoption of these amendments has not had any material impact on the disclosures or the amounts reported in these financial statements.

Impact of amendments to IFRS 3 - Definition of business
The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments intend to assist the determination of whether a transaction should be accounted for as a business combination or as an asset acquisition. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. It is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020. Their adoption however, has not had any material impact on the disclosures or the amounts reported in these financial statements.

Impact of amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform
These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The Group has determined that these amendments are not applicable to the Group.

Basis of consolidation
The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed, 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.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

3. ACCOUNTING POLICIES (CONTINUED)

Business Combinations
IFRS 3 Business Combinations applies to a transaction or other event that meets the definition of a business combination. When acquiring new entities or assets, the Group applies judgement to assess whether the assets acquired and liabilities assumed constitute an integrated set of activities, whether the integrated set is capable of being conducted and managed as a business by a market participant, and thus whether the transaction constitutes a business combination, using the guidance provided in the standard. Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred. Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

Where applicable, the consideration for the acquisition may include an asset or liability resulting from a contingent consideration arrangement. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in such fair values are adjusted against the cost of acquisition retrospectively with the corresponding adjustment against the fair value of the assets and liabilities acquired. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date. The measurement period may not exceed one year from the effective date of the acquisition. The subsequent accounting for contingent consideration that does not qualify for as a measurement period adjustment is based on how the contingent consideration is classified. Contingent consideration that is classified as equity is not subsequently remeasured. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRS 9 Financial Instruments with the corresponding amount being recognised in profit or loss.

The identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Revenue recognition
Revenue is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Group expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or a specific point in time.

Performance obligation and timing of revenue recognition
The revenue arises from extraction of complex ore as well as ore purchased from third parties and production of copper and zinc concentrates to wholesale customers. Though in all contracts the total transaction value mainly depends on the market prices of the metals based on the preliminarily estimated contents in the concentrates, those separate materials are not distinct but represent a bundle of materials. As there are no other significant promises, each contract contains one performance obligation to which the total transaction value is allocated.

The control passes to the customers and the revenue is recognized either on a Cost, Insurance and Freight "CIF" basis meaning that control passes to the buyer when the concentrate is loaded on the vessel in the port of shipment (e.g. port of Poti, Georgia) or on the Ex Works basis meaning that control passes to the buyer at the point the concentrate is loaded on the truck at the Kapan mine.

Determining the transaction price
Consideration is variable and depends on the fluctuations of metal prices for the quotation period (usually one or three months) and the changes in estimated metal contents and price deductions.

At the date the concentrate is loaded on the truck at the Kapan mine or the vessels at the specified port the provisional invoice is issued based on the estimates of the amount of consideration.

Sales are based on provisional 1-3 month commodity forward prices on the London Metal Exchange (LME) and as such, contain an embedded derivative which is marked-to-market at each month end. The estimated transaction price is updated for the quotational period (usually one or three months) and changes in the estimates of the metal content. The change is recognised as an increase in revenue, or as a reduction of revenue, in the period in which the estimated transaction price is finalised.

Final prices of copper and zinc concentrates are determined at the contract settlement date based on the LME commodity market prices at that date and final adjustments for weighting, sampling or moisture determination changes.

Advance payments from customers
The Group receives advance payments from its customers which represent prepayments for the future transfer of concentrate. These are either classified as contract liabilities or financial liabilities under IFRS 15 and IFRS 9, respectively, depending on the terms of the customer agreements and how the prepayments are settled. If settled in cash, they are classified as financial liabilities and if offset against final invoices, they are classified as contract liabilities. The contract liabilities are unwound and revenue is recognised when shipments take place and control passes to the customers. The advance payments accrue interest which is separately recognised from revenue in the Consolidated Income Statement.

Royalties (included in cost of sales)
Under Armenian law a royalty is payable to the state, the base of which is driven by the revenue earned from the supply of concentrates. Royalty expense is included in cost of sales.

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants are presented as "other income" in the Statement of Comprehensive Income and cash inflows from operating activities in the Statement of Cash Flows.

Interest
Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or payments over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

3. ACCOUNTING POLICIES (CONTINUED)

Taxation
The income tax expense includes the current tax and deferred tax charge recognised in the income statement.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate. The Group is not subject to corporate tax in the British Virgin Islands, therefore as at 31 December 2020 the Group's operations in this region have an effective tax rate of 0%. Companies engaged in the production and sale of gold in the Kyrgyz Republic pay a revenue-based tax on the sales of gold rather than tax on profit. The remaining Group's operations are subject to income tax at a rate of 18% in Armenia, 19% in the United Kingdom and 12.5% in Cyprus (Note 13). Non-profit based taxes are included within administrative expenses and Kapan's royalty taxes are included within cost of sales.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Probable taxable profits are based on evidence of historical profitability and taxable profit forecasts limited by reference to the criteria set out in IAS 12 Income Taxes. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis with that taxation authority.

Non-current Assets

Intangible Assets

Exploration and evaluation costs
During the initial stage of a project, exploration costs are expensed in the income statement as incurred.

Exploration expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale or where the exploration activities have not reached a stage that permits a reasonable assessment of the existence of reserves, are capitalised and recorded on the balance sheet within exploration and evaluation assets for mining projects at the exploration stage. Capitalised evaluation and exploration costs are classified as intangible assets.

Exploration and evaluation expenditure comprise costs directly attributable to:
- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation assets are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made.

Exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project which is when a bankable feasibility study is obtained, and project finance is in place.

Other intangible assets (excluding goodwill)
Intangible assets acquired by the Group are measured on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over the estimated useful lives using the straight-line-basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Other intangible assets comprise computer software and other intangible assets, which are initially capitalised at cost. Amortisation is provided on a straight-line basis over a period of 1 to 10 years.

Property, plant and equipment
Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less any subsequent accumulated depreciation and impairment losses. The historical cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged on each part of an item of property, plant and equipment so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement, unless it is considered to relate to the construction of another asset, in which case it is capitalised as part of the cost of that asset. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

• Land and buildings	5 to 20 years
• Mining Properties	Mining properties that are used in production are depreciated under the unit of production basis, and other physical assets depreciated over their useful lives which are 5 to 20 years
• Fixtures and fittings	2 to 20 years
• Motor vehicles	2 to 7 years
• Right-of-use assets	5 to 20 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishments and improvements expenditure, where the benefit enhances the capabilities or extends the useful life of an asset, is capitalised as part of the appropriate asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Mining properties
Mining properties include the cost of acquiring and developing mining assets and mineral rights. Mining properties, which include development structures, are depreciated to their residual values using the unit-of-production method based on proven and probable ore reserves according to the JORC Code, which is the basis on which the Group's mine plans are prepared. Changes in proven and probable reserves are dealt with prospectively. Depreciation is charged on new mining ventures from the date that the mining asset is capable of commercial production.

Mineral rights for the assets not ready for production are included within Exploration and evaluation costs. When a production phase is started, mineral rights are transferred into Mining assets and are depreciated as described above.

Assets under construction
Assets under construction are measured at cost less any recognised impairment. Depreciation commences when the assets are ready for their intended use.

Assets under construction include costs incurred for the development of tangible assets that will form part of a category of property, plant and equipment which is not yet complete. Once the project ready for use capitalisation will cease (other than for large development programmes), the asset will be reclassified to the respective property, plant and equipment category it relates to from assets under construction, and depreciation will commence.

Estimated ore reserves
Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits. The Group's reserves are estimated in accordance with JORC Code.

Impairment of exploration and evaluation assets
All capitalised exploration and evaluation assets and other intangible assets are monitored for indications of impairment. Where a potential impairment is indicated, assessment is made for the group of assets representing a cash generating unit ("CGU"). Indicators of impairment include:
i. the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
ii. substantive expenditure on further exploration of mineral resources in the specific area is nether budgeted nor planned;
iii. exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
iv. sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

3. ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment
An impairment review of property, plant and equipment is carried out when there is an indication that those assets have suffered an impairment loss or there are impairment reversal indicators. If any such indication exists, the carrying amount of the asset is compared to the estimate recoverable amount of the asset in order to determine the extent of the impairment loss or reversal (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. The carrying amounts of all cash-generating units are assessed against their recoverable amounts determined on a fair value less costs to sell calculation. Fair value is based on the applicable Discounted Cash Flow ("DCF") method using post-tax cash flows. The DCF method is attributable to the development of proved and probable reserves.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. Impairment loss may be subsequently reversed if there has been significant change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

A reversal of impairment loss is recognised in the consolidated income statement immediately.

Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognised a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets and leases for the purposes of mining and exploration activities, which fall out of the IFRS 16 scope. For these leases, the Group recognises the lease payments as operating expenses on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability based on the effective interest method and by reducing the carrying amount to reflect the lease payments made. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and are presented as a separate line in the consolidated financial statements.

Right-of-use assets are depreciated over shorter period lease term and useful life of the underlying asset. The Group applies IAS 36 to determine whether the right-of use asset is impaired and accounts for any identifiable impairment loss as described above.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. Any gain or loss relating to the partial or full termination of any lease is recognised in profit or loss.

Inventories

Copper and zinc concentrates
Inventories including metals in concentrate and in process are stated at the lower of production cost or net realisable value.

Cost of finished goods and work in progress are determined on the first-in-first-out (FIFO) method. The cost comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity), excluding borrowing costs.

Consumables and spare parts
Consumables and spare parts are stated at the lower of cost or net realisable value. Costs are determined on the first-in-first-out (FIFO) method.

The Company's policy is to write-down to nil the items that have not been utilised for more than two years. This is done on a quarterly basis.

Inventory items used in the production process are recognised as cost of sales when the related sale of concentrate takes place. This includes the cost of purchased ore and consumables and spare parts.

Cost of purchased ore
The Group purchases ore from third parties which is processed and sold to Kapan's customers. The amount expensed in cost of sales is equal to the price paid to third parties in line with the purchase agreements.

Cash and cash equivalents
Cash includes petty cash and cash held in current bank accounts. Cash equivalents include short-term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Equity
Equity comprises the following:
- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of transactions costs directly related to the share issue.
- "Own shares reserve" represents the nominal value of equity shares that have been repurchased by the company.
- "Convertible loan note reserve" represents the equity component of convertible loan notes issued by the Company.
- "Merger reserve" represents the difference between the issued share capital and share premium of the Company and its former subsidiary Chaarat Gold Limited arising as a result of the reverse acquisition.
- "Share option reserve" represents the equity component of share options issued.
- "Shares to be issued" represents cash received for shares during a period for which equity was not yet issued.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Accumulated losses" includes all current and prior period results as disclosed in the income statement.

Functional and presentational currency
The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency of the Group's entities located in the Kyrgyz Republic, Cyprus and BVI is US Dollars (US$). The functional currency of the subsidiary located and operating in Armenia is the Armenian Dram (AMD). The functional currency of the parent company Chaarat Gold Holdings Limited is the US Dollar.

The Group has chosen to present its consolidated financial statements in US Dollars ($), as management believe it is a more comparable presentation currency for international users of consolidated financial statements of the Group as it is a common presentation currency in the mining industry. The translation of the financial statements of the Group entities from their functional currencies to the presentation currency is performed as follows:
- All assets and liabilities are translated at closing exchange rates at each reporting period end date;
- All income and expenses are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of such transactions;
- Resulting exchange differences are recognised in other comprehensive income and presented as movements relating to the effect of translation to the Group's presentation currency within the Translation reserve in equity; and
- In the consolidated statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated using exchange rates prevalent at those respective dates. All cash flows in the period are translated at the average exchange rates for the period presented, except for significant transactions that are translated at rates on the date of the transaction.

Foreign currency transactions
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

3. ACCOUNTING POLICIES (CONTINUED)

Share-based payments
The Company operates equity-settled share-based remuneration plans for directors and some employees. The Company awards share options to certain Company directors and employees to acquire shares of the Company.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Fair value of restricted stock units is measured by reference to the share price at the date of grant. Fair value of options is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserves".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

After the vesting date, no subsequent adjustments are made to total equity. In the year when the share options lapse the total accumulated charge to the share-based payment reserve is transferred to retained earnings.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the "original fair value") and under the modified terms and conditions (the "modified fair value") are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

In certain instances, the Company issues shares to satisfy outstanding financial liabilities. The measurement of these equity-settled share-based payment transactions is outlined below. Shares are also issued to satisfy obligations under warrant agreements whereby the estimated fair value of the warrants issued is measured by use of the Black Scholes model as detailed in Note 30.

The Company operates an Employee Benefit Trust ("the Trust") and has de facto control of the shares held by the Trust and bears their benefits and risks. The Trust is consolidated into the group accounts with a debit to equity for the cost of shares acquired. Finance costs and administrative expenses are charged as they accrue.

Exchange of financial liabilities for equity
When equity instruments are issued to extinguish all or part of a financial liability, the Group measures them at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, is recognised in profit or loss. The equity instruments are recognised initially and measured at the date the financial liability (or part of that liability) is extinguished. This does not include transactions with a creditor who is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect shareholder, in accordance with IFRIC 19.

Retirement and Other Benefit Obligations
The Group offers pension arrangements in the United Kingdom as well as under the State pension system of the Kyrgyz Republic, which requires current contributions by the employer, calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. The Group does not have any obligations in respect of post-retirement or other significant compensation benefits.

Financial Instruments
Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

Trade receivables without provisional pricing that do not contain provisional price features, loans and other receivables are held to collect the contractual cash flows and therefore are carried at amortised cost adjusted for any loss allowance. The loss allowance is calculated in accordance with the impairment of financial assets policy described below.

Trade receivables arising from sales of copper and zinc concentrates with provisional pricing features are exposed to future movements in market prices and have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss and do not fall under the expected credit losses model (ECL) described below.

Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all commitment, drawdown and other fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade and other receivables and contract assets, except for trade accounts receivable with provisional pricing. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derivative financial instruments
Derivatives embedded in the Group's sale contracts are accounted for at fair value with gains or losses reported in the statement of comprehensive income. These embedded derivatives are not separated from the sale contracts and therefore any gains or losses are included in the lines of sale of concentrates in the year.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
The Group's financial liabilities consist of financial liabilities measured subsequently at amortised cost using the effective interest rate method (including trade payables, other loans and borrowings) and financial liabilities at fair value through profit or loss.

Warrant financial liability
The Group's warrant financial liability relates to warrants to purchase ordinary shares. The warrants are recognised initially at their fair value using the Black-Scholes model and subsequently remeasured at each reporting date with the corresponding fair value gains or losses recognised through profit or loss.

3. ACCOUNTING POLICIES (CONTINUED)

Convertible loan notes
Convertible loan notes are compound financial instruments that can be converted to ordinary shares at the option of the holder.

The liability component of convertible loan notes is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the convertible loan note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The modification of a standard loan is considered substantial where a conversion option is included. Upon modification, the original liability is extinguished, new liability and equity components are recognised at the fair values with a difference attributed to profit or loss.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a convertible loan note is not remeasured.

Interest related to the financial liability is recognised in profit and loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised. When conversion option is not exercised, the equity element is transferred to accumulated losses.

Derecognition of financial liabilities
A financial liability is removed from the balance sheet when it is extinguished, being when the obligation is discharged, cancelled or expired. On extinguishment of a financial liability, any difference between the carrying amount of the liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A modification or exchange of a financial liability is either accounted for as an extinguishment of the original financial liability or a renegotiation of the original financial liability. An extinguishment or substantial modification of a financial liability results in de-recognition of the original financial liability and any unamortised transaction costs associated with the original financial liability are immediately expensed to the profit and loss account. Where the change in the terms of the modified financial liability are not substantial, it is accounted for as a modification of the original liability, with the modified financial liability measured at amortised cost using the original effective interest rate. Part of the assessment includes consideration whether the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Bonus Tax provision in Kyrgyz Republic
Under Article 301 of the Tax Code of the Kyrgyz Republic an entity is subject to a payment for the right to use subsoil, for the purpose of developing a mineral deposit. The calculation of the payment is the amount of geological reserves and forecast resources which is registered with the Kyrgyz Republic.

A provision is recognised based on an estimate of the amount which will be payable, relating to past discoveries of reserves and resources which are expected to be registered with the Kyrgyz Republic.

Contingent liability
Contingent liabilities are recognised when the Group has a probable obligation that may arise from an event that has not yet occurred. A contingent liability which is not probable is not recognised in the Group's financial statements however disclosure within the notes to the financial statements will be included unless the possibility of payment is remote.

Provision for rehabilitation
An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of mining assets. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value using a risk-free rate applicable to the future cash flows, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the consolidated income statement over the life of the operation, through the depreciation of the asset in the cost of sales line and the unwinding of the discount on the provision in the finance costs line.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately as a reduction in the consolidated income statement.

The provision for closure cost obligations is remeasured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes in risk free interest rate.

Value Added Tax
Output value added tax (VAT) related to sales generated in Armenia is payable to tax authorities on the delivery of goods and services to customers. The standard rate of VAT on domestic sales of goods and services and the importation of goods is 20%. Input VAT is recoverable against output VAT upon receipt of the VAT invoice. Per Armenian Tax laws deferred VAT will be considered as Input VAT and may be recovered against Output VAT only after the payment of deferred VAT amount therefore deferred VAT asset is mirrored as VAT liability. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. The VAT assets and liabilities are short term and will be settled within 12 months and are therefore not discounted.

Under the Kyrgyz Republic Tax Code, the supply and export of metal-containing ores, concentrates, alloys and refined metals are considered to be a VAT exempt supply and therefore all VAT is expensed as incurred.

Impact of COVID-19
COVID-19 has had a significant impact on the global economy and management has applied judgement in deciding what impact it has on the going concern assessment including future economic impact on suppliers, operations, customers, demand, commodity prices, foreign exchange rates and operating costs. Further disclosure is included in the going concern disclosure in Note 2 above.

Critical accounting judgements and key sources of estimation uncertainty
In the course of preparing the financial statements, management necessarily makes judgements and estimates that can have significant impact on those financial statements. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information.

Estimated and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in the future periods affected. The judgements involving a higher degree of estimation or complexity are set out below.

Critical accounting judgements
The following are the critical accounting judgements (apart from judgements involving estimation which are dealt with separately below), made in the process of applying the Group's accounting policies during the year that have the most significant effect on the amounts recognized in the financial statements.

Recoverability of exploration and evaluation assets
Exploration and evaluation assets include mineral rights and exploration costs, including geophysical, topographical, geological and similar types of costs. Exploration and evaluation costs are capitalised if management concludes that future economic benefits are likely to be realised and determines that economically viable extraction operation can be established as a result of exploration activities and internal assessment of mineral resources.

According to *IFRS 6 Exploration for and evaluation of mineral resources*, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised, which requires significant judgement.

At 31 December 2020, the capitalised costs of the exploration and evaluation assets amounted to US$71.3 million (prior to carrying out any impairment review), details of which are set out in Note 15 and 17.

The assets relate partly to the Chaarat Gold Project in the Kyrgyz Republic, which comprises two distinct mineralised zones: Tulkubash and Kyzyltash, which will be developed separately. Both zones are located on a single mining licence and are therefore not capable of being independently sold. At 31 December 2020 the Chaarat Gold Project is considered a single cash-generating unit ("CGU"). All exploration and evaluation assets have been included in this CGU.

At 31 December 2020, management does not consider there to be any indications of impairment in respect of the assets included in the Chaarat Gold Project CGU. Management has budgeted the costs for further development of these assets however their recoverability is dependent on future funding.

3. ACCOUNTING POLICIES (CONTINUED)

Costs capitalised to exploration and evaluation assets
Judgement is applied in the determination of the type of costs that are capitalised to exploration and evaluation assets as described in the accounting policy note above. Payroll costs that are directly attributable to exploration and evaluation related activities are capitalised.

Mining costs capitalised to property, plant and equipment
Judgement is applied in the determination of the type of costs that are capitalised as mining properties as described in the accounting policy note above.

Recoverability of property, plant and equipment (including mining properties)
According to IAS 36 the determination of the recoverable amount of assets, the estimates, judgments and assumptions applied for the value in use calculations relate primarily to growth rates, expected changes to average selling prices, shipments and direct costs. Assumptions for average selling prices and shipments are based on market consensus prices. Discount rates are reviewed annually.

Impairment test for property, plant and equipment
The carrying value of Kapan's mining assets is US$30.1 million (2019: US$31.4 million). A review under IAS 36 was undertaken at the reporting date of the carrying amounts of these assets to determine whether there was any indication of a trigger that may have led to them suffering an impairment loss. Following this review no impairment indicators were identified.

While assessing whether any indicators of impairment exist, consideration is given to both external and internal sources of information. Information that management considers includes changes in the market and changes in the economic and legal environment in which the Group operates that are not within its control that could affect the recoverable amount of mining assets. Internal sources of information include the manner in which mining assets are being used or are expected to be used and indications of expected economic performance of these assets.

Çiftay agreement
The agreement with Çiftay contains a number of conditions which are required to be met for the agreement to be enforceable, which includes the issuance of shares to Çiftay and meeting of the Board. The agreement was signed in September 2019, but as a result of the revised construction schedule, a number of particular terms of the agreement have not been met as at 31 December 2020. The agreement is currently being re-negotiated in collaboration with Çiftay and remains subject to a comprehensive amendment. Accordingly, no shares have yet been issued to Çiftay. There are various other terms and conditions in the agreement and the company considers them to be not yet applicable.

As no shares have been issued and given the uncertainties in the visibility of the anticipated amended Çiftay agreement, management has treated the agreement as not completed and therefore amounts incurred by Çiftay on behalf of the Group are recognised as liabilities.

Determination of lease term
Judgement is applied in determining the lease term for those leases that include a renewal or break option. The assessment of whether the Group is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option impacts the value of lease liabilities and right-of-use assets recognised. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to utilise a break clause. Extension options (or periods after break clauses) are only included in the lease term if the lease is reasonably certain to be extended (or break clause not utilised).

The following factors are considered the most relevant:

- If there are significant penalties to break leases (or not to extend), the Group is typically reasonably certain to extend (or not to utilise the break clause);
- The likely value of future rentals, the importance of the underlying assets to the Group's operations, whether the asset is specialised in nature and the costs and business disruption required to replace the leased asset.

Determination of incremental borrowing rate
Lease liabilities are initially measured at the present value of the lease payments that are due over the lease term, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. This is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value.

Key sources of estimation uncertainty
The following are the sources of estimation uncertainty that carry the most significant risk of material effect on this year's and next year's accounts, being items where actual outcomes in the next 12 months could vary significantly from the estimates of production costs and future capital expenditure.

Ore reserves
An ore reserve estimate is an estimate of the amount of product that can be economically and legally extracted from the Group's properties. Ore reserve estimates are used by the Group in the calculation of depletion of mining assets using the units-of-production method; impairment charges and in forecasting the timing of the payment of decommissioning and land restoration costs. Also, for the purpose of impairment review and the assessment of the timing of the payment of decommissioning and land restoration costs, management may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted.

In order to calculate ore reserves, estimates and assumptions are required about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices, discount rates and exchange rates. Estimating the quantity and/or grade of ore reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or if there are changes in any of the aforementioned assumptions. Such changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Assets' carrying values due to changes in estimated future cash flows;
- Depreciation charged in the consolidated income statement where such charges are determined by using the units-of-production method;
- Provisions for decommissioning and land restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs; and
- Carrying value of deferred tax assets and liabilities where changes in estimated reserves affect the carrying value of the relevant assets and liabilities.

Share-based payments
The expected life of share options used in the Black Scholes model for calculating the fair value of those options is based on management's best estimate, adjusted for the effects on non-transferability, exercise restrictions and behavioural considerations. The share price volatility used in that calculation is based on the historical weighted average volatility of the Group's share price in the relevant period to best approximate the Directors' assessment of future volatility expectations. There is an element of judgement in the estimate as to when the restricted share units vest based on the milestones as set out in the option plan. See Note 22 (c) for further information.

Convertible loan notes
The fair value of the liability component of the convertible loan notes has been calculated based on management's best estimate of the equivalent market rate for a loan without a conversion option. In case of modification, the fair value of the equity component of the convertible loan notes has been calculated using Black-Scholes option pricing model. The cost of the corporate guarantee in respect of the modified loan note was included in the transaction costs and amortised over the term of the loan The guarantee fee in relation to the extended maturity date of the working capital facility was considered to be a substantial modification and recognised in profit and loss.

Valuation of trade receivables
As described in Note 20, provisions for expected credit losses have been made. In reviewing the appropriateness of these provisions, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions as at 31 December 2020.

Inventory impairment policy and estimate
For concentrate and ore stockpiles the net realisable value represents the estimated selling price for that product based on forward metal prices according to the applicable contract terms, less the estimated costs to complete production and selling costs, including royalty. Production cost is determined as the sum of the applicable expenditures incurred directly or indirectly in bringing inventories to their existing condition and location. The estimated costs to complete and selling costs are obtained from the current production budgets, approved for the reporting year.

Recoverability of deferred tax assets
Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using suitable growth rate. Details of deferred taxation can be found in Note 18. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Provision for rehabilitation
A provision for the costs to restore working areas on the Kapan mine, including decommissioning of plant and securing of the tailings dam, requires estimates and assumptions to be made. These include estimates and assumptions around the relevant environmental and regulatory requirements, inflation, the magnitude of the possible disturbance and the timing, extent and costs of the required rehabilitation activities.

In calculating the provision for rehabilitation, cost estimates of the future potential cash outflows based on current assessments of the expected rehabilitation activities and timing thereof, are prepared. These forecasts are then discounted to their present value using a discount rate of 8.63% as disclosed in Note 23. As the actual future costs can differ from the estimates due to changes in regulations, technology, costs and timing, the provision including the estimates and assumptions contained therein are regularly reviewed by management. The current estimate reviewed by management is based on historical workings, however a new estimate will be completed in 2021. Charaat does not currently know of any indicators that would cause a material movement in any future estimates. The provision for rehabilitation as at 31 December 2020 is US$7.5 million, if the underlying cost estimate was to vary by 20% there would be a US$1.5 million movement in the provision.

Legal claim provisions
As disclosed in Note 31, legal claim provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the disputes, a reliable estimate can be made of the amount of the obligation however there is uncertainty around the timing of payments to be made.

Notes to the Financial Statements
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4. REVENUE

The revenue recognised from contracts with customers consisted of the following:

	2020 US$'000	2019 US$'000
Copper concentrate	**61,827**	53,917
Zinc concentrate	**14,167**	14,170
Other	**-**	1
Total	**75,994**	68,088

The Group's sales of copper and zinc concentrate are based on provisional 1-3 month commodity forward prices and as such, contain an embedded derivative which is marked-to-market at each month end.

The Group's sales are to internationally well-established commodity traders under standard offtake terms.

In 2020, Copper concentrate sales were made on an Ex Works basis meaning that control passes to the buyer when the concentrate is loaded on the truck at the Kapan mine. Whereas in 2019, sales were made on a cost, insurance and freight ("CIF") basis meaning that control passes to the buyer when the concentrate is loaded on the vessel in the port of shipment (e.g. port of Poti, Georgia). Zinc concentrate sales were made on a CIF basis in both 2020 and 2019.

In 2020, the Group recognized contract liabilities in relation to its contracts with customers as prepayments were received for the future transfer of concentrates, as set out in Note 26.

5. COST OF SALES

	2020 US$'000	2019 US$'000
Depreciation and amortisation	**4,851**	4,602
Employee benefit expenses	**9,467**	8,783
Materials	**10,183**	12,990
Services	**13,566**	17,814
Royalties	**6,473**	4,552
Energy and fuel	**4,169**	5,246
Cost of purchased ore	**5,451**	835
Short-term lease charges	**1,075**	742
Other	**51**	88
Total	**55,286**	55,652

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2020 US$'000	2019 US$'000
Depreciation of property, plant and equipment	**5,693**	4,898
Amortisation of intangible assets	**266**	181
Short-term/low value lease charges	**1,219**	1,128
Share based payment charges	**3,612**	9,780
Loss on the sale of fixed assets	**66**	185
Loss/(Gain) on foreign exchange	**2,456**	(45)
Fees payable to Group auditors for the audit of the Group financial statements	**162**	219
Fees payable to associated firms of the auditor for the audit of subsidiaries	**48**	43
Fees payable to Group auditors for audit related assurance services	**-**	27
Change in legal provision	**(29)**	196
Change in provision for rehabilitation (income) – Note 23	**(1,088)**	-
Selling expenses	**1,864**	3,024
Loss on termination of lease	**22**	-

7. SELLING EXPENSES

Selling expenses consisted of the following:

	2020 US$'000	2019 US$'000
Transportation expenses	**1,214**	2,509
Sampling and inspection	**125**	111
Staff costs	**233**	153
Customs clearance	**36**	40
Utilities	**28**	21
Depreciation and amortisation	**13**	7
Material	**180**	-
Other	**35**	183
Total	**1,864**	3,024

8. ADMINISTRATIVE EXPENSES

The administrative expenses consisted of the following:

	2020 US$'000	2019 US$'000
Readmission and acquisition costs	**65**	1,373
Legal and compliance	**128**	741
Regulatory	**263**	475
Investor relations	**382**	451
Salaries	**6,274**	8,087
Change in provision for rehabilitation (income) – Note 23	**(1,088)**	-
Corporate support	**7,171**	5,993
Travel and subsistence	**163**	934
Share based payment charges	**3,612**	9,780
Total	**16,970**	27,834

9. SEGMENTAL ANALYSIS

Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Board, in order to allocate resources to the segments and to assess their performance.

Based on the proportion of revenue and profit within the Group's operations and on the differences in principal activities, the Board considers there to be two operating segments:

- Exploration for mineral deposits in the Kyrgyz Republic with support provided from the British Virgin Islands ("Kyrgyz Republic")
- Exploration and production of copper and zinc concentrates at Kapan in Armenia ("Armenia")

31 December 2020	**Kyrgyz Republic US$'000**	**Armenia US$'000**	**Corporate US$'000**	**Total US$'000**
Revenue				
Sales to external customers	-	75,994	-	75,994
Total segment revenue	**-**	**75,994**	**-**	**75,994**
Operating profit/(loss)	(2,277)	12,747	(8,575)	1,895
Finance income	-	19	-	19
Finance costs	-	(3,804)	(17,628)	(21,432)
Fair value gain on warrant	-	-	595	595
Loss before income tax expense	**(2,277)**	**8,962**	**(25,608)**	**(18,923)**
Income tax charge	-	(3,520)	-	(3,520)
Loss after income tax expense	**(2,277)**	**5,442**	**(25,608)**	**(22,443)**
Assets				
Segment assets – non-current	71,604	37,708	-	109,312
Segment assets - current	135	24,544	1,146	25,825
Total assets	**71,739**	**62,252**	**1,146**	**135,137**
Liabilities				
Segment liabilities	5,571	56,860	48,255	110,686
Total liabilities	**5,571**	**56,860**	**48,255**	**110,686**

31 December 2019	Kyrgyz Republic US$'000	Armenia US$'000	Corporate US$'000	Total US$'000
Revenue				
Sales to external customers	-	68,088	-	68,088
Total segment revenue	-	68,088	-	68,088
Operating profit/(loss)	(2,477)	3,571	(19,516)	(18,422)
Finance income	-	9	-	9
Finance costs	-	(4,287)	(5,160)	(9,447)
Loss before income tax expense	(2,477)	(707)	(24,676)	(27,860)
Income tax charge	-	(1,540)	(5)	(1,545)
Loss after income tax expense	(2,477)	(2,247)	(24,681)	(29,405)
Assets				
Segment assets – non-current	62,195	40,700	206	103,101
Segment assets - current	72	23,023	785	23,880
Total assets	62,267	63,723	991	126,981
Liabilities				
Segment liabilities	2,694	58,795	45,313	106,802
Total liabilities	2,694	58,795	45,313	106,802

10. STAFF NUMBERS AND COSTS

	2020 Number	2019 Number
Management and administration	**169**	228
Exploration and evaluation	**45**	73
Production and service	**980**	922
Total	**1,194**	1,223

The aggregate payroll costs of these persons were as follows:	US$'000	US$'000
Staff wages and salaries	**17,032**	17,853
Employee share-based payment charges	**1,354**	3,106
Directors' remuneration as detailed in the Remuneration Report		
Wages and salaries	**1,097**	1,970
Share based payment charges	**2,258**	6,674
Total	**21,741**	29,603

The share-based payment charges relate to the historical fair value attributed to share options and restricted stock units ("RSUs") granted under the Management Incentive Plan ("MIP") in 2019. The vesting of the tranche 3 RSUs will only take place following final determination by the remuneration committee of the extent to which performance criteria have been achieved. The Board has also decided to defer vesting of the non-executive directors' tranche 3 RSUs, which are not subject to performance conditions, until the awards of executive directors' vest. Accordingly, the amounts for share-based payments above for 2020 are based on management estimates and any final adjustments will be reported in 2021.

The staff wages and salaries include amounts capitalised to exploration and evaluation assets of US$2.2 million (2019: US$2.8 million).

11. DIRECTORS' REMUNERATION

The costs of certain Directors' services were charged to the Company via consultancy companies, as separately detailed below and in the related party transactions Note 32, rather than directly as short-term employment costs. These arrangements are in place purely for administrative convenience and are not methods to mitigate, reduce or remove liabilities to taxation in the respective Director's country of residence. Details of Directors' remuneration are provided in the Remuneration Report.

Total remuneration	2020 US$'000	2019 US$'000
Salary and fees paid directly	**1,041**	1,752
Salary and fees paid via related party consultancy companies	**56**	227
Share-based payment charges	**2,258**	6,674
Total	**3,355**	8,653

The share-based payment charges relate to the fair value charge attributed to share options and restricted stock units granted in 2019.
As disclosed in Note 10, the charges in 2020 are based on management estimates as the vesting of the tranche 3 RSUs has not yet taken place.

12. FINANCE COSTS

		2020 US$'000	2019 US$'000
Interest on convertible loan notes	25	**3,258**	2,752
Interest on loans	29	**5,763**	5,616
Interest on lease liabilities	28	**169**	32
Interest on contract liabilities	26	**102**	-
Unwinding of discount – provision for rehabilitation	23	**655**	621
Financing costs	29	**11,485**	426
Total		**21,432**	9,447

The financing costs of US$11.5 million mainly relate to the refinance of the Investor Loan and the Labro Term Loan as disclosed in Note 29, which were expensed as part of the substantial modification of this loan. These costs mainly comprised a US$6.1 million guarantee and security fee and a US$2.4 million commitment fee, both of which were settled through the issue of 27.5 million shares to Labro, a US$1.1 million modification loss as well as US$1.4 million for the issue of warrants as disclosed in Note 30.

13. TAXATION

The Group is not subject to corporate tax in the British Virgin Islands. Companies engaged in the production and sale of gold in the Kyrgyz Republic pay a revenue-based tax on the sales of gold rather than tax on profit. Accordingly, the Group has an effective rate of tax on profit of 0% in these jurisdictions. In the remaining jurisdictions in which the Group operates, being Armenia, Cyprus and the United Kingdom, profits are subject to corporate income tax at a rate of 18%, 12.5% and 19%, respectively.

Within Armenia, the rate of corporate income tax is 18% for resident companies (with a worldwide tax base) for 2020. The tax period of corporate income tax is one calendar year (1 January – 31 December). Advance payments of corporate income tax are required to be made quarterly by the 20th day of the third month of each quarter. The advance payment is equal to 20% of the corporate income tax reported in the previous tax year. The balance of tax due must be paid by 20 April of the year following the reporting year. Corporate income tax is determined based on rules and principles of accounting defined by the law or other legal acts.

Within the Kyrgyz Republic, a fixed royalty is payable on the sale of gold. In 2020, the fixed royalty percentage increased from 7% to 8%, comprising a royalty of 5% and a contribution to local infrastructure of 3% (2019: 5% and 2%). However, due to the Stabilisation Agreement that was signed in 2019 which entitled the Company's local subsidiary, Chaarat Zaav, to benefit from any future changes in direct taxes during the 10 years from the date of the agreement, the increase in royalty tax does not apply to this entity and the fixed royalty percentage is capped at 7%. A further percentage rate of tax is based on the average monthly international gold price, being 1% if the gold price is below US$1,300 per ounce and up to 20% when the gold price exceeds US$2,501 per ounce. The maximum royalty payable when the gold price is above US$2,501 per ounce is therefore 27%. However, as the Group's assets in the Kyrgyz Republic are at an exploration stage, the Group has no revenue tax expense in respect of these assets for the years ended 31 December 2020 or 31 December 2019.

Further, under the Article 301 of the Tax Code of the Kyrgyz Republic an entity is subject to a taxation in payment of the right to use subsoil, including for the purpose of developing a mineral deposit. The tax base for calculating the bonus in mining is the amount of geological reserves and forecast resources taken into account by the State Balance of deposits of mineral resources of the Kyrgyz Republic.

At the balance sheet date, the Group has received no tax claims and the Directors believe that the Group is in compliance with the tax laws affecting its operations.

The Group has recognised deferred tax assets which relate to temporary differences arising at the Kapan mine in Armenia, as detailed in Note 18.

A. Analysis of tax charge for the year

		2020 US$'000	2019 US$'000
Armenian tax		**1,979**	1,024
Cypriot tax		**-**	5
United Kingdom tax		**-**	-
Current tax		**1,979**	1,029
Origination and reversal of temporary differences		**1,541**	(308)
Change in tax rate		**-**	824
Deferred tax	18	**1,541**	516
Income tax expense		**3,520**	1,545

B. Reconciliation of tax charge for the year

	2020 US$'000	2019 US$'000
Loss before tax	**(18,923)**	(27,860)
Tax calculated at applicable corporation tax rate:		
Armenian corporation tax at 18% (2019:20%)	**3,406**	5,572
Tax effects of:		
Items non-deductible/taxable for tax purposes	**(696)**	(425)
Income eliminated on consolidation	**(614)**	-
Effect of changes in legislation in Armenia	**-**	(824)
Different tax rates applied in overseas jurisdictions	**(4,468)**	(5,327)
Current tax losses not recognised	**(551)**	(534)
Cypriot corporation tax at 12.5%	**-**	(7)
Write-down of previously recognised deferred tax assets	**(597)**	-
Income tax expense	**(3,520)**	(1,545)

C. Tax losses

	2020 US$'000	2019 US$'000
Unused tax losses for which no deferred tax asset has been recognized		
United Kingdom	**313**	326
Tax benefit at 19%	**59**	62

Deferred tax assets are not recognised where the timing or probability of future reversal is uncertain.

14. LOSS PER SHARE

Loss per share is calculated by reference to the loss for the year of US$22.4 million (2019: loss of US$29.4 million) and the weighted average number of ordinary shares in issue during the year of 510,466,838 (2019: 416,466,724).

At 31 December 2020, 8,920,341 (2019: nil) warrants, 55,027,006 (2019: 56,805,258) share options and convertible loan notes have been excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

15. EXPLORATION AND EVALUATION COSTS

	Tulkubash US$'000	Kyzyltash US$'000	Total US$'000
At 1 January 2019	34,358	9,169	43,527
Additions	11,510	33	11,543
At 31 December 2019	**45,868**	**9,202**	**55,070**
Additions	6,289	-	6,289
At 31 December 2020	**52,157**	**9,202**	**61,359**

Exploration and evaluation assets comprise costs associated with exploration for, and evaluation of, mineral resources together with costs to maintain mining and exploration licences for mining properties that are considered by the Directors to meet the requirements for capitalisation under the Group's accounting policies as disclosed in Note 3. As at 31 December 2020, management does not consider there to be any indicators of impairment in respect of these assets.

16. INTANGIBLE ASSETS

	Computer Software US$'000	Other intangible assets US$'000	Total US$'000
Cost			
At 1 January 2019	149	-	149
Additions	954	437	1,391
Acquired through business combinations	302	43	345
At 31 December 2019	**1,405**	**480**	**1,885**
Additions	155	44	199
Disposals	-	(214)	(214)
Effect of translation to presentation currency	(109)	(29)	(138)
At 31 December 2020	**1,451**	**281**	**1,732**
Accumulated amortisation			
At 1 January 2019	95	-	95
Charge for the year	181	-	181
At 31 December 2019	**276**	**-**	**276**
Charge for the year	245	21	266
Effect of translation to presentation currency	(30)	(1)	(31)
At 31 December 2020	**491**	**20**	**511**
Net book value			
At 31 December 2020	**960**	**261**	**1,221**
At 31 December 2019	1,129	480	1,609
At 1 January 2019	54	-	54

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17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Mining properties US$'000	Fixtures and fittings US$'000	Motor vehicles US$'000	Assets under construction US$'000	Right-of-use Assets US$'000	Total US$'000
Cost							
At 1 January 2019	**4,751**	**973**	**223**	**336**	**357**	**-**	**6,640**
Additions	33	3,500	67	108	3,130	272	7,110
Acquired through business combinations	4,295	23,064	1,290	230	710	339	29,928
Transfers	-	1,453	-	-	(1,453)	-	-
Changes in estimates of provision for rehabilitation	-	797	-	-	-	-	797
Disposals	-	(206)	(3)	(14)	-	-	(223)
Effect of translation to presentation currency	65	350	20	3	11	5	454
At 31 December 2019	**9,144**	**29,931**	**1,597**	**663**	**2,755**	**616**	**44,706**
Additions	6	4,789	10	39	4,570	1,565	10,979
Transfers	203	666	-	-	(869)	-	-
Changes in estimates of provision for rehabilitation	-	(29)	-	-	-	-	(29)
Disposals	-	(916)	(34)	(35)	-	(272)	(1,257)
Reclassification from inventories	-	418	-	-	57	-	475
Effect of translation to presentation currency	(339)	(2,636)	(106)	(19)	(66)	(128)	(3,294)
At 31 December 2020	**9,014**	**32,223**	**1,467**	**648**	**6,447**	**1,781**	**51,580**
Accumulated depreciation							
At 1 January 2019	**508**	**723**	**134**	**181**	**-**	**-**	**1,546**
Charge for the year	723	3,706	269	96	-	104	4,898
Disposals	-	(1)	-	(6)	-	-	(7)
Effect of translation to presentation currency	-	-	-	-	-	-	-
At 31 December 2019	**1,231**	**4,428**	**403**	**271**	**-**	**104**	**6,437**
Charge for the year	1,078	4,229	319	116	-	608	6,350
Disposals	-	(915)	(27)	(35)	-	(164)	(1,141)
Effect of translation to presentation currency	(67)	(461)	(32)	(9)	-	(35)	(604)
At 31 December 2020	**2,242**	**7,281**	**663**	**343**	**-**	**513**	**11,042**
Net book value							
At 31 December 2020	**6,772**	**24,942**	**804**	**305**	**6,447**	**1,268**	**40,538**
At 31 December 2019	7,913	25,503	1,194	392	2,755	512	38,269
At 1 January 2019	4,243	250	89	155	357	-	5,094

The Group's property, plant and equipment relating to the operations in Armenia, Kapan, are pledged as security to the respective banks that have supplied bank debt to the Group.

As at 31 December 2020, management does not consider there to be any indicators of impairment in respect of the Group's property, plant and equipment.

18. DEFERRED TAX

Deferred tax assets have been recognized as a result of temporary differences where the directors believe it is probable that these assets will be recovered. The Group's deferred tax balance relates to the Kapan mine in Armenia. No deferred tax has been recognized in respect of the Group's operations in the Kyrgyz Republic. As disclosed in Note 13, unused tax losses for which no deferred tax asset has been recognised amounts to US$0.3 million (2019: US$0.3 million).

The movement in net deferred tax assets during the year is as follows:

	2020 US$'000	2019 US$'000
At 1 January	**7,652**	-
Acquisition of subsidiary	**-**	8,109
Charged to the income statement	**(944)**	(516)
Deferred tax write-down	**(597)**	-
Effect of currency translation	**(480)**	59
At 31 December	**5,631**	7,652
Comprising:		
Deferred tax assets	**5,631**	7,652
Deferred tax liabilities	**-**	-

Movements in temporary differences during the years ended 31 December are presented as follows:

2020	**At 1 January US$'000**	**Acquisition of subsidiary US$'000**	**Charged to the income statement US$'000**	**Effect of currency translation US$'000**	**Total US$'000**
Property, plant and equipment	5,760	-	(885)	(359)	4,516
Trade and other receivables	35	-	18	(4)	49
Inventories	1,402	-	(637)	(81)	684
Other provisions	57	-	(5)	(4)	48
Trade and other payables	101	-	17	(10)	108
Lease liabilities	297	-	(49)	(22)	226
Total	**7,652**	**-**	**(1,541)**	**(480)**	**5,631**

2019	At 1 January US$'000	Acquisition of subsidiary US$'000	Charged to the income statement US$'000	Effect of currency translation US$'000	Total US$'000
Property, plant and equipment	-	6,374	(643)	29	5,760
Trade and other receivables	-	38	(4)	1	35
Inventories	-	1,279	100	23	1,402
Other provisions	-	24	33	-	57
Trade and other payables	-	99	-	2	101
Lease liabilities	-	295	(2)	4	297
Total	-	8,109	(516)	59	7,652

19. INVENTORIES

Inventories represent goods held for sale in the ordinary course of business (copper and zinc concentrate), ore being processed into a saleable condition (ore stockpiles) and consumables and spares to be used in the production process.

	2020 US$'000	2019 US$'000
Consumables and spare parts	**7,211**	6,911
Copper and zinc concentrate in stock	**3,844**	1,718
Copper and zinc concentrate in transit	**-**	611
Ore stockpiles extracted	**749**	390
Purchased ore stockpiles	**-**	44
Other	**447**	2
At 31 December	**12,251**	9,676

The cost of inventories recognised as an expense and included in cost of sales amounted to US$10.2 million (2019: US$11.8 million) for consumables and spare parts and US$5.5 million (2019: US$0.8 million) for purchased ore. The inventory write-down provision to net realisable value amounted to US$0.8 million as at 31 December 2020 (2019: nil), relating mainly to consumables and spare parts.

20. TRADE AND OTHER RECEIVABLES

	2020 US$'000	2019 US$'000
Trade receivables	**3,447**	6,434
Other receivables	**1,055**	332
Unpaid shares issued*	**122**	-
Prepayments	**2,293**	3,117
Less: expected credit losses	**(271)**	(101)
At 31 December	**6,646**	9,782

* Shares were issued to key management personnel ("KMPs") and other employees in April 2020 upon terms that the subscription price would be satisfied by way of set-off against a proportion of fees and salaries due and to become due until such time as the subscription price was fully paid. The total amount set-off against fees and salaries during the year was US$0.5 million. Amounts relating to KMPs are disclosed in Note 32.

The movement in the loss allowance for expected credit losses is detailed below:

	2020 US$'000	2019 US$'000
At 1 January	**101**	-
Charged during the year	**191**	101
Effect of currency translation	**(21)**	-
At 31 December	**271**	101

21. CASH AND CASH EQUIVALENTS

	2020 US$'000	2019 US$'000
Cash on hand	**5**	7
Current accounts in UK	**132**	496
Current accounts in the Kyrgyz Republic	**118**	100
Current accounts in Armenia	**6,673**	2,982
At 31 December	**6,928**	3,585

There are no amounts of cash and cash equivalents which are not available for use by the Group. All amounts held in current accounts can be drawn on demand if required.

22. CAPITAL AND RESERVES

The share capital of the Company consists of shares of US$0.01 par value of a single class. All shares have equal rights to receive dividends or capital repayments and all shares represent one vote at meetings of shareholders of the Company.

a) Capital management policies and procedures

The Group's objectives for the management of capital have not changed in the year. The Directors seek to ensure that the Group will continue to operate as a going concern in order to pursue the development of its mineral properties, to sustain future development and growth as well as to maintain a flexible capital structure which optimises the cost of capital at an acceptable risk. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing, or acquire or dispose of assets. The Company, following approval from the Board of Directors, will make changes to its capital structure as deemed appropriate under specific circumstances.

The Group considers equity to be all components included in shareholders' funds and net debt to be short and long-term borrowings including convertible loan notes less cash and cash equivalents. The Group's net debt to equity ratio at 31 December was as follows:

	2020 US$'000	2019 US$'000
Total Equity	**24,449**	20,179
Convertible loan notes	**23,252**	19,994
Other loans	**53,347**	59,143
Contract liabilities	**5,328**	-
Lease liabilities	**1,425**	578
Warrant financial liability	**814**	-
Less: cash and cash equivalents	**(6,928)**	(3,585)
Net debt	**77,238**	76,130
Net debt to equity ratio	**316%**	377%

Other loans include borrowings which relate to external bank financing obtained for the acquisition of Kapan. This bank financing has certain covenants attached to it that the Group needs to adhere to, one of which is a limit to the amount of social spending each year. In 2020, the limit of US$0.3 million was exceeded and therefore the Group did not meet this covenant as at 31 December 2020. As such the full bank debt has been disclosed as a current liability. However, a waiver was received on 30 March 2021 and therefore the Group remains in full compliance with the loan. Refer to Note 29 for further information.

The convertible loan notes and other loans, as disclosed in Note 25 and 29, respectively, do not have covenants attached to them. As the convertible loan notes and Labro Facility are repayable within the next 12 months, they have been disclosed as a current liability as at 31 December 2020. The Labro Term Loan is only repayable on 31 December 2024 and as such has been disclosed as a non-current liability.

b) Share capital

	2020		2019	
Ordinary shares of US$0.01 each	**Number of shares ('000)**	**Nominal value US$'000**	Number of shares ('000)	Nominal value US$'000
Authorised	**1,395,167**	**13,952**	1,395,167	13,952
Issued and fully paid				
At 1 January	**468,811**	**4,688**	395,167	3,951
Issued for cash	**19,046**	**191**	15,665	157
Issued as treasury shares	**-**	**-**	21,585	216
Issued to settle liabilities	**51,259**	**513**	6,929	69
Issued as part of Kapan consideration	**-**	**-**	14,638	146
Exercise of warrants	**825**	**8**	14,547	146
Exercise of share options	**120**	**1**	280	3
At 31 December	**540,061**	**5,401**	468,811	4,688

On 20 January 2020, the Company issued 516,525 shares to Labro to satisfy an outstanding commitment fee under the Labro Facility agreement, as disclosed in Note 32. On the same day, the Company issued 825,000 shares to satisfy the Company's obligations under a warrant agreement, as disclosed in Note 22 (d).

On 14 April 2020, the Company issued 12 million shares to Labro to satisfy the fee associated with the guarantee and security package that Labro provided in respect of the Investor Loan, as disclosed in Note 29.

On 29 April 2020, the Company issued a further 42,112,025 shares comprised of:
- 12,954,962 shares issued to existing shareholders and new investors for cash (US$4.2 million);
- 25,396,945 shares issued to Labro, of which 19,305,407 shares were issued to set off the outstanding amount owed by the Company to Labro on the Labro Facility of US$6.34 million (per Note 32), and the remaining 6,091,538 shares were issued for a cash payment of US$2 million;
- 3,760,118 shares issued to directors and senior management, of which 1,998,786 shares were issued to the Company's Executive Chairman to set off the outstanding amount owed by the Company for directors' fees, 1,286,839 shares were issued to Key Management Personnel ("KMPs") as disclosed in Note 32 and 474,493 shares were issued to other employees.

As disclosed in Note 32, on 29 April 2020 the Company also issued 177,330 shares to Labro to satisfy outstanding fees pursuant to drawdowns made by the Company on the Labro Facility and 120,000 shares were issued to satisfy the Company obligations under the Company's 2017 incentive plan to a former director on the exercise by that director of previously vested options.

On 22 October 2020, the Company issued 7,500,000 shares to Labro in connection with the part of the Investor Loan which it refinanced, per Note 29.

A further 8,000,000 new ordinary shares were issued to Labro on 1 November 2020 as the second instalment of the security fee payable in connection with the Investor Loan as the balance of the Investor Loan had not been repaid in full by 31 October 2020.

c) Share options and share based-payments
Share options

The Group operates a share option plan under which directors, employees, consultants and advisers have been granted options to subscribe for ordinary shares. All options are share settled. The number and weighted average exercise price of share options are as follows:

	2020		2019	
	Number of options	**Weighted average exercise price (US$)**	Number of options	Weighted average exercise price (US$)
Outstanding at 1 January	**56,925,258**	**0.522**	18,922,066	0.224
Exercised during the year	**(120,000)**	**0.187**	(280,000)	0.281
Granted during the year	**-**	**-**	56,805,258	0.523
Replaced during the year	**-**	**-**	(5,742,981)	0.197
Lapsed during the year	**(1,778,252)**	**0.523**	(12,779,085)	0.202
Outstanding at 31 December	**55,027,006**	**0.523**	56,925,258	0.522
Exercisable at 31 December	**55,027,006**	**0.523**	37,738,450	0.522

The share options outstanding at 31 December 2020 had a weighted average remaining contractual life of 3.7 years (2019: 4.7 years). Maximum term of new options granted was 5 years from the grant date. At the date of exercise of the 120,000 options above the share price was £0.275. On 27 April 2020, 1,500,000 share options and 500,000 restricted stock units were issued to a new employee on the same terms as Tranche 3, however these subsequently lapsed in November 2020. The share options outstanding at 31 December 2020 had an exercise price of £0.42 (2019: between £0.15 and £0.42).

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This estimate is based on a Black-Scholes model which is considered most appropriate considering the effects of the vesting conditions and expected exercise period.

The total number of options over ordinary shares outstanding at 31 December 2020 was as follows:

Exercise period	**Number**	**Exercise price**
18 September 2019 to 18 September 2024	55,027,006	£0.42
Total	**55,027,006**	

22. CAPITAL AND RESERVES (CONTINUED)

Management Incentive Plan
On 18 September 2019, the Group adopted a new Management Incentive Plan ("MIP") whereby 6,295,481 of options vested or vesting under the old plan were replaced with 1,543,959 of new restricted stock units ("RSUs") and a cash settlement of US$0.4 million. 50% of the replacement restricted stock units vested on 15 October 2019 and 50% on 31 December 2020 subject to a vesting condition of continued employment by the Group.

On the same date 56,805,258 share options exercisable at 42p per share and 21,494,198 RSUs were granted under the new MIP (subject to performance conditions for executives in the case of the RSUs). 33% of the share options and RSUs vested on 15 October 2019 (Tranche 1), 33% on 31 December 2019 and (in the case of RSUs subject to performance conditions) on 21 February 2020 (Tranche 2), and the remaining 33% of share options vested on 31 December 2020 subject to a vesting condition of continued employment by the Group. The remaining RSUs (Tranche 3) will vest following final determination by the remuneration committee of the extent to which performance criteria have been achieved, in the case of awards subject to performance conditions. RSUs not subject to performance conditions in Tranche 3 will vest at the same time.

Options not yet vested will lapse if an employee or director leaves the Company prior to the vesting date. Unexercised vested options will lapse six months after an employee or director leaves the Company.

Trust
On 7 October 2019, the Group established the Chaarat Gold Holdings Limited Employee Benefit Trust in order to acquire and hold sufficient shares to satisfy the awards under the new Plan. The Company was considered to have control over the Trust and therefore the results of the Trust were consolidated within these financial statements. During the year, expenses of US$0.10 million were incurred by the Trust.

d) Shares to be issued
On 23 December 2019 the Company received US$0.2 million for 825,000 shares to be issued under a warrant agreement, reflected as a separate component of equity as at 31 December 2019. These shares were issued in 2020.

e) Convertible loan note reserve
The convertible loan note reserve represents the equity component of convertible loan notes issued by the Company. Refer to Note 25 for further information.

	2020 US$'000	2019 US$'000
At 1 January	**2,493**	2,360
Equity element of other loans	**-**	133
At 31 December	**2,493**	2,493

g) Own shares reserve
The own shares reserve represents the nominal value of equity shares that have been repurchased by the company. The movement in the reserve is as follows:

	2020 US$'000	2019 US$'000
At 1 January	**(216)**	-
Issuance of treasury shares	**-**	(216)
At 31 December	**(216)**	(216)

23. PROVISION FOR REHABILITATION

The provision for rehabilitation relates to the Kapan mine in Armenia. According to Armenian legislation and licence agreements, the Company is committed to restoring working areas on the mine, including decommissioning of plant and securing of the tailings dam. Movements in the provision for rehabilitation are as follows:

	2020 US$'000	2019 US$'000
At 1 January	**8,638**	-
Acquisition of subsidiary	**-**	7,111
Change in provision	**(1,088)**	797
Unwinding of discount	**655**	621
Reclassification to deferred expenses	**(44)**	-
Effect of currency translation	**(682)**	109
At 31 December	**7,479**	8,638

The asset relating to the provision for rehabilitation has been fully depreciated in 2020, therefore the reduction in provision for rehabilitation liability is recognised within administrative expenses.

Further details relating to the calculation of the balance as at 31 December 2020 are as follows:

	31/12/2020	31/12/2019
Discount rates	**8.63%**	8.01%
Provision settlement date	**31/12/2027**	31/12/2027
Estimated undiscounted cash flow required to settle the provision	**US$9.6 million**	US$10.4 million

24. RECONCILIATION OF LIABILITIES

Liabilities from financing activities	Convertible loans US$'000	Contract liabilities US$'000	Lease liabilities US$'000	Other loans US$'000	Total US$'000
At 1 January 2019	**16,303**	**-**	**-**	**10,163**	**26,466**
Cash flows:					
Cash proceeds	1,100	-	-	53,000	54,100
Transaction costs paid	(28)	-	-	-	(28)
Payment of interest	-	-	-	(2,727)	(2,727)
Payment of principal amount	-	-	-	(4,000)	(4,000)
Lease payments	-	-	(120)	-	(120)
Net proceeds	**1,072**	**-**	**(120)**	**46,273**	**47,225**
Non-cash items:					
Amount classified as equity	(133)	-	-	-	(133)
Interest	2,752	-	32	5,617	8,401
Acquisition of subsidiary	-	-	346	-	346
Additions	-	-	320	-	320
Repayments through shares issued	-	-	-	(2,529)	(2,529)
Transaction costs	-	-	-	(270)	(270)
Effect of currency translation	-	-	-	4	4
Total liabilities from financing activities at 31 December 2019	**19,994**	**-**	**578**	**59,258**	**79,830**
Non-current	**19,994**	**-**	**302**	**-**	**20,296**
Current	**-**	**-**	**276**	**59,258**	**59,534**
Cash flows:					
Cash proceeds	-	7,000	-	5,300	12,300
Transaction costs paid	-	-	-	(209)*	(209)
Payment of interest	-	-	-	(3,185)	(3,185)
Payment of principal amount	-	-	-	(8,000)	(8,000)
Lease payments	-	-	(573)	-	(573)
Net proceeds	**-**	**7,000**	**(573)**	**(6,094)**	**333**
Non-cash items:					
Loan modification	-	-	-	(20,665)	(20,665)
Interest capitalised	-	-	-	587	587
Interest accrued	3,258	102	169	5,176	8,705
Additions	-	-	1,565	21,788	23,353
Reclassification	-	-	(126)	-	(126)
Lease termination	-	-	(80)	-	(80)
Repayments through shares issued	-	-	-	(6,338)	(6,338)
Settlement of interest against receivables	-	(71)	-	-	(71)
Transaction costs	-	-	-	(361)	(361)
Amounts recognised as revenue during the year	-	(1,667)	-	-	(1,667)
Effect of currency translation	-	(36)	(108)	(4)	(148)
Total liabilities from financing activities at 31 December 2020	**23,252**	**5,328**	**1,425**	**53,347**	**83,352**
Non-current	**-**	**-**	**771**	**21,947**	**22,718**
Current	**23,252**	**5,328**	**654**	**31,400**	**60,634**

* In addition to the transaction costs paid of US$0.2 million, financing fees of US$0.5 million, expensed in profit or loss, were also paid in cash, resulting in a total cash payment of US$0.7 million relating to the modifications of other loans.

25. CONVERTIBLE LOAN NOTES

2021 convertible loan notes
During the year there were no new issues of 2021 convertible loan notes. The only movement in the year was accrued interest of US$3.3 million (2019: US$2.8 million).

2021 Notes	US$'000
At 31 December 2018	**16,303**
Cash proceeds	1,100
Transaction costs	(28)
Net proceeds	1,072
Amount classified as equity	(133)
Accrued interest	2,752
At 31 December 2019	**19,994**
Cash proceeds	-
Transaction costs	-
Net proceeds	-
Amount classified as equity	-
Accrued interest	3,258
At 31 December 2020	**23,252**

The number of shares to be issued on conversion is fixed. There are no covenants attached to the convertible loan notes.

The 2021 notes accrued interest at 10% p.a. until 30 April 2020 and then at a rate of 12% p.a. until 31 October 2021. The notes are secured on the shares of the Group's principal operating subsidiary, Chaarat Zaav CJSC via the intermediate holding company Zaav Holdings Limited. The notes are repayable on 31 October 2021 and can be redeemed by the Company at any time subject to paying a minimum of 5% interest. The notes, including accrued interest, can be converted at any time at the holder's option at a price of £0.36 per ordinary share. If not converted, the notes will be repaid in cash for a total of US$26.4 million in October 2021, as disclosed in Note 2.

The value of the liability and equity conversion component was determined at the date of issue. The fair value of the liability component at inception was calculated using a market interest rate of 15% for an equivalent instrument without conversion option.

As the notes fall due in October 2021, they have been reclassified from non-current liabilities to current liabilities at 31 December 2020.

26. CONTRACT LIABILITIES

In 2020, the Group recognized contract liabilities in relation to its contracts with customers as prepayments were received for the future transfer of concentrates, as set out below:

	2020
	US$'000
At 1 January 2020	-
Cash received in advance of performance	7,000
Interest on contract liabilities	102
Settlement of interest against receivables	(71)
Amounts recognised as revenue during the year	(1,667)
Effect of currency translation	(36)
At 31 December 2020	**5,328**
Non-current	**-**
Current	**5,328**

The majority of the contract liabilities balance relates to prepayments received from one of Chaarat Kapan's customers in December 2020 for the sale of concentrates within the next financial year, at which point the contract liabilities will be unwound and revenue will be recognised. The prepayments accrue interest at a rate defined in the sales contract and will be settled by way of deduction against future outstanding invoices.

27. TRADE AND OTHER PAYABLES

Trade and other payables at 31 December consisted of the following:

	2020	2019
	US$'000	US$'000
Trade payables	**11,414**	13,444
Social security and employee taxes	**1,698**	988
Accruals	**4,288**	2,327
As at 31 December	**17,400**	16,759

Trade and other payables are all unsecured.

28. LEASES

Per Note 3, all leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

The Group leases equipment and land in the jurisdictions from which it operates, the most notable being the land that is leased in Armenia. These leases fall within the scope of IFRS 16 and therefore right-of-use assets and lease liabilities are recognised. The Group also leases certain items of property, plant and equipment in the Kyrgyz Republic which contain variable payments over the lease terms, therefore these leases do not fall within the scope of IFRS 16, and right-of-use assets and lease liabilities are not recognised as a result.

The movements in the Group's right-of-use assets and lease liabilities for the year ended 31 December 2020 are presented below:

Right-of-use assets

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2019	-	-	-	-
Acquisition of subsidiary	339	-	-	339
Additions	-	272	-	272
Depreciation charge	(29)	(75)	-	(104)
Effect of translation to presentation currency	5	-	-	5
At 31 December 2019	**315**	**197**	**-**	**512**

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2020	315	197	-	512
Additions	666	-	899	1,565
Depreciation charge	(111)	(89)	(408)	(608)
Lease termination	-	(102)	-	(102)
Effect of translation to presentation currency	(62)	(6)	(31)	(99)
At 31 December 2020	**808**	**-**	**460**	**1,268**

Lease liabilities

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2019	-	-	-	-
Acquisition of subsidiary	346	-	-	346
Additions	-	320	-	320
Interest expense	28	4	-	32
Lease payments	(72)	(48)	-	(120)
At 31 December 2019	**302**	**276**	**-**	**578**

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2020	302	276	-	578
Additions	666	-	899	1,565
Reclassification	29	(155)	-	(126)
Interest expense	98	2	69	169
Lease payments	(171)	(38)	(364)	(573)
Lease termination	-	(80)	-	(80)
Effect of translation to presentation currency	(65)	(5)	(38)	(108)
At 31 December 2020	**859**	**-**	**566**	**1,425**

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December and the contractual maturity date.

28. LEASES (CONTINUED)

	Within 6 months US$'000	6 months to 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total at 31 December 2020 US$'000
Land leases	90	91	719	347	1,247
Equipment leases	341	255	-	-	596
Total	**431**	**346**	**719**	**347**	**1,843**

	Within 6 months US$'000	6 months to 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total at 31 December 2019 US$'000
Property leases	103	132	4	17	256
Land leases	32	34	304	124	494
Total	135	166	308	141	750

As at 31 December 2020, the gross contractual discounted cash flows due on the Group's lease liabilities amounts to US$1.4 million (2019: US$0.58 million).

The discount rate used in calculating the lease liabilities is the rate implicit in the lease, unless this cannot readily be determined, in which case the Group's incremental rate of borrowing is used instead. In 2020, a discount rate of 12% per annum has been used to calculate the Group's lease liabilities for its equipment and land leases.

29. OTHER LOANS

Other loans at 31 December consisted of the following:

	Investor Loan US$'000	Labro Facility US$'000	Labro Term Loan US$'000	Borrowings US$'000	Other Borrowings US$'000	Total US$'000
At 1 January 2020	18,771	3,572	-	36,915	-	59,258
Additional funds raised	-	3,300	21,788	-	2,000	27,088
Interest capitalised to principal loan	587	-	-	-	-	587
Interest accrued	1,507	523	263	2,857	26	5,176
Transaction costs	(209)	(257)	(104)	-	-	(570)
Loan modification	(20,656)	(9)	-	-	-	(20,665)
Repayments through shares issued	-	(6,338)	-	-	-	(6,338)
Payment of interest in cash	-	-	-	(3,185)	-	(3,185)
Payment of principal amount in cash	-	-	-	(8,000)	-	(8,000)
Effect of currency translation	-	-	-	(4)	-	(4)
At 31 December 2020	**-**	**791**	**21,947**	**28,583**	**2,026**	**53,347**

Investor Loan
On 17 April 2020, the Investor Loan agreement originally entered into on 13 November 2018 was amended to extend the maturity date to 8 January 2021, resulting in a substantial modification of the Loan. As part of this, the accrued interest at the amendment date, which included US$587k in the current period, was capitalised to the Loan resulting in an increased principal amount of US$19.4 million.

On 22 October 2020, the Investor Loan was extended further and refinanced, resulting in another substantial modification of the Loan. As part of the debt refinancing, US$13.5 million of the balance was assumed and extended to 31 December 2024 at 9.5% interest by Labro Investments Limited ("Labro") via a new facility with the Company, the Labro Term Loan. The US$7.0 million remaining under the Investor Loan continued with similar terms to the existing Investor Loan but with an option of being extended at the Company's discretion to 31 December 2021.

The final amendment took place on 29 December 2020 whereby the remaining loan balance of US$7.2 million was fully redeemed via an additional loan with Labro, resulting in the Investor Loan having a nil carrying value at year end.

As disclosed in Note 12, the Company incurred $11.5 million in financing costs as a result of the refinancing activities, comprising a US$6.1 million guarantee and security fee and a US$2.4 million commitment fee, both of which were settled through the issue of 27.5 million shares to Labro, a US$1.1 million modification loss as well as US$1.4 million for the issue of warrants as disclosed in Note 30.

Labro Facility
During March and April 2020, the Company drew down US$2 million and US$0.5 million, respectively, from the US$15 million revolving term loan facility granted by Labro to the Company on 12 December 2018. On 14 April 2020, the maturity date of the Labro Facility was extended to 31 December 2020. On 29 April 2020, the total amount then outstanding under the Labro Facility including interest was repaid through the issue of ordinary shares of US$0.01 each in the capital of the Company ("Ordinary Shares") to Labro. However, US$6.5 million remained available for future draw downs.

On 12 November 2020, the Company drew down US$0.8 million and recognised drawdown fees of $24k, accounted for as financing fees payable at year end. On 29 December 2020, the maturity date of the Labro Facility was extended further to 30 June 2021, and on 31 December 2020 it became probable that there would be no further drawdowns beyond this date. This resulted in a significant modification of the Labro Facility under IFRS 9 and the recognition of a modification gain in profit or loss.

As disclosed in Note 36, the company repaid the outstanding US$0.8 million in February 2021. No further amounts are available to be drawn down under this facility.

Labro Term Loan
On 22 October 2020, US$13.5 million of the balance of the Investor Loan was assumed and extended to 31 December 2024 at 9.5% interest by Labro Investments Limited ("Labro") via a new facility with the Company, the Labro Term Loan. On 29 December 2020, this loan was increased further by US$7.2 million to finance the redemption of the remaining Investor Loan balance.

As disclosed in Note 36, in February 2021 Labro converted all of the outstanding US$22 million term loan due, as well as the US$0.2 million of accrued interest for US$22.2 million to equity. Labro subscribed for 62,380,154 ordinary shares of US$0.01 each in the Company at the Issue Price of 26 pence per share.

Borrowings
On 30 January 2019, the documentation was finalised for the Kapan Acquisition Financing totalling US$40 million, which is syndicated with Ameriabank CJSC (US$32 million), HSBC Bank Armenia CJSC (US$5 million) and Ararat Bank OJSC (US$3 million). The loan is repayable through quarterly payments over a four-year period and incurs interest at Libor plus 8%.

This bank financing has certain covenants attached to it that the Group needs to adhere to, one of which is the amount of social spending each year. In 2020, the limit of US$0.3 million was exceeded and therefore the Group did not meet this covenant as at 31 December 2020. As such the full bank debt has been disclosed as a current liability.

In addition, the loan maintains a first line ranking to the Kapan assets. The loan also contains a cash sweep mechanism whereby Chaarat must make a mandatory repayment of the loan equal to the cash sweep percentage of the free cash flow after existing debt service. The Cash Sweep Percentage means: (i) 60% for the period starting on the utilization date to the relevant date following 12 months after the utilization date; (ii) 50% for the period starting on the second anniversary of the utilization date to the relevant date following 24 months.

A waiver was received on 30 March 2021, with regard to the relevant covenant not being met on 31 December 2020 and therefore the Group remains in full compliance with the loan.

Other borrowings
Other borrowings include an amount owing to one of Chaarat Kapan's customers in respect of prepayments for the future sale of concentrates. The prepayments accrue interest and will be settled in cash in accordance with a repayment schedule defined in the sales contract. The prepayments can be requested upon notice and therefore are repayable on demand.

The contractual maturities (representing undiscounted cash-flows) of other loans are disclosed in Note 34.

30. WARRANT FINANCIAL LIABILITY

In October 2020, as compensation for the extension option of the Investor Loan, 8,920,341 warrants were issued with an exercise price of £0.26, expiring on 5 October 2023. The fair value of the warrants of US$1.4 million was treated as a financing cost as disclosed in Note 12 as the warrants were deemed integral to the extension of the loan. The warrants were subsequently revalued at 31 December 2020, with a fair value gain of US$0.6 million recognised in profit or loss, due to a decline in the share price. The movement in the balance is set out below:

	2020 US$'000	2019 US$'000
At 1 January	**-**	-
Issue of warrants	**1,409**	-
Fair value gain	**(595)**	-
As at 31 December	**814**	**-**

The warrants to purchase ordinary shares remained outstanding at 31 December 2020 as follows:

	2020		2019	
Expiry date	**Number of warrants**	**Exercise price (£)**	Number of Warrants	Exercise price (£)
5 October 2023	**8,920,342**	**0.26**	-	-
Total	**8,920,342**	**0.26**	**-**	**-**

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30. WARRANT FINANCIAL LIABILITY (CONTINUED)

The estimate fair value of the warrants was measured based on the Black-Scholes model. The inputs used in the calculation of the fair value of the warrants at issue date, using an exchange rate of 1.3, were as follows:

	6 October 2020
Fair value	US$0.16
Share price	US$0.43
Weighted average exercise price	US$0.34
Expected volatility	52.65%
Expected life	2 years
Expected dividend yield	0.00%
Risk-free interest rate	0.15%

The inputs used in the calculation of the fair value of the warrants at 31 December 2020, using an exchange rate of 1.36, were as follows:

	31 December 2020
Fair value	US$0.09
Share price	US$0.31
Weighted average exercise price	US$0.35
Expected volatility	62.49%
Expected life	2 years
Expected dividend yield	0.00%
Risk-free interest rate	0.13%

The expected volatility is based on the historical share price of the Company.

31. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

Other provisions for liabilities and charges relate to a legal claim provision in Armenia, in respect of employment disputes, as well as a bonus tax provision and other provision in the Kyrgyz Republic.

The provisions have been recognised as, based on the Group's legal views, it is considered probable that an outflow of resources will be required to settle the disputes, however there is uncertainty around the timing of payments to be made. There are no expected reimbursements relating to these provisions.

The bonus tax that was provided for at 31 December 2019 under the Article 301 of the Tax Code of the Kyrgyz Republic was fully settled in cash in 2020.

The other provision of US$1.4 million relates to a legal claim that was charged against Chaarat in the Kyrgyz Republic whereby compensation for agricultural losses has been demanded, the payment of which is considered probable by management, however is currently under appeal. The movement in provisions in 2020 is as follows:

	Bonus Tax Provision US$'000	Legal Claims Provision US$'000	Other Provision US$'000	Total US$'000
At 1 January 2020	419	319	-	738
Change in provision	-	(29)	1,375	1,346
Settlement of provision in cash	(419)	-	-	(419)
Foreign exchange on conversion	-	(24)	-	(24)
At 31 December 2020	**-**	**266**	**1,375**	**1,641**

32. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel
Remuneration of key management personnel is as follows:

	2020 US$'000	2019 US$'000
Short term employee benefits	**1,684**	2,342
Share based payments charge	**2,970**	8,025
Total	**4,654**	10,367

Included in the above key management personnel are 7 directors and 2 key managers (2019: 8 and 2).

Entities with significant influence over the Group
At 31 December 2020, Labro Investments Limited, Chaarat's largest shareholder, owned 40.57% (2019: 35.14%) of the ordinary US$0.01 shares in Chaarat ("Ordinary Shares") and US$1.0 million of 10% secured convertible loan notes 2021 which, assuming full conversion of principal and interest to maturity on 31 October 2021, are convertible into 2,849,330 Ordinary Shares (comprised of 2,111,484 Ordinary Shares in respect of principal and around 737,846 Ordinary Shares in respect of interest). If converted, Labro's ownership would increase to 40.88% of the ordinary shares in Chaarat.

For all share issues to Labro, the independent directors of the Company considered, having consulted with the Company's nominated adviser at the time of the transactions, that the terms were fair and reasonable insofar as the Company's shareholders are concerned.

Labro Facility Agreement
The Company has issued the following Ordinary Shares in the Company to Labro, payment for which was offset against commitment and drawdown fees incurred and reduction of indebtedness under the Labro Facility:

Date payment due	Amount to be paid under Labro Loan Agreement	Type of payment under Labro Loan Agreement	Number of shares issued to Labro in satisfaction	Date shares issued to Labro
29 March 2019	US$225,000	Commitment fee	516,525	20 January 2020
3 March to 8 April 2020	US$75,000	Drawdown fee	177,330	29 April 2020
n/a	US$6,338,434	Indebtedness reduction	19,305,407	29 April 2020

Refer to Note 29 above for a reconciliation of the amount due to Labro under the Facility, including interest and fees as at 31 December 2020.

During March and April 2020, the Company drew down US$2 million and US$0.5 million, respectively.

On 14 April 2020, the Company entered into an agreement with Labro whereby the maturity date for the Labro Facility was extended to 31 December 2020. As noted below, 12 million shares were issued to Labro as a security fee where 20% of the cost was allocated to the extension of the Labro Facility term.

On 29 April 2020, Labro subscribed for 25,396,945 ordinary shares at £0.26 per share pursuant to the placing announced by the Company on 27 April 2020 ("the Placing Shares"). Labro's obligation to deliver cash in respect of 19,305,407 of the Placing Shares was offset against the Company's indebtedness under the Labro Facility with the consequence that the Company's obligations under the Labro Facility decreased by US$6.4 million to nil.

A further US$0.8 million was drawn down in November 2020, however as disclosed in Note 36, the company repaid this subsequent to year end.

Labro Guarantee and Security Fee Agreement
On 14 April 2020, the Company and Labro entered into a Security Fee Agreement pursuant to which Labro agreed to provide an increased security package (including a personal guarantee from the Company's Executive Chairman) to support a US$2.4 million increase in the principal amount of the Investor Loan relating to accrued interest to US$19.4 million and an extension of the maturity date of the Investor Loan from 31 March 2020 to 8 January 2021. On 15 April 2020, the Company issued to Labro 12 million new Ordinary Shares of which 80% was attributed as consideration for Labro agreeing to provide the increased security package and the remaining 20% was attributed as consideration for the extension of the Labro Facility.

A further 8,000,000 new ordinary shares were issued to Labro on 1 November 2020 as the second instalment of the security fee payable in connection with the Investor Loan as the balance of the Investor Loan had not been repaid in full by 31 October 2020.

Investor Loan
On 22 October 2020, the Company issued 7,500,000 shares to Labro in connection with US$13.5 million of the Investor Loan which it refinanced, as detailed in Note 29.

The final amendment took place on 29 December 2020 whereby the remaining loan balance of US$7.2 million was fully redeemed via an additional loan with Labro, resulting in the Investor Loan having a nil carrying value at year end.

Shares issued to Key Management Personnel

Pursuant to the placing announced by the Company on 27 April 2020 (the "Placing"), the following ordinary shares were subscribed for by, and issued to, key management personnel ("KMPs") at a price of £0.26 per ordinary share:

- 1,998,786 ordinary shares were subscribed for by, and issued to, the Company's Executive Chairman. The subscription price therefore was satisfied in full by way of set-off of US$0.7 million of unpaid director fees that were due to him in respect of the seven calendar quarters ended 31 March 2020.
- A further 1,286,839 ordinary shares were subscribed for by, and issued to, KMPs in the Placing upon terms that the subscription price therefore would be satisfied by way of set-off against a proportion of fees and salaries due and to become due until such time as the subscription price was fully paid:

Category	Total Number of Placing Shares issued	Total amount	Total repayments	Outstanding balance at 31 December 2020
Directors (including the Executive Chairman)	1,073,635	US$ 352,500	US$ 320,921	US$ 31,579
Other KMPs	213,204	US$ 70,000	US$ 29,474	US$ 40,526
Total	**1,286,839**	**US$ 422,500**	**US$ 350,395**	**US$ 72,105**

33. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

The Company had a commitment of US$6.3 million at 31 December 2020 (2019: US$12 million) in respect of capital expenditure contracted for but not provided for in these financial statements.

Lease liability commitments

Details of lease liability commitments are set out in Note 28.

Licence retention fee commitments

The Company has calculated a commitment of US$0.10 million at 31 December 2020 (2019: US$0.11 million) in respect of licence retention fees not provided in these financial statements. The amount to be paid will be determined by the Kyrgyz authorities and is not payable until a demand for payment is received by the Company. No demand in respect of extant licences had been received at the date of these financial statements.

Licence agreements

There are minimum expenditure commitments under the exploration and mining licence agreements. These minimum levels of investment have always been achieved. The commitment recognised in 2020 is US$0.02 million (2019: US$0.4 million).

Legal claims in Kyrgyz Republic

Within the Kyrgyz Republic there are potential legal claims against Chaarat, due to ongoing activities in country. Chaarat believes any outflow of resources with regards to any claims is remote.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from its operating activities. The Group's risk management is coordinated by the executive Directors, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

Categories of financial instruments

Financial assets measured at amortised cost	**2020 US$'000**	2019 US$'000
Trade and other receivables	**6,646**	6,665
Cash and cash equivalents	**6,928**	3,585
Total financial assets	**13,574**	10,250
Financial liabilities measured at amortised cost		
Trade and other payables	**15,703**	15,771
Contract liabilities	**5,328**	-
Lease liabilities	**1,425**	578
Other loans	**53,347**	59,258
Convertible loan notes	**23,252**	19,994
Financial liabilities measured at fair value through profit or loss		
Warrant financial liability	**814**	-
Total financial liabilities	**99,869**	95,601

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents and loans and receivables.

Trade accounts receivable at 31 December 2020 are represented by provisional copper and zinc concentrate sales transactions. A significant portion of the Group's trade accounts receivable is due from reputable export trading companies. With regard to other loans and receivables the procedures of accepting a new customer include checks by a security department and responsible on-site management for business reputation, licences and certification, creditworthiness and liquidity. Generally, the Group does not require any collateral to be pledged in connection with its investments in the above financial instruments. Credit limits for the Group as a whole are not set up. During the year, COVID-19 did not significantly impact the credit risk of the Group's customers and therefore no changes were required to the Group's credit risk management in response to the pandemic.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The major financial assets at the balance sheet date other than trade accounts receivable presented in Note 21 are cash and cash equivalents at 31 December 2020 of $6.9 million (2019: $3.6 million).

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk). The Group's financial instruments affected by market risk include bank deposits, trade and other receivables and trade payables.

The Group holds short term bank deposits on which short term fluctuations in the interest rate receivable are to be expected but are not deemed to be material.

Foreign currency risk

The Group carries out expenditure transactions substantially in US dollars (USD), with a lesser amount in Armenian Dram (AMD), British Pounds (GBP) and Kyrgyz Som (KGS). Equity fund-raising has taken place mainly in US dollars, with debt denominated in US dollars as well. Any resulting gains or losses are recognised in the income statement.

Foreign currency risk arises principally from the Group's holdings of cash in GBP.

The Group's presentation and subsidiary's functional currency is the US dollar, except for Chaarat Kapan, which has a functional currency of AMD.

To mitigate the Group's exposure to foreign currency risk, cash holdings are maintained to closely represent the expected short-term profile of expenditure by currency. Apart from these resultant offsets, no further hedging activity is undertaken.

As at 31 December the Group's net exposure to foreign exchange risk was as follows:

Net foreign currency financial assets/(liabilities)

	2020 US$'000	2019 US$'000
GBP	**(151)**	113
AMD	**(883)**	(2,901)
KGS	**(58)**	5
Other	**(1)**	-
Total net exposure	**(1,093)**	(2,783)

The table below sets out the impact of changes in exchange rates on the financial assets of the Group due to monetary assets denominated in GBP, AMD and KGS, with all other variables held constant:

	2020 Move (%)	**Income statement profit/(loss)**	**Equity**	2019 Move (%)	Income statement profit/(loss)	Equity
Fall in value of GBP vs US$	**5**	**8**	**8**	5	6	6
Increase in value of GBP vs US$	**5**	**(7)**	**(7)**	5	(5)	(5)
Fall in value of AMD vs US$	**5**	**(42)**	**(42)**	5	138	138
Increase in value of AMD vs US$	**5**	**46**	**46**	5	(153)	(153)
Fall in value of KGS vs US$	**10**	**5**	**5**	10	-	-
Increase in value of KGS vs US$	**10**	**(6)**	**(6)**	10	1	1

The percentage change for each currency represents management's assessment of the reasonable possible exposure given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for the future.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments
The fair value of the Group's financial instruments at 31 December 2020 and 2019 did not differ materially from their carrying values.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due.

The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting, cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet its payment obligations.

The Group, at its present stage, generates sales revenue from the mining operations in Armenia. The Company still relies on financing its operations through the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities. The Group aims to mitigate liquidity risk by monitoring availability of funds in relation to forecast expenditures in order to ensure timely fundraising. Funds are raised in discrete tranches to finance activities for limited periods. Funds surplus to immediate requirements are placed in liquid, low risk investments. The Group has prepared financial forecasts for the foreseeable future and these indicate that the Group should be able to operate and continue to grow within the level of its current working capital availability.

As disclosed in Note 29, the Group's borrowings has certain covenants attached to it that the Group needs to adhere to, one of which was breached in 2020 and as such, the full bank debt has been disclosed as a current liability. However, a waiver was received on 30 March 2021, with regard to the relevant covenant not being met on 31 December 2020 and therefore the Group remains in full compliance with the loan.

The Group's ability to raise finance is partially subject to the price of gold, from which sales revenues are derived. There can be no certainty as to the future gold price.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

At 31 December 2020	**Up to 3 months US$'000**	**Between 3 and 12 months US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**	**Over 5 years US$'000**
Trade and other payables	**17,400**	**-**	**-**	**-**	**-**
Contract liabilities	**-**	**5,328**	**-**	**-**	**-**
Lease liabilities	**259**	**519**	**208**	**509**	**347**
Other loans	**2,684**	**11,025**	**14,000**	**34,127**	**-**
Convertible loan notes	**-**	**26,357**	**-**	**-**	**-**
Total	**20,343**	**43,229**	**14,208**	**34,636**	**347**

At 31 December 2019	Up to 3 months US$'000	Between 3 and 12 months US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Trade and other payables	16,534	-	-	-	-
Lease liabilities	-	301	308	-	141
Other loans	22,273	12,336	12,663	19,114	-
Convertible loan notes	-	-	26,357	-	-
Total	38,807	12,637	39,328	19,114	141

The Group's convertible loan notes are repayable on 31 October 2021.

35. DISPOSAL OF SUBSIDIARY

On 3 July 2019 the Company acquired the entire issued share capital of Chaarat Eurasia Limited, a legal entity incorporated under the laws of the Russian Federation, from ACG AMUR Capital Group Limited, a private company controlled by Mr Volynets, an executive director and then a 0.41% shareholder in the Company. The consideration for the acquisition was US$16,950 which was paid in cash. The entity was purchased in order for the group to have a services entity within this location.

On 3 December 2020, the Group disposed of its interest in Chaarat Eurasia Limited for a consideration of nil, resulting in a loss of control of this subsidiary. Due to the closure of the Moscow office in 2020, this services entity was no longer required within the Group.

The net assets of Chaarat Eurasia Limited at the date of disposal were as follows:

	3 December 2020 US$'000
Cash and cash equivalents	5
Total assets	**5**
Trade payables	12
Total liabilities	**12**
Net assets disposed of	**(7)**
Gain on disposal	7
Total consideration	**-**

Consolidated revenue and consolidated loss after tax comprise revenue of US$ nil (2019: US$ nil) and loss after tax of US$0.3 million contributed by Chaarat Eurasia Limited between 1 January 2020 and the date of disposal.

36. POST BALANCE SHEET EVENTS

Completion of US$52.2 million Financing Package Equity Raise and Debt Conversion

The Company announced on 5 February 2021 that it had completed a US$52.2 million financing package through an equity fundraise of US$30.0 million and a debt to equity conversion of the Term Loan with Labro Investments Ltd of US$22.2 million. A total of 62,380,154 new ordinary shares of US$0.01 each were issued at the Issue Price of 26p. The Company completed an equity raise of US$30.0 million from new and existing investors through the issue of 84,114,549 ordinary shares of US$0.01 each.

Labro Facility Loan

In February 2021 the company repaid the outstanding US$0.8 million owing under the Labro Facility Loan and does not expect to draw down anything in the future.

Notes

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