THE NEXT LEADING EMERGING MARKETS GOLD COMPANY

Chaarat Gold Holdings Limited
Annual Report & Financial Statements 2022

Contents

Overview
02 Asset Overview
04 Chair's Letter
05 Chief Executive Officer's Letter

Strategic Report
06 Our Strategy
07 Strategy Priorities for 2023
08 Environmental, Social and Governance
10 Operations Review
16 Risk Management
18 Principal Risks and Uncertainties
20 Financial Review

Governance
22 Board of Directors
24 Directors' Report
26 Corporate Governance Statement
30 Corporate Governance Framework and Operation of the Board
33 Audit Committee Report
36 Remuneration Committee Report
38 Remuneration Report
41 Other Committees

Financial Statements
44 Statement of Directors' Responsibilities
45 Independent Auditor's Report
50 Consolidated Income Statement
50 Consolidated Statement of Comprehensive Income
51 Consolidated Balance Sheet
52 Consolidated Statement of Changes in Equity
53 Consolidated Cash Flow Statement
54 Notes to the Consolidated Financial Statements
IBC Shareholder Information

Asset Overview

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 50% of revenues.

Read more: Operations Review on p.10 to 12.

Kyrgyz Republic
Tulkubash & Kyzyltash

Overview
Our Kyrgyz projects for the Tulkubash open pit oxide deposit and Kyzyltash refractory sulphide deposit have a significant combined resource.

Read more: Operations Review on p.13 to 15.

Kapan

63koz AuEq

Kapan 2022 Production

Kapan Constrained Resource as at 1 September 2022

Reduce to tonnes – AuEq grade – AuEq koz	Tonnes (Mt)	AuEq (g/t)	Metal (koz)
Measured	0.3	12.1	132
Indicated	2.3	8.1	590
Measured and Indicated	**2.6**	**8.6**	**722**
Inferred	1.9	6.5	389

Tulkubash

789koz

Tulkubash constrained M&I

Tulkubash Constrained Resource as at 31 December 2021

Tulkubash open pit heap leach cut-off grade ("COG") 0.21g/t Au	Tonnes (mt)	Au (g/t)	Metal (koz)
Measured	-	-	-
Indicated	25.1	1.0	789
Measured and Indicated	**25.1**	**1.0**	**789**
Inferred	11.2	0.9	222

Kyzyltash

5,377koz

Kyzyltash unconstrained resource (M&I and Inferred)

Kyzyltash Unconstrained Resource as at 19 October 2014

Resource statement JORC 2014 (cut-off grade 2g/t)	Tonnes (Mt)	Au (g/t)	Metal (koz)
Measured	6.7	3.3	700
Indicated	32.8	3.8	3,900
Measured and Indicated	**39.5**	**3.7**	**4,600**
Inferred	6.6	4.1	777

BUILDING A LEADING EMERGING MARKETS GOLD COMPANY

Dear shareholder
I am pleased to introduce the annual report of Chaarat Gold Holdings Limited for the financial year ended 31 December 2022.

Safety and health
Whilst the safety and health of our employees, contractors, and host communities remains one of our key values, our recent safety record has been poor. Improving our safety performance and being able to guarantee that everyone goes home safe and well is a key objective. Further details can be found in our ESG report on pages 8 and 9.

Sustainability
During the year, KPMG was retained to support the Company in setting up an appropriate climate corporate governance structure with a focus on Kapan and to identify, manage, and monitor climate-related risks and opportunities. Further details can be found in our ESG report on pages 8 and 9.

2022 progress
I am pleased that our team at Kapan delivered production forecast this year. Notwithstanding lower commodity prices in the first three quarters as well as the 23% appreciation of the Armenian Dram against the United States Dollar, our team at Kapan did an excellent job in keeping the mine profitable.

It was disappointing that we were not able to secure a funding solution for our Tulkubash development project during the year. However, we continue our efforts to do so and in particular looking towards alternative project finance options. We have initiated a process to review all strategic options which is ongoing.

Whilst we looked at a number of interesting M&A opportunities over the course of the year, we did not conclude any transactions. Nevertheless, we continue to believe in the rationale of consolidation in the junior gold market and we will continue to explore value accretive opportunities.

2022 results
Our 2022 Financial Results reflect the challenging environment in Armenia, with the 23% appreciation of the Armenian Dram rate resulting in a decrease in Group EBITDA of 52% compared to 2021. The team is renewing its efforts to identify ways to improve the profitability of the operation.

Board changes
Mike Fraser joined our Board as Chief Executive Officer at the beginning of the year bringing with him over 20 years of extensive experience in the global mining and metals industry.

In April 2022 Warren Gilman notified the Board of his intention not to seek re-election at the 2022 annual general meeting due to other business commitments and he stepped down from the Board on 17 May 2022. I would like to thank him for his valuable contribution as a director during his three-year tenure on the Board.

Corporate governance
As Chair, I am responsible for the running of the Board and for the Group's overall corporate governance. The Board and its committees play a key role in our governance framework by providing external and independent support and challenge. Further information can be found in the corporate governance statement on pages 26 to 32.

Investors
In October 2022 we extended the maturity of our convertible loan notes to 31 July 2023, and I am very grateful to our noteholders for their continued patience and understanding.

2023 and beyond
Our focus for the current year is to continue to progress opportunities to grow the Company and to improve shareholder value.

Martin Andersson
Chair

14 June 2023

Chief Executive Officer's Letter

Dear shareholder
I am pleased to present the Company's annual report for 2022, my first full year as Chaarat's Chief Executive Officer.

Our impact
Health and safety – Regrettably, 2022 was a very poor year for Chaarat with two fatalities occurring at our Kapan mine and a further fatality in March this year. External consultants have been retained to support the Company in conducting a thorough review to resolve the systemic issues underlying these tragic events as well as a comprehensive review and assessment of high-risk and non-routine work. Additionally, a full cultural assessment has been conducted to assess the impediments to safe work design and execution.

Environment – During the year, work continued on enhanced buttressing of our tailings storage facility (TSF) at Kapan. Additionally, we undertook an internal assessment of our TSF operation against the Global International Standard on Tailings Management. This had enabled us to identify areas for improvement. Further details of measures taken can be found in our ESG report on page 8.

Climate change – The work that we undertook with KPMG referred to in our Chair's letter has assisted us in laying the foundations for better understanding our impact and for developing a strategy for operational improvements and enhancements to reporting and disclosure.

Community – Chaarat places significant importance on its bond with its employees and local communities. Further details of our community initiatives can be found in our ESG report on page 8.

Our strategy
On page 7 I outline the progress we have made during the year towards achieving our vision of building a leading emerging markets gold company which delivers value to all our stakeholders by adhering to the highest ESG standards.

We looked at a number of potential M&A opportunities during the year, two of which were the subject of leak response announcements.

We will continue to evaluate options to grow the Company through M&A to exploit our skills and comparative advantages in the regions we operate. We remain a firm believer in the value to investors of consolidation in the junior gold sector.

Our performance
Kapan exceeded the Company's 2022 production guidance, and similar production levels are expected for 2023. Metal prices were relatively unchanged during 2022, but the Armenian Dram appreciated 23% against the US dollar throughout the year impacting EBITDA. This was on top of the higher energy costs and inflationary pressures seen due to the war in Ukraine. Our teams worked hard to find ways to offset the adverse impacts of the headwinds and remain focused on finding further improvements during 2023.

Tulkubash project development was slowed during 2022 following completion of the bankable feasibility study ("BFS") in 2021, waiting for more a positive economic environment that will help with securing the required project financing in order to commence construction on this fully permitted project.

The focus during 2022 for **Kyzyltash** was the completion of the metallurgical test work programme on the core drilled during 2021. The test work showed good recoveries for all three of the processing routes tested. The next phase of work will be a trade-off study to identify the optimal processing route to take forward to a feasibility level study.

Further details of the performance of all of our assets can be found on pages 10 to 15 of our operational review.

Our focus for 2023
Our priorities for the current year are to deliver safe and reliable operating performance at Kapan, progress our internal growth options, evaluate external non-organic growth options and to continue to focus on debt reduction.

Mike Fraser
Chief Executive Officer

14 June 2023

Our Strategy

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)

Inorganic growth

We will selectively identify value-accretive opportunities in our target regions if we see the potential for those to deliver value to shareholders by utilising Chaarat's experience and skillsets 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 Priorities for 2023

Improve safety at Kapan	• Development of improved risk assessment processes and increased employee participation in the risk assessments, design of work, associated systems and controls and work procedures and training materials.
ESG	• Continue journey in maturing climate change impact assessments, developing potential mitigation strategies, and reporting. • Ensure reviews are undertaken at operational sites to ensure standards continue to be achieved.
Strategic review of assets	• Review strategic options to unlock the value of the Kyrgyz Republic assets. • Pursue jurisdiction diversification via M&A activity.
Operational improvements to ensure profitable operations at Kapan	• Conduct operational diagnostic in partnership with external support to determine pathways to increase profitability and unlock the full potential of the Kapan mine. • Prioritise and implement actions identified.
Financial balance sheet restructuring	• Refinance Kapan debt facility as to ensure cost of debt is reduced going forward. • Refinance convertible bonds via a sustainable long-term solution.
Corporate structure	• Ensure the Company has the internal capability fit for purpose of the company via a cost-efficient structure. • Review the Company structure as to ensure the corporate structure is most efficient and attractive for investment.

CHAARAT IS COMMITTED TO GOOD INTERNATIONAL INDUSTRY PRACTICE

Safety and Health
2022 was a very poor year for Chaarat with two fatalities occurring at our Kapan mine. The first incident occurred on 14 May 2022 when a contract employee was struck on the leg by loose material while removing a drill rig from a heading. The second fatal incident occurred on 3 September 2022, when a Chaarat driller got his clothing caught in the rotating drill holder while he was adding a drill rod. Both incidents highlighted failures to follow procedure as well as other management system failings and deficiencies. A further fatality to a contract driller in March 2023 has highlighted that the risk management processes at Kapan need a thorough review to resolve the systemic issues underlying these tragic events. External consultants will be retained in 2023 to help the company with this process.

There were no injuries in Kyrgyzstan during the 2022 exploration season or during the various activities at camp during the year. Group wide hours for 2022 were approximately 2.45 million hours resulting in an overall lost time injury frequency rate (“LTIFR”) of 0.82 per million hours. 2021 LTIFR was 0.61 due to a higher number of worked hours. LTIFR is based on two fatal incidents in 2022, compared to one fatal incident and one lost time incident in 2021.

Environment and Cultural Resource Protection
Work on the Tailings Storage Facility (TSF) buttressing continues. This work is related to improving the strength of the original upstream construction dam wall by applying additional reinforcement material in the same way as a downstream constructed dam. The north face is reaching the final stages of completion. Due to the construction of the dam, the road going across the old dam face needed to be relocated. Upgrades to this road had been identified as part of the Kapan social package in previous years but had been delayed due to the buttressing works. During the year, the community road was able to be constructed and commissioned. Once complete on the north buttress, work will move to the smaller upstream south facing side of the dam.

All waste rock from the mine has gone into the construction of the north buttress for the last four years, avoiding the need for new waste rock storage dumps in the area and resultant disturbances to both the land and community. This waste is clean of metallic sulphides (non-acid generating). It also provides ideal compaction strength for the buttress wall. No external materials have been needed for the buttress, significantly reducing the carbon footprint of the buttress construction in the process.

Chaarat undertook a detailed internal assessment of its TSF operation against the Global international Standard on Tailings Management (“GISTM”) during 2022. The key areas for improvement in our efforts relate to

third party independent engineering reviews, risk assessments based on these reviews, and third-party monitoring. Chaarat will continue to improve these areas over the next few years with the goal of continuous, annual improvement against the standard.

Chaarat has an extensive ground water monitoring programme with samples taken around the mine site and from the three rivers close to Kapan to determine the environmental impact of its operations. The three rivers are the Voghji, Norashenik and Geghanush. The Voghji flows from west to east and passes to the south of the site. The Norashenik flows north to south passing to the east of the mine site. It also passes to the west of the large Artsvanik tailings dam operated by Zangezur Copper (ZCMC). The Geghanush river flows from south to north and passes via a concrete tunnel under the Kapan Geghanush tailings facility.

The operation takes water from the Voghji river for two uses: drilling water in the mine and make up water for the mill. After use, mine water is discharged into a settling pond and then passes via passive contact water treatment to the Norashenik river. Potable water for the operation is supplied by the local municipality.

Water samples are collected from all three rivers both upstream and downstream of the areas of operational impact and assayed to determine the scope of impact on the receiving water bodies. Results show that impact is negligible with the water quality downstream of the operation being consistently and repeatably comparable to upstream results.

Water discharge from the water treatment plant is in compliance with the permit with the exception of a few elements. However, several of the exceedances are related to the incoming water quality. Armenian regulation is not based on net impact as is the case in many countries, but rather solely on the results of the final assay. Net impact is defined as an assessment based on subtracting the incoming water quality assay from the outgoing assay to only assess for operational impact. At Kapan, the incoming water quality is already above the permit limit for many elements and the outgoing water is at the same level. This means there is no net operational impact. Under the permit though, the discharge is still above the permit limit, resulting in an exceedance of the permit.

The upstream levels of water contaminants are due to the high levels of naturally occurring mineralisation in the region. The Syunik region is naturally rich in mineralisation, with many mines having operated throughout history in the region. Natural leaching of these elements from exposed surface mineralisation results in higher levels of metals and other chemicals in surface waters throughout the region. The Armenian government introduced fees in 2021 for the storage of solid waste. These fees cover the storage of tailings in the approved tailing storage facility (“TSF”). 2021 fees were $15,546 (at 480 Dram FX) and $15,620 in 2022 at the same FX. Previously tailings stored in a company facility did not incur a fee.

Climate Change
During 2022, Chaarat engaged with the European Bank for Regional Development (EBRD) on green energy initiatives with the support of the Green Climate Fund (GCF). KPMG was hired to conduct an audit of Chaarat’s current status regarding climate change strategy, risk management, governance, internal and external reporting of key metrics, and public disclosure with a focus on Kapan. Wardell Armstrong was also retained to conduct a resource efficiency assessment of the Kapan mine. Wardell assessed the current level of emissions from Kapan, the actions the Company have taken to date, and future plans to reduce carbon equivalent emissions.

The work by KPMG confirmed the early-stage work undertaken by Chaarat to date. The report also helped highlight areas for improvement for the Company and helped define the initial stages of a climate change framework for Chaarat, aligned with the Task Force on Climate-Related Financial Disclosures (“TCFD”). This work will form the foundation for developing improved performance, reporting and disclosure as recommended by the TCFD.

The Wardell review highlighted the need for improved measurement systems to be installed at Kapan with regards to electrical consumption at an individual equipment level. Water is another area where changes are needed to improve both monitoring and measurement - and to help design and drive reductions.

Wardell conducted an assessment on electrification of the current mining fleet as part of their review. Moving to an electrified mining fleet would significantly reduce direct, Scope 1 carbon emissions and also provide a safer underground work environment with reduced risks from CO2 and particulates. Although significant advances have been made in the mining industry regarding electrification, it has tended to focus on larger vehicles to date. Electrification has now reached the upper end size of equipment used at Kapan, but not the smaller vehicles that Kapan requires (see operations section for more details). The company is in regular contact with equipment manufacturers globally regarding electrification of these smaller units and is looking forward to being able to trial suitable units in the near future.

Wardell also looked at the opportunities for installing solar generation capacity at the mine site. This included roof mounted units for water heating and small-scale generation, as well as the installation of larger fields of solar panels on suitable areas of the mine site. These projects will be further reviewed by the company to better understand costs and benefits, and then placed into the company’s capital assessment pipeline for overall consideration, review and action.

Community and Government Relations
The company continues to have strong relations with government and communities at both the regional and national levels. Chaarat’s operation in Kapan is located on the edge of the town with the majority of the workforce coming from the local communities. Kapan is also one of the major employers in the area. This creates a strong social bond between the company, employees, and local communities which Chaarat takes very seriously.

Annually we engage with the regional governments as the elected representatives of the communities to develop a community assistance programme. This programme details both the projects to be worked on during the year and the amounts to be allocated to the social plan budget. Whilst set annually, these joint programmes allow for flexibility during the course of the year should a significant event require reallocation of funds. The plans are discussed publicly so that the affected communities know what projects were selected and how they are progressing throughout the year. Consultation sessions ensure alignment of the programmes with community priorities.

Due to the slowdown of activities in the Kyrgyz Republic, employment for the local communities was reduced in 2022 from previous years. Engagement sessions were held throughout the year to keep communities and the government informed of Chaarat’s plans and ongoing commitment to the project.

Chaarat has been an active participant during 2022 providing input into various government committees and working groups related to mining and other commerce issues. Input has been provided into exploration licensing, mineral extraction laws and royalty frameworks in both countries.

KAPAN

CONSOLIDATING OUR POSITION AS AN EFFICIENT OPERATOR

Introduction
Kapan is an underground sulphide polymetallic mine. It consists of a series of narrow steeply dipping polymetallic veins containing gold, copper, zinc, and silver.

The Mill produces two flotation concentrates - one high in gold, copper, and silver, the second a zinc concentrate containing payable gold and silver credits.

The mine has a production capacity of approximately 600-700kt per annum (“pa”), depending on the mining method used. The milling and flotation circuits have a current capacity of approximately 800kt pa.

Kapan Operational Comments:

- In 2023, Kapan produced 62.8 thousand gold equivalent ounces versus its 2022 production guidance of 56-62 koz.
- Concentrate produced contained 50.0 koz from own ore and 12.8 koz from third-party ore production versus 2022 guidance of 50-53 koz from own ore and 6-9 koz from third-party ore, respectively.
- Tonnes mined in 2022 were 649,311t compared to 600,246t in 2021 (+8%). Mine head grades dropped to 3.1gpt AuEq from 3.3gpt in 2021 (-6%).
- The mine continues to develop improved mining methods to both reduce dilution and reduce costs via less haulage. In 2022, the size of vein drives was reduced (both height and width) and new blasting approaches were used based on the dip angle of the vein to reduce blast dilution. After a period of trialling, these changes have now become standard operating practice. The company is also reducing the proportion of mechanised drilling and returning to more manual drilling. This is a more appropriate method given the nature of the Kapan veins at depth and further from the centre of the ore body. Further improvements are possible, and future fleet replacement will focus on smaller vehicles to allow further reductions in vein drive size.

- Mill throughput was 764,995t compared to 729,473t in 2021 (5%). Own ore treated was 634,883t compared to 584,841t in 2021 (8.5%). Third-party ore treated dropped to 130,111t from 144,632t in 2021 (-10%). This change is related to timing of campaigns rather than any supply issues with third party materials. Mill grade for Own ore was in line with mined ore, and third-party grade was effectively unchanged from 2021.

- Recoveries from own ore remained constant at 79.1%.

- The most significant factor impacting Kapan in 2022 was the sudden appreciation of the Armenian dram against the US dollar. The dram was one of the best performing currencies in 2022 increasing 23% against the US dollar. This rapid appreciation resulted in a rapid and significant cost increase on a US dollar basis. The effect has reduced in some areas where imports are now flowing through the supply chain at the new dram to USD levels, but local supply remains approximately 20% above early 2022 levels. This has caused Chaarat to revise is procurement strategy significantly and source on a more global basis for the foreseeable future.

- The war in Ukraine is also continuing to impact Kapan. Many items - such as explosives and hydraulic oils - have seen large price increases.

- Hostilities with Azerbaijan continue to cause some limited impact on operations. These issues are mostly related to the loss of lower cost supply chains from Turkey which in general remain closed following the 2020 war with Azerbaijan.

- Another factor impacting costs has been various transport cost increases and new road taxes introduced in both Armenia and Georgia. All of Kapan's concentrates are shipped via road to the port of Poti in Georgia. Vessel availability in the Black Sea remains an issue, and costs have increased significantly. The result of these impacts is that sales costs have risen close to $100/t during the course of the year.

- Despite these adverse headwinds, Kapan has had positive successes in identifying new sources of supply and alternate supply chains. Costs on a dram and US dollar basis are continuing to decline from the levels seen in Q3 and Q4 2022, and more improvement is expected.

- Realised pricing was relatively unchanged during 2022, so it provided no relief from the inflationary pressures of the global economy and the dram appreciation.

2022 full-year production consisted of:

Kapan	2022	2021
Production (oz AuEq)	**62,834**	63,724
Own ore (oz AuEq)	**50,023**	49,224
Third-Party ore (oz AuEq)	**12,811**	14,500
All-in sustaining cost (USD/oz)	**1,376**	1,205
Sales (AuEq oz)	**56,978**	57,212
Gold production (oz)	**35,999**	35,405
Silver production (oz)	**592,121**	610,322
Copper production (t)	**2,115**	2,284
Zinc production (t)	**5,454**	5,836
Realised Prices		
Gold (USD/oz)	**1,794**	1,784
Silver (USD/oz)	**22**	25
Copper (USD/t)	**8,860**	9,157
Zinc (USD/t)	**3,169**	3,001

Kapan – Exploration Potential

As well as the current Shahumyan deposit, there are several other mineralised areas close by that have been identified by Soviet-era drilling and also more recently confirmed by Dundee Precious Metals diamond drilling results from 2011. East Flank is one of these areas. It lies approximately 100 metres to the east of the current Shahumyan ore body and has an anticipated strike length of approximately 600 metres.

A review by Chaarat of the historical drilling results has outlined eight mineralised zones which are the target of the current exploration campaign. An initial four (4) drill chambers were completed in 2022 with additional drilling planned for 2023-2024. Additional drill chambers will be completed on an as needed basis. A total of 40 HQ (63.5mm diameter) drill holes, totalling approximately 13,370 metres of core-oriented diamond drilling on 100 by 100 metres spaced centres, is planned. This drilling is designed to provide an inferred level of certainty around this initial target area.

Work is also continuing to assess additional exploration and development opportunities in the region.

Ore Resources and Reserves

57,217 metres of resource drilling were carried out in 2022. Combined with 69,000 metres in 2021, this work has helped to provide a more detailed understanding of the mineralisation in close proximity to the current underground working areas at Kapan.

Given the nature of the ore bodies at Kapan, exploration has to be carried out from underground drill stations to provide JORC compliant levels of certainty. This method of drilling limits the extent of the ore body that can be mapped in advance of mining, effectively limiting the stated reserve, despite extensive mineralisation still being present in the ore body.

Operations Review
Armenia / Kapan (continued)

UNAUDITED UPDATED MINERAL RESOURCE ESTIMATE AND ORE RESERVES STATEMENT

The following table summarises the 2022 Kapan MRE (effective 1 September 2022):

Classification	Tonnes (Mt)	AuEq (g/t)	AuEq (koz)
Measured	0.3	12.1	132
Indicated	2.3	8.1	590
M&I	2.6	8.6	722
Inferred	**1.9**	**6.5**	**389**

Notes:
- The effective date of the resource is 1st September 2022. The Mineral Resources that are not Mineral Reserve do not demonstrate economic viability. Numbers may not sum due to rounding.
- The gold equivalency (AuEq) formula is based on the following metal prices: Au 1750 USD/oz; Ag 21.8 USD/oz; Cu 8300 USD/t; Zn 2950 USD/t
- The AuEq formula used is as follows: AuEq= Au+Ag*21.8/1750+Cu*8300/1750*31.1035*100+Zn*2950/1750*31.1035*100
- Grade interpolation is done by Ordinary Kriging method.
- The applied MSO assumes a COG = 2.1g/t AuEq and minimum mining widths of: 2.2m for the veins dipping < 70°; 1.8m for veins dipping 70° - 80° and 1.2m for veins dipping 80°-90°
- Mineral Resources are with applied depletion and inclusive of Ore Reserves.
- The resource estimate and classification are according the JORC Code (2012) reporting code.

The following table summarises the recent Kapan ORE (effective 31 December 2022):

		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	0.21	2.40	42.07	0.51	1.85	4.64	16.2	284.5	1.1	3.9	31.4
Probable	2.93	1.59	31.78	0.35	1.29	3.18	150.0	2,991.1	10.1	37.8	299.0
Total Proven and Probable	3.14	1.65	32.47	0.36	1.33	3.28	166.2	3,275.6	11.2	41.7	330.4

Notes:
- Ore Reserves are reported in accordance with the JORC Code (2012).
- Ore Reserves based on August 2022 consensus prices for LOM of USD1,750/oz Au, USD21.8/oz Ag, USD8,300/t Cu, and USD2,950 Zn.
- Ore Reserves are based on a gold equivalent cut-off of 2.3g/t Au.
- Mineral Resources which are not Ore Reserves do not have demonstrated economic viability.
- Table is subject to rounding errors.
- The average density of 2.64 t/m^3 was used for unmodeled diluting waste material.
- Tonnes reported are in situ, dry tonnes.

AMC Consultants (UK) Limited ("AMC") were engaged by Chaarat Kapan CJSC ("Chaarat") to undertake a review of the Kapan Mine ("Kapan") Ore Reserves and to act as a competent person ("CP") as defined by the JORC (2012) reporting code.

Proven & Probable Ore Reserves totalled 3.14 Mt with 330.4kAuEq oz resulting in a 5-year mine life.

Reserves increased by 25% from the prior Ore Reserves Estimate ("ORE"), replacing depletion and increasing the life of mine plan by two (2) years.

Resource definition drilling is an ongoing activity at Kapan to continue the conversion of inferred and unclassified mineralisation to a JORC-compliant level for resource and reserve estimation, allowing for further mine life extension.

TULKUBASH

OXIDE GOLD DEPOSIT READY FOR CONSTRUCTION

Introduction
Tulkubash is the Company's oxide gold deposit in the Kyrgyz republic. The project has a fully detailed bankable feasibility study and early-stage development of the site is well advanced, including ore haul road, camp, and initial preparations on the heap leach area.

During 2022, the Company published a revised Mineral Resource estimate, and an updated Ore Reserves estimate that included the additional infill drilling on the Tulkubash ore body. Additional exploration was also carried out on the wider licence area as well as initial trenching and drilling on two (2) satellite oxides areas just to the northeast of the current Tulkubash reserve.

As announced on 24 May 2022, the results of the Tulkubash exploration programme resulted in contained gold ounces in the ore increasing by 13% to 647 thousand ounces compared to the 571 koz in the 2021 bankable feasibility study. Proven & Probable Reserves increased from 20.9Mt to 23.1Mt (+11%) with a slightly increased grade of 0.87 g/t compared to 0.85 g/t (+2%) in the BFS.

The Tulkubash project remains ready for execution pending project financing being finalised. Financing discussions continue with various financial and strategic parties.

Exploration
The wide area exploration potential work was completed during the 2022 season. The work consisted of aerial drone-based magnetic surveys of the entire exploration licence area along approximately 8km of strike, as well as potential porphyry/scarn systems further northeast. This work will help determine future exploration programmes as well as provide details regarding the exploration licence renewal during 2023.

A total of 7,419 linear metres of trenching was completed to test the areas to the south-east of Karator and Ishakuldy. They were sampled and logged lithologically and structurally. Additionally, more detailed structural logging was done at the Karator and Ishakuldy 2021 trenches, aiming to advance the 2021 exploration data in these areas and improve the Company's understanding of the outlined gold mineralization. A total of 3296 samples (including the QA/QC samples) were assayed.

The initial plan was for Unmanned Ariel Vehicle ("UAV") based magnetic and gamma spectrometry survey over the full exploration licence area. Difficulties with the terrain and high wind shear affected drone surveying work, and the difficult access to the north-eastern part of the licence area limited the scope of work slightly. Most of the prospective areas are covered by a combination of ground magnetic survey, and UAV, including 982 linear kilometres of UAV reconnaissance covering 44.4 sq.km of ground.

Resource and Reserve Update

Drilling during 2021 to upgrade Inferred and Unclassified Mineral Resources in the mid zone and east area resulted in a 13% increase in contained gold ounces in the Ore Reserves (647koz) compared to 571 koz in the 2021 bankable feasibility study (BFS).

Tonnage increased to 23.1Mt from 20.9Mt (+11%) with a slightly increased grade of 0.87 g/t compared to 0.85 g/t (+2%) in the BFS.

The updated Tulkubash 2021 Year End Mineral Resource Estimate and 2022 updated Ore Reserve Estimate tables are shown below.

Table 1. 2021 Year End Mineral Resource Estimate ("EOY 2021")

Classification	Tonnes (Mt)	AuEq (g/t)	Au (koz)
Measured	-	-	-
Indicated	25.1	0.98	789
M&I	**25.1**	**0.98**	**789**
Inferred	11.2	0.62	222
Total	**36.3**	**0.87**	**1,011**

Notes:
- Figures are rounded in accordance with disclosure guidelines.
- The Mineral Resource was estimated using 5 m x 5 m x 5 m (x, y, z) blocks, with minimum sub-block dimensions of 1 m x 1 m x 1 m (x, y, z).
- The estimate was constrained to the mineralised zone using wireframe solid models.
- Grade estimates were based on 1.5 m composited assay data.
- The interpolation of the metal grades was undertaken using Ordinary Kriging.
- The Mineral Resource was bounded by a pit shell based on a gold price of $1,800/oz Au.
- A cut-off grade of 0.21 g/t Au was applied to report the Mineral Resources

Table 2. 2022 Tulkubash Ore Reserve Estimate (May 18,2022)

Classification	Tonnes (Mt)	AuEq (g/t)	Au (koz)
Proven	-	-	-
Probable	23.1	0.87	647
Total	**23.1**	**0.87**	**647**

Notes:
- This statement of Ore Reserves has been prepared by Mr. Peter C. Carter, an independent consulting mining engineer, based on a review of work performed by Chaarat Gold and associated technical staff.
- Mr. Carter is a member of the Association of Professional Engineers and Geoscientists of British Columbia and is qualified as a Competent Person under the JORC Code, 2012.
- There are no Proven Reserves as drillhole density and historical data quality do not support Measured Resources.
- Tonnages are in metric tonnes.
- Figures have been rounded to three significant figures.
- Ore Reserves are reported inclusive of mining dilution (10%) and mining recovery (97.5%).
- A gold price of US$1,600/oz was used in the preparation of the estimate.
- Ore Reserves are based on a marginal cut-off grade of 0.22 g/t Au.
- Estimated metallurgical recovery for the Ore Reserve is 74.0% based on a geo-metallurgical model.
- Reserve is contained in a minable pit design generated from an optimised pit shell based on a gold price of $1,350/oz.

KYZYLTASH

THE FUTURE OF CHAARAT GOLD PROCESSING IN THE KYRGYZ REPUBLIC

The Kyzyltash deposit is a sulphide ore body that lies below and extends beyond the Oxide Tulkubash ore zones. It has an Unconstrained Measured and Indicated Resource of 4.6M ounces of gold.

During 2022, a detailed metallurgical review was carried out on representative core drilled during the 2021 exploration season. Over 3,500 metres of large diameter diamond drilling comprising 16 holes were sampled to make representative composites of the Kyzyltash ore body.

These samples were sent to SGS Lakefield in Canada for a full suite of metallurgical testing. SGS Lakefield is a highly respected international laboratory with expertise in metallurgical testing. They were able to undertake testing on pressure oxidation (POX), biological oxidation (BIOX) and Albion oxidation of refractory sulphide gold ores in the same facility. These three (3) technologies were selected to assess the most likely processing routes for Kyzyltash's refractory ore.

The programme included testing milling indices, flotation, oxidation, and leaching kinetics.

The results showed strong recoveries for all three of the technologies tested. POX and Albion™ had comparable results, with BIOX returning the best overall recoveries.

POX uses high-pressure and temperature conditions to oxidize refractory sulphides prior to gold extraction. The Albion™ process employs ultra-fine grinding followed by low pressure aeration with cyanide to extract gold. Bio-oxidation uses specific bacteria in the oxidation process.

Highlights of the Metallurgical Testing Programme results included:

- flotation recoveries of 87-90% for gold with a 23-24% mass pull;
- leach recovery for both Albion and POX averaged 80-90% with similar results between the two processes; and
- leach recovery for BIOX averaged 84-96% using flotation, BIOX and carbon in leaching ("CIL").

These test results will be used as part of an economic trade-off study to determine the preferred processing option. This study will include an assessment on flotation and full ore processing options before proceeding with other workstreams required towards a feasibility level study.

Risk Management

Leadership and oversight
The Board has overall responsibility for risk management at Chaarat. The following is an overview of our risk management governance structure that we completed implementation of during the year:

Board of Directors – Risk Governance and Oversight

- 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

Leadership Team

- Assesses effectiveness of and provides assurance to the Board that risk management and internal control systems are operating effectively
- Ensures all appropriate controls are identified, and responsibility assigned
- Provides recommendations to the Board on risk policy, frameworks, and risk practices
- Makes sure the business operates 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 controls and mitigation actions
- Allocates to each key risk a senior management team "owner"
- Manages internal assurance processes around key risks
- Monitors progress of actions to mitigate key risks
- Manages reporting on risk matters

Business Operations

- Owns and manages risk
- Identifies emerging risks
- Identifies and manages controls
- Reports variation and non-compliances and measures effectiveness of critical controls
- Improves overall risk exposure through improvement actions and enhanced control

Oversight by Audit, Technical, and ESG 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 has completed implementation of its risk management framework. The framework has been designed to ensure that Chaarat has control over its principal business risks and emerging risks to help achieve strategic objectives and create sustainable value for shareholders. During the year a review of the Company's risk management framework was undertaken, and the Board is satisfied that it remains appropriate.

Board independence	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	The Board has established Audit, Remuneration, Nomination, Technical, and ESG committees, each with its own terms of reference, to assist with the discharge of its responsibilities.
Organisational structure	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	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 identification, review and assurance	During the year the leadership team undertook an in-depth review of the Company's risk registers to ensure that they properly identified all the risks faced by the Group together with their associated controls and mitigating actions. Management holds quarterly risk workshops at which it identifies, assesses, reviews and prioritises risks, identifies risk mitigation actions and assigns responsibilities and assurance on risk profile.
Compliance programme	The Board's audit committee continues its periodic monitoring of compliance and incident reporting.

Principal Risks and Uncertainties

Risk	Existing mitigating actions
KGZ geohazards Avalanches, rockfalls and mudslides could cause multiple fatalities or serious injuries. They could severely damage buildings, roads, plant, infrastructure and heap leach pad.	Implementation of proper geohazard mitigation measures and maintenance of a proper hazard management programme, including engineering hazard mitigation measures.
Liquidity The Group requires significant additional financing in the future to develop projects and to meet ongoing financial needs. The Group's US$29.2 million (US$31.7 million at maturity) convertible loan notes fall due on 31 July 2023. 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. Further detail on this material uncertainty is set out in Note 2.	Maintain discussions with existing lenders and potential finance providers. Address potential gating items to securing project finance. Looking for new funding options.
Country Risk The laws and regulations related to mineral exploration, extraction and development are constantly being reviewed and adjusted by both the Armenian and Kyrgyz governments.	Processes in place to monitor prospective legislative changes, and to engage with government via industry bodies and directly to ensure that the industry and company perspectives on the requirements to develop a solid extractive industry are shared.
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.	Hedging strategies are periodically considered. Conservative long-term prices are used to evaluate projects. AISC at Kapan remains below gold prices.
Health and Safety Mining and minerals processing have inherent health and safety risks associated with them that need to be effectively managed to ensure the wellbeing of our employees and contractors. Failure to manage these risks can result in occupational illness, injuries, and loss of life.	Identification of hazards and associated risks. Development of appropriate risk mitigation measures including engineering controls, procedures and the use of protective equipment. Planned preventative maintenance programmes for equipment including timely replacement. Targeted recruitment of specialists in the field of HSE and regular training of employees and contractors. Continuous monitoring of high-risk workplace activities.
Climate change Climate related uncertainty is increasing as experienced by changing weather patterns, increased unpredictability and increased frequency of extreme weather events. The impact of greenhouse gases and human activity on the climate broadly accepted.	Development of a Climate change policy. Data collection to determine highest areas of energy usage. Development of alternate practices and implementation of new technologies to reduce dependence on carbon fuels and water within our businesses.


01 031
CHAA

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

	2022			2021		
	Armenia US$'000	**Kyrgyz Republic & Corporate US$'000**	**Total US$'000**	Armenia US$'000	Kyrgyz Republic & Corporate US$'000	Total US$'000
EBITDA	**12,634**	**(6,164)**	**6,470**	22,653	(9,167)	13,486
Depreciation and amortisation	**(11,161)**	**(505)**	**(11,666)**	(6,621)	(494)	(7,115)
Net finance costs	**(3,107)**	**(3,578)**	**(6,685)**	(3,026)	(4,847)	(7,873)
Unrealised foreign exchange gain/(loss)	**3,247**	**-**	**3,247**	2,090	-	2,090
Fair value gain on warrant	**-**	**367**	**367**	-	434	434
Change in provisions	**1,785**	**-**	**1,785**	(673)	-	(673)
Share option expense	**-**	**(373)**	**(373)**	-	-	-
Profit/(loss) before tax	**3,396**	**(10,252)**	**(6,856)**	14,423	(14,074)	349
Income tax charge	**(1,721)**	**-**	**(1,721)**	(3,937)	-	(3,937)
Profit/(loss) after tax	**1,675**	**(10,252)**	**(8,577)**	10,486	(14,074)	(3,588)

Basis of Preparation including Going Concern
As set out in Notes 2 and 3 to the financial statements, the consolidated financial information has been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Accounting Standards issued by the International accounting Standards Board and on a going concern basis.

In order to achieve the planned future capital developments of assets, to sustain corporate activities and to repay the convertible loan notes due on 31 July 2023, management will need to raise future financing. 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 such that the ability to refinance the US$29.2 million (US$31.7 million at maturity) of convertible loan notes prior to 31 July 2023 represents a material uncertainty.

However, management is committed to raising additional funds and has an established track record of successfully achieving this in the past. Accordingly, the Directors have adopted the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Group's status as a going concern and expected future financing plans are set out in Note 2 to the financial statements.

Income statement
Revenue during 2022 amounted to US$92.3 million (2021: US$92.4 million), comprising US$76.6 million of own ore revenue and US$15.7 million third-party revenue (2021: US$72.8 million own ore and US$19.6 million third-party revenue). During the year, Kapan sold 56,978 ounces of AuEq (2021: 57,212 ounces), including third-party sales, with a realised gold price per ounce of US$1,794 (2021: US$1,784), a realised silver price per ounce of US$21.7 (2021: US$25.0), a realised copper price per tonne of US$8,860 (2021: US$9,157) and a realised zinc price per tonne of US$3,169 (2021: US$3,001).

The Group operating loss for the year was US$0.5 million (2021: US$7.8 million profit) and the Group EBITDA was US$6.5 million (2021: US$13.5 million). The decrease in EBITDA was mainly due to inflationary pressures and the strengthened AMD/USD FX rate effects on the cost base.

Finance costs in 2022 were US$6.7 million (of which US$5.3 million was non-cash) compared to US$7.9 million in 2021 (of which US$5.6 million was non-cash).

Income taxes in 2022 were US$1.7 million compared to US$3.9 million in 2021. Consequently, the Group made a loss after tax of US$8.6 million compared to a loss after tax of US$3.6 million in the 2021 financial year.

Balance sheet
The borrowings at the balance sheet date comprised US$29.2 million of convertible loan notes due in July 2023 (2021: US$25.6 million), US$17.8 million of other loans (2021: US$21.3 million), US$3.7 million of contract liabilities (2021: US$2.4 million), US$1.2 million of lease liabilities (2021: US$1.0 million) and US$0.0 million of warrant financial liabilities (2021: US$0.4 million).

The Group's net debt increased from US$39.6 million at 31 December 2021 to US$51.3 million at 31 December 2022 refer to Note 22 (a).

Non-current assets increased from US$119.7 million at 31 December 2021 to US$130.7 million at 31 December 2022. The increase was mainly due to the purchase of property, plant, and equipment at Kapan. Additionally, exploration and evaluation costs of US$2.9 million were capitalised relating to the asset in the Kyrgyz Republic.

Current assets were US$27.5 million at 31 December 2022 compared to US$51.8 million at 31 December 2021. The decrease mainly related to trade receivables from Kapan's customers due to the timing of sales close to year-end and lower cash at year end. Current assets at 31 December 2022 included cash and cash equivalents of US$0.6 million (2021: US$11.1 million).

Total liabilities at 31 December 2022 were US$85.6 million compared to US$94.7 million at 31 December 2021. This was mainly due to a decrease in Kapan's trade payables.

Total equity was US$72.6 million at 31 December 2022 compared to US$76.9 million at 31 December 2021.

Cash flow
Cash and cash equivalents decreased from US$11.1 million at 1 January 2022 to US$0.6 million at 31 December 2022. The movement comprised of:

- net operating cash flows of US$7.1 million (2021: US$3.3 million), mainly due to positive EBITDA and working capital movements at Kapan;
- net cash used in investing activities of US$10.1 million (2021: US$15.5 million) relating to the purchase of property, plant, and equipment at Kapan and in the Kyrgyz Republic together with capitalised exploration and development spend in the Kyrgyz Republic; and
- cash outflows from financing activities of US$5.8 million (2021: cash used of US$16.7 million) mainly relating to external debt repayments, including interest, of US$11.1 million offset by additional funding obtained during the year.

Board of Directors





Executive Directors

Martin Andersson
Executive Chair, age 56

Appointed: October 2016

N

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 privatization 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 Chair 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.

Michael Fraser
Chief Executive Officer and Executive Director, age 57

Appointed: January 2022

Mike brings over 20 years of extensive experience in the global mining and metals industry. In April 2018 he was appointed Chief Operating Officer of ASX-listed South32 Limited and prior to that he was President and Chief Operating Officer of its Africa region. During his time at South32 he has been directly responsible for the operations of underground mines, smelters, and project development. Throughout his career he has held a number of senior roles, including President Human Resources of dual LSE- and ASX-listed BHP Limited and Asset President of Mozal Aluminium in Mozambique.

Non-Executive Directors

Gordon Wylie
Senior Independent Director, age 70

Appointed: November 2017

A N E T

Skills, experience, and contribution
Gordon has over 47 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 chair of Lydian International which was constructing a mine at the Amulsar open pit, heap leach, gold project in Armenia.

External commitments
Gordon is a non-executive director of Caledonia Mining Corporation Plc., the AIM-quoted gold mining company focused on Zimbabwe.

Hussein Barma
Independent Non-executive Director, age 57

Appointed: December 2018

A R N

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 at Antofagasta plc, where he led its UK presence through a period of change and growth as the UK-based CFO. He has also had earlier careers in professional services and academia.

External commitments
Fidelity Asian Values 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.

Robert Benbow
Non-executive Director, age 69

Appointed: July 2018

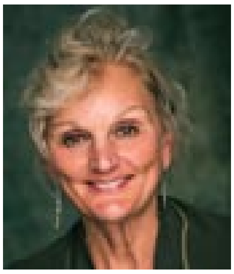
N E T

Skills, experience, and contribution
A civil engineer with over 49 years' experience in mining and 39 years in gold mining, Bob brings invaluable technical knowledge to Chaarat. During his 49-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 2 million ounces as one of the lowest cost producers in the world.

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

Key to Committee Membership

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



Robert Edwards
Independent Non-executive Director, age 56

Appointed: September 2018

A N R E T

Skills, experience, and contribution
A mining engineer with a degree from the Camborne School of Mines, Robert is the former chair 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 executive chair of AIM- and FWB-listed Bluejay Mining plc and a non-executive director of ASX-listed Sandfire Resources Limited. He is also an adviser to several private natural resource companies.

Sandy Stash
Independent Non-executive Director, age 63

Appointed: May 2021

N E T

Skills, experience, and contribution
Sandy has over 35 years of international executive and non-executive board experience. Her professional career spans top leadership positions in general management, ESG, major projects, commercial negotiations, engineering and operations, supply chain management, HSE, and external affairs in both the energy and hard rock mining industries. A petroleum engineer by training, Sandy was one of the first women to work as a drilling engineer at locations across North America.

External commitments
Sandy is a non-executive director of Diversified Energy Company plc, Trans Mountain Company, and Medallion Midstream, LLC. Sandy is also a member of the board of governors of the Colorado School of Mines Foundation and serves in an advisory capacity and as a director for several not-for profit and privately-held community firms.

Senior Management

Frances Robinson
Company Secretary, age 58

Appointed: January 2020

Frances has over 25 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. She is a solicitor admitted to practise in England & Wales.

Darin Cooper
Chief Operating Officer, age 56

Appointed: June 2019

Darin has over 30 years' experience in the metals and mining industry. Prior to Chaarat he was Head of Mining at Fusion Capital, a Swiss investment firm. Previously he worked for Nyrstar as Vice President of Zinc Smelting managing their global zinc assets, and COO of Talvivaara Nickel in Finland.

David Mackenzie
Interim Chief Financial Officer, age 40

Appointed: February 2022

David has over 15 years' experience in the natural resource sector. He joined the Group in January 2021 as Group Financial Controller. Prior to joining Chaarat he was the General Manager Finance at Alufer Mining Ltd. David is a Certified Practising Accountant (Australia).

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 2022 (the "Directors' Report").

The strategic report on pages 6 to 21, which incorporates the chief executive officer's report, the environmental, social, and governance report, the operations review, risk management, principal risks and uncertainties, and the financial review (the "Strategic Report"), is incorporated by reference in the Directors' Report. The corporate governance statement on pages 26 to 32 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 and principal place of business
The Company's registered office is at Palm Grove House, PO Box 438, Road Town, Tortola, VG 1110, British Virgin Islands. The Company's principal place of business is at Gortsaranayin str. 4, Kapan 3302, Syunik Region, Republic of Armenia.

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.

Business review
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 6 to 18.

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.

Financial results
The Group made a consolidated loss after taxation for the year of US$8.6 million (2021: US$3.6 million loss). The Directors do not recommend the payment of a dividend (2021: Nil).

Subsequent events
Except as noted in Note 35 to the financial statements, no other material fact or circumstance has occurred between 31 December 2022 and the date of the Annual Report.

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 chair and, until 17 January 2022, interim chief executive officer
Michael J Fraser	Chief executive officer (appointed 17 January 2022)
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 (resigned 17 May 2022)
Sandra (Sandy) M Stash	Independent non-executive director
Gordon F Wylie	Independent non-executive director

The Directors' interests in the shares of the Company are disclosed in the Remuneration Report on page 40.

Share capital
The Company's issued share capital as at the date of this report is comprised of 689,668,088 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 shares and share options issued in the year, are disclosed in Note 22 to the financial statements.

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). Trading in the Ordinary Shares was suspended on 24 October 2022 (the "Suspension") following media speculation that the Company was contemplating a reverse takeover of another business. Following the Company's decision no longer to pursue the acquisition of the target, it applied to AIM for the Suspension to be lifted and trading in Chaarat's shares was restored on 24 April 2023.

Issuing of new Ordinary Shares
At the annual general meeting of the Company held on 18 May 2021, the directors were authorised by shareholders to allot and grant rights over Ordinary Shares comprised within the unissued share capital of the Company up to a maximum of 708,554,862 Ordinary Shares without first making a pro rata offer to all existing ordinary shareholders (the "2021 Authority"). The 2021 authority, which comprised the unused portion of the authority that had been granted at a general meeting of the Company held on 26 April 2019, expired on 17 May 2023. Shareholder authority will be sought at the 2023 annual general meeting in respect of up to a maximum of 705,498,927 Ordinary Shares, being the unused portion of the 2021 Authority as at the date of this report.

Substantial shareholdings

As at the date of this report, 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	308,750,537	44.77%
China Nonferrous Metals Int'l Mining Co. Ltd	22,469,289	3.26%

* Martin Andersson, the Company's executive chair, is the ultimate controlling party of Labro Investments Limited ("Labro"). He is also personally beneficially interested in 6,969,592 Ordinary Shares, representing 1.01% of the Company's issued share capital. Mr Andersson's interests combined with Labro's total 45.78%.

Labro also holds US$1,000,000 of secured convertible loan notes with a final repayment date of 31 July 2023. The number of Ordinary Shares arising on conversion, assuming full conversion of principal and interest to maturity, is 3,924,775.

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 as at the date of this report is 47.27%.

Distribution of shares

The distribution of the registered ownership of the Company's shares (ORDs) and depositary interests (DIs) as at 31 December 2022 was as follows:

Range	Total number of registered holders	Percentage of registered holders	Total number of shares	Percentage of issued share capital
1 to 1,000	21	8.64%	12,693	0.00%
1,001 to 10,000	61	25.10%	286,808	0.04%
10,001 to 100,000	54	22.22%	2,370,865	0.34%
100,001 to 1,000,000	58	23.87%	24,064,920	3.49%
1,000,001 to 10,000,000	35	14.40%	97,888,836	14.19%
10,000,001 to 50,000,000	13	5.35%	229,702,248	33.31%
50,000,001 to 500,000,000	1	0.41%	335,341,718	48.62%
Totals	**243**	**100.00%**	**689,668,088**	**100.00%**

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.

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.

Appointment of auditor

On 12 January 2023, the Board appointed MHA MacIntyre Hudson to conduct the audit of the Company's consolidated financial statements for the financial year to 31 December 2022. Following a rebranding exercise on 15 May 2023 the trading name of the Company's independent auditor changed from MHA MacIntyre Hudson to MHA. MHA has expressed its willingness to continue in office as the Group's auditor and, accordingly resolutions to appoint it and to authorise the audit committee, for an 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 BST on Thursday, 27 July 2023 at the offices of Link Group, 6th Floor, 65 Gresham Street, London EC2V 7NQ. 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 of withheld in relation to each resolution will be announced at the AGM ad published on the Company's website.

By Order of the Board

Frances Robinson
Company Secretary

14 June 2023

Corporate Governance Statement

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 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.

The following explains how Chaarat applies the 10 principles of the QCA Code.

1. ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

The Board seeks to maximise value for all our shareholders whilst ensuring continuity and consistency through sustainable and responsible exploration and mining. The Group's vision is to build a leading emerging markets gold company through a mixture of organic growth and selective acquisitions, and which delivers value to all our stakeholders by adhering to the highest ESG standards.

Ultimately, a diversified portfolio of producing and developing mines will generate the cashflow to fund ongoing organic growth and deliver a strong equity return to investors. By maintaining a focus on active engagement with host communities, the benefits of this strategy will flow to all stakeholders, helping to manage ongoing risks.

The Group is looking at all strategic options to realise value from its primary asset, the Chaarat Gold Project in the Kyrgyz Republic, including but not limited to unlocking its long-term potential through development. The Chaarat Project comprises two distinct mineralised zones: the Tulkubash ore body ("Tulkubash") and the neighbouring Kyzyltash sulphide ore body ("Kyzyltash"). The mining licence granted to Chaarat Zaav CJSC in respect of the Chaarat Project is valid until 25 June 2032. The Group seeks to maximise the value of the Kapan Mine in Armenia through operational improvements, mine life extension and brownfield developments.

Further information regarding our business model and strategy including key challenges and how they are addressed are contained in our 2022 Annual Report.

2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

Communications
The Board is committed to maintaining good communication with its shareholders by providing effective communication through the Company's annual and interim reports together with Regulatory News Service ("RNS") announcements.

The Chair, Martin Andersson, can be contacted by shareholders on matters of governance, as can the Company's nominated adviser, Canaccord Genuity Limited ("Canaccord"). Contact details are provided within every Company RNS announcement.

Canaccord is briefed regularly and periodically updates the Company on shareholder views and expectations.

Website
The Company also uses its website, www.chaarat.com, for news which shareholders might be interested in. Ongoing news flow in Chaarat's social media channels provides another interaction and update opportunity for shareholders.

Annual general meeting
The Board supports the use of the Company's annual general meeting (the "AGM") to communicate with both institutional and private investors.

At the AGM, separate resolutions are proposed on each substantially separate issue. For each resolution, proxy appointment forms are issued alongside the release of the annual report for that year, which provide voting shareholders with the option to vote in advance of the AGM if they are unable to attend in person. All valid proxy votes received for the AGM are properly recorded and counted by Link Market Services (Guernsey) Limited, our registrars.

As soon as practicable after the AGM has finished, the results of the meeting are released via a RNS and a copy of the announcement is posted on the Company's website at www.chaarat.com/investors/regulatory-news-filings. At last year's AGM, all resolutions were duly passed.

Takeover provisions in the Articles
As the Company is incorporated in the British Virgin Islands, it is not subject to the UK City Code on Takeovers and Mergers. The articles of association of the Company (the "Articles") contain a regulation which provides that where any person (i) acquires interests in shares which (taken together with interests in shares held or acquired by persons acting in concert with him) carry 20% or more of the voting rights of the Company; or (ii) holds (together with persons acting in concert with him) interests in shares representing not less than 20% but not more than 50% of the voting rights and such person (or any person acting in concert with him) acquires an interest in additional shares which increases his percentage of voting rights, the Board shall be entitled, but not obliged, to require that person to extend a mandatory offer to all of the Company's shareholders to acquire their Ordinary Shares.

To date, the Board has exercised its discretion under the Articles so as not to require a mandatory offer to be made in connection with the issue of securities (including any conversion of such securities) to Labro and Martin Andersson or as a result of any redemption or purchase by the Company of its own voting shares at any time in the future.

Relationship agreement
The Company entered into a relationship agreement (the "Relationship Agreement") with Labro on 27 September 2016 in order to manage the relationship between them to ensure, amongst other things, that the Company would at all times be capable of carrying on the business of the Company independently of Labro and its associates and so that all transactions and arrangements between the Company, Labro and its associates would be at arm's length and on normal commercial terms. The principal terms of the Relationship Agreement are summarised in the appendix to the website-published version of this statement.

3. TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees of the Group and its contractors, suppliers, and the communities in which it operates along with other stakeholders and the need to maintain effective working relationships with all of them. The Group's operations and working methodologies take into account the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. Stakeholder feedback is gathered via meetings and conversations. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

The Company has a dedicated environmental, social, and governance committee (the "ESG Committee") comprised solely of non-executive directors. More about the work of this committee can be found on page 41 of the 2022 Annual Report.

Chaarat is committed to meeting the expectations of good international industry practice, including recommendations set out by the IFC Performance Standards on Environmental and Social Sustainability. Chaarat strives to ensure that it maintains the highest standards of health and safety, as well as taking all precautions for the protection of the environment, and at the same time respecting local culture. Chaarat is committed to international environmental, social, and governance ("ESG") standards and provides ongoing support to local communities through community services and infrastructure, healthcare, education and skill building, job creation, community facilities, and micro-finance.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures, policies, and systems which it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

The Group also works with local communities to ensure that its legacy is positive. Chaarat has provided training and support to multiple business start-ups in the Chatkal region of the Kyrgyz Republic where it is building the Tulkubash mine. The Company directly employs 48 nationals with many more employed via the companies from which we purchase goods and services. We also create employment for specialised professionals such as doctors, nurses and engineers allowing them to find positive employment in their home communities. Through our social engagement programmes, we provide educational support and sponsorships.

Information about the Group's ESG activities during 2022 can be found on pages 8 and 9 of the 2022 Annual Report.

4. EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

The Board has overall responsibility for the Group's systems of internal control and risk management and for reviewing the effectiveness of those systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board recognises the need for an effective and well-defined risk management process and, whilst it oversees and regularly reviews the current risk management and internal control mechanisms, it has delegated this responsibility primarily to the audit committee of the Board and senior management.

The Board confirms that there are ongoing procedures for identifying, evaluating, and managing significant risks faced by the Group, and reviews these with management before the financial year end (as well as the ongoing review of risks which emerge throughout the year).

Further information regarding the Board's leadership and oversight of risk management can be found on pages 16 to 18 of the 2022 Annual Report.

5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

Board balance
The Board is currently comprised of seven directors, five of whom are non-executives. The chair of the Board, Martin Andersson, is not defined as independent according to the QCA Code, due to his executive status and significant beneficial interest in the Company.

As executive chair ("EC"), Martin Andersson 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.
- Management oversight – acting as a sounding board, adviser, and confidant to the chief executive officer.

The Board considers that it is appropriate for Martin Andersson to continue to serve as EC and that it continues to be in the best interests of all shareholders. His significant experience of operating in the FSU region and his extensive network remain critical to the delivery of the Company's strategy to achieve production through the Tulkubash project. His interests are fully aligned with all shareholders, and he is keen to maintain the highest standards of corporate governance to allay any concerns regarding independence.

5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR (CONTINUED)

Board balance (continued)
Our chief executive officer ("CEO") is the other executive director. His responsibilities include:

- Culture and values – defining and upholding the Company's culture and values
- Leadership – developing and leading the executive team
- Operational excellence – running the Group's business
- Stakeholders – ensuring effective communications with communities and governments in all jurisdictions in which Chaarat operates as well as with shareholders, investors and employees
- ESG – ensuring that the Company maintains high environmental, social responsibility and governance standards in all jurisdictions in which it operates
- Strategy – developing and communicating the strategy of the Group and the detailed underlying operational plans to deliver it

Our non-executive directors ("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.

During the year, the Board conducted its annual assessment of the independence of its directors. Other than their interests in shares in the Company and the receipt of fees for acting as directors, none of the NEDs has business relationships that would interfere with their independent judgement.

Gordon Wylie is the senior independent NED (the "SID"). The 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 EC, in conjunction with other independent NEDs. The SID also acts as the clearance officer under the Company's share dealing code.

Three of the other NEDs, namely Hussein Barma, Robert Edwards, and Sandy Stash are also considered by the Board to be independent in character and judgement. The remaining NED, Robert Benbow, is a former executive of the Company and is therefore not considered by the Board to be independent. The Board believes this to be an appropriate composition to maintain effective corporate governance. Each NED is expected to commit such time as is necessary to perform their duties as an officer of the Company and is expected to attend all Board meetings.

Board meetings are open and constructive, with every director participating fully. Senior management are frequently invited to meetings, providing the Board with a thorough overview of the Group. The Board and its committees regularly receive information regarding the operations of the Group.

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.

6. ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS, AND CAPABILITIES

Skills and experience
In June 2022, the Board's Nominations Committee undertook a review of the Board's 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.

A biography of each of the directors is included on the Company's website at www.chaarat.com/the-board-of-directors.

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.

Training
The Board is kept informed on an ongoing basis by the company secretary about their duties and corporate governance requirements. In 2022 the secretary's briefings included disclosure of inside information, board and executive diversity, proxy voting agency guidelines, narrative reporting, climate-related risks, reporting, and disclosures. Training is provided to the Board each year and in 2022 refresher training included directors' duties, ongoing obligations under the AIM Rules and the Market Abuse Regulation and compliance, ethics, and business integrity training.

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
During the period under review, one executive director was appointed to the Board. He received a comprehensive induction, which included site visits and briefings from each member of the leadership team on the key ESG, business, people, financial, strategic, and risk issues.

7. EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

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 Chair and facilitated by the company secretary.

The evaluation comprised a combination of questionnaires, individual conversations, and discussions by the Board and each of its committees. This methodology had been agreed by the Board and each of its committees in December 2022.

In January and February 2023, one-on-one discussions between the EC and each director took place to discuss their individual performance during the year under review. The Chair's performance was appraised by the Senior Independent Director who had taken feedback from each of the other non-executive directors.

The evaluation questionnaires considered whether the Board as a whole and its committees were adequately discharging their respective key functions, processes, composition, balance of skills, experience, and knowledge, behavioural dynamics, and other factors relevant to their effectiveness.

Responses to all Board and committee questionnaires were collated and anonymised by the company secretary and included in reports which were considered by the Chair and, for the committees, the relevant committee chair and subsequently the relevant committee.

The findings were presented to the Board, including individual recommendations made by directors. The Board discussed the outcomes and agreed that it, its committees, and individual directors were operating effectively, whilst also noting areas for development which included risk management oversight and strategy.

8. PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Company's culture is consistent with its objectives, strategy, and business model. The Company has various ethics and business integrity policies, the effectiveness of which is monitored by the Board's audit committee. An ethics and business integrity training programme has been developed and refresher training is delivered annually. The 2022 refresher training session was also attended by two of the NEDs.

9. MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

The Board has overall responsibility for promoting the success of the Group. The executive directors have day-to-day responsibility for the operational management of the Group's activities. The non-executive directors are responsible for bringing independent and objective judgement to Board decisions.

All major decisions relating to the Group are made by the Board. Operations of the Group are conducted by the subsidiaries of the Company under the direction of the directors of each of the subsidiary companies.

10. COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Board attaches great importance to providing shareholders and other stakeholders with clear and transparent information on the Company's activities, strategy, and financial position. The Group's website is regularly updated.

Chaarat communicates its governance activities as part of its ESG principles through a number of channels and interactions. Channels include:

- Corporate website homepage with dedicated ESG section and governance principles
- Armenian and Kyrgyz language websites
- 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

During the year the Board reviewed shareholder votes cast in respect of the business before the Company's 2022 AGM.

Corporate Governance Framework and Operation of the Board

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 performance
- 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.

ESG Committee

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

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

Remuneration Committee

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

Technical Committee

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

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

There are four scheduled Board meetings a year with additional ad hoc meetings convened as and when required.

In circumstances where a director is unable to attend a meeting, they are afforded the opportunity to provide their 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 2022 is below:

During the year there were 16 meetings of the Board (including of ad hoc committees of the Board). Attendance at those meetings was as follows:

	Four scheduled Board meetings (eligibility)	11 ad hoc Board meetings called on short notice (eligibility)	One meeting of ad hoc committees of the Board (eligibility)
M Andersson [1,2]	4 (4)	10 (11)	0 (0)
H Barma [2]	4 (4)	10 (11)	1 (1)
R Benbow [1]	4 (4)	11 (11)	0 (0)
R Edwards [2]	4 (4)	10 (11)	1 (1)
M Fraser [1]	4 (4)	11 (11)	0 (0)
W Gilman [3]	1 (1)	2 (4)	1 (1)
S Stash [1]	4 (4)	11 (11)	0 (0)
G Wylie [2]	4 (4)	10 (11)	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 Meeting called on short notice and/or unsociable hour due to time zone in location and/or travelling unavoidable and/or circumstances
3 Warren Gilman resigned from the board on 17 May 2022

There are five Board committees, the roles, and responsibilities of which are set out in the individual committee reports on pages 33 to 42. Details of committee meeting attendance details can also be found within those individual committee reports.

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.

Information and advice

Assisted by the company secretary, the Executive Chair 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.

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.

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.

Corporate Governance Framework and Operation of the Board
(continued)

Operation of the Board (continued)

Board activity in 2022

Operations	• Kept under review the Company's strategy and the challenges and opportunities facing the Company • Oversight of Kapan performance and monitoring of improvement action plans • Kyzyltash detailed metallurgical review • Reviewed and approved the 2022 budgets • Reviewed and approved the updated mineral resource estimate and ore reserves for Tulkubash • Monitored the impact of the Russia–Ukraine conflict • Received regular updates from the chair of the Board's technical committee • Reviewed and approved the quarterly production and operational market updates
Safety, health, and environment	• Reviewed management's reports into the fatal incidents at Kapan and monitored management's follow-up actions • Monitoring of the ongoing works to the Kapan mine's tailings storage facility • Discussed climate change and agreed areas on which to focus immediate attention • Received regular updates from the chair of the Board's ESG committee
Finance and internal control	• Kept under review the various funding initiatives to raise finance for the Tulkubash development project • Oversight of options to refinance the convertible loan notes and the independent members of the Board approved the extension of their maturity to 31 July 2023 • Reviewed proposed amendments to Chaarat Kapan CJSC's syndicated loan facility agreement • Reviewed terms of short-term working capital loans to the Company • On the recommendation of the audit committee in 2023, approved the appointment of MHA as auditors to the Group • Reviewed and approved the Company's 2021 annual report and financial statements and the 2022 interim results to 30 June 2022 • Received reports and presentations from the interim CFO regarding the Group's financial performance and refinancing plans • Received regular reports from the audit committee chair • Discussed the Board's risk appetite
Governance, risk, compliance ("GRC")	• Considered the outcome of the 2021 Board effectiveness review and agreed the process for the and conduct of the 2022 evaluation of the Board and its committees • Reviewed and approved changes to the terms of reference of the audit committee and the remuneration committee on the recommendation of the respective committees • Considered the remuneration committee's recommendations regarding achievement of management's 2021 performance measures • On the recommendation of the audit committee, reviewed and, in some cases approved changes to, the Group's key GRC policies, including its anti-corruption and anti-bribery policy, its financial crime policy, its related party disclosure policy, schedule of matters reserved for the Board, and authority matrix • Reviewed the Board's skills and experience • Reviewed and approved Board committee composition and conducted a review of the Board's independence • Agreed the process for the conduct of the 2022 evaluation of the Board and its committees • 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
Investor relations	• Reviewed shareholder votes cast in respect of the business before the Company's 2022 AGM • Received updates from the VP for Investor Relations on investor engagement
M&A opportunities	• Considered various potential M&A opportunities

Audit Committee Report

2022 membership and attendance

Name	Committee member since	Attendance (Eligibility)
Hussein Barma (Chair)	14 Dec 18	7 (7)
Warren Gilman*	16 May 19	0 (2)
Sandy Stash	1 Jul 22	4 (4)
Gordon Wylie	14 Dec 18	7 (7)

* Mr Gilman stepped down from the committee on 17 May 2022

Dear shareholder
I am pleased to present the audit committee report for the financial year ended 31 December 2022.

The audit committee provides oversight of the financial reporting process to ensure that the information provided to shareholders in 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.

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 appropriate 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

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 them was not material to themself, and would not create a conflict of interest, impact their decision-making, or compromise their independence in any way.

The nominations committee reviewed the composition of the audit committee during the year. Following Warren Gilman's resignation, it was agreed that Sandy Stash would join the committee. Amongst its members, the committee has extensive business experience, knowledge of financial markets, an understanding of risk and other management practices and 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 during 2022 were the chief executive officer, the interim chief financial officer, the chief operating officer, the head of legal and compliance officer, 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, as committee chair, I provide a verbal update at each subsequent board meeting. The committee met privately with the former external auditor on two occasions during the year and the committee members met privately amongst themselves on two occasions.

Audit Committee Report
(continued)

Key activities in 2022

The committee met seven times in 2022 and the table below summarises its key activities during the year:

Financial reporting:	• Reviewed the full-year results including and annual report and accounts, 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 • Considered the appropriateness of accounting policies, and matters of key accounting significance and judgement
External audit:	• Led the process for the replacement of the external auditor and in 2023, recommended to the Board the appointment of MHA • Reviewed and approved the audit engagement letter, audit plan and strategy including fees • Assessed the effectiveness of the external audit process and 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 • Assisted the board in its review of the effectiveness of risk management and internal control processes • Monitored developments in the Group's risk management processes • Regular review of financial oversight
Compliance:	• Reviewed compliance with and the effectiveness of arrangements under the various ethics and business integrity policies operated by the Company • Reviewed the Group's authority matrix to gain assurance that it was complied with and that it remained appropriate • Reviewed management's periodic compliance assurance reports to the committee • Reviewed the term of and compliance with the Company's related party disclosure policy
Other:	• Reviewed legal, tax, and accounting due diligence on an M&A opportunity • Considered the outcome of the 2021 committee effectiveness review and agreed the process for the conduct of the 2022 evaluation of the committee • Reviewed and recommended changes to the committee's terms of reference • Considered briefings on proposed audit and governance reform

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.

Going concern	The committee reviewed management's forecasts for 2023 and 2024 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.
Carrying value of exploration and evaluation costs 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 that there were no indicators of impairment and therefore no impairment review was required for either asset.

External auditor
The committee monitors the relationship with the external auditor 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.

During the year Deloitte LLP ("Deloitte") closed its office in Armenia which was the location of a significant portion of Chaarat's operations. Deloitte was unable to identify an approach that would enable it to perform the Group's audit for the year ended 31 December 2022 to the required level of audit quality given the significance of Chaarat's Armenian operations to the Company.

Led by the committee, the Company undertook a process to identify a potential successor firm to Deloitte which met its requirements, and which had capacity to undertake the audit. Upon the recommendation of the committee, in January 2023 the Board appointed MHA the UK member of Baker Tilly International to conduct the audit of the Company's consolidated financial statements for the financial year ended 31 December 2022 at a remuneration to be agreed by the committee. The appointment of MHA as external auditor for the year ended 31 December 2023 is subject to approval by shareholders at the next annual general meeting of the Company to be held on 27 July 2023.

Committee evaluation
The committee undertakes an annual evaluation of its performance and effectiveness. For 2022 an internal questionnaire was used to evaluate the work of the committee containing both quantitative and qualitative questions. The responses were considered and discussed by the committee. The committee concluded that it had continued to perform effectively. The committee is satisfied that the scale of operations does not currently warrant an internal audit function, it was agreed that in 2023 the committee should continue to monitor the ongoing maturing of risk management processes, and ensure it retained appropriate oversight of internal control, compliance, financial reporting and external audit.

Key areas of committee focus in 2023
The committee's oversight of financial reporting and the control and risk environments have continued to be areas of significant focus during the year and will remain so for the 2023 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

14 June 2023

Remuneration Committee Report

2022 membership and attendance

Name	Committee member since	Attendance (Eligibility)
Hussein Barma	14 Dec 18	5 (5)
Robert Edwards (Chair)	1 Oct 20	5 (5)
Warren Gilman*	16 May 19	2 (2)

* Mr Gilman stepped down from the committee on 17 May 2022

Dear shareholder
I am pleased to present the Company's remuneration report for the financial year ended 31 December 2022.

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 2019 (the "2019 MIP").

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

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. Non-cash bonuses and the award of share options may be used to attract, retain, and motivate directors and senior management where appropriate.

Committee composition and governance
The committee comprises two 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 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 chair, the CEO and the company secretary, although no individual 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 2022
The committee met five times in 2022 and the table below summarises its key oversight and review activities during the year:

Long-term incentive plan	• Considered and discussed potential structures for long-term incentives • Reviewed the lapsing of share options during the year
Short-term incentive plan for 2022	• Reviewed and agreed the performance metrics for the 2022 short-term incentive for senior management
Short-term incentive plan for 2023	• Reviewed management's initial proposals for performance metrics for the 2023 short-term management incentive
Remuneration:	• Annual review of base salaries for senior executives: no increases were made.
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 2021 remuneration report • Considered the outcome of the 2021 committee effectiveness review and agreed the process for the conduct of the 2022 evaluation of the committee

2022 short-term incentive plan
On management's recommendation, the remuneration committee determined that there would be no pay-outs for senior executives under the 2022 short-term incentive plan. Management and the committee were of the view that bonus payments under the plan could not be justified given the two fatalities at Kapan during 2022 and insufficient progress having been made against the Company's strategic objectives.

2023 short-term and long-term incentive plans
The committee continues to work on developing incentive plans for 2023. As at the date of this report, the plans have not been finalised.

Committee evaluation
The committee undertakes an annual evaluation of its performance and effectiveness. For 2022 an internal questionnaire was used to evaluate the work of the committee. The review concluded that, overall, the committee functioned effectively.

Key areas for committee focus in 2023
During 2023 the committee will 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 my committee colleagues for their work and support during the year.

Robert Edwards
Chair of the remuneration committee

14 June 2023

Directors' Remuneration

Executive Directors
The Chief Executive Officer ("CEO") has a service agreement, the principal terms of which are set out in the table below:

Base Salary	• US$525,000 pa subject to annual review on 1 January each year
Pension and insured benefits	• Salary supplement of 15% of base salary in lieu
Short-term incentive	• Entitlement to participate subject to plan rules
Long-term incentive	• Entitlement to participate subject to plan rules
Annual leave	• 25 days' paid annual leave
Notice period	• Six months' notice from both the CEO and the Company
Termination payment	• Base salary only in lieu of all or remaining part of notice period
Restrictive covenants	• During employment and for six months after leaving (12 months for solicitation of key people and supplier interference)

The Company also agreed to pay to the CEO a sign-on bonus of US$62,500 which was satisfied on 24 January 2022 by the issue of 247,368 ordinary shares of US$0.01 each in the capital of the Company ("Ordinary Shares") at £0.185 per share, being the average middle market quotation (MMQ) over the three dealing days immediately prior to the issue of the shares. Due to human error, one of the MMQs used to calculate the three-day average MMQ was incorrect which resulted in 255,935 shares being issued to the CEO rather than 247,368 shares. The CEO rectified this by paying the Company a cash subscription price for the additional 8,567 shares at the three-day average MMQ.

In addition, on 18 January 2022, the Company also granted options over 5,000,000 Ordinary Shares (the "Options") under the Chaarat Gold Holdings Limited Management Incentive Plan 2019 (the "MIP"). The Options are exercisable at a price of £0.42 per share between 18 January 2022 and 18 January 2027, subject to the rules of the MIP.

With the CEO's agreement, payment of his base salary has been deferred for a period of nine months from 1 September 2022 and payment of his 15% salary supplement has been deferred from 1 May 2023.

The Executive Chair ("EC") has an appointment agreement which is terminable on three months' notice from both the EC and the Company. Pursuant to that agreement, the EC receives a fee for his services, currently US$275,000 pa. That fee has not increased since 1 June 2020. With the EC's agreement, payment of his fee has been deferred since 1 September 2022.

Non-executive Directors
Non-executive directors ("NEDs") have letters of engagement setting out their duties and time commitment expected. Their' appointments are terminable on three months' notice without compensation. They are paid base fees and committee chair fees. Current annual fees (which have not been increased since 1 October 2020) are as set out in the table below:

• Base fee	US$45k pa
• Committee chair fee	US$5k pa
• SID fee premium	US$25k pa

Total remuneration of directors serving during the year:

Year ended 31 December 2022	**Salary US$'000**	**Fees US$'000**	**Termination payments US$'000**	**Share based payments US$'000**	**Total US$'000**
Executive Directors					
Martin Andersson	—	*275	—	—	275
Michael Fraser	**640	—	—	373	1,013
Non-Executive Directors					
Hussein Barma	—	50	—		50
Robert Benbow	—	50	—		50
Robert Edwards	—	50	—		50
Warren Gilman***	—	17	—		17
Sandy Stash	—	50	—		50
Gordon Wylie	—	70	—		70
Total	**640**	**562**	**—**	**373**	**1,575**

* US$137,500 of these fees have not yet been paid to Mr Andersson.
** This amount includes a 15% salary supplement in lieu of pension contributions and insured benefits. US$175,000 of this amount has not yet been paid to Mr Fraser.
*** Mr Gilman ceased to be a director on 17 May 2022.

Year ended 31 December 2021	Salary US$'000	Fees US$'000	Termination payments US$'000	Share based payments US$'000	Total US$'000
Executive Directors					
Martin Andersson	—	275	—	109	384
Artem Volynets[#]	304	—	575	126	1,005
Non-Executive Directors					
Hussein Barma	—	50	—	6	56
Robert Benbow	—	50	—	19	69
Robert Edwards	—	50	—	6	56
Warren Gilman	—	45	—	6	51
Sandy Stash[##]	—	33	—	—	33
Gordon Wylie	—	73	—	13	86
Total	**304**	**576**	**575**	**285**	**1,740**

resigned his office as a director on 4 August 2021 and continued in employment on garden leave. In lieu of the Company's obligation to pay his basic salary and pension throughout his 12-month period of garden leave, the Company agreed to pay US$287,500 in advance with the balance of US$287,500 being paid by 12 equal monthly instalments throughout the garden leave period.
appointed 1 May 2021

Directors' Interests

Share Interests

Directors' interests in Ordinary Shares

The interests of the directors who held office as at 31 December 2022 (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 14 June 2023	at 31 December 2022	at 31 December 2021
Executive Director			
M A C Andersson	*315,720,129	*315,720,129	311,485,635
M J Fraser	255,935	255,935	—
Non-Executive Directors			
H Barma	276,748	276,748	276,748
R D Benbow	1,379,844	1,379,844	1,379,844
R W J Edwards	231,849	231,849	231,849
SM Stash	—	—	—
G F Wylie	576,262	576,262	576,262

* This figure comprises 308,750,537 Ordinary Shares held by Labro and 6,969,592 Ordinary Shares in which Mr Andersson is personally interested.

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 2022 and the date of this report the EBT held 1,070,194 Ordinary Shares.

Directors' interests in convertible loans

As at each of the date of this report, 31 December 2022 and 31 December 2021, Martin Andersson was indirectly interested in the following convertible loan notes loan notes (assuming full conversion of principal and interest to maturity).

	as at 31 December 2022 and 14 June 2023				as at 31 December 2021		
Loan Note	US$1,470,500				US$1,000,000		
	Principal	Interest	Fees	**Total**	Principal	Interest	**Total**
Number of Shares	3,595,608	327,200	24,452	**3,947,260**	2,445,160	1,133,929	**3,579,089**

Note:
On 5 October 2022, the maturity of the secured convertible loan notes was extended from 31 October 2022 to 31 July 2023 (the "Extension") with interest being capitalised as of 31 October 2022. There was no change to the conversion price of 611,290 Ordinary Shares for each US$250,000 of Loan Notes (and pro rata for any amounts less than US$250,000).

Save as disclosed above, no directors of the Company who held office as of 31 December 2022 (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

Save for share options granted to the Chief Executive Officer on joining, no new share awards were made during the year.

Directors' interests in restricted share awards

At 31 December 2022, no directors held any restricted share awards in the Company.

Directors' interests in share options

At 31 December 2022, 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 01 January 2022**	**Number granted during 2022**	**Number (lapsed/ surrendered) during 2022**	**Number of Ordinary Shares under option as at 31 December 2022**	**Exercise end date**
Executive Directors							
M A C Andersson	18 Sep 19	£0.42	16,300,639	—	—	16,300,639	18 Sep 24
M J Fraser	18 Jan 22	£0.42	5,000,000	—	—	5,000,000	18 Jan 27
Non-executive Directors							
H Barma	18 Sep 19	£0.42	592,751	—	—	592,751	18 Sep 24
R D Benbow	18 Sep 19	£0.42	1,778,252	—	—	1,778,252	18 Sep 24
R W J Edwards	18 Sep 19	£0.42	592,751	—	—	592,751	18 Sep 24
S M Stash	—	—	—	—	—	—	—
G F Wylie	18 Sep 19	£0.42	1,185,501	—	—	1,185,501	18 Sep 24

* Mr Gilman ceased to be a director on 17 May 2022. His 592,751 options lapsed on 13 November 2022.

Other Committees

Environmental, Social and Governance Committee

2022 membership and attendance

Name	Committee member since	Attendance (Eligibility)
Robert Benbow	14 Dec 18	6 (6)
Robert Edwards	14 Dec 18	6 (6)
Sandy Stash (Chair)	1 Jul 21	6 (6)
Gordon Wylie	14 Dec 18	6 (6)

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 2022

The ESG committee met six times in 2022. All meetings were held remotely. This meant that the committee was not able to undertake its intended on-site review of safety at Kapan. The chief executive officer and chief operating officer attended all meetings of the committee in 2022 in order to brief the committee. The table below summarises the committee's key oversight, review, and monitoring activities during the year:

Safety and health:

- Review of incident reports into the fatal incidents at Kapan and implementation of post incident actions
- Safety measures at the Tulkubash camp construction
- Safety performance at Kapan and Tulkubash

Environmental:

- Consideration of the Company's approach to climate change
- Received briefing on climate change reporting

Community:

- Community programmes undertaken by the Group at Kapan and Tulkubash during the year
- Community support given during the COVID-19 pandemic

Other:

- UNESCO boundary issues in the Besh Aral National Park
- Reviewed ESG aspects of M&A opportunities
- Reviewed the ESG section of the 2021 annual report together with the disclosure relating to the work of the committee during 2021
- Considered the outcome of the 2021 committee effectiveness review and agreed the process for the conduct of the 2022 evaluation of the committee

Committee evaluation

The committee undertakes an annual evaluation of its performance and effectiveness. For 2022 an internal questionnaire was used to evaluate the work of the committee. The review concluded that the committee functioned effectively notwithstanding that it had not proved possible to arrange a site visit at Kapan during the year. The key areas of focus for the committee in 2023 will be safety at Kapan and environmental issues.

Other Committees
(continued)

Technical Committee

2022 membership and attendance

Name	Committee member since	Attendance (Eligibility)
Robert Benbow (Chair)	14 Dec 18	7 (7)
Robert Edwards	14 Dec 18	6 (7)
Sandy Stash	1 Jul 21	7 (7)
Gordon Wylie	14 Dec 18	7 (7)

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 2022
The committee met seven times in 2022 in addition to reviewing technical matters between meetings. The chief executive officer, chief operating officer, and SVP for exploration attended all meetings of the committee in 2022 in order to brief the committee. Country general managers attended committee meetings periodically on request. The table below summarises the committee's key oversight and review activities during the year:

Kapan:
- Operational performance
- Resources and reserves
- Grade control
- Provision for environmental obligations

Tulkubash:
- Resources and reserves
- Equipment selection
- Construction and engineering activities
- 2022 drilling activities

Kyzyltash:
- Metallurgical test work
- 2022 drilling activities

Other:
- Technical aspects of M&A opportunities
- 2021 FY operational review, Q1, H1 and Q3 2022 operational and production updates
- Considered the outcome of the 2021 committee effectiveness review and agreed the process for the conduct of the 2022 evaluation of the committee

Committee evaluation
The committee undertakes an annual evaluation of its performance and effectiveness. For 2022 an internal questionnaire was used to evaluate the work of the committee. The review concluded that the committee functions effectively.

Nominations Committee

2022 membership and attendance

Name	Committee member since	Attendance (Eligibility)
Martin Andersson (Chair)	14 Dec 18	2 (2)
Hussein Barma	14 Dec 18	2 (2)
Robert Benbow	14 Dec 18	2 (2)
Robert Edwards	14 Dec 18	2 (2)
Warren Gilman*	16 May 19	0 (0)
Sandy Stash	1 Jul 21	2 (2)
Gordon Wylie	14 Dec 18	2 (2)

* Mr Gilman stepped down from the committee on 17 May 2022

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 2022
The committee met twice in 2022. The key focus of its work during the year related to board skills, board committee composition, and the committee's terms of reference. It also considered the process for the conduct of the 2022 evaluation of the committee.

Committee evaluation
The committee undertook an annual evaluation of its performance and effectiveness during 2022 using the same methodology as that used by the Board's other committees. The review concluded that the committee functions effectively. The review concluded that the committee functioned effectively during the year. In 2023 the committee will continue to focus on reviewing and monitoring the skills and experience that the Company requires.

Financial Statements

Statement of Directors' Responsibilities

The Directors are responsible for preparation of the annual report and the group 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 United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).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.

Website publication

The maintenance and integrity of the Company's website are the responsibility of the Directors. The Directors are also responsible for ensuring that 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.

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

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Chaarat Gold Holdings Limited. For the purposes of the table on page 46 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Chaarat Gold Holdings Limited the "Parent Company" and its subsidiaries (the "Group").

OPINION

We have audited the financial statements of Chaarat Gold Holdings Limited for the year ended 31 December 2022.

The financial statements that we have audited 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
- Notes to the Consolidated Financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is United Kingdom adopted International Accounting Standards (UK adopted IFRS).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of the Group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with UK adopted IFRSs.

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

As described in Note 3 to the group financial statements, the group in addition to complying with its legal obligation to apply UK adopted International Accounting Standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

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 are 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 ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the financial statement, which indicated that the Group's ability to continue as a going concern is dependent on it refinancing its US$31.7 million of convertible loan notes including accrued interest falling due on 31 July 2023, to the extent these are not converted to equity, and other loans of US$16.4 million falling due within the next 12 months. Further funding is also necessary to proceed with the planned but uncommitted development of assets in the Kyrgyz Republic. There are currently no binding agreements in place in respect of additional funding and there is no guarantee that any refinancing measures as detailed in Note 2 will proceed.

These conditions along with other matters disclosed in Note 2 indicate that there exists material uncertainty 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.

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Reviewed management's documentation of the process and controls relating to the going concern forecasts, and assessment of the Design & Implementation of the key controls in place;
- Obtained management's cash flow forecasts for a period of 12 months from the date of approval of the financial statements and compared these to the Board approved budget;
- Challenged the key assumptions used in management's base case model, in particular gross production levels, timings of revenue receipts, the commodity price assumptions and costs levels by holding discussions with senior operational management and reviewing supporting documentation;
- Compared the commodity price assumptions to third party forecasts and publicly available forward curves;
- Assessed the historical accuracy of budgets prepared by management;
- Tested the mechanical accuracy of the cash forecast model;
- Considered the adequacy of management's downside scenarios and revenue stress test, in particular the sensitivity which considered the aggregate impact of a depressed commodity prices throughout the going concern period with reduced production and receipt timing delays;
- Challenged management's assumptions and conclusions in respect of refinancing options and considered whether these options are feasible; and
- Considered whether the disclosures relating to going concern and the uncertainties surrounding continuing to adopt going concern assumption including management mitigation plans are adequate and complete.

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

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

OVERVIEW OF OUR AUDIT APPROACH

Scope	Our 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.		
Materiality	**2022**	**2021**	
Group	US$1.2m	US$1.0m	0.75% of total assets (2021: 0.6% of total assets).
Key audit matters	The key audit matters that we identified in the current year were: • Going concern • Impairment assessment of exploration and evaluation assets In accordance with paragraph 15 of ISA (UK) 701, the matters relating to going concern are presented within the material uncertainty related to going concern section of this report.		

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters 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.

Impairment assessment of exploration and evaluation assets

Key audit matter description	Recoverability of exploration and evaluation (E&E) assets is dependent on the expected future success of exploration activities. The evaluation of each asset's future prospects requires significant judgement. IFRS 6 requires an assessment of impairment indicators whereby facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. When such facts and circumstances exist, an entity is required to measure, present and disclose any impairment loss in accordance with IAS 36. The potential indicators of impairment include (but not limited to): expiry of exploration licences in the period or in the nearest future, lack of further substantial exploration expenditure planned, management's plans to discontinue the exploration activities, or existence of other data indicating the expenditure capitalised is not recoverable. The impairment assessment is therefore subject to significant management judgement.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: • Obtaining an understanding of management's impairment indicator assessment processes and test the design and implementation of relevant controls in place; • Obtaining and evaluating management's assessment of the impairment indicators contained within IFRS 6; • Engaging our own mining expert) to assist in our challenge of the mining plan assumptions, including licencing, reasonableness of assumptions in respect of commercial viability, and to identify any other external factors which may indicate the E&E assets are impaired; • Benchmarking the appropriateness of the discount rate using our valuation expert and compared the commodity price assumptions to third party forecasts used within management's analysis; • Evaluated management's consideration of certain jurisdictional issues with UNESCO and reasonableness of their conclusion that these will be resolved through the resubmission of correct co-ordinates to the government of the Kyrgyz Republic; and • Challenging management whether they remain confident of obtaining project finance and obtaining a formal representation from management.
Key observations communicated to the Group's Audit Committee	We are satisfied with management's impairment assessment and concur that there is no indication of material impairment although we highlight the material uncertainty surrounding the group's ability to continue as a going concern as detailed in our going concern section above, which may affect the recoverability of the E&E assets.

OUR APPLICATION OF MATERIALITY

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. 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. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at US$1.2 million (2021: US$1.0 million) which was determined on the basis of 0.75% (2021: 0.6%) of the Group's total assets. Total assets were deemed to be the most appropriate benchmark to set materiality given the volatility of earnings and the scale of assets not yet in production.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at US$ 720,000 (2021: US$700,000) which represents 60% (2021: 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding US$ 60,000 of the Group to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

OVERVIEW OF THE SCOPE OF THE GROUP AUDIT

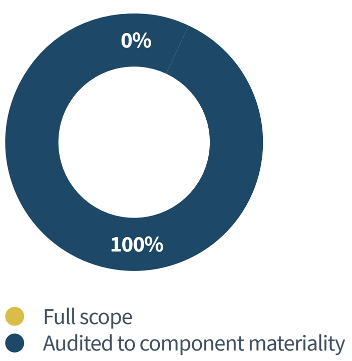
Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements we identified all 4 components in Kapan, Kyrgyz Republic, UK and the British Virgin Islands as representing the principal business units within the Group.

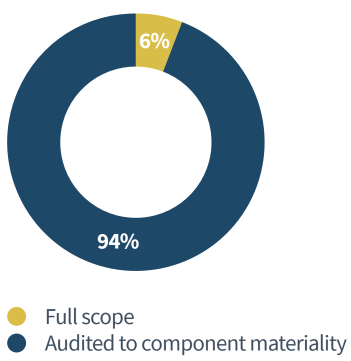
Full scope audit - Of the 4 components selected, audits of the complete financial information of Chaarat Kapan CJSC, Chaarat Gold Holdings Limited and Chaarat Gold Services Limited were selected based upon their size or risk characteristics.

Specified procedures - The final reporting component, Chaarat Zaav CJSC holds significant exploration and evaluation assets, specified procedures on balances in excess of component materiality were undertaken.

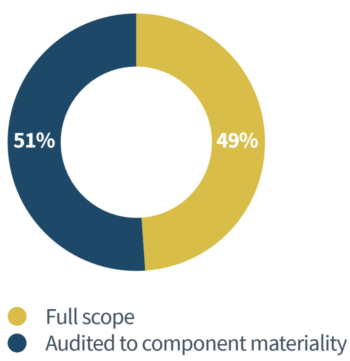
Revenue %



PBT %



Total assets %



The group audit team led and directed the audit work performed by the component auditors in Armenia on Chaarat Kapan CJSC through a combination of group planning meetings and calls, provision of group instructions (including detailed supplemental procedures), review and challenge of related component interoffice reporting and of findings from our detailed review of their working papers and interaction on audit and accounting matters which arose. This included assessing the appropriateness of conclusions and consistency between reported findings and work performed.

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

OVERVIEW OF THE SCOPE OF THE GROUP AUDIT (CONTINUED)

The control environment
We evaluated the design and implementation of those internal controls of the Group, which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness but did not place reliance on this work.

REPORTING ON OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Extent to which the audit was considered 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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

AUDITOR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Group's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as listing rules and tax legislation.
- We enquired of the directors and management concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks related to management bias in accounting estimates, particularly in determining impairment of exploration and evaluation assets, mining assets and assessing the group's ability to continue as a going concern.
- We communicated our risk assessment to component auditors and agreed with them at the planning stage testing to be carried out at component entity level in response to these risks.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's audit committee meetings;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims.
  - challenging the assumptions and judgements made by management in its significant accounting estimates, in particular those relating to assessing the potential impairment of exploration and evaluation assets as reported in the key audit matter section of our report;
  - challenging the assumptions made but management in evaluating the Group's ability to continue as a going concern; and
  - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
  - we reviewed the work completed by component auditors communicated and agreed with them at the planning stage to ensure sufficiency of their challenge of management and adequacy of their audit procedures completed.
- the Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

USE OF OUR REPORT

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.

Andrew Moyser FCA FCCA
for and on behalf of MHA, Statutory Auditor
London, United Kingdom
14 June 2023

MHA is the trading name of MacIntyre Hudson LLP,
a limited liability partnership in England and Wales
(registered number OC312313)

Consolidated Income Statement
For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Revenue	4	**92,346**	92,434
Cost of sales	5	**(82,236)**	(69,258)
Gross profit		**10,110**	23,176
Selling expenses	7	**(2,196)**	(2,444)
Administrative expenses	8	**(8,452)**	(12,966)
Other income		**-**	22
Operating (loss)/profit	6	**(538)**	7,788
Finance income		**29**	23
Finance costs	12	**(6,714)**	(7,896)
Fair value gain on warrant	30	**367**	434
(Loss)/profit before tax for the year		**(6,856)**	349
Income tax charge	13	**(1,721)**	(3,937)
Loss for the year		**(8,577)**	(3,588)
Loss per share (basic and diluted) – US$ cents	14	**(1.24)**	(0.53)

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022

	2022 US$'000	2021 US$'000
Loss for the year	**(8,577)**	(3,588)
Items which may subsequently be reclassified to the income statement		
Exchange differences on translating foreign operations and investments	**3,873**	849
Other comprehensive income for the year, net of tax	**3,873**	849
Total comprehensive loss for the year	**(4,704)**	(2,739)

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

Consolidated Balance Sheet
As at 31 December 2022

	Note	2022 US$'000	2021 US$'000
Assets			
Non-current assets			
Exploration and evaluation costs	15	**69,182**	66,305
Other intangible assets	16	**1,260**	1,213
Property, plant and equipment	17	**55,401**	47,306
Prepayments for non-current assets		**373**	530
Deferred tax assets	18	**4,489**	4,381
Total non – current assets		**130,705**	119,735
Current assets			
Inventories	19	**16,208**	18,442
Trade and other receivables	20	**10,666**	22,247
Cash and cash equivalents	21	**616**	11,134
Total current assets		**27,490**	51,823
Total assets		**158,195**	171,558
Equity and liabilities			
Equity attributable to shareholders			
Share capital	22(b)	**6,897**	6,894
Share premium		**242,757**	242,695
Own shares reserve	22(e)	**(104)**	(132)
Convertible loan note reserve	22(d)	**1,420**	1,420
Merger reserve		**10,885**	10,885
Share option reserve	22(c)	**9,259**	11,383
Translation reserve		**(10,560)**	(14,433)
Accumulated losses		**(187,944)**	(181,836)
Total equity		**72,608**	76,876
Liabilities			
Non-current liabilities			
Provision for environmental obligations	23	**11,707**	10,521
Lease liabilities	28	**885**	732
Other loans	29	**-**	9,688
Total non-current liabilities		**12,592**	20,941
Current liabilities			
Trade and other payables	27	**19,714**	30,717
Contract liabilities	26	**3,720**	2,379
Lease liabilities	28	**300**	246
Other loans	29	**17,806**	11,640
Warrant financial liability	30	**13**	380
Convertible loan notes	25	**29,203**	25,625
Other provisions for liabilities and charges	31	**2,239**	2,754
Total current liabilities		**72,995**	73,741
Total liabilities		**85,587**	94,682
Total liabilities and equity		**158,195**	171,558

The financial statements were approved and authorised for issue by the Board of Directors on 14 June 2023.

Mike Fraser
Chief Executive Officer

Martin Andersson
Executive Chair

The accompanying notes are an essential part of these financial statements

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022

	Note	Share Capital US$'000	Share Premium US$'000	Own Shares Reserve US$'000	Convertible Loan Note Reserve US$'000	Merger Reserve US$'000	Share Option Reserve US$'000	Translation Reserve US$'000	Accumulated Losses US$'000	Total US$'000
As at 1 January 2021		**5,401**	**191,594**	**(216)**	**2,493**	**10,885**	**14,103**	**(15,282)**	**(184,527)**	**24,451**
Loss for the year		-	-	-	-	-	-	-	(3,588)	(3,588)
Translation losses for the year		-	-	-	-	-	-	849	-	849
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**849**	**(3,588)**	**(2,739)**
Share options lapsed		-	-	-	-	-	(715)	-	715	-
Share-based payment charge		-	-	-	-	-	1,251	-	-	1,251
Issuance of shares for cash		841	28,711	-	-	-	-	-	-	29,552
Issuance of shares for settlement of liabilities		652	22,390	-	-	-	-	-	(101)	22,941
Transfer of treasury shares		-	-	84	-	-	(3,256)	-	3,172	-
Modification of convertible loan notes		-	-	-	(1,073)	-	-	-	2,493	1,420
As at 31 December 2021		**6,894**	**242,695**	**(132)**	**1,420**	**10,885**	**11,383**	**(14,433)**	**(181,836)**	**76,876**
Loss for the year		-	-	-	-	-	-	-	(8,577)	(8,577)
Translation gains for the year		-	-	-	-	-	-	3,873	-	3,873
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**3,873**	**(8,577)**	**(4,704)**
Share options lapsed	22 (c)	-	-	-	-	-	(2,126)	-	2,126	-
Share-based payment charge	6	-	-	-	-	-	373	-	-	373
Issuance of shares for cash	22 (b)	-	-	-	-	-	-	-	-	-
Issuance of shares for settlement of liabilities	22 (b)	3	62	-	-	-	-	-	-	65
Transfer of treasury shares	22 (e)	-	-	28	-	-	(371)	-	343	-
Modification of convertible loan notes	22 (d)	-	-	-	-	-	-	-	-	-
As at 31 December 2022		**6,897**	**242,757**	**(104)**	**1,420**	**10,885**	**9,259**	**(10,560)**	**(187,944)**	**72,608**

Consolidated Cash Flow Statement
For the Year Ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Operating (loss)/profit		**(538)**	7,788
Depreciation and amortisation	6	**11,474**	7,115
(Profit)/loss on disposal of property, plant and equipment	6	**(12)**	4
Non-cash expenses	20	**66**	87
Change in provisions		**(2,125)**	75
Unrealised foreign exchange gains	6	**(3,455)**	(1,475)
Share-based payments	6	**373**	1,251
Decrease/(increase) in inventories		**5,838**	(6,507)
Decrease/(increase) in trade and other receivables		**17,969**	(15,915)
(Decrease)/increase in trade and other payables		**(20,915)**	15,920
Increase/(decrease) in contract liabilities	26	**974**	(3,250)
Cash generated in operations		**9,649**	5,093
Income taxes paid		**(2,505)**	(1,806)
Net cash generated in operations		**7,144**	3,287
Investing activities			
Purchase of property, plant & equipment	17	**(7,746)**	(9,117)
Purchase of intangible assets	16	**(11)**	(152)
Exploration and evaluation costs	15	**(2,385)**	(6,212)
Proceeds from sale of property, plant & equipment		**19**	1
Interest received		**28**	17
Net cash used in investing activities		**(10,095)**	(15,463)
Financing activities			
Proceeds from issue of share capital	22	**-**	29,983
Share issue costs paid		**-**	(431)
Repayments of principal portion of lease liabilities	28	**(709)**	(674)
Finance costs paid for modifications of other loans	24	**-**	(104)
Repayments of principal amount of loan	29	**(9,500)**	(9,800)
Payments of interest	29	**(1,633)**	(2,295)
Proceeds from loans	29	**6,000**	-
Net cash (used in)/from financing activities		**(5,842)**	16,679
Net change in cash and cash equivalents		**(8,793)**	4,503
Cash and cash equivalents at beginning of the year		**11,134**	6,928
Effect of changes in foreign exchange rates		**(1,725)**	(297)
Cash and cash equivalents at end of the year	21	**616**	11,134

Notes to the Consolidated 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 2022 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 31 May 2023 the Group had approximately US$0.5 million of cash and cash equivalents and US$47.5 million of debt (excluding lease liabilities, contract liabilities and warrants) comprising the following:

- US$31.1 million (USD$31.7 million at maturity) convertible loan notes including accrued interest to 31 May 2023 (Note 25)
- US$16.4 million other loans outstanding (Ameriabank US$13.2, other borrowings US$1.2 million and corporate Working Capital Facility US$2.0 million), including accrued interest to 31 May 2023 (Note 29)

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

Kapan
The Board has based the cash flow forecasts for Kapan on the most recent forecasts which show that Kapan is expected to generate sufficient revenue to cover its operating costs and principal and interest payments.

Convertible Loan Notes
By 31 July 2023, the convertible loan notes are due to be redeemed by conversion into equity at approximately £0.30 per ordinary share, at the holder's option, or will be repaid in cash for a total of US$31.7 million (which includes accrued interest).

Conclusion (including material uncertainty)
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 July 2023. To proceed with the development in Kyrgyz Republic and to sustain corporate activities, further financing will also be required. A number of workstreams including but not limited to the non-binding letter of intent referred to in Note 35 for the potential equity investment of US$250 million are underway to secure financing for the Company for these purposes. The directors consider there is a reasonable expectation that sufficient funding will be raised and therefore have continued to adopt the 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, 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.

Should the project funding not be available for the Kyrgyz Republic development projects or should other strategic options including potential monetisation of the assets not prove to be viable, there may be a material impairment of the US$82 million carrying value of the related assets. The financial statements do not include the adjustments that would result if the Group were 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 United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and on a historical cost basis with exception to fair value gain on warrants that are carried at FVTPL.

New standards, interpretations and amendments adopted by the Group

Adoption of new and revised Standards
In the current year, the Company has adopted all new and revised IFRS standards that became effective as of 1 January 2022, the changes being:
i. Amendments to IFRS 9 Financial Instruments, IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 16 Leases, resulting from Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
ii. Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets resulting the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022.
iii. Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations), effective for annual periods beginning on or after 1 January 2022. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

These amendments did not have a material impact on the Company. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

Revised standards not yet effective
At the date of the authorisation of these consolidated financial statements, the following revised IFRS standards, which are applicable to the Company, were issued but not yet effective:
i. Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities as current and non-current, effective for annual periods beginning on or after 1 January 2023;
ii. IFRS 17 Insurance Contracts, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
iii. Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
iv. Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
v. Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period beginning on or after 1 January 2023 with earlier application permitted; and
vi. Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures regarding the sale or contribution of assets between an investor and its associate or joint venture, the effective date of the amendments has yet to be set. However, earlier application of the amendments is permitted.

No significant changes to presentation or disclosures within these financial statements are expected following the adoption of these amendments.

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 the income statement 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. In respect of freight revenues, these are recognised over time.

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 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 using the forward price for the month of price finalisation. The estimated transaction price is updated for the quotational period (usually one or three months) and any 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.

3. ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)
Third-party revenue
In addition to own concentrates, the Group also processes third party ore into concentrate and sells it to customers. The revenue from these sales is recognised in accordance with the revenue recognition principles above.

Where the group does not purchase the third party ore for sale but provides a processing service the processing fee is recognised as revenue over the processing period.

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 or 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
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 calculated on an accruals basis at rates set by the government and included in cost of sales.

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 gross carrying amount of the financial asset or liability.

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 2022 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, 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 other comprehensive income or equity in which case the related deferred tax is also recognised directly in other comprehensive income or 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.

3. ACCOUNTING POLICIES (CONTINUED)

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.

3. ACCOUNTING POLICIES (CONTINUED)

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:
- 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;
- substantive expenditure on further exploration of mineral resources in the specific area is nether budgeted nor planned;
- 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; and
- 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.

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 of disposal 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 of disposal calculation. Fair value is based on the applicable Discounted Cash Flow ("DCF") method using post-tax cash flows and post -tax discount rate, this is considered to give a materially similar result to a basis that uses pre-tax cash flows and pre-tax discount rate. 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.

3. ACCOUNTING POLICIES (CONTINUED)

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 qualify for an exemption under IFRS 16 which the Group has applied. 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 and by reducing the carrying amount to reflect the lease payments made. Interest is charged over the term of the lease at an even rate over the carrying amount of the liability. 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. Where ownership of the underlying asset transfers to the entity at the end of the lease depreciation is charged over the 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 a revised discount rate. The discount rate on commencement is only applied to changes in estimates of payments. 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.

Cost of purchased concentrate
The Group processes third party ore into concentrate and then purchases the concentrate to sell to Kapan's customers. The substance and accounting for these transactions is that of an ore purchase agreement with the amount expensed in cost of sales equal to the price paid to third parties in line with the purchase agreements, which is net of a processing fee charged by Kapan.

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.

3. ACCOUNTING POLICIES (CONTINUED)

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.
- "Translation reserve" represents the differences arising from translation of investments in foreign operations.
- "Accumulated losses" includes all current and prior period results as disclosed in the income statement or other comprehensive 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$) as the current exploration and evaluation expenditure is currently primarily in USD. 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 (US$), 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.

The amounts reported are rounded to the nearest thousand, unless otherwise stated.

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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences reattributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated 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 and through settlement of the issue of new shares, 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. 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 defined contribution 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.

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.

3. ACCOUNTING POLICIES (CONTINUED)

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.

Convertible loan notes
The 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 added. 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 is 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 when appropriate. 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.

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.

3. ACCOUNTING POLICIES (CONTINUED)

Provision for environmental obligations
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 decommissioning 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 costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the consolidated income statement as extraction progresses . 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. 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.

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 2022, the capitalised costs of the exploration and evaluation assets amounted to US$69.2 million, details of which are set out in Note 15.

The assets relate 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 2022, 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.

As set out in the Going concern conclusion per Note 2, a material uncertainty exists in relation to the Group's ability to obtain the additional funding needed to develop the Kyrgyz Republic development projects as 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. Should that funding not be available there would be an indication of impairment which could result in a material provision against the carrying value of the related exploration and evaluation assets and assets under construction.

3. ACCOUNTING POLICIES (CONTINUED)

Costs capitalised to exploration and evaluation assets
The costs capitalised to exploration and evaluation assets in 2022 was US$2.9 million (2021: US$5.7 million). 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.

Costs capitalised to property, plant and equipment (mining properties)
The costs capitalised to mining properties in 2022 was US$12.3 million (2021: US$7.9 million). Judgement is applied in the determination of the type of costs that are capitalised to mining properties as described in the accounting policy note above.

Functional currency of Kapan
The functional currency of the subsidiary located and operating in Armenia is the Armenian Dram (AMD), as this is the currency of the primary economic environment in which it operates.

Treatment of royalty expense
Royalties paid in Armenia of US$4.5 million (2021: US$5.7 million) are included in cost of sales as they are calculated on the basis of revenue earned from the supply of concentrates. The royalty rate is calculated on fixed rate plus a variable component based on measure of profitability. The royalty rate is levied on revenue as a production based component. As the royalty expense is not a charge on profit or loss before tax, management does not consider it to be an income tax expense within the scope of IAS 12 Income Taxes.

Accounting for the concentrate purchase agreement
The Group has a contractual arrangement under which third party ore is received, processed, purchased and sold to the customer.

The Group is deemed principal as opposed to agent as the substance of this arrangement is considered to be an ore purchase agreement such that inventory recognition occurs from that point and the processing fee recoverable is deducted from the cost of the material purchased.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 depreciation 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.

3. ACCOUNTING POLICIES (CONTINUED)

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. The carrying value of inventory at 31 December 2022 was US$9.9 million (2021: US$16.2 million) and the inventory write-down provision to net realisable value amounted to US$1.9 million as at 31 December 2022 (2021: US$1.9 million), relating mainly to consumables and spare parts.

Provision for environmental obligations

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 decommissioning activities.

In calculating the provision, cost estimates of the future potential cash outflows based on current assessments of the expected decommissioning activities and timing thereof, are prepared. These forecasts are then discounted to their present value using a discount rate as disclosed in Note 23. The works and technical studies are continuing and 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 a new estimate completed in 2021. The provision at 31 December 2022 is US$11.7 million (2021: US$10.5 million). A 25% increase or decrease in the potential cash flows would increase or decrease the provision by US$2.9million. The basis of the provision recognised is an assumed mine closure date of 2027 with rehabilitation being primarily completed in the subsequent year. An acceleration or deferral of this expenditure by one year would increase/decrease the provision by US$1.3 million.

Legal claim provisions

As disclosed in Note 31, legal claim provisions totalling US$2.2 million have been recognised as 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.

4. REVENUE

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

	2022 US$'000	2021 US$'000
Copper concentrate	**72,725**	77,134
Zinc concentrate	**16,670**	13,114
3rd party ore processing fees	**1,468**	-
Zinc concentrate freight	**1,483**	2,186
Total	**92,346**	92,434

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.

Copper concentrate sales are 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. Zinc concentrate 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).

In addition to the Group's own concentrates, it processes third party ore into concentrate and sells it to customers. Of the US$92.4 million generated from concentrate sales in 2022, US$76.6 million relates to own concentrate sales and US$15.7 million relates to third-party concentrate sales (2021: US$72.8 million and US$19.6 million).

In 2022, the Group has continued to recognise contract liabilities in relation to its contracts with customers for prepayments received for the future transfer of concentrates, as set out in Note 26.

5. COST OF SALES

	2022 US$'000	2021 US$'000
Depreciation and amortisation	**10,816**	5,941
Employee benefit expenses	**11,504**	8,817
Materials	**18,130**	12,973
Services	**19,322**	14,616
Royalties	**4,543**	5,665
Energy and fuel	**6,710**	4,103
Cost of purchased ore and concentrate*	**9,911**	16,143
Short-term lease charges	**1,234**	951
Other	**66**	49
Total	**82,236**	69,258

* In both 2021 and 2022, the Group processed third party ore into concentrate for a fee. The Group purchases the processed concentrate and sells it to customers, resulting in third-party revenue, which is recognised in addition to own ore revenue, as disclosed in Note 4. The amount expensed in cost of sales is equal to the price paid to the third party, which is net of the processing fee charged by the Group on the basis the substance of these arrangements is that of an ore purchase agreement.

6. OPERATING PROFIT

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

	2022 US$'000	2021 US$'000
Depreciation of property, plant and equipment	**11,415**	6,841
Amortisation of intangible assets	**252**	274
Short-term/low value lease charges	**1,395**	1,083
Share based payment charges	**373**	1,251
Loss on the sale of fixed assets	**(12)**	4
(Gain)/loss on foreign exchange	**(3,455)**	(1,475)
Fees payable to Group auditors for the audit of the Group financial statements	**186**	234
Fees payable to associated firms of the auditor for the audit of subsidiaries	**63**	83
Change in legal provision	**535**	75
Selling expenses	**2,196**	2,444

7. SELLING EXPENSES

Selling expenses consisted of the following:

	2022 US$'000	2021 US$'000
Transportation expenses	**1,483**	1,099
Sampling and inspection	**132**	125
Staff costs	**208**	246
Customs clearance	**49**	675
Utilities	**36**	30
Depreciation and amortisation	**8**	6
Material	**263**	77
Services	**16**	27
Other	**1**	159
Total	**2,196**	2,444

8. ADMINISTRATIVE EXPENSES

The administrative expenses consisted of the following:

	2022 US$'000	2021 US$'000
Readmission and acquisition costs	**81**	242
Legal and compliance	**71**	422
Regulatory	**280**	359
Investor relations	**241**	363
Salaries	**5,862**	6,383
Corporate support	**1,383**	3,787
Travel and subsistence	**161**	159
Share-based payment charges	**373**	1,251
Total	**8,452**	12,966

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 2022	**Kyrgyz Republic US$'000**	**Armenia US$'000**	**Corporate US$'000**	**Total US$'000**
Revenue				
Sales to external customers	-	92,436	-	92,346
Total segment revenue	**-**	**92,436**	**-**	**92,346**
Operating profit/(loss)	(2,033)	6,504	(5,008)	(538)
Finance income	-	28	-	28
Finance costs	-	(3,136)	(3,578)	(6,714)
Fair value gain on warrant	-	-	367	367
Profit/(loss) before income tax	**(2,033)**	**3,396**	**(8,219)**	**(6,856)**
Income tax charge	-	(1,721)	-	(1,721)
Profit/(loss) after income tax	**(2,033)**	**1,675**	**(8,219)**	**(8,577)**
Assets				
Segment assets – non-current	82,399	48,306	-	130,705
Segment assets - current	154	26,791	484	27,430
Total assets	**82,553**	**75,097**	**484**	**158,134**
Liabilities				
Segment liabilities	2,308	53,380	29,838	85,526
Total liabilities	**2,308**	**53,380**	**29,838**	**85,526**

31 December 2021	Kyrgyz Republic US$'000	Armenia US$'000	Corporate US$'000	Total US$'000
Revenue				
Sales to external customers	-	92,434	-	92,434
Total segment revenue	-	92,434	-	92,434
Operating profit/(loss)	(2,299)	17,448	(7,361)	7,788
Finance income	-	17	6	23
Finance costs	-	(3,043)	(4,853)	(7,896)
Fair value gain on warrant	-	-	434	434
Loss before income tax	(2,299)	14,422	(11,774)	349
Income tax charge	-	(3,937)	-	(3,937)
Loss after income tax	(2,299)	10,485	(11,774)	(3,588)
Assets				
Segment assets – non-current	78,562	41,173	-	119,735
Segment assets - current	277	43,797	7,749	51,823
Total assets	78,839	84,970	7,749	171,558
Liabilities				
Segment liabilities	2,253	65,753	26,675	94,682
Total liabilities	2,253	65,753	26,675	94,682

10. STAFF NUMBERS AND COSTS

	2022 Number	2021 Number
Management and administration	**135**	167
Exploration and evaluation	**50**	54
Production and service	**947**	948
Total	**1,132**	1,169

The aggregate payroll costs of these persons were as follows:	US$'000	US$'000
Staff wages and salaries	**19,310**	17,725
Employee share-based payment charges	**-**	966
Directors' remuneration as detailed in the Remuneration Report		
Wages and salaries	**1,202**	880
Termination benefits	**-**	575
Share-based payment charges	**373**	285
Total	**20,886**	20,431

The share-based payment charge in 2022 relates to the fair value charge attributed to share options issued to the Chief Executive Officer which vested immediately in January 2022.

The staff wages and salaries include amounts capitalised to exploration and evaluation assets of US$2.9 million (2021: US$3.1 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	2022 US$'000	2021 US$'000
Salary and fees paid directly	**1,152**	830
Salary and fees paid via related party consultancy companies	**50**	50
Termination benefits	**-**	575
Share-based payment charges	**373**	285
Total	**1,575**	1,740

The share-based payment charge in 2022 relates to the fair value charge attributed to share options issued to the Chief Executive Officer which vested immediately in January 2022.

The share-based payment charge in 2021 relates to the fair value charge attributed to tranche 3 RSUs which vested in April 2021.

12. FINANCE COSTS

	Note	2022 US$'000	2021 US$'000
Interest on convertible loan notes	25	**3,899**	3,793
Interest on other loans	29	**1,605**	2,184
Interest on lease liabilities	28	**123**	128
Interest on contract liabilities	26	**117**	204
Unwinding of discount – provision for environmental obligations	23	**1,291**	705
Financing costs	25	**(321)**	867
Other		**-**	15
Total		**6,714**	7,896

The interest on other loans of US$1.6 million includes interest on borrowings of US$1.3 million, interest on other borrowings of US$0.2 million and interest on the working capital facility of US$0.1 million. No finance costs have been capitalised.

The financing credit of US$0.3 million, a non-cash credit, relates to non-substantial modification of the convertible loan notes as disclosed in Note 25. In 2021, the financing costs of US$0.9 million related to the amortisation of the Labro Facility commitment fee.

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 2022. 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 2022, the fixed royalty percentage remained at 8%, comprising a royalty of 5% and a contribution to local infrastructure of 3% (2021: 8%, 5% and 3%). 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 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 royalty payable in respect of these assets for the years ended 31 December 2022 or 31 December 2021.

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 this 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 and therefore there are no further uncertain tax positions which require disclosure in accordance with IFRIC 23.

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

Analysis of tax charge for the year

	Note	**2022 US$'000**	2021 US$'000
Armenian tax		**947**	2,269
Current tax		**947**	2,269
Origination and reversal of temporary differences		**774**	1,668
Deferred tax	18	**774**	1,668
Income tax expense		**1,721**	3,937

Reconciliation of tax charge for the year

	2022 US$'000	2021 US$'000
Profit/(loss) before tax	**(6,856)**	349
Tax calculated at applicable corporation tax rate:		
Armenian corporation tax at 18% (2020:18%)	**(1,234)**	63
Tax effects of:		
Items non-deductible/(non-taxable) for tax purposes	**(1,110)**	(439)
Income eliminated on consolidation	**681**	(566)
Different tax rates applied in overseas jurisdictions	**(1,539)**	(2,188)
Current tax losses not recognised	**(306)**	(345)
Write-down of previously recognised deferred tax assets	**-**	(1,028)
Income tax expense	**(1,721)**	(3,937)

Tax losses

	2022 US$'000	2021 US$'000
Unused tax losses for which no deferred tax asset has been recognized		
United Kingdom	**201**	278
Tax benefit at 25%	**50**	53

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which unused tax losses and unused tax credits can be utilised.

14. LOSS PER SHARE

Loss per share is calculated by reference to the loss for the year of US$8.6 million (2021: loss of US$3.6 million) and the weighted average number of ordinary shares in issue during the year of 689,655,467 (2021: 673,320,329).

At 31 December 2022, 8,920,341 (2021: 8,920,341) warrants, 44,170,931 (2021: 49,692,252) 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 2021	52,157	9,202	61,359
Additions	4,775	899	5,674
Reclassification to property, plant & equipment	(728)	-	(728)
At 31 December 2021	**56,204**	**10,101**	**66,305**
Additions	2,592	285	2,877
Reclassification to property, plant & equipment	-	-	-
At 31 December 2022	**58,796**	**10,386**	**69,182**

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 2022, management does not consider there to be any impairment in respect of these assets.

In 2021, the Company entered into an investment agreement ("The Investment Agreement") with Çiftay which supersedes the previous agreement that was signed in September 2019. Çiftay and the Company decided to replace the previous agreement with the Investment Agreement, in order to simplify the structure of the partnership and further align the interests of both parties. Under the Investment Agreement, Chaarat retains 100% ownership of the Tulkubash and Kyzyltash projects with Çiftay becoming a strategic investor at the Company level, through the issuance of new ordinary shares. In July 2021, the Company issued 2.8 million new ordinary shares to Çiftay with a fair value of US$0.8 million in settlement of accrued expenses relating to Tulkubash construction activities. Further shares issues will only take place once certain terms of the agreement are triggered by securing project finance.

16. INTANGIBLE ASSETS

	Computer Software US$'000	Other intangible assets US$'000	Total US$'000
Cost			
At 1 January 2021	1,451	281	1,732
Prior year reclassification from PPE	18	-	18
Additions	152	-	152
Reclass from PPE to IA	18	-	18
Effect of translation to presentation currency	120	26	146
At 31 December 2021	**1,741**	**307**	**2,048**
Additions	67	-	67
Effect of translation to presentation currency	348	66	414
At 31 December 2022	**2,156**	**374**	**2,530**
Accumulated amortisation			
At 1 January 2021	491	20	511
Charge for the year	246	28	274
Effect of translation to presentation currency	45	5	50
At 31 December 2021	**782**	**53**	**835**
Charge for the year	221	31	252
Effect of translation to presentation currency	169	14	183
At 31 December 2022	**1,172**	**98**	**1,270**
Net book value			
At 31 December 2022	**984**	**276**	**1,260**
At 31 December 2021	959	254	1,213
At 1 January 2021	960	261	1,221

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 2021	**9,014**	**32,223**	**1,467**	**648**	**6,447**	**1,781**	**51,580**
Additions	-	4,358	16	-	2,955	-	7,329
Transfers	32	510	1	-	(543)	-	-
Changes in estimates of provision for environmental obligations	-	1,566	-	-	-	-	1,566
Disposals	-	(508)	(2)	-	-	-	(510)
Reclassification from inventories	-	1,499	-	-	165	-	1,664
Reclassification from exploration and evaluation asset	-	-	-	-	728	-	728
Effect of translation to presentation currency	330	3,055	105	19	120	157	3,786
At 31 December 2021	**9,376**	**42,703**	**1,587**	**667**	**9,872**	**1,938**	**66,143**
Additions	122	8,354	-	200	2,960	674	12,310
Transfers	-	(84)	-	107	(23)	-	-
Changes in estimates of provision for environmental obligations	-	(1,120)	-	-	-	-	(1,120)
Disposals	-	(56)	(34)	(19)	-	(1,011)	(1,120)
Effect of translation to presentation currency	911	9,758	282	62	573	391	11,977
At 31 December 2022	**10,409**	**59,555**	**1,835**	**1,017**	**13,382**	**1,992**	**88,190**
Accumulated depreciation							
At 1 January 2021	**2,242**	**7,281**	**663**	**343**	**-**	**513**	**11,042**
Charge for the year	802	5,431	375	109	-	590	7,307
Disposals	-	(503)	(2)	-	-	-	(505)
Effect of translation to presentation currency	100	754	54	11	-	74	993
At 31 December 2021	**3,144**	**12,963**	**1,090**	**463**	**-**	**1,177**	**18,837**
Charge for the year	873	8,561	476	149	-	711	10,770
Disposals	-	(53)	(30)	(19)	-	(1,011)	(1,113)
Effect of translation to presentation currency	370	3,423	229	46	-	227	4,295
At 31 December 2022	**4,387**	**24,894**	**1,765**	**639**	**-**	**1,104**	**32,789**
Net book value							
At 31 December 2022	**6,022**	**34,661**	**70**	**378**	**13,382**	**888**	**55,401**
At 31 December 2021	6,232	29,740	497	204	9,872	761	47,306
At 1 January 2021	6,772	24,942	804	305	6,447	1,268	40,538

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 2022, 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 recognised as a result of temporary differences where the directors believe it is probable that these assets will be recovered. The Group's deferred tax asset relates to the Kapan mine in Armenia. Recoverability of the recognised deferred tax asset is considered more likely than not based upon expectations of future taxable income in Armenia. The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. 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$0.2 million (2021: US$0.3 million).

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

	2022 US$'000	2021 US$'000
At 1 January	**4,381**	5,631
Charged to the income statement	**(774)**	(1,668)
Effect of currency translation	**882**	418
At 31 December	**4,489**	4,381
Comprising:		
Deferred tax assets	**4,489**	4,381
Deferred tax liabilities	**-**	-

18. DEFERRED TAX (CONTINUED)

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

2022	**At 1 January US$'000**	**Charged to the income statement US$'000**	**Effect of currency translation US$'000**	**Total US$'000**
Property, plant and equipment	4,175	(1,018)	(145)	3,012
Trade and other receivables	177	(181)	20	16
Inventories	(190)	281	864	955
Other provisions	54	56	18	128
Trade and other payables	54	113	24	191
Lease liabilities	111	(25)	101	187
Total	**4,381**	**(774)**	**882**	**4,489**

2021	At 1 January US$'000	Charged to the income statement US$'000	Effect of currency translation US$'000	Total US$'000
Property, plant and equipment	4,516	(706)	365	4,175
Trade and other receivables	49	119	9	177
Inventories	684	(892)	18	(190)
Other provisions	48	2	4	54
Trade and other payables	108	(61)	7	54
Lease liabilities	226	(130)	15	111
Total	5,631	(1,668)	418	4,381

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.

	2022 US$'000	2021 US$'000
Consumables and spare parts	**10,802**	8,861
Copper and zinc concentrate in stock	**683**	5,984
Copper and zinc concentrate in transit	**1,056**	1,432
Ore stockpiles extracted	**3,667**	2,157
Other	**-**	8
At 31 December	**16,208**	18,442

20. TRADE AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables	**6,654**	18,620
Other receivables	**984**	2,856
Unpaid shares issued	**-**	6
Prepayments	**3,118**	766
Less: expected credit losses	**(90)**	(1)
At 31 December	**10,666**	22,247

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

	2022 US$'000	2021 US$'000
At 1 January	**1**	271
Movement during the year	**(242)**	(270)
Effect of currency translation	**331**	-
At 31 December	**90**	1

21. CASH AND CASH EQUIVALENTS

	2022 US$'000	2021 US$'000
Cash on hand	**1**	2
Current accounts in UK	**378**	7,646
Current accounts in the Kyrgyz Republic	**138**	264
Current accounts in Armenia	**99**	3,222
At 31 December	**616**	11,134

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.

22(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:

	2022 US$'000	2021 US$'000
Total Equity	**72,608**	76,876
Convertible loan notes	**29,203**	25,625
Other loans	**17,806**	21,328
Contract liabilities	**3,720**	2,379
Lease liabilities	**1,186**	978
Warrant financial liability	**13**	380
Less: cash and cash equivalents	**(616)**	(11,134)
Net debt	**51,312**	39,556
Net debt to equity ratio	**71%**	51%

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. Two covenants of the loan were not satisfied during the year and have been considered as part of the Group's going concern assessment in Note 2. Ameriabank waived the non-compliance for not meeting the covenants and decided not to apply any waiver fees.

The convertible loan notes, as disclosed in Note 25, respectively, do not have covenants attached to them. As the convertible loan notes are repayable within the next 12 months, they have been disclosed as a current liability as at 31 December 2022.

22. CAPITAL AND RESERVES (CONTINUED)

22(b) Share capital

	2022		2021	
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	**689,411**	**6,894**	540,061	5,401
Issued for cash	**9**	**-**	84,115	841
Issued to settle liabilities	**247**	**3**	65,235	652
Exercise of warrants	**-**	**-**	-	-
Exercise of share options	**-**	**-**	-	-
At 31 December	**689,667**	**6,897**	689,411	6,894

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

The Company issued 247,368 ordinary shares of US$0.01 each in the Company to Mike Fraser as a sign on bonus. Due to human error, one of the MMQs used to calculate the three-day average MMQ was incorrect which resulted in 255,935 shares being issued to the CEO rather than 247,368. The CEO rectified this by paying the Company a cash subscription price for the additional 8,567 shares at the three-day average MMQ.

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 has control over the Trust and therefore the results of the Trust were consolidated within these financial statements. During the year, expenses of US$0.07 million were incurred by the Trust (2021: US$0.05 million). At 31 December 2022, the Trust held 1,070,194 shares (2021: 1,070,194 shares).

22(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:

	2022		2021	
	Number of options	**Weighted average exercise price (US$)**	Number of options	Weighted average exercise price (US$)
Outstanding at 1 January	**49,692,252**	**0.567**	55,027,006	0.523
Exercised during the year	**-**	**-**	-	-
Granted during the year	**5,000,000**	**0.574**	-	-
Replaced during the year	**-**	**-**	-	-
Lapsed during the year	**(10,521,322)**	**0.519**	(5,334,754)	0.578
Outstanding at 31 December	**44,170,930**	**0.508**	49,692,252	0.567
Exercisable at 31 December	**44,170,930**	**0.508**	49,692,252	0.567

The share options outstanding at 31 December 2022 had a weighted average remaining contractual life of 1.6 years (2021: 2.7 years). Maximum term of the options granted was 5 years from the grant date. The share options outstanding at 31 December 2022 had an exercise price of £0.42 (2021: £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 2022 was as follows:

Exercise period	**Number**	**Exercise price**
18 September 2019 to 18 September 2024	28,056,857	£0.42
18 September 2019 to 4 February 2023*	8,150,320	£0.42
18 September 2019 to 3 April 2023*	2,963,753	£0.42
18 January 2022 to 18 January 2027	5,000,000	£0.42
Total	**44,170,930**	**£0.42**

* Options lapsed post year end.

22. CAPITAL AND RESERVES (CONTINUED)

22(c) Share options and share-based payments (continued)

Management Incentive Plan

On 18 September 2019, the Group adopted a new Management Incentive Plan ("MIP") whereby 56,805,258 share options exercisable at £0.42 per share and 21,494,198 restricted stock units ("RSUs") were granted to key management personnel ("KMPs") and other employees (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. On 15 April 2021, 5,308,640 RSUs (Tranche 3) vested following final determination by the remuneration committee of the extent to which performance criteria had been achieved, in the case of awards subject to performance conditions. RSUs not subject to performance conditions in Tranche 3 vested at the same time.

On 22 April 2021, a further 2,122,466 RSUs were granted to KMPs and other employees which vested immediately on this date. As a result, a total share-based payment charge of US$1.3 million was recognised during 2021, US$0.5 million of which related to the remaining Tranche 3 RSUs and US$0.8 million to the additional RSUs granted on 22 April 2021.

There was no exercise of share options during 2021, however 5,334,754 share options lapsed due to two employees leaving the Company during the year.

On 18 January 2022, a further 5,000,000 share options exercisable at £0.42 per share were granted to the Company's Chief Executive Office which vested immediately on this date. As a result, a total share-based payment charge of $0.4 million was recognised during 2022.

There was no exercise of share options during 2022, however 10,521,322 share options lapsed due to employees leaving the Company during the year. A further 11,114,073 share options lapsed between the year-end date and the date of this report.

22(d) 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.

	2022 **US$'000**	2021 US$'000
At 1 January	**1,420**	2,493
Modification of convertible loan notes	**-**	(1,073)
At 31 December	**1,420**	1,420

22(e) 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:

	2022 **US$'000**	2021 US$'000
At 1 January	**(132)**	(216)
Transfer of treasury shares	**28**	84
At 31 December	**(104)**	(132)

23. PROVISION FOR ENVIRONMENTAL OBLIGATIONS

The provision for environmental obligations 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 are as follows:

	2022 US$'000	2021 US$'000
At 1 January	**10,521**	7,479
Change in provision	**(2,313)**	1,566
Unwinding of discount	**1,291**	705
Reclassification to deferred expenses	**-**	-
Effect of currency translation	**2,208**	771
At 31 December	**11,707**	10,521

Further details relating to the calculation of the balance as at 31 December 2022 are as follows:

	31/12/2022	31/12/2021
Discount rates	**11.98%**	9.91%
Provision settlement date	**31/12/2028**	31/12/2027
Estimated undiscounted cash flow required to settle the provision	**US$14.1 million**	US$14.1 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 2021	**23,252**	**5,328**	**1,425**	**53,347**	**83,352**
Cash flows:					
Cash proceeds	-	-	-	-	-
Payment of interest	-	-	-	(2,295)	(2,295)
Payment of principal amount	-	-	-	(9,800)	(9,800)
Lease payments	-	-	(674)	-	(674)
Net proceeds	**-**	**-**	**(674)**	**(12,095)**	**(12,769)**
Non-cash items:					
Loan modification	(1,420)	-	-	8	(1,412)
Converted to equity	-	-	-	(22,117)	(22,117)
Interest accrued	3,793	204	128	2,184	6,309
Settlement of interest against receivables	-	(120)	-	-	(120)
Amounts recognised as revenue during the year	-	(3,250)	-	-	(3,250)
Effect of currency translation	-	217	99	1	317
Total liabilities from financing activities at 31 December 2021	**25,625**	**2,379**	**978**	**21,328**	**50,310**
Non-current	**-**	**-**	**732**	**9,688**	**10,420**
Current	**25,625**	**2,379**	**246**	**11,640**	**39,890**
Cash flows:					
Cash proceeds	-	3,000	-	6,000	9,000
Payment of interest	-	-	-	(1,633)	(1,633)
Payment of principal amount	-	-	-	(9,500)	(9,500)
Lease payments	-	-	(709)	-	(709)
Net proceeds	**-**	**3,000**	**(709)**	**(5,133)**	**(2,842)**
Non-cash items:					
Additions	-		578	-	578
Loan modification	(321)	-	-	-	(321)
Lease modification	-	-	124	-	124
Interest accrued	3,899	117	123	1,605	5,744
Settlement of interest against receivables	-	(50)	-	-	(50)
Reversal of lease payable	-	-	(123)	-	(123)
Amounts recognised as revenue during the year	-	(2,026)	-	-	(2,026)
Effect of currency translation		300	215	7	522
Total liabilities from financing activities at 31 December 2022	**29,203**	**3,720**	**1,185**	**17,806**	**51,915**
Non-current	**-**	**-**	**885**	**-**	**885**
Current	**29,203**	**3,720**	**300**	**17,806**	**51,030**

25. CONVERTIBLE LOAN NOTES

During the year no new convertible loan notes were issued, however the maturity date was extended by 9 months from 31 October 2022 to 31 July 2023. The conversion price of the notes remained at £0.30 per share. The only other transaction during the year was accrued interest of US$3.9 million (2021: US$3.8 million).

2022 Notes	US$'000
At 31 December 2020	**23,252**
Cash proceeds	-
Transaction costs	-
Net proceeds	-
Loan modification	(1,420)
Accrued interest	3,793
At 31 December 2021	**25,625**
Cash proceeds	-
Transaction costs	-
Net proceeds	-
Loan modification	(321)
Accrued interest	3,899
At 31 December 2022	**29,203**

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.

On 21 October 2021, the maturity date of the convertible loan notes was extended from 31 October 2021 to 31 October 2022 and the conversion price reduced from £0.37 to £0.30 per share, which was treated as a substantial modification for accounting purposes. The coupon interest rate remains at 12% p.a.

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

In October 2022, the maturity date of the conversion loan notes was extended by a further 9 months from 31 October 2022 to 31 July 2023 and accrued interest of US$9.2 million was capitalised as at 31 October 2022, which increased the principal value of the notes to US$28.9 million. The extension was treated as a non substantial modification for accounting purposes. The coupon interest rate remains at 12% p.a. Further, a one off restructuring fee equal to 1% of the original principal amount of the notes became payable to the holders at this date.

As the notes fall due in July 2023, they have been classified as current liabilities at 31 December 2022.

26. CONTRACT LIABILITIES

The movements in the Group's contract liabilities for the year are presented below:

	2022 US$'000	2021 US$'000
At 1 January	**2,379**	5,328
Cash received in advance of performance	**3,000**	-
Interest on contract liabilities	**117**	204
Settlement of interest against receivables	**(50)**	(120)
Amounts offset against revenue during the year	**(2,026)**	(3,250)
Effect of currency translation	**300**	217
At 31 December	**3,720**	2,379
Non-current	**-**	-
Current	**3,720**	2,379

The contract liabilities balance relates to prepayments received from one of Chaarat Kapan's customers for the future sale of concentrates. The prepayments accrue interest at a rate defined in the sales contract of 6-month SOFR plus 5% p.a. and are 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:

	2022 US$'000	2021 US$'000
Trade payables	**16,541**	27,799
Social security and employee taxes	**2,305**	1,951
Accruals	**868**	967
As at 31 December	**19,714**	30,717

Trade and other payables are all unsecured.

28. LEASES

The Group's 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. Certain items of property, plant and equipment are also leased 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 are presented below:

Right-of-use assets

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2021	808	-	460	1,268
Depreciation charge	(114)	-	(476)	(590)
Effect of translation to presentation currency	66		19	85
At 31 December 2021	**760**	**-**	**3**	**763**

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2022	760	-	3	763
Additions	-	-	578	578
Lease modification	97	-	-	97
Depreciation charge	(132)	-	(579)	(711)
Effect of translation to presentation currency	165		(2)	163
At 31 December 2022	**890**	**-**	**-**	**890**

Lease liabilities

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2021	859	-	566	1,425
Interest expense	97	-	31	128
Lease payments	(189)	-	(485)	(674)
Effect of translation to presentation currency	72	-	27	99
At 31 December 2021	**839**	**-**	**139**	**978**

	Land US$'000	Property US$'000	Equipment US$'000	Total US$'000
At 1 January 2022	839	-	139	978
Additions	-	-	578	578
Interest expense	86	-	36	122
Lease payments	(217)	-	(491)	(708)
Reversal of lease payable	-	-	(123)	(123)
Lease modification	124	-	-	124
Effect of translation to presentation currency	184	-	30	214
At 31 December 2022	**1,016**	**-**	**169**	**1,185**

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 2021 US$'000
Land leases	120	121	935	230	1,405
Equipment leases	169	-	-	-	169
Total	**289**	**121**	**935**	**230**	**1,574**

	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 2021 US$'000
Land leases	98	99	774	189	1,160
Equipment leases	139	-	-	-	139
Total	237	99	774	189	1,299

As at 31 December 2022, the gross contractual discounted cash flows due on the Group's lease liabilities amounts to US$1.2 million (2021: US$1.0 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 2022, a discount rate of 12% per annum has been used to calculate the Group's lease liabilities for its land and equipment leases.

29. OTHER LOANS

Other loans at 31 December consisted of the following:

	Borrowings US$'000	Working capital facility US$'000	Other Borrowings US$'000	Total US$'000
At 1 January 2022	19,286	-	2,042	21,328
Borrowing attracted in cash	-	6,000	-	6,000
Interest accrued	1,281	149	175	1,605
Payment of interest in cash	(1,429)	(56)	(148)	(1,633)
Payment of principal amount in cash	(9,500)	-	-	(9,500)
Effect of currency translation	4	15	(13)	7
At 31 December 2022	**9,642**	**6,108**	**2,056**	**17,806**
Non-current	**-**	**-**	**-**	**-**
Current	**9,642**	**6,108**	**2,056**	**17,806**

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 incurs interest at LIBOR plus 8% and was originally repayable through quarterly payments over a four-year period however in July 2021, the maturity date of the facility was extended from 31 January 2023 to 2 October 2023.

This bank financing has certain covenants attached to it that the Group needs to adhere to. Two covenants of the loan were not satisfied during the year. Social spending should not exceed US$0.3 million per year with 2022 totalling US$0.5 million. The minimum cash balance at year end should not be less than US$1.0 million with cash on hand at year end totalling US$0.1 million. Ameriabank waived the non-compliance for not meeting the covenants and decided not to apply any waiver fees.

Working capital facility
In 2022, the Company entered into two new agreements with Ameriabank CJSC totalling US$6.0 million. This included a line of credit agreement with a maximum limit of US$4.0 million on August 12, 2022. The loan incurs interest at an annual floating interest rate of 11% and is repayable through quarterly instalments starting from January 20, 2023. An additional loan agreement was entered on November 11, 2022 for US$2.0 million. The loan interest rate is 12.5% per annum and the principal is repayable through two equal instalments on July 17, 2023 and October 2, 2023.

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 at 1-month LIBOR plus 6% p.a. and are expected to 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 of other loans (representing undiscounted cash-flows) 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 warrants are revalued at each reporting date. In 2022, a fair value gain of US$0.4 million was recognised in profit or loss due to a decline in the share price. The movement in the balance is set out below:

	2022 US$'000	2021 US$'000
At 1 January	**380**	814
Issue of warrants	**-**	-
Fair value gain	**(367)**	(434)
As at 31 December	**13**	380

The warrants to purchase ordinary shares remain outstanding at 31 December 2022 as follows:

	2022		2021	
Expiry date	**Number of warrants**	**Exercise price (£)**	Number of Warrants	Exercise price (£)
5 October 2023	**8,920,342**	**0.26**	8,920,342	0.26
Total	**8,920,342**	**0.26**	8,920,342	0.26

The estimated 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 31 December 2022, using an exchange rate of 1.21, were as follows:

	31 December 2022
Fair value	US$0.001
Share price	US$0.13
Weighted average exercise price	US$0.31
Expected volatility	59.33%
Expected life	0.63 years
Expected dividend yield	0.00%
Risk-free interest rate	4.75%

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 mainly to employment disputes in Armenia ("Legal Claims Provision") of US$0.7 million at 31 December 2022 (2021: US$1.2 million) and a legal claim of US$1.3 million at 31 December 2022 (2021: US$1.3 million) that was charged against Chaarat in the Kyrgyz Republic whereby compensation for agricultural losses was demanded ("Land Provision"). US$0.8 million of the employment dispute provision was covered by an indemnity included in the original Kapan acquisition agreement. At 31 December 2021, the Directors considered recoverability virtually certain and accordingly recognised a corresponding within other receivables, however this has subsequently been written-off at 31 December 2022 as recoverability is no longer virtually certain.

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 movement in provisions in 2022 is as follows:

	Legal Claims Provision US$'000	**Land Provision US$'000**	**Other Provision US$'000**	**Total US$'000**
At 1 January 2022	1,207	1,342	205	2,754
Change in provision	535	-	-	535
Settlement of provision in cash	(1,227)	-	-	(1,227)
Foreign exchange on conversion	193	(15)	(1)	177
At 31 December 2022	**708**	**1,327**	**204**	**2,239**

32. RELATED PARTY TRANSACTIONS

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

	2022 US$'000	2021 US$'000
Short term employee benefits	**1,758**	1,618
Termination benefits	**-**	575
Share-based payments charge	**373**	856
Total	**2,131**	3,049

Included in the above key management personnel are 8 directors and 2 key managers (2021: 8 and 2).

The Company issued 247,368 ordinary shares of US$0.01 each in the company to Mike Fraser as a sign on bonus. Due to human error, one of the MMQs used to calculate the three-day average MMQ was incorrect which resulted in 255,935 shares being issued to the CEO rather than 247,368. The CEO rectified this by paying the Company a cash subscription price for the additional 8,567 shares at the three-day average MMQ.

Short-term employee benefits totalling US$312,500 have not yet been paid to Mr Andersson ($US175,000) and Mr Fraser ($US137,500).

Entities with significant influence over the Group
At 31 December 2022, Labro Investments Limited, Chaarat's largest shareholder, owned 44.77% (2021: 44.17%) of the ordinary US$0.01 shares in Chaarat ("Ordinary Shares") and US$1.47 million of 12% secured convertible loan notes which, assuming full conversion of principal and interest to maturity on 31 July 2023, are convertible into 3,947,260 Ordinary Shares.

There were no share issues to Labro in 2022. In 2021, 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.

33. Commitments and contingencies

Capital expenditure commitments
The Company had a commitment of US$0.6 million at 31 December 2022 (2021: US$4.9 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 2022 (2021: US$0.10 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 2022 is US$0.10 million (2021: US$0.06 million).

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

	2022	2021
Financial assets measured at fair value	**US$'000**	US$'000
Trade and other receivables	**10,666**	22,247
Total financial assets	**10,666**	22,247
Financial liabilities measured at amortised cost		
Trade and other payables	**17,408**	28,766
Contract liabilities	**3,720**	2,379
Lease liabilities	**1,185**	978
Other loans	**17,806**	21,328
Convertible loan notes	**29,203**	25,625
Financial liabilities measured at fair value through profit or loss		
Warrant financial liability	**13**	380
Total financial liabilities	**69,337**	79,456

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.

Trade accounts receivable at 31 December 2022 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. In line with 2021, COVID-19 did not significantly impact the credit risk of the Group's customers in 2022 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 2022 of US$0.6 million (2021: US$11.1 million).

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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), 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)

	2022 US$'000	2021 US$'000
GBP	**279**	5,866
AMD	**(8)**	(3)
KGS	**219**	268
Other	**(10)**	(7)
Total net exposure	**480**	6,124

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:

	2022 Move (%)	**Income statement profit/(loss)**	**Equity**	2021 Move (%)	Income statement profit/(loss)	Equity
Fall in value of GBP vs US$	**5**	**15**	**15**	5	309	309
Increase in value of GBP vs US$	**5**	**(13)**	**(13)**	5	(279)	(279)
Fall in value of AMD vs US$	**5**	**-**	**-**	5	-	-
Increase in value of AMD vs US$	**5**	**-**	**-**	5	-	-
Fall in value of KGS vs US$	**10**	**24**	**24**	10	30	30
Increase in value of KGS vs US$	**10**	**(20)**	**(20)**	10	(24)	(24)

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.

Fair value of financial instruments
The fair value of the Group's financial instruments at 31 December 2022 and 2021 did not differ materially from their carrying values. In both 2022 and 2021 all financial instruments are valued under a Level 3 hierarchy.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 2022	**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	**19,714**	**-**	**-**	**-**	**-**
Contract liabilities	**-**	**3,720**	**-**	**-**	**-**
Lease liabilities	**231**	**180**	**240**	**693**	**230**
Other loans	**3,351**	**15,314**	**-**	**-**	**-**
Convertible loan notes	**-**	**31,672**	**-**	**-**	**-**
Total	**23,296**	**50,887**	**240**	**693**	**230**

At 31 December 2021	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	30,717	-	-	-	-
Contract liabilities	-	2,379	-	-	-
Lease liabilities	175	162	196	577	189
Other loans	3,072	9,425	10,223	-	-
Convertible loan notes	-	28,777	-	-	-
Total	33,964	40,743	10,419	577	189

As a result of the maturity date extension that took place in 2022, the Group's convertible loan notes are repayable on 31 July 2023.

35. POST BALANCE SHEET EVENTS

Letter of Intent and Preliminary Investment Agreement
Non-binding Letter of Intent and indicative term sheet signed on the 17 May 2023 with Xiwang International Company Limited for a potential equity investment of US$250 million. This was followed by a Preliminary Investment Agreement signed on 31 May 2023.

Working Capital Facility
During 2023, working capital facility arrangements were put in place with a short-term loan provider . As at 31 May 2023, US$2.0 million had been drawn down on the facility with a further US$2.0 million available to the company on the working capital facility. The working capital facility is incurring interest at 12% per annum and is repayable by 31 September 2023, unless otherwise agreed by both parties.

Notes

Shareholder Information

Chaarat Gold Holdings Limited (AIM:CGH)

Registered number
1420336

Registered office
Palm Grove House
PO Box 438, Road Town
TORTOLA VG1110
British Virgin Islands
E. info@chaarat.com
W. www.chaarat.com

Kyrgyz Republic office
Chaarat Zaav CJSC
10th Floor, Victory Business Centre
Ibraimov str. 103
BISHKEK 720011
Kyrgyz Republic
T: +996 312 97 61 00
E: info@chaarat.kg
W: www.chaarat.kg

Armenia Office
Chaarat Kapan CJSC
Gortsaranayin str. 4
KAPAN 3302
Syunik Region
Republic of Armenia
T: +374 285 59215
E: info@chaarat.am
W: www.chaarat.am

NOMAD and Joint Broker
Canaccord Genuity Limited
88 Wood Street
LONDON EC2V 7QR
United Kingdom

Registrars
Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
GUERNSEY GY2 4LH
Channel Islands

Depositary
Link Market Services Trustees Limited
10th Floor, Central Square
29 Wellington Street
LEEDS LS1 4DL
United Kingdom

Auditors
MHA
2 London Wall Place
LONDON EC2Y 5AU
United Kingdom

Designed and produced by effektiv
+44 (0)20 7459 4266 / www.effektiv.co.uk

CHAARAT