

## Chaarat Gold Holdings Limited

(incorporated in the British Virgin Islands with registered number 1420336) (the "Company" or "Chaarat")

### Directors

Martin Andersson (Executive Chair)  
Michael (Mike) Fraser (Chief Executive Officer)  
Gordon Wylie (Senior Independent Director)  
Hussein Barma (Independent Non-Executive Director)  
Robert (Bob) Benbow (Non-Executive Director)  
Robert (Rob) Edwards (Independent Non-Executive Director)  
Sandra (Sandy) Stash (Independent Non-Executive Director)

### Registered Office

Palm Grove House, PO Box 438,  
Road Town, Tortola, VG1110,  
British Virgin Islands

Dear Shareholder,

17 August 2023

## Proposed sale of Chaarat Kapan CJSC and Notice of General Meeting

### 1. Introduction

The Company announced on 16 August 2023 that Chaarat Gold International Limited, a wholly-owned subsidiary of the Company, (the "Seller") had entered into a binding conditional sale and purchase agreement (the "SPA") with Gold Mining Company LLC (the "Buyer") to sell the entire issued share capital of Chaarat Kapan CJSC ("Chaarat Kapan"), which owns the polymetallic Kapan mine (the "Kapan Mine") in the Republic of Armenia (the "Proposed Sale").

As the Proposed Sale constitutes a fundamental change of business for the purposes of AIM Rule 15, it is conditional upon, among other things, the approval of the shareholders of the Company (the "Shareholders") at a general meeting. This document contains the notice of general meeting which will be held on Thursday, 7 September 2023.

### 2. Kapan mine

The Kapan Mine is located in the south of Armenia and has been operating since the 1960s. It hosts a polymetallic ore body and produces copper and zinc concentrates with gold and silver by-products. Chaarat acquired the Kapan Mine in 2019. During this time, mine life has been extended, operational performance has been improved, delivering on production guidance between 50-65koz AuEq in each year under Chaarat's ownership. The asset has been the sole operating asset of the Company, which generated an EBITDA of USD 22.7 million in 2021 and USD 12.6 million in 2022 and a profit after tax of USD 10.5 million and USD 1.7 million in 2021 and 2022 respectively. As recently announced, the EBITDA for H1 2023 was USD 2.3 million (comprising positive EBITDA in Q1 2023 of USD 3.2 million and negative EBITDA in Q2 2023 of USD 0.9 million), which was again impacted by the adverse USD/AMD exchange rate and lower production. This persistently high AMD against the USD exchange rate impact began in Q2 2022 and has retained its strength relative to the USD. As at 31 December 2022, the Kapan Mine had assets of USD 75.1 million and liabilities of USD 53.4 million.

### 3. The Buyer

The Buyer operates the Lichkvaz mine in Armenia which has supplied third-party ore to the Kapan plant for processing for a number of years. The Buyer's shareholder is also the managing director and a co-owner of S&A Mining LLC which has been the long-term mining contractor partner at the Kapan Mine.

---

# Chairman's Letter

## Continued

#### 4. Principal Terms of the Proposed Sale

The consideration for the Proposed Sale is USD 55,377,065 (the “**Consideration**”), which comprises USD 5,000,000 payable in cash and USD 50,377,065 being satisfied by way of the Buyer taking an assignment of intra-group payables due by the Seller to Chaarat Kapan<sup>1</sup>.

Under the terms of the SPA, the Buyer shall pay to the Seller USD 500,000 of the USD 5,000,000 cash element of the Consideration within five business days of the signing of the SPA by way of a refundable deposit (the “**Deposit**”). In the event that completion of the Proposed Sale (“**Completion**”) does not take place by 31 October 2023 (or such other date as the parties may agree in writing), the Seller must repay the sum of the Deposit to the Buyer.

The Proposed Sale is conditional upon the following conditions being satisfied by 31 October 2023:

- all necessary resolutions of the Buyer's shareholders approving the Proposed Sale having been passed at a duly convened general meeting of the Buyer;
- an unqualified resolution of the Armenian CPC (the Armenian Competition Protection Commission) without qualification permitting the concentration resulting from the Proposed Sale having been obtained;
- there having been no breach by the Buyer of its obligations under the SPA (such breach being material in the context of the Proposed Sale);
- the Seller having obtained a consent from Ameriabank CJSC agreeing to release its existing security and guarantees from members of the Chaarat group of companies in exchange for new security and guarantees to be provided or procured by the Buyer;
- all necessary resolutions of the Shareholders approving the Proposed Sale having been passed at a duly convened general meeting of the Company; and
- there having been no breach by the Seller of its obligations under the SPA (such breach being material in the context of the Proposed Sale).

The only warranties being given by the Seller is as to title to the shares in Chaarat Kapan, being free of encumbrances (other than that in favour of Ameriabank CJSC which is to be released as a condition to Completion). No adjustments are being made to the Consideration whether for debt, working capital, or other obligations.

The SPA is governed by the laws of the Republic of Armenia. Any dispute, controversy or claim arising from or in connection with the SPA is to be settled by three arbitrators in accordance with the rules of the Arbitration Court of the Chamber of Commerce and Industry of the Republic of Armenia without recourse to the courts of law. In the event that mandatory applicable law requires any matter arising from or in connection with the SPA and its execution, which is to be decided upon by a court of law, the competent courts in Armenia have exclusive jurisdiction.

#### 5. Rationale for the Proposed Sale

Chaarat acquired the Kapan Mine in 2019 and has added value to the operation by extending mine life, improving ESG standards, improving operational performance and continuing to invest in the community despite significant geo-political events impacting on the operation including hostilities with a neighbouring country, impacts of COVID-19, and the indirect effects of the ongoing conflict in Ukraine.

After four years of meeting the production guidance, improving the financial performance, and deleveraging the business, the significant appreciation of the Armenian Dram has had a significant impact on the financial performance which has led the Company to review all strategic options to ensure the sustainability of Kapan and to preserve the long-term value of Chaarat in pursuing growth options through building Tulkubash, advancing Kyzytash as well as pursuing other external M&A opportunities.

Chaarat sees the Proposed Sale as a beneficial exit opportunity at a time when the asset sees increasing all in sustaining cash cost (“**AISC**”), potential losses and further funding requirements following several years of profitable operation. Its cash flows have assisted in funding corporate activities and deleveraging the original acquisition loan.

The Company believes the potential for further adverse balance sheet impacts would be limited via the Proposed Sale. The decrease in EBITDA, mainly caused by the adverse USD/AMD FX rate, has had a material impact on Kapan operations cash flow. A significant investment would be required to implement efficiency improvements into operations in the immediate future. These investments potentially would also be required in the long term, given the persistently adverse USD/AMD FX environment. The Proposed Sale would further allow Chaarat to focus on developing its Kyrgyz assets.

Chaarat is of the opinion that the Buyer, a reputable and long-established mining operator in Armenia, can add further value to the business and continue the positive momentum from the Chaarat period of ownership.

The Proposed Sale is an important step in focusing Chaarat's efforts towards building a leading emerging markets gold company through the development of its Kyrgyz assets and selective M&A.

<sup>1</sup> The intra-group payables due by the Seller to Chaarat Kapan of USD 50.4 million are eliminated on consolidation when preparing the accounts of Chaarat and its subsidiaries (the “**Group**”). When the Proposed Sale is accounted for, the Group accounts will therefore show disposal proceeds of USD 5 million. Further details will be provided in the Group's 2023 half-year report and 2023 full-year results in due course.

---

# Chairman's Letter

## Continued

### 6. Use of Sale Proceeds

The Proposed Sale presents the opportunity to significantly improve Chaarat's balance sheet by reducing the short- and long-term liabilities by USD 39 million<sup>2</sup> and receive a cash injection to corporate of USD 5 million. These funds will be used to provide working capital which will assist the Company to, among other items, continue working towards completing the potential Xiwang investment which upon Completion would assist in developing the Tulkubash project.

### 7. The effect of the sale on Chaarat

The Proposed Sale would transform Chaarat from a producer to a developer and would allow the Company to focus resources on its larger and lower cost development assets and similar selective M&A targets globally as well as securing funding for such assets.

Upon Completion, Chaarat would remain the owner of two gold development assets with a combined book value of USD 82.5 million<sup>3</sup> (c.52% of the Company's assets as at 31 December 2022) which have the potential to, in aggregate, produce over 350,000 ounces of gold per annum. It would be the Company's strategy to continue to pursue the development of these assets going forward, as well as potentially executing on inorganic growth opportunities.

The Proposed Sale, if completed, would have a material impact on Chaarat's balance sheet, in terms of both assets and liabilities. As at 31 December 2022<sup>3</sup>, the Kapan operation consisted of the following from the Group: assets of USD 75.1 million (48% of Chaarat's total assets of USD 158.1 million) and liabilities of USD 53.4 million (62% of Chaarat's total liabilities of USD 85.5 million). Further details of the balance sheet impact will be provided as an indicative assessment in the 2023 half year results.

### 8. Risk Factors

As noted in paragraph 4 above, the Proposed Sale is subject to various conditions and requirements which may not be satisfied or (if capable of waiver) waived. There can be no guarantee that all conditions for the Proposed Sale will be satisfied, or that other Completion requirements will be met, and therefore no guarantee that the Proposed Sale will proceed to Completion and the intended benefits to the Company of the Proposed Sale will not be realised.

If a declaration of bankruptcy were to be made in respect of Chaarat Kapan or the Buyer, creditors of Chaarat Kapan or the Buyer acting through an administrator could challenge and seek to set aside assignment of the Seller's debt to Chaarat Kapan on the grounds of damage caused to Chaarat Kapan or the Buyer if the assignment took place during three years before the declaration of bankruptcy was made (or five years where the assignment is found to be in favour of a related party). In such case the Seller could remain liable to Chaarat Kapan under the loans which were subject to assignment.

Under the terms of the SPA, the Buyer is obliged to pay the Seller the Deposit of USD 500,000 within five business days of the signing of the SPA and a cash amount of USD 4,500,000 within five business days of Completion. There is no guarantee that the Buyer shall comply with such obligation, which, if not satisfied would have a material adverse effect on Chaarat's financial condition.

### 9. Recommendation and Voting Intentions

For the reasons set out in paragraphs 5 to 7 above, the Directors consider that the terms of the Proposed Sale are in the best interests of the Shareholders and the Company as a whole and its creditors and other stakeholders and its creditors and other stakeholders.

Accordingly, the Directors unanimously recommend that you vote in favour of the Resolution necessary to approve and implement the Proposed Sale as they intend to do in respect of their own beneficial shareholdings in the Company.

Yours faithfully,

**Martin Andersson**  
Executive Chair

<sup>2</sup> Per unaudited 30 June 2023 preliminary figures.

<sup>3</sup> Per audited 31 December 2022 results.

# Notice of General Meeting

## Chaarat Gold Holdings Limited (incorporated in the British Virgin Islands with registered number 1420336)

**Registered Office**  
Palm Grove House, PO Box 438,  
Road Town, Tortola, VG1110,  
British Virgin Islands

Notice is hereby given that a general meeting (the “**Meeting**”) of Chaarat Gold Holdings Limited (the “**Company**”) will be held on Thursday, 7 September 2023 at 4pm at the offices of Link Group, 6th Floor, 65 Gresham Street, London EC2V 7NQ, United Kingdom to consider, and if thought fit, pass the following resolution as an ordinary resolution.

### Ordinary Resolution

1. THAT the proposed sale by Chaarat Gold International Limited of the entire issued share capital of Chaarat Kapan CJSC to Gold Mining Company LLC (the “Kapan Disposal”) on the terms summarised in the general meeting circular of which this notice forms part be and is hereby approved and that the directors of the Company (the “Directors”), or a duly constituted committee of the Directors, be and are hereby authorised to waive, amend, vary, or extend any of the terms and conditions of the Kapan Disposal or the agreement for the Kapan Disposal or any related agreements, and do all such things that they may consider necessary or desirable in connection with the Kapan Disposal.

By order of the Board

**Martin Andersson**  
Executive Chair

17 August 2023

### Notes:

1. The resolution is being proposed as an ordinary resolution and requires approval by a simple majority of votes cast for the resolution to be passed.
2. Voting on the resolution will be by way of poll. A poll reflects the number of voting rights exercisable by each member. The results of the voting at the Meeting will be announced through a Regulatory Information Service and will appear on the Company’s website [www.chaarat.com](http://www.chaarat.com).

**You will not receive a form of proxy or form of direction for the Meeting in the post. Instead, shareholders will be able to submit their proxy electronically through the website of the registrar, Link Group, at [www.signalshares.com](http://www.signalshares.com), and depositary interest holders will be able to vote in CREST. Institutional shareholders may also be able to appoint a proxy electronically via the Proxymity platform. Shareholders may request a hard copy proxy form directly from the registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL (telephone number: 0371 664 0300 if calling from the United Kingdom, or +44(0)371 664 0300 if calling from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am and 5pm, Monday to Friday excluding public holidays in England and Wales). Beneficial owners of shares who have been nominated by their registered holders of shares to enjoy information rights relating to the shares (“Nominated Persons”) are advised that, in order to vote at the Meeting, they must issue an instruction to the registered holder of their shares. The Company may only accept instructions from registered holders of its shares, and it would therefore be unable to act upon any instructions received from Nominated Persons.**

---

## Notes for Shareholders

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company by close of business on 5 September 2023 (or if the Meeting is adjourned, in the register of members of the Company 48 hours before the date and time of the adjourned meeting) shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.
2. Registered members of the Company may vote at the Meeting in person or by proxy or corporate representative. A member may appoint one or more persons as his proxy to attend and vote at the Meeting on his behalf. A proxy need not be a member. Where more than one proxy is appointed the instrument of proxy must specify the number of shares each proxy is entitled to vote.
3. The appointment of a proxy will not affect the right of a member to attend and vote in person at the Meeting or adjourned meeting. A member that is a corporation may appoint a representative to attend and vote on its behalf at the Meeting by delivering evidence of such appointment to the Company's registrar no later than 48 hours before the time fixed for the Meeting (i.e., by 4pm on 5 September 2023) or any adjourned meeting. Unless otherwise indicated on the Form of Proxy or electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.
4. In order to be valid, the proxy appointment (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that authority) must be returned by one of the following methods, in each case so as to arrive no later than 4pm on 5 September 2023 or, in the case of an adjourned meeting, not less than 48 hours before the time appointed for holding such adjourned meeting (ignoring for these purposes non-working days) or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned meeting) for the taking of the poll at which it is to be used:
  - a. in hard copy form by post, by courier or by hand to the Company's registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL;
  - b. via [www.signalshares.com](http://www.signalshares.com) by logging on and selecting the "Proxy Voting" link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (IVC), (which can be found on your share certificate), family name and postcode (if resident in the UK).
5. For security reasons, registered members of the Company or their validly appointed proxies or corporate representatives who wish to attend the Meeting are requested to inform the Company in advance by email at [company.secretary@chaarat.com](mailto:company.secretary@chaarat.com) and to bring photographic identification with them to the Meeting.

---

## Notes for Depository Interest Holders

1. You will not receive a form of direction for the Meeting in the post. Depository Interests may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 4pm on 4 September 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Proximity Voting - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 4pm on 4 September 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 72 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
2. Depository Interest Holders ("DI Holders") may request and complete a form of direction in order to instruct Link Market Services Trustees Limited, the Depository, to vote on the DI Holder's behalf at the Meeting by proxy or, if the Meeting is adjourned, at the adjourned meeting. Requests for a hard copy should be sent to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL (telephone number: 0371 664 0300).
3. To be effective, a valid form of direction (and any power of attorney or other authority under which it is signed) must be received electronically or delivered to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 4pm on 4 September 2023 or 72 hours before any adjourned Meeting. DI Holders must be registered as the holders of their respective Depository Interests as at close of business on 4 September 2023 for their forms of direction to be valid.
4. The Depository will appoint the chair of the Meeting as its proxy to cast DI Holders' votes. The chair of the Meeting may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the Meeting. Unless otherwise indicated on the Form of Direction, CREST, Proximity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.
5. The "Vote Withheld" option is provided to enable you to abstain from voting on the resolutions. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
6. DI Holders wishing to attend the Meeting should contact the Depository at Link Market Services Trustees Limited, Central Square, 29 Wellington Street, Leeds LS1 4DL or by email by using [nominee.enquiries@linkgroup.co.uk](mailto:nominee.enquiries@linkgroup.co.uk) by no later than 4pm on 4 September 2023.

