

7 September 2023

Chaarat Gold Holdings Limited
("Chaarat" or "the Company")

Interim results for the six months ended 30 June 2023

Chaarat Gold Holdings Limited (AIM: CGH), the AIM-quoted gold mining company with an operating mine in Armenia, and assets at various stages of development in the Kyrgyz Republic, today publishes its unaudited results for the six-month period ended 30 June 2023 ("H1 2023").

Highlights for interim period ended 30 June 2023

Group Financial Results

- Revenue reduction of 30% in H1 2023 (US\$35.3 million) compared to H1 2022 (US\$50.4 million), reflecting lower volume of own-ore sales at Kapan (18,937 ounces of gold equivalent ("AuEq") in H1 2023 vs 25,118 ounces in H1 2022) and treatment of third-party ore for a processing fee during H1 2023 (US\$2.2 million) rather than purchase of ore and onward sale to customers as was the case in H1 2022 and generated US\$9.0 million.
- Group adjusted EBITDA in H1 2023 of US\$-0.2 million (H1 2022: US\$4.9 million) reflecting lower adjusted EBITDA contribution from Kapan of US\$2.3 million (H1 2022: US\$8.1 million) and corporate and Kyrgyz Republic costs of US\$2.5 million (H1 2022: US\$3.2 million).
- US\$16.4 million non-cash impairment provision of Kapan asset, as to align book value to fair value. The fair value is based on the consideration for the recently announced conditional agreement to sell the Kapan mine.
- Cash and cash equivalents as at 30 June 2023 of US\$0.8 million (31 December 2022: US\$0.6 million).
- Group net debt¹ increased from US\$51.3 million at 31 December 2022 to US\$51.6 million at 30 June 2023 mainly reflecting utilisation of cash balances.

Corporate

- Conditional agreement to sell the Kapan mine
On 16 August 2023, the Company announced it had entered into a binding conditional sale and purchase agreement with Gold Mining LLC to sell its 100% owned Armenian subsidiary, Chaarat Kapan CJSC, which owns the Kapan mining operation in Armenia. The consideration for the proposed sale is US\$55.4 million which comprises US\$5.0 million payable in cash and US\$50.4m being satisfied by way of the buyer taking an assignment of intra-group payables due to Chaarat Kapan. It is anticipated that, subject to shareholder approval and other conditions being met, the sale will complete by the end of September 2023.
- Xiwang International Company Limited ("Xiwang") Status
Discussions continue with Xiwang with regard to a potential investment. The current proposal under discussion is for a first phase investment of \$150 million into the Company's wholly-owned subsidiary, Chaarat Zaav CJSC, in the form of a joint venture focused solely on the Tulkubash project (now excluding Kyzyltash). The currently discussed structure envisages that approximately US\$35 million invested would be used to repay the convertible loan notes with the remaining US\$115 million to be used to develop Tulkubash. As part of the potential investment, Chaarat and Xiwang have been working together to identify contractors for Tulkubash. Quotes for Engineering Procurement Construction ("EPC"), Mining, and Operations & Maintenance ("O&M") have been received from a number of potential contractors and are in the final stages of review by Chaarat and Xiwang. Proposals received indicate similar pricing to the 2021 Bankable Feasibility Study update report. Further updates will be provided as appropriate.

- Extension of Convertible Loan Notes
On 11 August 2023, the maturity date of the convertible loan notes was extended by a further three months from 31 July 2023 to 31 October 2023 and accrued interest and extension fees of US\$2.8 million were capitalised as at 31 July 2023, which increased the principal value of the notes to US\$31.7 million.

- Cash position
Cash and cash equivalents as at 30 June were US\$0.8 million. Working capital facility arrangements are in place with a short-term loan provider. As at 30 June 2023 US\$3.0 million had been drawn under those arrangements with the remaining US\$1.0 million drawn down since H1 2023. As at 31 August 2023, the Group's cash and cash equivalents were US\$0.5 million. The working capital facilities are due for repayment on 30 September 2023. The Company is currently in discussions with the lender to repay, part repay or extend the facilities.

Going concern

As explained in Note 2 to the financial statements, additional funding will be required during Q4 2023 to achieve the planned future capital developments of assets, to sustain corporate activities, to repay the corporate working capital facilities, to refinance the convertible loan notes due on 31 October 2023 and, should the conditional agreement to sell Kapan not be completed, to fund investment into the Kapan mine. The steps being taken by the Group to address these requirements are set out in the Operational Review below and in Note 2 to the financial statements below.

Kapan

- As previously disclosed, Kapan experienced a fatal workplace injury in March 2023. A programme of work has been initiated to conduct a full review of high risk and non-routine tasks and to review effectiveness of the controls at site. Independent consultants have also been retained to help advance the safety culture at Kapan to ensure the best safety conditions for our and contractors' employees.
- Kapan production guidance remains at 50-55 koz of own-ore production and additional 5-10 koz of third-party ore production though the full year guidance will depend on whether the conditional agreement to sell the Kapan mine is completed and the timing of such completion.
- All-in-sustaining cash cost for own-ore production ("AISC"²) of US\$1,556/oz was higher than the US\$1,420/oz for H1 2022 (+9.5%). This increase is mainly due to the adverse impacts from the United States Dollar and Armenian Dram foreign exchange rate ("USD/AMD FX rate") and an 8.7% decrease in AuEq own-ore production compared to H1 2022.
- Standalone Kapan EBITDA contribution was US\$2.3 million vs US\$8.1 million in H1 2022 (-72%). This is mainly due a decrease in volumes milled (own ore and third party) and the continued adverse impact of USD/AMD FX rate.
- Production was 26,523 gold equivalent ounces³ ("oz"), vs 30,022 oz in H1 2022 (-11.7%) consisting of 21,410 oz from own ore and 5,113 oz from third-party ore (vs 23,458 oz from own ore and 6,564 oz from third-party ore in H1 2022). Lower gold production was mainly due to lower stope availability in H1 2022.
- Exploration of the East Flank area adjacent to the existing Kapan mine is progressing according to schedule.

Tulkubash, Kyzyltash and Kyrgyz Exploration

- 2023 Exploration commenced in May 2023 and is progressing as per budget and schedule. The scope of this year's work is to determine the exploration potential of the wider licence area to help identify potential targets for the future.

Outlook for 2023

The Company is focused on the following for the balance of 2023:

- Completion of the sale of Kapan by the end of September 2023;
- Progressing the potential Xiwang investment;
- Reviewing strategic options for Kyzyltash and Tulkubash; and
- Ensuring the Company's working capital requirements are met, and sufficient funding is secured during Q4.

¹ In reporting financial information, the Group presents Net debt as an alternative performance measure, "APM", which is not defined or specified under the requirements of IFRS. The Group Net debt comprises convertible loan notes, other loans, contract liabilities, lease liabilities and warrant financial liabilities, net of cash and cash equivalents.

² AISC on a gold oz produced basis exclude smelter TC/RC charge and other costs which add c. US\$217/oz. Sustaining capex of c. US\$3.65 million p.a. is included in the AISC.

³ Gold equivalent ounces for 2023 guidance calculated on 2023 budget prices with Au at US\$1,850/oz and gold ratios of 84 for silver, 6,998 for copper and 19,826 for zinc. Includes third-party ore production

Mike Fraser, Chief Executive Officer, commented:

"Tragically on 23 March a fatal accident occurred during mining activities at Kapan. Remedial actions have focussed on the design of non-routine work and associated control. The financial performance of Kapan continues to be adversely impacted by the stronger Armenian Dram. The outlook for the second half of the year is for an improvement in AuEq, on H1 due to forecast improvement in plant capacity. Drilling at East Flank continues with initial drill results expected in the 2023 MRE.

The previously announced proposed sale of Kapan is progressing well with shareholder vote planned for 7 September 2023. Subject to completion of the remaining conditions completion is expected by the end of September 2023.

Proceeds from the sale of Kapan will be used for general corporate purposes. Discussions continue with Xiwang on a potential investment that will enable the further development of Tulkubash as well as for external growth options. We look forward to updating shareholders in due course.

In the meantime, efforts continue to improve the balance sheet, with the loan from Ameriabank successfully refinanced with outstanding principal repayment extended to 2025."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018).

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About Chaarat

Chaarat is a gold mining company which owns the Kapan operating mine in Armenia as well as Tulkubash and Kyzyltash Gold Projects in the Kyrgyz Republic. The Company has a clear strategy to build a leading emerging markets gold company through organic growth and selective M&A.

Chaarat is engaged in active community engagement programmes to optimise the value of the Chaarat investment proposition.

Chaarat aims to create value for its shareholders, employees and communities from its high-quality gold and mineral deposits by building relationships based on trust and operating to the best environmental, social and employment standards. Further information is available at www.chaarat.com.

Forward-looking statements

This announcement may include or incorporate by reference statements that may constitute “forward-looking statements” in respect of Chaarat’s operations, performance, prospects, and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words and words of similar meaning as “anticipates”, “aims”, “due”, “could”, “may”, “will”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “targets”, “goal” or “estimates”. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met, and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares or other securities of the Company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this announcement shall be governed by English law. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

OPERATIONAL REVIEW

Kapan

- As previously disclosed, Kapan experienced a fatal workplace injury in March 2023. Recordable injury frequency review (“RIFR”) (per one million hours worked) in the period was 0.38 compared to 0.74 in H1 2022.
- The 2022 Kapan Ore Reserve Estimate was completed during H1 2023. The resource drilling programme replaced depletion and added an additional 2 years of life to the previous Life of Mine. Full details are available on the Chaarat website.
- A total of 26,523 gold equivalent ounces was produced in the period, consisting of:
 - 21,410 AuEq ounces produced from Kapan ore which represents an 8.7% decrease on H1 2022 (23,458 oz).
 - 5,113 AuEq ounces from third-party AuEq which represents a 22.1% decrease from H1 2022 (6,564 oz).
- Own-ore production contained the following for H1 2023 and H1 2022:

| | H1 2023 | H1 2022 |
|-----------------|---------|---------|
| Gold (oz) | 11,155 | 12,815 |
| Silver (oz) | 222,463 | 226,129 |
| Copper (tonnes) | 765.9 | 741.5 |
| Zinc (tonnes) | 2,522 | 2,804 |

- Own-ore All-in-sustaining cost (“AISC”) of US\$1,556/oz has increased year on year due to inflationary pressure and lower gold production compared to US\$1,420 /oz in H1 2022 (+9.5%).
- Third-party ore treated was 58.8kt for H1 2023 vs 63.5kt for H1 2022 (-7.4%).
- Realised gold price for H1 2023 was US\$1,959 /oz versus US\$1,858 /oz in H1 2022 (+5.4%).
- Tonnes mined was down period on period by 15.9%. Ore mined was 270.2 thousand tonnes (“kt”) vs 321.1 kt in H1 2022. Mine grade was unchanged at 2.9 g/t AuEq.
- Mill throughput was lower at 345.0 kt vs 373.4kt in H1 2022 (-7.6%).
- Mill AuEq recovery for own ore was 78.6% compared with 79.5% in H1 2022.

- Since H1 2022, the Armenian dram has appreciated by almost 17% (average rate to the US Dollar for the period was 389.71 in H1 2023, appreciated from 467.78 in H1 2022). This created significant impact on the business. The Company has pivoted to new suppliers to mitigate the impact of the strong Armenian dram, however the adverse impact on costs remains.
- Resource drilling was 21,023m in H1 2023 vs 33,772m in H1 2022 (-37.8%). Development metres were 12,809m in 2023 vs 12,919m in H1 2022 (-0.9%).
- Following the completion of the first four drilling chambers, exploration drilling has commenced as part of the East Flank exploration programme. Seven NQ diameter drill holes were completed in H1 2022 totalling 1,764 metres. The complete programme consists of accessing 6 underground drilling chambers and drilling 40 drill holes, totalling approximately 13,370 metres of core-oriented diamond drilling. Drilling is on 100 by 100 metres spaced centres. The currently defined programme is expected to continue until the end of 2024. The East Flank area lies approximately 100 metres to the east of the current Shahumyan ore body and has an anticipated strike length of approximately 600 metres.
- The East Flank exploration target is based on old historic exploration data and Dundee Precious Metals diamond drilling results from 2011. The Chaarat review of the historic drilling has outlined 8 potentially economically significant mineralized vein zones which are the target of this exploration campaign. This drilling campaign is designed to provide an inferred level of certainty.

Outlook

- Kapan Mine production guidance remains at 50-55 koz of own-ore production and additional 5-10 koz of third-party ore production though the full year guidance will depend on whether the conditional agreement to sell the Kapan mine is completed and the timing of such completion as noted above. A newly-installed crushing unit which increases capacity available by roughly 30% is expected to drive a stronger H2 2023. Third-party ore supply is expected to remain in line with H1 2023 for the remainder of 2023.
- East Flank drilling campaign is ongoing as part of a 2-year programme to develop an initial JORC resource and reserve statement. The drill results will be included in the 2023 Kapan MRE update. Further infill drilling will be carried out as appropriate in future years to convert this mineralisation to measured and indicated.

Tulkubash, Kyzyltash and Kyrgyz Exploration Update

- The Tulkubash project remains ready for final investment decision ("FID") once project financing is secured.
- In addition to progressing financing discussions, Chaarat is reviewing all strategic options on its Kyrgyz assets. The current discussions with Xiwang envisage a capital allocation for the Kyrgyz Assets to develop Tulkubash through a joint venture with Chaarat. Other discussions are advancing in parallel.

Corporate

- On 11 August 2023, the maturity date of the convertible loan notes (the "Notes") was extended by a further three months from 31 July 2023 to 31 October 2023 and accrued interest and extension fees of US\$2.8 million were capitalised as at 31 July 2023, which increased the principal value of the Notes to US\$31.7 million. With effect from 1 August 2023 the interest rate is 20% p.a. Further, a one-off extension fee of US\$1.0 million (being 5% of the original principal amount of the Notes) will be payable to noteholders as remuneration for the extension.
- Chaarat reduced the principal outstanding on the Kapan acquisition loan and Kapan working capital facility by US\$2.5 million in H1 2023, reducing the balance to US\$13.0 million outstanding. The loan from Ameriabank, which now includes both the remaining portion of the acquisition loan and the working capital facility, was successfully refinanced in August 2023. The US\$13 million loan principal has had its repayment schedule extended from H2 2023 to H2 2025 with terms remaining materially the same.
- As previously announced, working capital facility arrangements are in place with a short-term loan provider. As at 30 June 2023 US\$3.0 million had been drawn under those arrangements with the remaining US\$1.0 million drawdown since the half year. The working capital facilities are due for repayment on 30 September 2023. The Company is currently in discussions with the lender to repay, part repay or extend these facilities. Cash and cash equivalents as at 30 June 2023 were US\$0.8 million.

- The unaudited Group Net Debt as of 30 June 2023 was US\$51.6 million. Should the conditional agreement to sell the Kapan mine be completed, group net debt would be reduced by the amount of the remaining Ameriabank loan, lease liabilities and contract liabilities held within the Kapan entity which is to be sold to the Buyer. Chaarat continues to evaluate further balance sheet optimisation opportunities.
- David Mackenzie was appointed Chief Financial Officer of the Company on 15 June 2023. David has been acting as the interim Chief Financial Officer since 1 February 2022. Darin Cooper, Chief Operating Officer, left the Company on 14 June 2023 to pursue other opportunities.

FINANCIAL REVIEW

Income statement

Revenue in the period amounted to US\$35.3 million (H1 2022: US\$50.4 million), comprising US\$33.1 million of own-ore revenue and US\$2.2 million of third-party revenue (H1 2022: US\$41.4 million own ore and US\$9.0 million third-party revenue). Third-party revenue consisted of a processing fee for treatment of third-party ore (US\$2.2 million) rather than the purchase of ore and onward sale to customers as was the case in H1 2022 (US\$9.0 million)

The Group operating loss for the period was US\$22.0 million (H1 2022: profit of US\$1.4 million) and the Group EBITDA was US\$-0.2 million (H1 2022: US\$4.9 million) reflecting lower adjusted EBITDA contribution from Kapan of US\$2.3 million (H1 2022 US\$8.1 million) and corporate and Kyrgyz Republic costs of US\$2.5 million (H1 2022 US\$3.2 million).

The Group operating loss for the period included a US\$16.4 million non-cash impairment charge of the Kapan asset, as to align book value to the fair value price. This fair value price is based on the consideration for the recently announced conditional agreement to sell the Kapan mine.

| | Kyrgyz Republic | Armenia | Corporate | Total |
|----------------------------------|--------------------|----------|-----------|----------|
| EBITDA to Profit before tax | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 1H 2023 | | | | |
| EBITDA | (580) | 2,339 | (1,915) | (-155) |
| Change in provisions – non cash | - | 298 | - | 298 |
| Unrealised FX gain on borrowings | - | 115 | - | 115 |
| Depreciation and amortisation | (233) | (5,629) | - | (5,862) |
| Impairment charges | - | (16,366) | - | (16,366) |
| Finance income | - | 1 | - | 1 |
| Finance costs | - | (1,673) | (2,173) | (3,846) |
| Fair value gain on warrant | - | - | 13 | 13 |
| Loss before income tax expense | (813) | (20,915) | (4,075) | (25,802) |

Finance costs in H1 2023 were US\$3.8 million (of which US\$2.9 million was non-cash) compared to US\$3.3 million (of which US\$2.5 million was non-cash) in the comparable period. Increase attributed to interest on extended convertible loan notes, Ameriabank and corporate working capital facilities.

Balance sheet

The borrowings at the balance sheet date of US\$52.3 million (31 December 2022: US\$51.9 million) comprised US\$31.3 million of convertible loan notes due in July 2023 (31 December 2022: US\$29.2 million), US\$16.9 million of other loans (31 December 2022: US\$17.8 million), US\$3.1 million of contract liabilities (31 December 2022: US\$3.7 million) and US\$1.0 million of lease liabilities (31 December 2022: US\$1.2 million).

The Group's net debt increased from US\$51.3 million at 31 December 2022 to US\$51.6 million at 30 June 2023, primarily as a result of the increased convertible loan note balance at 30 June 2023.

Non-current assets decreased from US\$130.7 million at 31 December 2022 to US\$119.5 million at 30 June 2023. The decrease was mainly due to an impairment charge of US\$9.5 million recognised against property, plant, and

equipment at Kapan and US\$3.7M against deferred tax asset. Additionally, exploration and evaluation costs of US\$0.6 million were capitalised relating to the asset in the Kyrgyz Republic.

Current assets were US\$18.9 million at 30 June 2023 compared to US\$27.5 million at 31 December 2022. The decrease was mainly due to an impairment charge of US\$3.1 million recognised against inventories at Kapan. Current assets at 30 June 2023 included cash and cash equivalents of US\$0.8 million (31 December 2022: US\$0.6 million).

Total liabilities at 30 June 2023 were US\$91.1 million compared to US\$85.6 million at 31 December 2022. This was mainly due to an increase in trade payables at Kapan in the amount of US\$3.5 million at 30 June 2023. The movement in liabilities is set out in more detail in Note 9 to the interim financial statements, including the split between long-term and short-term components. In addition, liabilities at 30 June 2023 included a provision for environmental obligations at Kapan of US\$12.4 million (31 December 2022: US\$11.7 million).

Total equity was US\$47.3 million at 30 June 2023 compared to US\$72.6 million at 31 December 2022.

Cash flow

Cash and cash equivalents increased from US\$0.6 million at 1 January 2023 to US\$0.8 million at 30 June 2023. The movement comprised of:

- net operating cash flows of US\$7.5 million (H1 2022: US\$7.7 million), reflecting the EBITDA contribution from Kapan offset by costs incurred in the Kyrgyz Republic and at corporate level and adjusted by working capital movements
- net cash used in investing activities of US\$5.1 million (H1 2022: US\$5.7 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
- cash outflows from financing activities of US\$2.2 million (H1 2022: outflows of US\$6.1 million) relating to external debt repayments, including interest, of US\$5.2 million offset by US\$3.0 million inflow from draw down of corporate working capital facilities.

At 31 August 2023, the Group had approximately US\$0.5 million of cash and cash equivalents on hand.

Basis of Preparation including Going concern

As set out in Notes 2 and 3 to the financial statements, the consolidated interim financial information has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (“IASB”) and on a going concern basis. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 Annual Report.

As explained in Note 2, additional funding will be required during Q4 2023 to achieve the planned future capital developments of assets, to sustain corporate activities, to repay the corporate working capital facilities, to refinance the convertible loan notes due on 31 October 2023 and should the conditional agreement to sell Kapan not be completed to fund investment into the Kapan mine. The steps being taken by the Group to address these requirements are set out in the Operational Review above and in Note 2 to the financial statements below.

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 funding requirements set out above 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 as demonstrated by the fundraising activities in 2020 and 2021. Accordingly, the Directors have adopted the going concern basis of accounting in preparing the interim financial statements. Further details of the Group’s status as a going concern and expected future financing plans are set out below in Note 2 to these financial statements.

Mike Fraser
Chief Executive Officer

David Mackenzie
Chief Financial Officer

6 September 2023

Consolidated Income Statement

For the six months ended 30 June 2023

| | 6 months ended 30 June 2023 (Unaudited) US\$'000 | 6 months ended 30 June 2022 (Unaudited) US\$'000 |
|--|---|---|
| Revenue | 35,250 | 50,391 |
| Cost of Sales | (35,321) | (42,617) |
| Gross (loss)/profit | (71) | 7,774 |
| Selling expenses | (1,019) | (1,149) |
| Administrative expenses | (4,514) | (5,212) |
| Impairment charges | (16,366) | - |
| Other income | - | - |
| Operating (loss)/profit | (21,970) | 1,413 |
| Finance income | 1 | 15 |
| Finance costs | (3,846) | (3,266) |
| Fair value gain on warrant | 13 | 319 |
| Loss before tax for the period, attributable to equity shareholders of the parent | (25,802) | (1,519) |
| Income tax credit/(charge) | 148 | (1,177) |
| Loss after tax for the period, attributable to equity shareholders of the parent | (25,654) | (2,696) |
| Loss per share (basic and diluted) – US\$ cents | (3.72) | (0.39) |

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

| | 6 months ended 30 June 2023 (Unaudited) US\$'000 | 6 months ended 30 June 2022 (Unaudited) US\$'000 |
|--|---|---|
| Loss for the period, attributable to equity shareholders of the parent | (25,654) | (2,696) |
| Items which may subsequently be reclassified to profit and loss | | |
| Exchange differences on translating foreign operations and investments | 381 | 3,387 |
| Other comprehensive income for the period, net of tax | 381 | 3,387 |
| Total comprehensive profit for the period attributable to equity shareholders of the parent | (25,274) | 691 |

Consolidated Balance Sheet

As at 30 June 2023

| | Note | As at 30 June 2023 (Unaudited) US\$'000 | As at 31 December 2022 (Audited) US\$'000 |
|--|------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Exploration and evaluation costs | 9 | 69,801 | 69,182 |
| Other Intangible assets | | 1,247 | 1,260 |
| Property, plant and equipment | | 47,341 | 55,401 |
| Prepayments for non-current assets | | 1 | 373 |
| Deferred income tax assets | | 1,144 | 4,489 |
| Total non – current assets | | 119,533 | 130,705 |
| Current assets | | | |
| Inventories | | 11,267 | 16,208 |
| Trade and other receivables | | 6,833 | 10,666 |
| Cash and cash equivalents | | 753 | 616 |
| Total current assets | | 18,854 | 27,490 |
| Total assets | | 138,387 | 158,195 |
| Equity and liabilities | | | |
| Equity attributable to shareholders | | | |
| Share capital | | 6,897 | 6,897 |
| Share premium | | 242,757 | 242,757 |
| Own shares reserve | | (104) | (104) |
| Convertible loan note reserve | | 1,420 | 1,420 |
| Merger reserve | | 10,885 | 10,885 |
| Share option reserve | | 7,769 | 9,259 |
| Translation reserve | | (10,179) | (10,560) |
| Accumulated losses | | (212,109) | (187,944) |
| Total equity | | 47,334 | 72,608 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Provision for environmental obligations | | 12,392 | 11,707 |
| Lease liabilities | 10 | 831 | 885 |
| Other loans | 10 | - | - |
| Total non-current liabilities | | 13,223 | 12,592 |
| Current liabilities | | | |
| Trade and other payables | | 24,080 | 19,714 |
| Contract liabilities | 10 | 3,108 | 3,720 |
| Lease liabilities | 10 | 183 | 300 |
| Other loans | 10 | 16,908 | 17,806 |
| Warrant financial liability | | - | 13 |
| Convertible loan notes | 10 | 31,298 | 29,203 |
| Other provisions for liabilities and charges | | 2,253 | 2,239 |
| Total current liabilities | | 77,830 | 72,995 |
| Total liabilities | | 91,052 | 85,587 |
| Total liabilities and equity | | 138,387 | 158,195 |

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

| | Share Capital | Share Premium | Own Shares Reserve | Convertible loan note Reserve | Merger Reserve | Share Option Reserve | Translation Reserve | Accumulat ed Losses | Total |
|--|------------------|------------------|--------------------------|-------------------------------------|-------------------|----------------------------|------------------------|------------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| As at 31 December 2021 (Audited) | 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 | - | - | - | - | - | (2,126) | - | 2,126 | - |
| Share-based payments charge | - | - | - | - | - | 373 | - | - | 373 |
| Issuance of shares for settlement of liabilities | 3 | 62 | - | - | - | - | - | - | 65 |
| Transfer of treasury shares | - | - | 28 | - | - | (371) | - | 343 | - |
| As at 31 December 2022 (Audited) | 6,897 | 242,757 | (104) | 1,420 | 10,885 | 9,259 | (10,560) | (187,944) | 72,608 |
| Loss for the period | - | - | - | - | - | - | - | (25,654) | (25,654) |
| Translation gains for the period | - | - | - | - | - | - | 381 | - | 381 |
| Total comprehensive loss for the period | - | - | - | - | - | - | 381 | (25,654) | (25,274) |
| Share options lapsed | - | - | - | - | - | (1,490) | - | 1,490 | - |
| Share-based payment charge | - | - | - | - | - | - | - | - | - |
| Transfer of treasury shares | - | - | - | - | - | - | - | - | - |
| As at 30 June 2023 (Unaudited) | 6,897 | 242,757 | (104) | 1,420 | 10,885 | 7,769 | (10,179) | (212,109) | 47,334 |

Consolidated Cash Flow Statement

For the six months ended 30 June 2023

| | 6 months ended 30 June 2023 (Unaudited) US\$'000 | 6 months ended 30 June 2022 (Unaudited) US\$'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Operating profit | (21,970) | 1,413 |
| Depreciation and amortisation | 4,933 | 5,645 |
| Loss on disposal of property, plant, and equipment | - | (11) |
| Change in provisions | (218) | (618) |
| Impairment charges | 16,366 | - |
| Unrealised foreign exchange gains | (301) | (1,989) |
| Share-based payments | - | 373 |
| Decrease in inventories | 2,810 | 2,572 |
| Decrease in trade and other receivables | 4,173 | 12,863 |
| Increase/(decrease) in trade and other payables | 2,333 | (12,321) |
| Increase in contract liabilities | 610 | 2,167 |
| Cash generated in operations | 7,515 | 10,093 |
| Income taxes paid | - | (2,372) |
| Net cash generated in operations | 7,515 | 7,721 |
| Investing activities | | |
| Purchase of property, plant & equipment | (4,470) | (4,177) |
| Exploration and evaluation costs | (654) | (1,524) |
| Purchase of intangible assets | (6) | (10) |
| Proceeds from sale of property, plant & equipment | - | 13 |
| Interest received | 1 | 15 |
| Net cash used in investing activities | (5,130) | (5,683) |
| Financing activities | | |
| Repayments of principal portion of lease liabilities | (248) | (374) |
| Proceeds from loan | 3,000 | - |
| Repayments of principal amount of loan | (4,045) | (4,938) |
| Payments of interest | (859) | (790) |
| Net cash from financing activities | (2,152) | (6,102) |
| Net change in cash and cash equivalents | 232 | (4,063) |
| Cash and cash equivalents at beginning of the period | 616 | 11,134 |
| Effect of changes in foreign exchange rates | (96) | (869) |
| Cash and cash equivalents at end of the period | 753 | 6,202 |

Notes to the Financial Statements

1. General information and group structure

Chaarat Gold Holdings Limited (the “Company”) (registration number 1420336) is 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 30 June 2023 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 & Wales | Services company |
| Chaarat Kapan CJSC* | Armenia | Production company |

*Companies owned indirectly by the Company.

2. Going concern

As at 31 August 2023 the Group had approximately US\$0.5 million of cash and cash equivalents and US\$49.9 million of debt (excluding lease liabilities and contract liabilities and warrants) comprising the following:

US\$33.2 million convertible loan notes, including accrued interest to 31 August 2023
US\$16.7 million borrowings outstanding

Kyrgyz Republic

In order to achieve the planned (though as yet uncommitted) capital developments of assets in the Kyrgyz Republic, future financing will need to be secured. The Group’s current discussions with Xiwang International envisage a capital allocation for the Kyrgyz Assets to develop Tulkubash through a joint venture with Chaarat. Other discussions are advancing in parallel.

Corporate working capital facilities and corporate activities

The corporate working capital facilities including accrued interest amounted to US\$4.1 million at 31 August 2023 and are due for repayment on 30 September 2023. The Company is currently in discussions with the lender to repay, part repay or extend the facilities. Funding will also be required during Q4 2023 to allow the Group to sustain corporate activities.

Kapan

As noted above, the Company has entered into a conditional to sell the Kapan mine. The US\$5.0 million cash component of the consideration would provide funds which could assist towards repayment of the corporate working capital facilities and also corporate activities, although as previously stated further additional funding will be required.

Additionally, if the sale is completed, group net debt would be reduced by the amount of the remaining Ameriabank loan, lease liabilities and contract liabilities held within the Kapan entity which is being sold to the buyer. If the sale is not completed, further investment would be required to implement efficiency operations in Kapan in the immediate future and potentially in the longer term given the persistently adverse USD/AMD foreign exchange environment.

Convertible Loan Notes

By 31 October 2023, the convertible loan notes (“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\$34.3 million (which includes accrued interest and fees). The Company is assessing its options for securing the funding to repay the Notes, both through the potential Xiwang transaction and through other routes.

Note: The conversion price is, for each US\$250,000 of Loan Notes, 611,290 Ordinary Shares (and pro rata for any amounts less than US\$250,000). This equated to £0.30 per share at the prevailing exchange rate of US\$1.36 / £1 in October 2021 when an adjustment to the conversion price was agreed with loan noteholders.

Conclusion

As noted above, further financing will be required to service the debt obligations set out above as they fall due, achieve the planned capital development of the assets in the Kyrgyz Republic and to sustain corporate activities.

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 interim financial statements are summarised below:

Basis of preparation

The consolidated interim financial information has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (“IASB”). It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 Annual Report. The results for the period are derived from continuing activities. The figures for the year ended 31 December 2022 have been extracted from the statutory financial statements, prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and on a historical cost basis, which are available on the Group’s website www.chaarat.com. The auditor’s report on those financial statements was unqualified and noted a material uncertainty in respect of the Group’s ability to continue as a going concern.

The consolidated interim financial information for the six months ended 30 June 2023 and 30 June 2022 (unaudited) does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated interim financial information are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022. There were no new applicable standards that became effective on 1 January 2023 and the Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

In preparing the consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

4. Revenue

The revenue recognised from contracts with customers for the 6 months ended 30 June 2023 and 30 June 2022 consisted of the following:

| | 2023 US\$'000 | 2022 US\$'000 |
|--------------------------|------------------|------------------|
| Copper concentrate | 27,164 | 39,692 |
| Zinc concentrate | 5,191 | 9,897 |
| 3rd party ore processing | 2,175 | - |
| Zinc concentrate freight | 720 | 802 |
| Total | 35,250 | 50,391 |

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 are 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).

Of the US\$35.3 million revenue generated H1 2023, US\$33.1 million relates to own concentrate sales and US\$2.2 million relates to third-party ore processing.

During H1 2023, the Group provided a processing service for third-party ore. The processing fee amounted to US\$2.2 million and is included as 3rd party ore processing in the revenue split in the table above. During H1 2022, the Group purchased third-party ore which it processed into concentrate and sold to its customers as principal. The revenue amounted to US\$9.0 million and is included within copper concentrate and zinc concentrate in the table above, with the cost of ore purchased and processing costs included in cost of sales.

In 2023, 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 10.

5. 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 ("Kyrgyz Republic")

Exploration and production of copper and zinc concentrates at Kapan in Armenia ("Armenia")

| | Kyrgyz Republic US\$'000 | Armenia US\$'000 | Corporate US\$'000 | Total US\$'000 |
|--|--------------------------------|---------------------|-----------------------|-------------------|
| 30 June 2023 | | | | |
| Revenue | | | | |
| Sales to external customers | - | 35,250 | - | 35,250 |
| Total segment revenue | - | 35,250 | - | 35,250 |
| Operating loss before impairment charges | (813) | (2,877) | (1,915) | (5,604) |
| Impairment charges | - | (16,366) | - | (16,366) |
| Operating loss | (813) | (19,243) | (1,915) | (21,970) |
| Finance income | - | 1 | - | 1 |
| Finance costs | - | (1,673) | (2,173) | (3,846) |
| Fair value gain on warrant | - | - | 13 | 13 |
| Loss before income tax | (813) | (20,915) | (4,075) | (25,802) |
| Income tax charge | - | 148 | - | 148 |
| Loss after income tax | (813) | (20,767) | (4,075) | (25,654) |
| Assets | | | | |
| Segment assets – non-current | 82,910 | 36,623 | - | 120,456 |
| Segment assets - current | 142 | 18,133 | 578 | 17,931 |
| Total assets | 83,053 | 54,756 | 578 | 138,387 |
| Liabilities | | | | |
| Segment liabilities | 2,423 | 53,229 | 35,401 | 91,052 |
| Total liabilities | 2,423 | 53,229 | 35,401 | 91,052 |

| | Kyrgyz Republic US\$'000 | Armenia US\$'000 | Corporate US\$'000 | Total US\$'000 |
|--|--------------------------------|---------------------|-----------------------|-------------------|
| 30 June 2022 | | | | |
| Revenue | | | | |
| Sales to external customers | - | 50,391 | - | 50,391 |
| Total segment revenue | - | 50,391 | - | 50,391 |
| Operating profit/(loss) | (1,068) | 5,232 | (2,751) | 1,413 |
| Finance income | - | 15 | - | 15 |
| Finance costs | - | (1,427) | (1,839) | (3,266) |
| Fair value gain on warrant | - | - | 319 | 319 |
| Profit/(loss) before income tax | (1,068) | 3,820 | (4,271) | (1,519) |
| Income tax charge | - | (1,177) | - | (1,177) |
| Profit/(loss) after income tax | (1,068) | 2,643 | (4,271) | (2,696) |
| Assets | | | | |
| Segment assets – non-current | 81,419 | 49,702 | - | 131,121 |
| Segment assets - current | 551 | 34,340 | 4,221 | 39,112 |
| Total assets | 81,970 | 84,042 | 4,221 | 170,233 |

| Liabilities | | | | |
|--------------------------|--------------|---------------|---------------|---------------|
| Segment liabilities | 2,707 | 61,805 | 27,718 | 92,230 |
| Total liabilities | 2,707 | 61,805 | 27,718 | 92,230 |

6. Impairment provision

The Kapan mine is a separate cash generating unit for impairment review purposes under IAS 36. Based on the recently announced conditional agreement to sell the Kapan mine, the Company has recorded a US\$16.4 million impairment provision in order to align the book value of the Kapan asset to fair value. The provision comprises an impairment of US\$9.5 million against plant, property and equipment, an impairment of US\$3.7 million against deferred income tax asset and an impairment of US\$3.2 million against inventories.

The impairment assessment has been conducted internally using provisional values at 30 June 2023, based on the consideration included with the conditional agreement. The quantum of the impairment provision is contingent on the sale going ahead and its timing and will be revised in H2 2023.

7. Finance costs

The finance costs for the 6 months ended 30 June consisted of the following:

| | 2023 US\$'000 | 2022 US\$'000 |
|--|------------------|------------------|
| Interest on convertible loan notes | 2,096 | 1,839 |
| Interest on other loans | 1,023 | 724 |
| Interest on lease liabilities | 56 | 71 |
| Interest on contract liabilities | - | 77 |
| Unwinding of discount – provision for rehabilitation | 671 | 554 |
| Total | 3,846 | 3,266 |

Interest on the convertible loan notes amounted to US\$2.1 million in H1 2023.

The interest on other loans of US\$1.0 million includes interest on the Kapan acquisition loan of US\$0.5 million, working capital facility loans of US\$0.4 million and interest on other borrowings of US\$0.1 million. The interest charge in the current period is higher as it includes the Kapan working capital facility that was drawn in the second half of the prior period in addition to the corporate facility that was drawn in the current period.

8. Loss per share

Loss per share is calculated by reference to the loss for the 6 months ended 30 June 2023 of US\$25.7 million (2022: loss of US\$2.7 million) and the weighted average number of ordinary shares in issue during the period of 689,668,088 (2022: 689,654,696).

At 30 June 2023, 8,920,341 (2022: 8,920,341) warrants, 33,056,858 (2022: 41,541,933) 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.

9. Exploration and evaluation costs

| | Tulkubash US\$'000 | Kyzyltash US\$'000 | Total US\$'000 |
|--------------------------|-----------------------|-----------------------|-------------------|
| At 1 January 2023 | 58,796 | 10,386 | 69,182 |
| Additions | 613 | 5 | 619 |
| At 30 June 2023 | 59,409 | 10,391 | 69,801 |

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 at 30 June 2023, management does not consider there to be any indicators of impairment in respect of these assets.

10. Liabilities

Reconciliation of liabilities

| | Convertible loans | Contract liabilities | Lease liabilities | Other loans | Total |
|--|----------------------|-------------------------|----------------------|----------------|----------------|
| Liabilities from financing activities | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 January 2023 | 29,203 | 3,720 | 1,186 | 17,807 | 51,916 |
| Cash flows: | | | | | |
| Cash proceeds | - | - | - | 3,000 | 3,000 |
| Payment of interest | - | - | - | (859) | (859) |
| Payment of principal amount | - | - | - | (4,045) | (4,045) |
| Lease payments | - | - | (249) | - | (249) |
| Net proceeds | - | - | (249) | (1,904) | (2,153) |
| Non-cash items: | | | | | |
| Additions | - | - | - | - | - |
| Interest accrued | 2,096 | - | 56 | 1,005 | 3,157 |
| Settlement of interest against receivables | - | (79) | - | - | (79) |
| Reversal of lease liability | - | - | - | - | - |
| Amounts recognised as revenue | - | (610) | - | - | (610) |
| Effect of currency translation | - | 76 | 21 | - | 97 |
| Total liabilities from financing activities at 30 June 2023 | 31,299 | 3,107 | 1,014 | 16,908 | 52,328 |
| Non-current | - | - | 831 | - | 831 |
| Current | 31,299 | 3,107 | 184 | 16,908 | 51,498 |

Convertible loan notes

During the period there were no new issues of convertible loan notes (the "Notes"). The only movement in the period was accrued interest of US\$2.1 million (2022: US\$1.8 million).

| 2023 Notes | US\$'000 |
|-----------------------------|---------------|
| At 1 January 2023 | 29,203 |
| Cash proceeds | - |
| Transaction costs | - |
| Net proceeds | - |
| Amount classified as equity | - |
| Accrued interest | 2,096 |
| At 30 June 2023 | 31,299 |
| Non-current | - |
| Current | 31,299 |

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

The 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 Company's wholly-owned direct subsidiary, Zaav Holdings Limited, which is the immediate holding company of the Group's principal operating subsidiary, Chaarat Zaav CJSC.

On 21 October 2021, the maturity date of the 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 remained 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.

On 6 October 2022, the maturity date of the 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 remained at 12% p.a. Further, a one-off extension fee equal to 1% of the original principal amount of the notes became payable to the holders at this date.

On 11 August 2023, the maturity date of the convertible loan notes (the "Notes") was extended by a further 3 months from 31 July 2023 to 31 October 2023 and accrued interest and extension fees of US\$2.8 million were capitalised as at 31 July 2023, which increased the principal value of the Notes to US\$31.7 million. With effect from 1 August 2023 the interest rate is 20% p.a. Further, a one-off extension fee of US\$1.0 million (being 5% of the original principal amount of the Notes) will be payable to noteholders as remuneration for the extension. As the Notes fell due on 31 July 2023, they have been classified as current liabilities at 30 June 2023.

Note: The original conversion price was, for each US\$250,000 of Notes, 527,871 Ordinary Shares (and pro rata for any amounts less than US\$250,000). This equated to £0.37 per share at the then prevailing exchange rate of US\$1.28 / £1. The amended conversion price was, for each US\$250,000 of Notes, 611,290 Ordinary Shares (and pro rata for any amounts less than US\$250,000). This equated to £0.30 per share at the prevailing exchange rate of US\$1.36 / £1 in October 2021.

Contract liabilities

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

| | US\$'000 |
|--|--------------|
| At 1 January 2023 | 3,720 |
| Cash received in advance of performance | - |
| Interest on contract liabilities | - |
| Settlement of interest against receivables | (79) |
| Amounts offset against receipts from customers | (610) |
| Effect of currency translation | 76 |
| At 30 June 2023 | 3,107 |
| Non-current | - |
| Current | 3,107 |

The contract liabilities balance relates to prepayments received from one of Chaarat Kapan's customers for the 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.

Lease liabilities

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 period are presented below:

Right-of-use assets

| | Land US\$'000 | Equipment US\$'000 | Total US\$'000 |
|--------------------------------|------------------|-----------------------|-------------------|
| At 1 January 2023 | 889 | - | 889 |
| Additions | - | - | - |
| Depreciation charge | (77) | - | (77) |
| Effect of currency translation | 17 | - | 17 |
| At 30 June 2023 | 829 | - | 829 |

Lease liabilities

| | Land US\$'000 | Equipment US\$'000 | Total US\$'000 |
|--------------------------------|------------------|-----------------------|-------------------|
| At 1 January 2023 | 1,017 | 169 | 1,186 |
| Additions | - | - | - |
| Interest expense | 56 | - | 56 |
| Lease payments | (79) | (170) | (249) |
| Reversal of lease liability | - | - | - |
| Effect of currency translation | 19 | 1 | 21 |
| At 30 June 2023 | 1,014 | - | 1,014 |
| Non-current | 184 | - | 184 |
| Current | 831 | - | 831 |

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 30 June 2023 and the contractual maturity date:

| | 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 30 June 2023 US\$'000 |
|--------------|-----------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------------------|
| Land leases | 166 | 121 | 947 | 118 | 1,351 |
| Total | 166 | 121 | 947 | 118 | 1,351 |

As at 30 June 2023, the contractual discounted cash flows due on the Group's lease liabilities amounts to US\$1.4 million (31 December 2022: US\$1.6 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 2023, a discount rate of 12% per annum has been used to calculate the Group's lease liabilities for its land leases.

Other loans

The movements in the Group's other loans for the period are presented below:

| | Borrowings US\$'000 | Kapan WC facility US\$'000 | Corporate facility US\$'000 | Other Borrowings US\$'000 | Total US\$'000 |
|-----------------------------------|------------------------|-------------------------------------|-----------------------------------|---------------------------------|-------------------|
| At 1 January 2023 | 9,643 | 6,108 | - | 2,056 | 17,807 |
| Borrowing attracted in cash | - | - | 3,000 | - | 3,000 |
| Interest accrued | 510 | 340 | 60 | 95 | 1,005 |
| Payment of interest in cash | (421) | (379) | - | (60) | (859) |
| Payment of principal in cash | (1,500) | (1,000) | - | (1,545) | (4,045) |
| Effect of currency translation | - | - | - | 1 | - |
| At 30 June 2023 | 8,232 | 5,069 | 3,060 | 547 | 16,908 |
| Non-current | - | - | - | - | - |
| Current | 8,232 | 5,069 | 3,060 | 547 | 16,908 |

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 met as at 30 June 2023. The leverage ratio should not exceed 2.4:1 with the ratio being 3.30:1 at 30 June 2023. In addition to this, the minimum cash balance at 30 June 2023 should not be less than US\$1.0 million with cash on hand totalling US\$0.1 million. As explained below, the loan was successfully refinanced together with the working capital facility in August 2023 with a new loan agreement, thereby effectively extinguishing the non-compliance at 30 June 2023.

Ameriabank 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 12 August 2022. The loan incurs interest at an annual floating interest rate of 11% and is repayable through quarterly instalments starting from 20 January 2023. An additional loan agreement was entered on 11 November 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 17 July 2023 and 2 October 2023.

The outstanding principal on the Ameriabank acquisition loan and working capital facility was successfully refinanced in August 2023. The US\$13.0 million principal has had its repayment schedule extended from H2 2023 to H1 2025 with terms remaining materially the same.

Corporate facilities

In 2023, corporate working capital facility arrangements were put in place with a short-term loan provider. As at 30 June 2023, US\$3.0 million had been drawn down with the remaining US\$1.0 million drawn down since the half year. The working capital facility is incurring interest at 12% per annum and is repayable by 30 September 2023, unless otherwise agreed by both parties.

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.

11. Other provisions

Other provisions for liabilities and charges relate mainly to employment disputes in Armenia ("Legal Claims Provision") of US\$0.7 million at 30 June 2023 (31 December 2022: US\$0.7 million) and a legal claim of US\$1.3 million at 30 June 2023 (31 December 2022: US\$1.3 million) that was charged against Chaarat in the Kyrgyz Republic whereby compensation for agricultural losses was demanded ("Land Provision").

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 2023 is as follows:

| | Legal Claims Provision US\$'000 | Land Provision US\$'000 | Other Provision US\$'000 | Total US\$'000 |
|---------------------------------|--|--|---|---------------------------|
| At 1 January 2023 | 708 | 1,327 | 204 | 2,239 |
| Change in provision | - | - | - | - |
| Settlement of provision in cash | - | - | - | - |
| Foreign exchange on conversion | 14 | - | - | 14 |
| At 30 June 2023 | 722 | 1,327 | 204 | 2,253 |

12. Related party transactions

Remuneration of key management personnel

Remuneration of key management personnel for the 6 months ended 30 June 2023 and 30 June 2022 is as follows:

| | 2023 US\$'000 | 2022 US\$'000 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 926 | 907 |
| Share-based payments charge | - | 373 |
| Total | 926 | 1,280 |

Included in the above key management personnel are 7 directors and 2 key managers (2022: 8 and 2).

Short-term employee benefits totalling US\$793,125 at 30 June 2023 have not yet been paid to key management personnel. This consists of US\$275,000 to Mr Andersson, US\$450,625 to Mr Fraser and \$67,500 to non-executive directors.

No further share awards have been granted for 2023, however should any such awards be made later this year, they will be accounted for in H2 2023.

Entities with significant influence over the Group

At 30 June 2023, Labro Investments Limited, Chaarat's largest shareholder, owned 44.77% (31 December 2022: 44.77%) 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. Upon extension of the convertible loan notes to 31 October 2023, Labro Investments Limited owned US\$1.61 million of 20% secured convertible loan notes which, assuming full conversion of principal and interest to maturity on 31 October 2023, are convertible into 4,271,267 Ordinary Shares.

13. Post balance sheet events

Convertible loan notes

On 11 August 2023, the maturity date of the convertible loan notes (the "Notes") was extended by a further 3 months from 31 July 2023 to 31 October 2023 and accrued interest and restructuring fees of US\$2.8 million were capitalised as at 31 July 2023, which increased the principal value of the Notes to US\$31.7 million. With effect from 1 August 2023 the interest rate is 20% p.a. Further, a one-off extension fee of US\$1.0 million (being 5% of the original principal amount of the Notes) will be payable to Noteholders as remuneration for the extension.

Ameriabank financing

The outstanding principal on the Ameriabank acquisition loan and working capital facility was successfully refinanced in August 2023. The US\$13.0 million principal has had its repayment schedule extended from H2 2023 to H1 2025 with terms remaining materially the same.

Conditional agreement to sell the Kapan mine

On 15 August 2023 the Company's wholly-owned subsidiary, Chaarat Gold International Limited ("CGI"), entered into a conditional sale and purchase agreement with Gold Mining Company LLC ("GMC") to sell the entire issued share capital of Chaarat Kapan CJSC ("CK") which owns the polymetallic Kapan mine in the Republic of Armenia. The consideration is US\$55.4 million, which comprises US\$5.0 million payable in cash and US\$50.4 million being satisfied by way of GMC taking an assignment of intra-group payables due from CGI to CK#. The Proposed Sale is conditional upon Chaarat shareholder approval, Ameriabank CJSC agreeing to release its existing security and guarantees from members of the Chaarat group of companies, approval of the Armenian Competition Protection Commission and Buyer shareholder approval. A general meeting of the Company is to convene at 4pm on Thursday, 7 September 2023.

Note: The intra-group payables due by CGI to CK of US\$ 50.4 million are eliminated on consolidation when preparing the accounts of Charat and its subsidiaries (the “Group”). When the sale is accounted for, the Group accounts will therefore show disposal proceeds of US\$ 5 million. Further details will be provided in the Group’s 2023 full-year financial statements in due course.