

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.

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, Strand Hanson Limited (“**Strand Hanson**”). Contact details are provided within every Company RNS announcement.

Strand Hanson 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 the Company's 2023 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 40 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 six 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 to develop the strategy for the Company's future growth and to identify opportunities for value-enhancing strategic initiatives including acquisitions, joint ventures, and strategically important relationships.
- *Communications* – ensuring effective communication with shareholders and working 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.

The Company does not currently have a chief executive officer and the EC is currently assuming the responsibilities of that role which 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 for 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 2023, 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 2022, 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 2023 AGM.

Appendix

Principal terms of the Labro Relationship Agreement

The Company entered into a relationship agreement (the “**Relationship Agreement**”) with Labro on 27 September 2016. The principal terms of the Relationship Agreement are as follows:

- Labro has agreed that it shall (and, to the extent that it is able, shall procure that its associates/any nominee shall) permit the Company to carry on its business independently of Labro and its associates, including so that: (a) a majority of the revenue generated by the Company’s business is not attributable to business conducted directly or indirectly with Labro or its associates; (b) Labro and its associates are not able to influence the operations of the Company outside of its legal governance structure; and (c) save with the requisite approval of the Company’s shareholders in accordance with the AIM Rules and/or applicable company law, Labro and its associates do not hold or acquire a material shareholding in one or more significant subsidiaries of the Company. For these purposes “Associates” shall have the meaning given to that term in the Listing Rules.
 - Labro has undertaken to the Company that it shall not (and, to the extent that it is able, shall procure that none of its associates/nominees shall) exercise any rights which any of them have from time to time as shareholders of the Company to: (a) enter into any transactions and/or relationships between any member of the Company’s group and Labro or its associates, other than at arm’s length and on normal commercial terms and in accordance with the related party transaction rules set out in the AIM Rules and/or applicable provisions of applicable company law; and (b) propose any resolution or take any action which is intended to circumvent the proper application of the AIM Rules.
 - For so long as the Relationship Agreement remains in force, Labro shall not (and, to the extent that it is able, shall procure that none of its associates/nominees shall) take any action (or omit to take any action) that may: (a) prejudice the suitability of the Ordinary Shares for admission to trading on AIM; or (b) have the effect of preventing the Company from complying with its obligations under the AIM Rules or applicable company law.
 - For so long as Labro (together with its associates) beneficially owns or is interested in 20% or more of the issued share capital of the Company carrying voting rights, Labro shall have the right to nominate one director to the Board, and to remove any such nominated director and appoint a replacement director in his/her place.
 - The Relationship Agreement will automatically terminate and cease to have effect on the earlier of: (a) Labro and any of its associates in aggregate ceasing to beneficially own or be interested in at least 20% of the issued share capital of the Company carrying voting rights; or (b) the Ordinary Shares ceasing to be admitted to trading on AIM.
 - The Company and Labro have agreed that nothing in the Relationship Agreement shall prevent: (a) Labro or any of its associates from exercising any of their voting rights as they, in their discretion, see fit except where to do so would result in a breach of the Relationship Agreement; or (b) Labro or any of its associates from acquiring or disposing of securities of the Company (save to the extent otherwise required by law or regulation and subject always to the Articles, including (without limitation) regulation 19 thereof); or (c) the payment of any fees and/or expenses to any nominee director in respect of his or her services as a director in accordance with his/her appointment agreement as such.
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