

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("MAR"), AND IS DISCLOSED IN ACCORDANCE WITH THE COMPANY'S OBLIGATIONS UNDER ARTICLE 17 OF MAR

16 July 2024

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

### Proposed Recapitalisation, Delisting, Notice of GM & Board Changes

Chaarat (AIM:CGH), a mining explorer and developer with projects in the Kyrgyz Republic, announces the following proposed recapitalisation and associated cancellation from trading on AIM, subject to shareholder approval. In this regard, the Company today is posting a circular to shareholders setting out further information, and containing the necessary Notice of General Meeting.

A copy of the full circular is also available on the Company's website: [www.chaaratgold.com](http://www.chaaratgold.com)

The General Meeting will be held on 8 August 2024 at 11 am at the offices of Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

#### Gordon Wylie, Chairman commented:

*"The Proposed Recapitalisation enables Chaarat to reduce its existing liabilities by more than 50% to under US\$20 million, with revised maturity for its debt and a new working capital facility of up to US\$5 million both of which extend to December 2025, thereby allowing the Company to focus on maximising the value of its Kyrgyz Republic assets."*

*"The Board wishes to thank all stakeholders, including its long-term shareholder Labro, its former executive chair Martin Andersson and the Noteholders, for enabling the Company to identify a solution that enables it to continue in operation while seeking a suitable long-term outcome for the Company and its projects."*

Extracts from the circular are copied out below. Shareholders are strongly encouraged to read the circular in full.

#### 1. Introduction

Pursuant to the Company's convertible loan note instrument (as amended and extended from time to time, the "**Instrument**"), the principal and accrued interest, together with restructuring fees, on the Company's secured convertible loan notes (the "**Notes**"), which totals US\$39,492,277 (as at 31 July 2024), is due on the final repayment date of 31 July 2024 (with a grace period of 10 business days). A further balance of US\$2,300,000 (as at 31 July 2024) is due to be repaid by the Company by 30 September 2024 pursuant to the working capital facility entered into between the Company and Labro Investments Limited ("**Labro**") (the "**Labro Working Capital Facility**"). No further drawdowns on the Labro Working Capital Facility are available to the Company as at the date of this announcement.

Following discussions between the directors of the Company (the "**Directors**") and representatives of the majority of convertible loan note holders over recent weeks and months (the "**CLN Representatives**"), the Company has agreed the structure of a proposed restructuring of the Notes, the capitalisation of sums owing under the Labro Working Capital Facility and the capitalisation of the US\$550,000 deferred salary owed to Martin Andersson ("**MA**") (the "**Deferred Salary**"), the provision of additional working capital to the Company and the cancellation of the admission of the Company's ordinary shares ("**Shares**" or "**Ordinary Shares**") to trading on AIM (the "**Delisting**"), as detailed further at paragraphs 2 and 6 below (the "**Recapitalisation**"). The Directors believe there to be no viable alternative funding option available to the Company as at the date of the circular that would provide a better outcome for creditors and Shareholders.

Accordingly, the Company is requesting the support of Shareholders for the passing of the resolutions set out in the notice of meeting appended to the circular (the "**Resolutions**") with a view to effecting the Recapitalisation. The Resolutions will be proposed at a general meeting of the Company to be held on 8 August 2024 (the "**General Meeting**").

#### 2. Recapitalisation

The Recapitalisation involves or will involve, amongst other things, the following transactions and actions (together, the "**Proposed Transactions**"):

- (a) certain amendments to the Instrument including, in respect of the principal amount of US\$19,680,000 to be left outstanding on the Notes after the conversion referred to at (c) below:
  - (i) the extension of the maturity date from 31 July 2024 to 1 December 2025;
  - (ii) the upsize of the Instrument by up to US\$5,000,000 and a total commitment from a subset of certain existing Noteholders to make:

- (A) US\$250,000 available 5 Business Days following the later of the date of execution of the Subscription Agreements (defined below) or satisfaction of the conditions thereunder (the “**Initial Advance**”) following issue of the circular to the Shareholders to approve the Proposed Transactions at the General Meeting to be evidenced by the issue of additional loan notes (the “**Additional Notes**”) governed by the terms of the Instrument (as amended and restated), provided that for the period from the date that the Initial Advance is made until such time as the Deed Poll (defined below) takes legal effect, the Initial Advance shall be evidenced by the issue of Ordinary Notes (defined below) governed by the terms of the Instrument and be secured by the existing security arrangements, in each case, in force at the date of this document (and such Ordinary Notes shall be automatically redesignated into Additional Notes conditional upon the Deed Poll being executed);
- (B) the US\$4,750,000 balance to be capable of being drawn down by the Company in tranches up to and including 1 December 2025 but subject to consent by the noteholder representative (the “**Noteholder Representative**”) (which is proposed to be certain core Noteholders acting collectively as the “Noteholder Representative” for the purposes of the amended Instrument), such balance to be made available by either:
- 1) nine initial Noteholder investors who have, subject to paragraph (2) below, committed to underwrite and subscribe to the full US\$4,750,000 balance (provided that any drawdown by the Company is subject to the consent of the Noteholder Representative); or
  - 2) certain prospective Shareholder investors and other noteholders (which excludes Labro, MA and their respective associates) who may in aggregate subscribe to up to US\$1,000,000 of the US\$4,750,000 balance, provided that any such investor must commit a minimum of US\$100,000, must make an expression of interest to participate

within seven business days of the posting of the Shareholder circular and must execute a subscription letter by no later than the date of the General Meeting,

in each case, subject to certain conditions being satisfied prior to the relevant drawdown;

- (iii) save as set out in the Instrument, the Additional Notes shall rank *pari passu* with the existing up to US\$100,000,000 secured convertible loan notes (the “**Ordinary Notes**”, together with the Additional Notes, the “**Notes**”);
  - (iv) the Additional Notes are intended to benefit from the security arrangements under the Security Deed and the Company shall provide a security confirmation to The Law Debenture Trust Corporation p.l.c.(the “**Security Trustee**”) in that respect. A further shares security deed supplemental to the Security Deed (the “**Supplemental Security Deed**”) shall also be entered into by the Company in favour of the Security Trustee which shall expressly include the Additional Notes as part of the “Secured Liabilities” thereunder. The Additional Notes shall be further secured by a new debenture (the “**Additional Notes Debenture**”) which shall be held by the Security Trustee pursuant to the terms of the Security Trust Deed (which shall be amended and restated to reflect the constitution of the Additional Notes);
  - (v) an amendment to the conversion rights, so as to enable the Noteholders to elect to convert the Notes into Shares at a conversion price that equates to 2 pence per Ordinary Share, subject to adjustment for any sub-division or consolidation;
  - (vi) the reduction of the interest rate under Condition 1(a) of the Instrument from 20% per annum to 15% per annum, payable annually in arrears;
  - (vii) the provision for the interest accrued on the Ordinary Notes in the period on or after 1 August 2024 to be paid as payment-in-kind interest, by way of the issue of Ordinary Shares in the Company at a price of 0.25 pence per Share (the “**PIK Shares**”), pursuant to the terms of the Instrument;
  - (viii) the addition of 15-month lock-up provisions in respect of the Recapitalisation Conversion Shares (as defined below), PIK Shares and any future conversion shares issued within the 15-month lock-up period, which for the avoidance of doubt does not include any Shares currently held by the Noteholders other than those Noteholders who have entered into Lock-In Letters (defined below);
  - (ix) the provision of certain consent rights for the Noteholders in respect of certain material matters in respect of the Notes;
  - (x) the provision of rights for the Noteholder Representative to receive additional documents and information from the Company;
  - (xi) the provision of rights for the Noteholder Representative to appoint a majority of the directors on the board of the Company and any subsidiary of the Company; and
  - (xii) the provision of revised voting rights attached to the Notes, whereby the passing of majority resolutions shall only be carried if holders of 50% of the votes attaching to the Notes and also if holders of 50% of the votes attaching to the Additional Notes vote in favour;
- (b) entry into subscription agreements between certain existing Noteholders and the Company in respect of the Additional Notes (the “**Subscription Agreements**”);
- (c) the conversion of all outstanding interest and restructuring fees (save for the interest accrued on the Initial Advance, which shall be settled in cash) owed on the Notes from 11 September 2018 to 31 July 2024 (inclusive), being US\$19,812,277 on 31 July 2024 into Ordinary Shares, such conversion to be satisfied by the allotment and issue of Ordinary Shares (“**Recapitalisation Conversion Shares**”) to each Noteholder, which are to be subject to the lock-up provisions referred to above, on the basis of 390 Recapitalisation Conversion Shares per US\$1 owed (pro-rated if applicable), calculated on the same basis so as to result in:
- (i) the Noteholders holding approximately 80.7% (including Labro and MA);
  - (ii) the Noteholders holding approximately 76.5% (excluding Labro and MA);
  - (iii) Labro holding approximately 16.9%;
  - (iv) MA holding approximately 2.3%; and
  - (v) the remaining shareholders holding approximately 4.3%,
- of the Company’s issued share capital immediately following such conversion (and the conversion of other debt owed by the Company to Labro and MA) (but excluding any future conversion of any principal or interest on the Notes), conditional upon the passing of the Resolutions at the General Meeting;
- (d) certain amendments to the memorandum and articles of association of the Company and the adoption of such new constitutional documents including, among other things, the removal of mandatory bid provisions, the reduction of voting thresholds for members special resolutions to 50.01% (which must include certain Noteholders who hold Recapitalisation Conversion Shares or other Shares), the provision of drag along rights for the holder(s) of 50.01% of the voting rights of Shares, and a right of first refusal to holders of Additional Notes to acquire Shares proposed to be transferred by Shareholders (with certain exceptions such as customary permitted transfers and share transfers in connection with the matched bargain dealing facility referred to at paragraph 6 below) (the “**Amended Articles**”);
- (e) the repayment and cancellation of the Labro Working Capital Facility through issuing shares to Labro, at the same conversion price as for the Recapitalisation Conversion Shares outlined in paragraph (c) above, and the release of the related security, documented in a debt capitalisation deed dated 15 July 2024 (the “**Debt Capitalisation Deed**”);

- (f) the repayment of the Deferred Salary through issuing shares to MA, at the same conversion price as for the Recapitalisation Conversion Shares outlined in paragraph (c) above and as documented in the Debt Capitalisation Deed;
- (g) the entry into irrevocable shareholder undertakings dated 15 July 2024 by Labro, MA and certain Noteholders (the “**Irrevocable Undertakings**”) to vote in favour of the Resolutions and the Noteholder Resolutions (defined below);
- (h) the entry into lock-in letters dated 15 July 2024 with certain existing Noteholders in respect of the Recapitalisation Conversion Shares and PIK Shares arising from the Recapitalisation, any future conversion shares issued pursuant to the terms of the Instrument within the 15-month lock up period and any existing shares held, subject to customary exemptions (the “**Lock-In Letters**”);
- (i) the issue of 6,000,000 Shares to certain members of the Company’s senior management team and 7,050,000 Shares to the Company’s restructuring adviser, Galiant Partners LLP; and
- (j) the Delisting.

As part of the Recapitalisation, the Directors have waived the provisions of Regulation 19 as it may apply to the Proposed Transactions by way of board resolution, such that Regulation 19 will not require the recipients of Shares issued pursuant to the terms of the Recapitalisation to make a mandatory offer to the other Shareholders. Shareholders should refer to Resolution 5 set out in the Resolutions, which requests the approval of the Shareholders to disapply the provisions of Regulation 19 in the same manner.

The following documents have been or will be required to be entered into or adopted by the Company as appropriate to effect the Proposed Transactions:

- (a) the Subscription Agreements;
- (b) a deed poll, which reflects the amendments set out in Paragraph 2(a)(i) to (xii) above and appends the form of the amended and restated Instrument (the “**Deed Poll**”);
- (c) the Additional Notes Debenture;
- (d) the Supplemental Security Deed;
- (e) an amendment and restatement deed appending an amended and restated Security Trust Deed;
- (f) the Debt Capitalisation Deed;
- (g) the Amended Articles;
- (h) the Irrevocable Undertakings;
- (i) the Lock-In Letters; and
- (j) a written resolution of Noteholders requiring approval by majority resolution of the Noteholders (the “**Noteholder Resolutions**”).

(together, the “**Recapitalisation Documents**”).

Shareholders should note that the issue of the Recapitalisation Conversion Shares and the issue of further Shares as a result of the Debt Capitalisation Deed shall lead to very substantial dilution of existing shareholdings. Shareholders will have the opportunity to exit their investment in the Company both prior to and following the Delisting, as detailed further at paragraph 6 below.

The Deed Poll and the related security documents described at (c) to (e) above are expected to be signed shortly following the General Meeting on 8 August 2024 (so as to take effect prior to expiry of the existing grace period under the Notes).

### **3. Board/Management Updates, Funding Position and Future Strategy**

On 2 July 2024, the Company announced that, at the request of the Board of the Company, Martin Andersson had agreed to step down from his role as Executive Chairman with immediate effect, to avoid actual or potential conflicts of interests in view of the proposed Recapitalisation as well as his interests in Labro. Martin Andersson has now resigned from his position as non-executive director of the Company with immediate effect upon announcement of the Recapitalisation today.

As you are aware, Labro is a substantial shareholder of the Company and also holds a portion of the Notes. Labro continues to have a right to appoint a director to the board pursuant to its relationship agreement with the Company for so long as it holds 20% of the Company’s shares.

As further announced on 2 July 2024, Gordon Wylie, previously Senior Independent Non-Executive Director of the Company, has been appointed as the Independent Non-Executive Chairman and David Mackenzie has been appointed as Acting Chief Executive Officer.

The new composition of the Board shall be determined following the Delisting noting that, as part of the Recapitalisation, the Noteholders shall be granted the right to appoint a majority of Directors on the Board, except that in respect of the period between the date that the Initial Advance is made to the Company and until such time that the Resolutions are passed, the Noteholders will have a contractual right to appoint one director and one observer to the Board of the Company (on the proviso that the director appointment is subject to the approval of the nominated adviser of the Company).

The receipt of the US\$250,000 noted in paragraph 2(a)(ii)(A) above is expected to provide the Company with sufficient cash through to the end of August 2024. Further drawdowns of the Additional Notes (which as noted above are subject to certain conditions) up to the maximum US\$5 million, is expected to provide the Company with sufficient cash into Q4 2025.

In terms of future strategy, the Company, under a restructured board, with an improved balance sheet, will continue to focus its activities on maximising the value of its Kyrgyz Republic assets.

#### **4. Related party transactions**

The Company and MA's agreement to the capitalisation of the Deferred Salary, and the Company and Labro's agreement to amending the terms of the Notes held by Labro and capitalisation of the sums owing under the Labro Working Capital Facility will constitute related party transactions under AIM Rule 13 of the AIM Rules for Companies.

The Directors consider, having consulted with the Company's Nominated Adviser, that the terms of the capitalisation of the Deferred Salary, the amendment to the terms of the Notes held by Labro and the capitalisation of the sums owing under the Labro Working Capital Facility are fair and reasonable insofar as the Shareholders are concerned.

In reaching this fair and reasonable conclusion, and noting that the outcome is a reduction in the Company's free float to approximately 4.1%, particular consideration has been given by the Directors to the fact that the terms of the Recapitalisation require the capitalisation of amounts owing under the Labro Working Capital Facility and the Deferred Salary, and that any refusal of the Directors to accept these terms (subject to Shareholder approval) would have forced the Company into immediate insolvency proceedings. The conversion of both amounts will additionally remove liabilities of approximately US\$2.85 million from the Company's balance sheet.

#### **5. Irrevocable Undertakings**

Labro, MA and certain other major Shareholders and Noteholders have entered into irrevocable undertakings covering 49.6 per cent. of the Shares pursuant to which they irrevocably and unconditionally confirm, undertake and warrant to the Company that, *inter alia*, they will vote in favour of the Resolutions and Noteholder Resolutions. The Company has already received approval of the Noteholder Resolutions.

#### **6. Delisting and intended implementation of Matched Bargain Dealing Facility**

The Delisting is an integral part of the Recapitalisation agreed between the Company and the CLN Representatives. If the Delisting becomes effective, Shareholders should be aware of the implications and principal effects of the Delisting, which include the following:

- (a) there will be no public market or trading facility on any recognised investment exchange for the Shares and, consequently, there can be no guarantee that a Shareholder will be able to purchase or sell any Shares. Accordingly, whilst the intention is to implement an off-market trading facility, the opportunity for Shareholders to realise their investment in the Company will be much more limited and there will be no public market valuation of Shares held;
- (b) it is probable that the liquidity and the marketability of the Shares may be significantly reduced by the proposal for the Delisting and the value of such Shares whilst the Company is still admitted to trading on AIM may be adversely affected as a consequence;
- (c) the regulatory and financial reporting regime applicable to companies whose shares are admitted to trading on AIM will no longer apply;
- (d) Shareholders will no longer be afforded the protections given by the AIM Rules, such as the requirement for the Company to retain a nominated adviser and broker, to be notified of certain events, including substantial transactions, financing transactions, related party transactions and fundamental changes in the Company's business, including certain acquisitions and disposals;
- (e) as an unlisted company, the Company will be subject to fewer operational restrictions than as a listed company. In addition, as an unlisted company, the Company may be subject to less stringent accounting and reporting requirements;
- (f) the Delisting may have either positive or negative taxation consequences for Shareholders. Shareholders who are in any doubt about their tax position should consult their own professional independent adviser immediately; and
- (g) there will be reduced controls over the terms of capital raises and issuances of new Shares to related parties (such as substantial shareholders).

Shareholders should be aware that, in the event the Delisting becomes effective, the liquidity and marketability of the Shares may be significantly reduced.

The Directors are aware that Shareholders may be unable or unwilling to hold Shares in the event that the Delisting becomes effective. Such Shareholders should consider selling their interests in the market ahead of the Delisting. However, the Company intends to put in place, following the Delisting, a matched bargain dealing facility to enable off market trading for a period of time (which is expected to be six months) in order to provide minority Shareholders who do not exit their investment ahead of the Delisting taking effect an opportunity to trade out of their position (subject to buy-side demand). Further details will be provided in due course on such facility, should it be put in place of which there is no guarantee.

## 7. Amended Articles

The proposed Amended Articles incorporate certain changes, including the following, which would only take effect after the Delisting:

- (a) the inclusion of a drag provision enabling holders of 50.01% or more of the Shares (which must include certain Noteholders who hold Recapitalisation Conversion Shares or other Shares) who wish to transfer all of their interest in Shares to a *bona fide* arm's length proposed purchaser (the "**Proposed Purchaser**"), to have the option to compel each other holder of Shares to sell or transfer all their Shares to such Proposed Purchaser on the same terms, as well as the option to compel each other holder of Shares to take any action necessary to implement a sale by the Company of all or substantial part of its undertaking and assets to a bona fide third party;
- (b) the removal of the pre-existing mandatory bid provisions whereby the Directors may require a mandatory bid to be made in certain circumstances where a third party acquires a controlling interest;
- (c) the lowering of the threshold to pass special resolutions of members to 50.01% of the Shares (which must include certain Noteholders who hold Recapitalisation Conversion Shares or other Shares);
- (d) the inclusion of a weighted voting right for directors appointed by the Noteholder Representative ("**CLN Director**") whereby if CLN Directors do not comprise the majority of directors on the board of the Company from time to time (including due to absence of any CLN Director at a board meeting), then the vote of any unappointed or absent CLN Director shall automatically be exercisable by the other CLN Directors such that the CLN Directors present at a board meeting shall always have at least the majority of votes to carry any board resolution;
- (e) the inclusion of a right of first refusal regime whereby any proposed transfer of Shares (excluding any shares to be sold under the matched bargain dealing facility referred to at paragraph 6 above and certain other customary carve-outs) shall be offered to Additional Noteholders at the first instance on the same terms as with the proposed buyer; and
- (f) the maximum number of shares of the Company, which previously stood at 1,395,167,015 Shares of US\$0.01 to be increased to 12,728,056,182 Shares of US\$0.01, to allow for the Recapitalisation to occur.

## 8. Recommendation

Should the Resolutions not be approved at the General Meeting then, based on the liabilities of the Company, in particular those due pursuant to the Notes, the Company will be forced into insolvency proceedings, in which case Shareholders will most likely realise zero value from their investment into the Company. Shareholders should note that the insolvency proceedings would also trigger an immediate suspension from trading of the Company's Shares.

Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>(1)(2)(3)</sup>

Posting of this circular and forms of proxy/direction	16 July 2024
Latest time and date for receipt of online proxy votes or completed forms of proxy/direction in respect of the General Meeting	11am on 6 August 2024
General Meeting	11am on 8 August 2024
Signature of the Deed Poll (as defined below) to amend and restate the Instrument (as defined below) and related security documents described in this document	Following the General Meeting on 8 August 2024
Expected final day of trading on AIM for the Ordinary Shares	15 August 2024
Expected time and date of Delisting	7am on 16 August 2024
Issue of the Recapitalisation Conversion Shares and further Shares to Labro and MA as a result of the Debt Capitalisation Deed	on or shortly following 16 August 2024
Matched bargain dealing facility for Ordinary Shares expected to commence	on or shortly following 16 August 2024

### Notes:

- (1) All of the times referred to in this Announcement refer to London time, unless otherwise stated.
- (2) Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates change, the revised times and dates will be notified to Shareholders by an announcement through a Regulatory Information Service and/or the Company's website.
- (3) Defined terms are as per those defined in the Letter from the Chairman. In the circular (and extracted in this Announcement).

## KEY STATISTICS<sup>(1)</sup>

Number of existing Ordinary Shares	728,056,182
Number of Recapitalisation Conversion Shares to be issued to the Noteholders, excluding those to Labro	7,332,991,254
Number of Recapitalisation Conversion Shares to be issued to Labro	393,797,058
Number of Ordinary Shares to be issued to MA pursuant to the Debt Recapitalisation Deed, in respect of settlement of the Deferred Salary	214,500,000
Number of Ordinary Shares to be issued to Labro pursuant to the Debt Recapitalisation Deed, in respect of settlement of the Labro Working Capital Facility	897,000,000
Number of Ordinary Shares to be issued to certain members of the senior management team	6,000,000
Number of Ordinary Shares to be issued to Galiant Partners, the Company's restructuring adviser	7,050,000
Expected enlarged number of Ordinary Shares following the abovementioned issues of Ordinary Shares	9,579,394,494
Issue price of abovementioned issues of Ordinary Shares	0.2 pence
USD:GBP	0.78

**Notes:**

(1) Defined terms are as per those defined in the Letter from the Chairman in the circular (and extracted in this Announcement).



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