Chaarat Gold Holdings Limited

("Chaarat" or "the Company")

Interim Statement For The Six Months Ended 30 June 2019

Chaarat Gold Holdings Ltd (AIM: CGH), the AIM-quoted gold mining company with assets in the Central Asia and the Former Soviet Union ("FSU"), today publishes its unaudited results for the six-month period ended 30 June 2019.

Corporate and development highlights

- Completion of the acquisition of Kapan Mining and Processing Company CJSC ("Kapan") from PMTL Holding Ltd ("PMTL"), a subsidiary of Polymetal International Plc, on 30 January, adding a producing gold mine to the Company's portfolio;
- Re-admission to trading on the AIM market of London Stock Exchange plc of the Company's entire issued share capital, on 4 February, following completion of the Kapan acquisition;
- Signed a binding term sheet and agreement post period end - entering into a Joint Venture with Çiftay İnsaat Tahhüt ve Ticaret A.S. ("Çiftay"), the Turkish mining and mine construction contractor, to collaborate on the Tulkubash and Kyzyltash projects in the Kyrgyz Republic. Çiftay will progressively invest up to USD31.5 million for a 12.5% equity stake in Chaarat's existing mining projects in the Kyrgyz Republic;
- Total new funds raised of approximately USD2.86 million, USD2.3 million from the issue of 6,927,563 new ordinary shares via a private placement and USD0.6 million from the issue of convertible bonds;
- Appointment of Warren Gilman to the Board as an Independent Non-Executive Director, effective 21 March 2019; and
- Appointment of Darin Cooper, with more than 30 years' experience in the metals and mining industry, as Chief Operating Officer, effective 1 June 2019.

Operating and project highlights

- Update of the JORC compliant bankable feasibility study for Tulkubash Oxide Gold Project ("Tulkubash") in the Kyrgyz Republic, released:
    - Initial reserve base of 22.2Mt ore grading 0.92g/t Au, containing 658koz ounces of gold, an increase of 39%;
    - Average gold production of 94,000 ounces per annum over an initial mine life of 5.3 years;
    - All-in sustaining cost (AISC) of USD819 per ounce, including all taxes;
    - Significant capital expenditure optimisation, which has resulted in an overall reduction from USD132 million to USD110 million; and
    - Improved post tax NPV of USD70 million (at 5% discount rate) and IRR of 20%, using a USD 1,300/oz gold price.
- New Mineral Resource for Kapan of 1.775Moz AuEq (Measured & Indicated based on the results of 69,000 meters of drilling completed in 2018; and
- One lost time injury ("LTI") involving a contractor was reported at Kapan;

Financial highlights

- Revenues in the period amounted to USD31.0 million which is wholly attributable to the five months ownership of Kapan;
- A positive EBITDA contribution from Kapan of USD3.2 million for the five-month period, already an improvement on the USD1.6 million achieved in the previous five months under the former owners;
- Improvements across all operational metrics at Kapan already evident, hindered by legacy issues that have been identified since acquisition, and solutions implemented;
- On track to reach our targeted run rate of 65 Koz of gold equivalent ounces per year, before the end of 2019 at Kapan, as improvements continue on all workstreams, including:
    - Fleet availability;

    - Grades;
    - Recoveries;
    - Costs; and
    - Alternative ore sourcing.
- During the first six months of 2019, the Group generated operating cash flows of USD2.8 million, the positive cash generation mainly represented positive EBITDA contribution from Kapan and favourable working capital movements, partly offset by expenditure on corporate overheads and development costs;
- The Group raised USD46.4 million during the period which comprises bank funding to acquire Kapan and other borrowings to fund the Group's activities, together with the equity raise in the period.
- Cash and cash equivalents at 30 June 2019 were USD4.9 million;

Post Period Highlights

- Polymetal agreed to exchange its USD10 million of Convertible Notes received as part of original consideration, and a working capital settlement under the SPA for 14,638,020 newly issued ordinary shares representing approximately 3.5% of the enlarged fully diluted share capital of Chaarat post allotment. The New Shares are subject to a twelve month lock-up arrangement and Polymetal has granted a right of first refusal effective from the end of the lock-up arrangement for six months in the event of the sale of those New Shares to Chaarat;

- Reported results of 77 drill holes completed at Tulkubash totalling 12,078 metres of the 2019 planned 20,000 metre drill programme. Drilling to date has been focused on adding Measured and Indicated Resources, with potential for conversion into reserves as part of a year-end Resource and Reserve Update;

- Secured USD7 million of additional working capital funds via a USD7 million upsizing of the existing USD10 million loan and extension of maturity date to March 2020;

- Closed the previously announced 2021 Convertible Bond raise to new subscriptions. Following the most recent subscription of USD0.5 million in July 2019, and the agreement with Polymetal to exchange USD10 million of notes for equity, the total value of the 2021 notes in issue is USD19.7 million;

- A further USD2.5 million was drawn from the existing Labro Investments Ltd ("Labro") facility which brings the total amount drawn down to USD6 million, with USD5.5 million to be repaid.

Martin Andersson, Executive Chairman of Chaarat, commented: "*We continue to make rapid progress towards achieving our goal to become a leading gold producer. This strategy is now broader, as we look to grow our production organically, but also through a disciplined M&A strategy in a region with significant potential. Creating shareholder value remains at the core of this strategy.*

"We look forward to the second half of the financial year, in which we expect to have bedded down our newly acquired Armenian gold mine, while further advancing our next producing asset, Tulkubash."

Enquiries

Chaarat Gold Holdings Limited	
Artem Volynets (CEO)	+44 (0)20 7499 2612
	info@chaarat.com
Numis Securities Limited	
John Prior, Paul Gillam (NOMAD)	+44 (0) 20 7260 1000
James Black (Corporate Broking)	
SP Angel	
Ewan Leggat (Joint Broker)	+44 (0) 20 3470 0470
Tavistock Communications	
Charles Vivian	+44 7977297903
Gareth Tredway	+44 7785974264

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 with an initial focus on Central Asia and the FSU 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.

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder

I am pleased to report on the six-month period in which we became a producer, following the acquisition of the Kapan Gold Mine in Armenia in February.

Not only did the transaction allow us to achieve the status of operator, but perhaps more importantly, it allowed us to begin to execute our transformational strategy for Chaarat, namely: to create a leading emerging markets gold producer focused on the FSU region.

We are targeting organic growth towards an approximate 500,000oz Au per annum production rate as we bring Tulkubash online and develop Kyzyltash further. Additionally, selective and disciplined mergers and acquisitions using management's broad experience and network will enable the consolidation of a highly fragmented gold mining region with significant potential.

Of course, with any acquisition there are legacy issues that can only be identified and dealt with once the asset is within one's control. These types of issues were identified at Kapan and remedial work began immediately with encouraging results. More specifically, management is streamlining both mine planning and maintenance programmes, as well as improving the metallurgical performance of the mill. To redress a temporary shortfall in ore mined due to legacy haul truck constraints, the Company has taken immediate action to obtain the required engine replacements on an expedited basis. During the interim period Chaarat's mining contractor has assisted by increasing its fleet size resulting in increased trucking rates.

Additional efforts are also in place to achieve targeted grades, reduce costs, and increase margins, including: A cost reduction program reviewing all major expenditures, identification of additional sources of feed to fill the mill, a review of the Mining Methods and Mine Planning, as well as mill improvements. Based on the current work programme, the Company believes the mine will reach its operational targets by the end of the current quarter to end-September, as well as reach our targeted run rate of 65 Koz of gold equivalent ounces per year before the end of 2019.

We have also reported a new measured and indicated mineral resource for Kapan of 1.775Moz AuEq, giving us the confidence, based on historical resource to reserve conversion rates at Kapan, that the mine will continue to replace mined reserves and should continue to extend mine-life for several years beyond the current life of the mine.

This work programme has the added value of improving the Company's understanding of the ore body and will help to optimize short, medium and long-term operational planning and execution.

At Tulkubash in the Kyrgyz Republic, we updated the JORC compliant bankable feasibility study for the oxide gold project during the period. Importantly it included a significant reduction in capital expenditure from USD132 million to USD110 million, while increasing gold reserves by almost 40% year-on-year, an impressive achievement by the project team.

In March, we signed a binding term sheet to enter into a Joint Venture with Çiftay, the Turkish mining and mine construction contractor, to collaborate on the Tulkubash and Kyzyltash projects in the Kyrgyz Republic.

This partnership has since been secured with a Joint Venture Agreement announced post period end which details the same terms as the initial binding term sheet signed in March, namely the progressive investment of up to USD31.5 million for a 12.5% equity stake in our existing mining projects in the Kyrgyz Republic.

As mentioned in the announcement confirming the agreement, Çiftay's investment provides a significant amount of the remaining equity requirement for the Tulkubash project, with the remaining funds expected from senior project debt, with a process launched in June. Discussions with potentially interested funders are progressing as expected with the Company receiving preliminary term sheets. Financial close is targeted for the end of this year or early next year.Post period end we were able to report some promising new drill results from Tulkubash, having completed 12,078 metres of the 2019 planned 20,000 metre drill programme, with a focus on adding Measured and Indicated Resources, with potential for conversion into reserves as part of a year-end Resource and Reserve Update. Additionally, the Company has begun drilling on an approximately 3,000 metre programme in the Karator and Ishakuldy areas respectively 1.5 kilometres and 5 kilometres northeast of the current resource limits. This programme is designed to test drill targets identified along strike and to validate the district-scale potential of Tulkubash, another key part of our strategy.

At board level, we welcomed Warren Gilman as an independent non-executive director, in March. Warren brings decades of experience and success in the mining sector. At the same time, Martin Wiwen-Nilsson decided to step down from his role as Non-Executive Director of the Company and instead take on a role as Senior Advisor of Chaarat.

From a human capital perspective, we continue to strengthen management where required and in June we were pleased to welcome Darin Cooper, with more than 30 years' experience in the metals and mining industry, as Chief Operating Officer. Darin has a proven track record of increasing performance across a range of mining operations and his expertise will be immensely valuable. Robert Benbow, previous Chief Operating Officer of Chaarat, will continue to serve on the Board of the Company as an Non-Executive Director and will remain the Chair of the Technical Committee.

From a financing perspective we recently announced the injection of USD9.5 million of additional working capital funds. The Company has agreed a new maturity date for the US10 million loan agreement (the "Loan"), announced on 15 November 2018, to 31 March 2020. The loan was also increased by USD7 million to a total size of USD17 million. In addition, Chaarat has drawn a further USD2.5 million from Labro Investments for additional working capital. I am confident in the Group's ability to raise additional funds as demonstrated by the Group's established track record in historical fund raisings and refinancing events.

Considering this positive loan fundraising, we decided to close the previously announced 2021 Convertible Bond raise to new subscriptions. Following the most recent subscription of USD0.5 million in July 2019, and the agreement with Polymetal to exchange USD10 million of notes for equity, the total value of the 2021 notes in issue is USD19.7 million.

It would be remiss of me not to make mention of the strong gold price that currently prevails in world markets. While it is of course beneficial to our operations, we remain focused on efficient cost control and disciplined M&A, to ensure that we are sustainable through the cycle.

With highest regards,

Artem Volynets

Financial review

Income statement

Revenues in the period amounted to USD31.0 million, compared with nil in the corresponding period in 2018. This represented sales of concentrate at Kapan for the five-month period following acquisition by the Group from 31 January to 30 June. During this period, Kapan sold 4,025dmt of copper concentrate and 5,283dmt of zinc concentrate, containing a combined 23,327 ounces Au Eq.

The operating loss for the Group during the period was USD7.5 million. This included a positive EBITDA contribution from Kapan of USD3.2 million, offset by depreciation and amortisation as well as corporate and overhead costs of USD6.5 million at head office and in the Kyrgyz Republic to fund the ongoing development of the Group. The increased operating loss of USD7.5 million compared with USD3.7 million in the first half of 2018 resulted mainly from the higher level of corporate and development activity in the Group.

Finance costs were USD4.9 million compared with USD1.4 million in the first half of 2018. This resulted from additional funding taken out both in the second half of 2018 and the first half of 2019 to finance the Group's activities, including the bank loans for the acquisition of Kapan.

Consequently, the Group made a loss in the period of USD12.3 million compared with USD5.1 million in the first half of 2018.

Balance sheet

The Group's balance sheet at 30 June 2019 includes the consolidation of Kapan following its acquisition on 30 January 2019. Kapan's assets and liabilities have been consolidated under the acquisition accounting method using provisional fair values at 31 January 2019.

Non-current assets increased from USD48.7 million at 31 December 2018 to USD94.5 million at 30 June 2019. The increase was mainly due to inclusion of property, plant and equipment at Kapan and a deferred tax asset on acquisition fair value adjustments which will be amortised over the life of the Kapan operation. Additionally, exploration and evaluation costs of USD3.0 million were capitalised in the period relating to the asset in the Kyrgyz Republic.

Current assets of USD34.1 million at 30 June 2019 compared with USD6.4 million at 31 December 2018. The increase mainly related to the inclusion of inventories (both spare parts and concentrate stocks) and receivables at Kapan. Current assets at 30 June 2019 included cash and cash equivalents of USD4.9 million.

Total liabilities at 30 June 2019 were USD112.1 million compared with USD31.4 million at 31 December 2019. This was mainly due to an increase in borrowings of USD57.1 million, mainly due to the third-party bank funding and convertible loan notes issued directly to the seller (since converted into equity) totalling USD50.0 million to fund the acquisition of Kapan, as well as additional borrowings to fund the Group's corporate and development activities. The movement in borrowings is set out in more detail in Note 2. In addition, there is a rehabilitation provision of USD13.1 million relating to Kapan following its acquisition and consolidation.

Total equity was USD16.5 million at 30 June 2019 compared with USD23.6 million at 31 December 2018, mainly reflecting the loss for the period. On 1 May 2019, the group closed a placing having raised gross proceeds of approximately USD2.71 million from the issue of 6,927,563 ordinary shares of USD0.01 each.

Cash flow

During the first six months of 2019, the Group generated operating cash flows of USD2.8 million, compared with operating cash flow consumed of USD3.2 million in the first six months of 2018. The positive cash generation mainly represented positive EBITDA contribution from Kapan and favourable working capital movements, partly offset by expenditure on corporate overheads and development costs.

Net cash used in investing activities in the period was USD40.4 million, compared with USD5.2 million in the corresponding period for 2018. This mainly reflected the payment for the acquisition of Kapan together with capitalised exploration and development spend in the Kyrgyz Republic.

Cash flow from financing activities in the period amounted to USD45.2 million, compared with USD7.0 million in the first half of 2018. This mainly related to the bank funding to acquire Kapan and other borrowings to fund the Group's activities as explained in the balance sheet section above, together with the equity raise in the period.

Cash and cash equivalents at 30 June 2019 were USD4.9 million compared with USD3.7 million at the start of the year.

Further details of the Group's status as a going concern and expected future financing plans are set out below in note 1 to the interim financial statements.

Unaudited Consolidated Income Statement

For the six months ended 30 June 2019

	6 months ended 30 June 2019 US$'000	6 months ended 30 June 2018 US$'000
Revenue	30,956	-
Cost of Sales	(27,968)	-
Gross profit	2,988	-
General, administrative and selling expenses	(10,495)	(3,702)
Other operating income	-	5
Operating loss	(7,507)	(3,697)
Finance costs	(4,921)	(1,407)
Loss before tax for the year, attributable to equity shareholders of the parent	(12,428)	(5,104)
Income tax credit	81	-
Loss after tax for the year, attributable to equity shareholders of the parent	(12,347)	(5,104)
Loss per share (basic and diluted) – US$ cents	(3.06)	(1.38)

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	6 months ended 30 June 2019 US$'000	6 months ended 30 June 2018 US$'000
Loss for the year, attributable to equity shareholders of the parent	(12,347)	(5,104)
Other comprehensive income:		
Items which have been reclassified to profit and loss		
Exchange differences on translating foreign operations liquidated during the year	-	(74)
Items which may subsequently be reclassified to profit and loss		
Exchange differences on translating foreign operations and investments	1,108	-
Other comprehensive income for the year, net of tax	1,108	(74)
Total comprehensive loss for the year attributable to equity shareholders of the parent	**(11,239)**	**(5,178)**

Unaudited Consolidated Balance Sheet

As at 30 June 2019

	Note	As at 30 June 2019 (Unaudited) US$'000	As at 31 December 2018 (Audited) US$'000
Assets			
Non-current assets			
Exploration and evaluation costs		46,571	43,527
Other Intangible assets		1,226	54
Property, plant and equipment		36,361	5,094
Prepayments		213	-
Other receivables		590	-
Deferred tax asset		9,541	-
Total non – current assets		**94,502**	48,675
Current assets			
Cash and cash equivalents		4,905	1,168
Inventories		13,721	-
Trade and other receivables		15,308	190
Prepayments		209	5,000
Total current assets		**34,143**	6,358
Total assets		**128,645**	**55,033**
Equity and liabilities			
Equity attributable to shareholders			
Share capital		4,020	3,951
Share premium		154,780	152,063
Share warrant reserve		1,352	1,352
Convertible loan note reserve		3,542	2,360
Merger reserves		10,885	10,885
Share option reserve		1,567	1,414
Translation reserve		(14,290)	(15,398)
Accumulated losses		(145,331)	(132,984)
Total equity		**16,525**	**23,643**
Liabilities			
Non-current liabilities			
Non-current borrowings	2	4,629	-
Provision for rehabilitation		13,059	-
Trade and other payables		590	-
Convertible loan note	2	27,492	16,303
Total non-current liabilities		**45,770**	**16,303**
Current liabilities			
Trade and other payables		14,879	4,924
Other provisions		124	-
Current borrowings	2	51,347	10,163
Total current liabilities		**66,350**	**15,087**
Total liabilities		**112,120**	**31,390**
Total liabilities and equity		**128,645**	**55,033**

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share Capital US$'000	Share Premium US$'000	Share warrant reserve US$'000	Convertible loan note reserve US$'000	Merger Reserve US$'000	Share option Reserve US$'000	Shares to be issued US$'000	Translation Reserve US$'000	Accumulated losses US$'000	Total US$'000
As at 31 December 2018 (Audited)	**3,951**	**152,063**	**1,352**	**2,360**	**10,885**	**1,414**	**-**	**(15,398)**	**(132,984)**	**23,643**
Loss for the six months ended 30 June 2019	-	-	-	-	-	-	-	-	(12,347)	(12,347)
Currency translation	-	-	-	-	-	-	-	1,108	-	1,108
Total comprehensive income for the year	-	-	-	-	-	-	-	1,108	(12,347)	(11,239)
Share options expense	-	-	-	-	-	153	-	-	-	153
Issuance of shares for cash	69	2,717	-	-	-	-	-	-	-	2,786
Equity element of convertible loan note	-	-	-	1,182	-	-	-	-	-	1,182
As at 30 June 2019	4,020	154,780	1,352	3,542	10,885	1,567	-	(14,290)	(145,331)	16,525

	Share Capital US$'000	Share Premium US$'000	Share warrant reserve US$'000	Convertible loan note reserve US$'000	Merger Reserve US$'000	Share option Reserve US$'000	Shares to be issued US$'000	Translation Reserve US$'000	Accumulated losses US$'000	Total US$'000
As at 31 December 2017 (Audited)	**3,569**	**138,184**	**1,352**	**867**	**10,885**	**2,912**	**1,926**	**(15,472)**	**(118,952)**	**25,271**
Loss for the year	-	-	-	-	-	-	-	-	(17,042)	(17,042)
Previously recognised translation losses for liquidated subsidiary	-	-	-	-	-	-	-	74	-	74
Total comprehensive income for the year	-	-	-	-	-	-	-	74	(17,042)	(16,968)
Share options lapsed	-	-	-	-	-	(1,857)	-	-	1,857	-
Share options expense	-	-	-	-	-	377	-	-	-	377
Share options exercised	2	63	-	-	-	(18)	-	-	-	47
Issuance of shares	145	4,738	-	-	-	-	(1,926)	-	-	2,957
Conversion of loan notes	230	8,858	-	(1,153)	-	-	-	-	1,153	9,088
Equity element of convertible loan note	-	-	-	2,646	-	-	-	-	-	2,646
Issuance of shares for a fee	5	220	-	-	-	-	-	-	-	225
As at 31 December 2018	**3,951**	**152,063**	**1,352**	**2,360**	**10,885**	**1,414**	**-**	**(15,398)**	**(132,984)**	**23,643**

Unaudited Consolidated Cash Flow Statement

For the six months 30 June 2019	**6 months ended 30 June 2019 US$'000**	**6 months ended 30 June 2018 US$'000**
Cash flows generated by/(used in) operating activities		
Operating loss	(7,507)	(3,697)
Depreciation and amortisation	4,213	146
(Gain) on disposal of property, plant and equipment	156	(5)
(Profit)/Loss on sale of inventories	145	-
Provision for inventories	(101)	-
Share based payments	153	275
Provision for rehabilitation	1,264	-
Decrease in inventories	4,627	-
(Increase) in accounts receivable	(5,387)	(126)
Decrease in prepayments	341	-
Increase in accounts payable	4,892	180
Net cash flow generated by/(used in) operations	**2,796**	**(3,227)**
Investing activities		
Purchase of tangible fixed assets	(299)	(966)
Investment in subsidiary	(40,000)	-
Exploration and evaluation costs	(3,044)	(4,283)
Purchase of other intangible fixed assets	(887)	-
Proceeds from sale of property, plant & equipment	5	7
Interest received	8	6
Net cash used in investing activities	**(44,217)**	**(5,236)**
Financing activities		
Proceeds from issue of share capital, net of costs	2,286	3,004
Proceeds from convertible loan notes issued, net of costs	572	3,950
Proceeds from loans	43,500	-
Principal loan repaid	(500)	-
Interest paid	(694)	-
Net cash from financing activities	**45,164**	**6,954**
Net change in cash and cash equivalents	**3,743**	**(1,509)**
Cash and cash equivalents at beginning of the year	1,168	**7,461**
Effect of changes in foreign exchange rates	(6)	-
Cash and cash equivalents at end of the year	**4,905**	**5,952**

Notes to the Financial Statements

1 Basis of preparation of interim financial statements

The financial information set out in this interim statement does not constitute statutory accounts.

The unaudited results for the period ended 30 June 2019 have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2018 and in addition, as disclosed below in relation to Revenue Recognition and Provision for Rehabilitation which, subsequent to the acquisition of Kapan Mining and Processing Company CJSC, have now been adopted. These are expected to be consistent with the financial statements of the Group as at 31 December 2019 that will be prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board as adopted by the European Union. The results for the period are derived from continuing activities. The figures for the period ended 31 December 2018 have been extracted from the statutory financial statements, prepared under IFRS as adopted by the European Union, 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.

During the period a new Standard became effective. IFRS 16 - Leases took effect on 1 January 2019. The Group has identified its lease arrangements as at 30 June 2019 and the impact of this new Standard did have a material effect on the Group's consolidated financial statements for the six months ended 30 June 2019 which is as a result of the acquisition of Kapan.

Revenue recognition

The Group has one stream of revenue being the sale of copper and zinc concentrate. Revenue is measured at the fair value of consideration to which an entity expects to be entitled in a contract with a customer in exchange for transferring promised goods, excluding amounts collected on behalf of third parties, such as value added tax (VAT). The Group recognises revenue when it transfers control of a product or service to a customer.

Sales of copper and zinc concentrate

The Group sells copper and zinc concentrate under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Concentrate sales are initially recorded based on spot prices. Revenue is recorded at the time of shipment, when control passes to the buyer. Provisional revenue is calculated based on the copper and zinc content in the concentrate and using the spot London Bullion Market Association (LBMA) or London Metal Exchange (LME) price, adjusted for the specific terms of the relevant agreement. Revenue is presented net of refining and treatment charges which are subtracted in calculating the amount to be invoiced. Until end of the quotation period revenue is adjusted monthly based on the forward prices. After quotation period end final revenue is calculated based on the spot prices in accordance with the relevant agreements.

Provision for rehabilitation

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of mining assets. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value using a risk-free rate applicable to the future cash flows, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the consolidated income statement over the life of the operation, through the depreciation of the asset in the cost of sales line and the unwinding of the discount on the provision in the finance costs line.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately as a reduction in the underlying asset.

Going Concern

As at 12 September 2019 the Group had USD7.1 million of cash and cash equivalents, USD9 million in available undrawn facilities and USD82.0 million of debt, excluding working capital, comprising mainly of the following:

- USD27.5million convertible loan note, repayable on 31 October 2021, including interest to 30 June 2019. On 30 July 2019 USD10 million of the total Convertible loans outstanding, which was issued in connection with the acquisition of Kapan was exchanged by Polymetal for 14,638,020 newly issued ordinary shares of USD0.01 each. Following the most recent subscription of USD0.5 million in July 2019, and the agreement with Polymetal, the total principal value of the 2021 notes in issue is USD19.7 million.

- USD10.8 million loan, repayable in August 2019, including interest to 30 June 2019. This loan has been increased from USD10 million to USD17 million on 11 September 2019, with a revised repayment date of 31 March 2020.

- Remaining term loan for USD38 million entered into in connection with the acquisition of Kapan after the year end. The loan is repayable through quarterly instalments over a period of four years, the final payment being January 2023. The Company did not meet one of its covenants at 30 June 2019 and as such the full bank debt has been disclosed as a current liability. However a waiver was received in September 2019, with regards to the relevant covenant not being met on June 30, 2019 and therefore the Company remains in full compliance with the loan. Further details are given in Note 2 under "Kapan Bank Debt".

- On 12 December 2018, the Group entered into a committed revolving term loan facility agreement with Labro Investments Limited ("Labro") for a total amount of USD15 million (the "Labro Loan Agreement"). The facility is for the general corporate purposes of the Group and can be drawn down at the full discretion of the Group at any time before its maturity. As at 30 June 2019, USD3.5 million has been drawn down, USD0.5 million has subsequently been repaid, USD3.0 million is still outstanding and a further USD11.5 million remains available to the Group. On August 8, 2019 a further USD2.5million has been drawn down and a further USD9.0 million remains available to the Group as at the date of this review statement.

The Board has reviewed the Group's cash flow forecast for the period to 31 December 2020. As explained further below, the Board expects that additional funding will be received. However, for the purpose of making an assessment of going concern, the cash flow forecasts reviewed by the Board exclude additional funding which is not contractually committed.

Plans to develop the Tulkubash project remain subject to the Group raising sufficient funds. The Group is in the process of completing a 20,000-metre exploration programme in 2019 to increase the Tulkubash heap leachable resources, and this also remains subject to the Group raising sufficient funds.

The Board have based the cash flow forecasts for Kapan on the most recent forecasts, taking into account actual performance to date. Whilst Kapan is forecasted to generate a minimal amount of free cash flow to fund the Group's other projects, additional fund raising is intended to be completed before the end of the fourth quarter of 2019 in order to maintain the growth projects across the group and repay the Group's USD17 million loan obligations which fall in Q1 2020. Additional funds would be required to repay the outstanding Labro Loan which is due on 14 July 2020.

There are currently minimal commitments in respect of Tulkubash and the Group has the discretion and ability to reduce cash expenditures across the group in order to conserve cash.

The Board has confidence in the Group's ability to raise additional funds as demonstrated by the Group's established track record in historical fund raisings and refinancing events. Furthermore, as a result of the updated Feasibility Study for Tulkubash, management has launched a Project Finance process which is expected to provide funding for the construction of Tulkubash.

Subject to the above, which the Board is confident can be achieved, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, there are currently no binding agreements in place in respect of any additional funding and therefore, as set out above, 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. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2 Liabilities

Convertible loan notes	US$'000
At 1 January 2019	16,303
Cash proceeds	600
Consideration for acquisition of subsidiary	10,000
Transaction costs	(28)
Amount classified as equity	(1,182)
Accrued interest	1,799
At 30 June 2019	**27,492**

Convertible loan notes

In January 2019, Chaarat received USD0.6 million from two new investors for the subscription and issue of secured convertible notes for USD350,000 and USD250,000.

On 30 January 2019, Chaarat completed the acquisition of Kapan Mining and Processing Company CJSC from PMTL Holding Ltd, a subsidiary of Polymetal International Plc for a total consideration of USD55 million (subject to net debt and working capital adjustments). This included USD10 million settled on completion in convertible loan notes; USD5 million paid as a deposit in November 2018; and as explained below USD40 million of third-party bank funding.

Principally as a result of the above, the liability in respect of convertible loan notes increased during the period from USD16.3 million to USD27.5 million.

As explained in Note 4, on 30 July 2019 an agreement was reached whereby Polymetal has agreed to exchange its USD10 million convertible note for 14,638,020 newly issued ordinary shares of USD0.01 each.

Non-current Borrowings	US$'000
At 1 January 2019	-
Lease liability	1,500
Labro Facility	3,129
At 30 June 2019	**4,629**

Labro facility

At 12 December 2018 the Company's Chairman, Martin Andersson, via Labro Investments Limited ("Labro"), had entered into an agreement with Chaarat Gold Holdings Limited whereby Labro agreed to provide committed funding facility to the Company in the amount of USD15 million.

The Company drew down the amount of USD0.5 million on 1 April 2019. The Company offset the amount owed against Labro's obligation to pay for 1,276,666 shares on 5 April 2019. The shares issued formed part of the 1,914,999 shares issued to Labro as part of the capital raising of 1 May 2019, the balance of which were settled by Labro in cash. On 23 May 2019, the Company drew a further USD2 million and on 22 June 2019 a further USD1 million was drawn down.

Current Borrowings	US$'000
At 1 January 2019	10,163
Kapan bank debt, including interest	40,534
Interest on other loan	650
At 30 June 2019	**51,347**

Kapan bank debt

On 30 January 2019, the documentation was finalised for the Kapan Acquisition Financing totalling USD40 million, which is syndicated with Ameriabank CJSC (USD32 million), HSBC Bank Armenia CJSC (USD5 million) and Ararat Bank OJSC (USD3 million). The loan is repayable through quarterly payments over a four-year period and incurs interest at Libor plus 8%.

This bank financing has certain covenants attached to it that the Company needs to adhere to, one of which is the Net debt to last twelve months ('LTM') EBITDA of 2.5x as at 30 June 2019. The Company did not meet this covenant as at 30 June 2019 and as such the full bank debt has been disclosed as a current liability. The LTM EBITDA calculation is based on EBITDA from July 1, 2018 to June 30, 2019. Chaarat ownership of Kapan commenced on January 31, 2019 and as such seven-months of the LTM calculation, is based on Kapan whilst being operated by Polymetal International Plc.

A waiver was received in September 2019, with regards to the relevant covenant not being met on June 30, 2019 and therefore the Company remains in full compliance with the loan.

Other short-term loan

The loan was initially repayable after nine months in August 2019, post period end it has been extended by 7 months to March 2020 and increased by USD7 million to USD17 million. The annualised interest on the loan is 13%. The loan contains various representations, undertakings and events of default which are common for a loan of this nature.

3 Loss per share

Loss per share is calculated by reference to the loss for the 6 months ended 30 June 2019 of USD12.3 million (2018: USD5.1 million) and the weighted average number of ordinary shares in issue of 402,094,578 (2018: 369,001,753) during the period. There is no dilutive effect of share options.

4 Kapan Acquisition

The Kapan acquisition has been accounted for in line with the accounting policy as set out in the 31 December 2018 annual report. As at the date of this interim report, the fair value exercise is in progress and as such the values are still considered provisional with specific reference to the rehabilitation provision and inventory (spare parts) amount as these will both require an expert valuation.

5 Post Balance Sheet Events

Incentive scheme

The Directors intend to implement an incentive scheme to reward Directors and certain employees in 2019. Its proposed terms were disclosed in the Company's admission document published on 14 December 2018. The incentive scheme now provides for two main elements: conversion of existing option plans into a new uniform scheme and a one-off grant of equity equal to 5 percent of the outstanding share capital at the date of Re-Admission and options equal to 3 times of equity granted under the scheme at a strike price of 42p per Ordinary Share to the Board and top managers which will be subject to a vesting schedule.

The first element of the scheme will require conversion of vested and unvested options into Ordinary Shares based on a price of 33p per Ordinary Share; these will have a lock-up till the end of 2020 (shares to be issued to replace unvested options will also have a one-year vesting period and if an employee leaves during this period the unvested shares will lapse). This first element requires consent from the existing option holders and, if all holders consent, would result in approximately 3,000,000 new Ordinary Shares.

The second element of the scheme has a three-year vesting period, one-third of the award vests annually starting from 2019. Delivery of vested Ordinary Shares will be made in the end of each year. All vested Ordinary Shares are subject to a lock-up until the end of 2020.

The Board has full discretion to amend the incentive scheme or adjust unvested Ordinary Shares and options.

Issuance of new shares

On 23 July 2019, the group announced that it had issued 1,496,556 ordinary shares of USD0.01 each ("New Ordinary Shares"). These comprise:

- 250,000 New Ordinary Shares issued to Labro Investments Limited ("Labro") pursuant to a guarantee fee agreement announced by the Company on 31 January 2019 (RNS number 7446O);
- 34,435 New Ordinary Shares issued to Labro pursuant to a drawdown made by the Company on 29 March 2019 on a committed revolving term loan facility with Labro announced by the Company on 14 December 2018 (RNS number 5046K); and
- 1,212,121 New Ordinary Shares issued to remunerate a former board member for services provided to the Company.

Agreement with Polymetal

On 30 July 2019, the Group announced that Polymetal had agreed to exchange its USD10 million of Convertible Notes received as part of original consideration, and a working capital settlement under the SPA for 14,638,020 newly issued ordinary shares of USD 0.01 each ("New Shares"). This shall represent 3.5% of the enlarged fully diluted share capital of Chaarat post allotment. The New Shares shall be subject to a twelve-month lock-up arrangement and Polymetal shall grant a right of first refusal effective from the end of the lock-up arrangement for six months in the event of the sale of those New Shares to Chaarat. The shares were subsequently issued on 16 August 2019.