11 September 2020

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

Interim results for the six months ended 30 June 2020

Chaarat Gold Holdings Limited (AIM: CGH), the AIM-quoted gold mining company with an operating mine in Armenia, and assets at various stages of development in the Kyrgyz Republic, today publishes its unaudited results for the six-month period ended 30 June 2020.

COVID-19 update

- The precautionary measures Chaarat implemented in mid-February to control COVID-19 transmission helped to achieve zero cases in H1 2020 amongst our employees. There were a small number of COVID-19 cases in July, despite rigorous pretesting of all arrivals at the Tulkubash construction site. The incident was well managed to minimise transmission and both personnel recovered fully.
- Continuous initiatives and support for the hospitals and communities surrounding the mining operations have helped to contain the virus and assist with medical treatment in our regions.
- Chaarat is continuing to follow best practice to minimise the risk of our employees contracting COVID-19 as a result of their work activities, and to support our communities on an ongoing basis.

Operating and project highlights

Kapan

- On track to deliver on our AuEq 55k oz guidance for the year.
- H1 2020 had a total recordable injury case rate (per one million hours worked) of 0.7.
- Gold equivalent production of 26,960 ounces ("oz") including 543 oz produced from third-party ore (H1 2019: 29,607 oz (- 9%); H2 2019: 26,906 (+0.2%)).
- The grades in H1 2020 were still impacted by mining in lower grade areas and we are now in the process of developing towards higher grade areas.
- AISC costs improved quarter on quarter continuing the positive trend from H2 2019 with efficiency gains throughout the operation.
- Work has started to further develop the exploration potential of the area ("East Flank") adjacent to the existing Kapan mine, with the potential to realise additional ore to the mill from H2 2022.

Tulkubash

- People and equipment restrictions as a result of COVID-19 have led to the expected date of the first gold pour being moved by approximately 12 months from yearend 2021 to Q4 2022. Despite these challenges, construction has advanced, and good progress has been made on the permitting and design/engineering fronts.

Kyzyltash

- A preliminary metallurgical assessment was completed in April 2020. Subsequent to this a drilling and metallurgical test programme has been defined to confirm an optimal processing route.

Financial highlights (unaudited)

- Revenues in the period amounted to US$29.9 million (H1 2019: US$31.0 million), which is wholly attributable to the ownership of Kapan. The comparable 2019 period includes Kapan results for a five-month period from the date of acquisition.

- A positive EBITDA contribution from Kapan of US$4.1 million, a +28% increase when compared with the EBITDA contribution of US$3.2 million from Kapan for the 2019 comparable period. Resulting in a group EBITDA of negative US$2.2 million, a 33% increase when compared with a negative group EBITDA of US$3.3 million. However, the adjusted Group EBITDA, excluding non-cash share-based payment expense of US$2.7 million is positive US$0.5 million for H1 2020 (H1 2019: negative US$3.1 million) as a result of the increased EBITDA from Kapan and lower corporate expenses.

- During the first six months of 2020, the Group generated net operating cash flows of US$5.9 million compared with US$2.8 million for the 2019 comparable period. This is mainly represented by a positive EBITDA contribution from Kapan and favourable working capital movements, partly offset by expenditure on corporate overheads and development costs.

- Cash and cash equivalents as at 30 June 2020 were US$5.9 million (H1 2019: US$4.9 million).

- Various financing initiatives remain in progress, including discussions with a number of institutions regarding project finance for the Tulkubash project. Further financing updates will be given throughout H2 2020.

Corporate and development highlights

- Balance sheet strengthened via a US$13.8 million equity placing in April 2020.

- Total borrowings have decreased from US$79.8 million at 1 January 2020 to US$72.2 million at 30 June 2020 mainly due to the settlement of the working capital facility to nil as a result of the equity placing in April 2020 and the quarterly repayment of both principal debt and interest during the period.

- Extensions were agreed relating to the US$19.4 million investor loan and working capital facility of which US$6.5 million remains available for drawdown to 31 December 2020.

Post period highlights

- Run of mine grades at Kapan improved both in July and August and are expected to be above H1 2020 levels for the rest of the year. This is a result of the targeted development work carried out year to date focussed on identifying higher grade ore blocks that require minimal development.

- The two new cyclone clusters which were installed in late Q2 to replace old inefficient units have already resulted in improvements in recoveries in July and August. Further improvements are expected in H2 2020.

- Third party ore contracts resulted in US$0.4 million positive EBITDA contribution to Kapan in July and the Company expects to meet the projected US$1.0 million positive EBITDA contribution in 2020.

- Higher commodity prices, postponed shipments of June 2020 concentrates and improving operational factors led to an unaudited US$4.2m EBITDA contribution from Kapan in the month of July, more than doubling the Kapan EBITDA year to date.

- The Board has reviewed the Group’s cash flow forecast for the period to 31 December 2021 and has determined that it will require further funding before the end of 2020 to refinance its existing liabilities and as required to meet other corporate expenses.

Artem Volynets, **Chief Executive Officer**, commented: *"We continue to make progress towards achieving our goal of becoming a leading emerging markets gold company with a focus on Central Asia and the Former Soviet Union. Kapan had a better first half compared to last year, despite June shipment delays, as a result of the optimisation initiatives we have implemented since we acquired this operation. The rapidly implemented programmes to support our communities during the challenging times created by the COVID-19 pandemic have led to no cases being recorded onsite in H1 2020 and a continuous excellent safety record and recognition by our employees and the communities. The cases in July 2020 at the Tulkubash construction site were handled very efficiently with the individuals affected fully recovering within weeks.*

At Kapan, we are pleased to report that we are on track to meet our operational guidance of 55koz for 2020. Continuous improvements on the AISC and the benefits of higher utilisation and new equipment have shown positive results since June. With US$4.2m Kapan EBITDA contribution in July and a similar expected profitability for the remainder of the year, we look to the second half of the year with confidence.

At Tulkubash, the project is being advanced in accordance with the budget and updated schedule. The restrictions on people and equipment mobilisation persist and we will keep precautionary measures for employees and contractors in place for the moment. This will likely delay first gold pour until the end of 2022 as previously announced. However, the time will be used wisely as it allows us to optimise critical aspects of this first stage of our existing Kyrgyz project."

Analyst and Investor conference call and presentation

Chaarat will host an analyst and investor conference call and presentation Monday, 14 September 2020, at 9:00 BST. Participants can register via the link below and will receive a link to the Zoom presentation and dial-in numbers in their inbox.

https://us02web.zoom.us/webinar/register/WN_Xvnik3kCTlWJNATx6Jp_rg

Participants are invited to submit questions prior to the presentation to IR@chaarat.com.

The presentation will be available for download from the Company's website two hours before the call at https://www.chaarat.com/report_category/presentations/.

A recording of the conference call will subsequently be available on the Company's website.

Enquiries

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Competent Person – East Flank Exploration Target

The updated target Estimate for further exploration of the East Flank target area of the Kapan project was prepared Chaarat technical staff under the supervision of Mr. Joe Hirst, B.Sc. (hons), M.Sc., EurGeol. CGeol. Mr. Hirst is former Senior Resource Geologist at Chaarat and now an Independent Geological Consultant to Chaarat. Mr Hirst is a Chartered geologist with more than 17 years of experience in the mineral Resource industry who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the

'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He has supervised the work which is the subject of this release. Mr. Hirst consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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 Former Soviet Union through organic growth and selective M&A.

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

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

Forward-looking statements

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

OPERATIONAL REVIEW

The health and safety of our employees and communities has been our main priority during the COVID-19 pandemic and we have been monitoring the situation daily in all our countries of operation. We have restricted all travel by our employees, and limited visitors to our facilities. Our employees have been working from home where possible and additional measures to protect our employees have been implemented for those still working at our operating sites. Later in this review, we outline the support that we have been giving the communities in which we operate during these challenging times.

Kapan

As we reported in our Q1 2020 operational and production update, lower than expected grades were mined due to complex geology in the period and gold produced has been negatively impacted as a result. Our technical team has been assisting Kapan's operational team with its 2020/21 mine plan focussing on early access to higher grade areas for the rest of 2020 and beyond. Much of the period under review has been spent addressing grade issues and identifying how to achieve improved mill performance so that good recoveries can be obtained on a sustainable basis. Grades are expected to improve in the upcoming quarters, as seen in July and August as a result of the targeted access development.

Two new cyclone clusters were installed in June 2020 to improve grind optimisation and associated recovery. These replaced old inefficient units and are showing improved results thus far.

Chaarat was able to sign two new contracts with third-party ore providers in Q2 2020 and received continuous feed from June 2020. This additional ore will help to increase economics in the mill and support Chaarat in achieving its annual targets.

The Chaarat technical team has been focussing on the East Flank mineralisation, adjacent to the current Kapan mine workings and within the project licence, which was explored by drilling and development historically. This target is based on historical development mapping and drilling comprising a database of 62 drill holes totalling 22 km of drilling. The East Flank Exploration Target[1] is based on a management estimate and indicates a potential 5-6 million tonnes with AuEq grades of 2.2 - 2.6 g/t. Resource definition drilling will be required, and evaluation, to develop a compliant Resource followed by access development in order to increase throughput in the mill currently expected by H2 2022.

Further detail regarding our Kapan mine performance during H1 2020 is below:

- Lost time injury frequency rate ("**LTIFR**") of 0.7 (per one million hours worked) (H1 2019: 0.7)[2]
- Gold equivalent production was 26,960 oz (H1 2019: 29,607 oz)[3]. H1 2020 production consisted of:
  - Gold: 13,723 oz, including third party ore (H1 2019: 17,706 oz)[2]
  - Silver: 261,551 oz (H1 2019: 275,302 oz)
  - Copper: 960 t (H1 2019: 896 t)
  - Zinc 3,997 t (H1 2019: 3,191 t)
- Average realised gold price was up 25.5% to US$1,665 /oz (H1 2019: US$1,327 /oz)[2]. However, base metals saw significant declines in prices in Q1, before improving in late Q2:
  - Realised silver price up 7.9% to US$16.4 /oz (H1 2019: US$15.2 /oz)
  - Realised copper price down 11.8% to US$5,400/t (H1 2019: US$6,123/t)
  - Realised zinc price down 23.7% to US$1,959/t (H1 2019: 2,568/t)
- Kapan EBITDA (unaudited) of US$4.1 million (H1 2019: US$3.2 million)[2]
  - Total tonnes mined up 10.6% to 360,957t (H1 2019: 326,278t)
  - AuEq recoveries 79.2% (H1 2019: 81.3%)
- Gold equivalent grades mined in H1 2020 were down 5% to 2.84 g/t (H1 2019: 3.02 g/t)[2]. H1 2020 was impacted by mining in lower-grade areas and we are now in the process of developing towards higher-grade areas.
- Copper and zinc recoveries increased year on year (by 1% and 2% respectively), but gold to Cu concentrate was down due to the lower gold head grade in ore. Third-party ore recovery is tracked separately due to it being of a completely different nature to our own polymetallic ore.

- All-in sustaining cost ("**AISC**"[4]) of US$1,076 /oz (H1 2019: US$1,108 /oz). Although unit costs improved quarter on quarter with efficiency gains throughout the operation, this has not yet materialised in the AISC.
- Underground development of 11,216 metres achieved (H1 2019: 11,521 metres)[2]
- Outlook
  - Chaarat remains on track to deliver on its AuEq 55koz guidance for the year.
  - A portion of the copper concentrate and third-party concentrate produced in June was not financially recognised in H1 2020 due to late shipment. This led to lower AuEq sold in H1 2020 but has contributed positively to results in July 2020. Further, a stronger H2 is expected with improved economic performance as new higher-grade zones are mined from development in H1 2020.
  - Chaarat's focus is on access to more "value adding" areas of the mine for the rest of 2020. The technical team is making good progress on updating the mining plan for H2 2020 and the years to come.
  - New mine equipment is providing immediate operational improvements. Along with mill circuit upgrades and the treatment of third-party ore these will help increase operational efficiency in H2 2020.
  - Higher commodity prices, postponed shipments from June 2020 and improved operational factors led to an unaudited US$4.2m Kapan EBITDA contribution in the month of July, more than doubling the Kapan EBITDA contribution year to date.

[1] *An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a mineral Resource. The potential quantity and grade are conceptual in nature, there has been insufficient exploration to estimate a mineral Resource and it is uncertain if further exploration will result in the estimation of a mineral Resource.*

[2] *The comparable 2019 period includes Kapan results for a five-month period from the date of acquisition.*

[3] *Gold equivalent ounces based on gold price of USD 1,500/oz and gold ratios of 83 for silver (Au/Ag), 7,778 for copper (Au/Cu) and 20,968 for zinc (Au/Zn).*

[4] *AISC on a gold oz produced basis exclude smelter TC/RC charges, others which add c. US$234/oz. Sustaining capex of c. US$2.3 million in H1 2020 is included in the AISC.*

Tulkubash

Tulkubash will be a simple, proven technology heap leach project and the first stage of development of our project in the Kyrgyz Republic. We were able to progress the early construction phase in the first half with construction completed now close to 10 percent. However, the declaration of a state of emergency by the government of the Kyrgyz Republic and the significant global restrictions on the movement of people have impacted our workforce mobilization for the summer construction period. As previously announced, this will likely cause the first gold pour to be moved by a year from late 2021 to Q4 2022. Capital expenditure remains the same at approximately US$110 million. The Company has to date been advancing the project from equity funding only. Nevertheless, we have progressed several project components including:

- initial earthworks including equipment mobilization, further de-risking the project as it heads towards first production;
- ore haul road and platform construction, to allow for early stockpiling ahead of processing;
- upgrading of access road to site to ensure year-round access;
- installation of advance construction camp, including the first phase of the 360-man camp;
- tree cutting permit for the whole site has been secured and work significantly completed to clear area ahead of mining; and
- detailed design of the heap leach facility ("**HLF**") and adsorption-desorption recovery ("**ADR**") plant which is almost complete and work on the crushing circuit and equipment selection is ongoing.

The Tulkubash construction capex of US$110 million will be fully funded once project finance has been secured. We continue discussions with several parties and are working to secure project financing by the end of 2020.

Interest from newly contacted banks has led to a thorough review of additional proposals to further optimise the financing structure for the Tulkubash asset.

As previously announced, we have an agreement with the Turkish mining and mine construction contractor, Çiftay İnsaat Taahhũt ve Ticaret A.Ş., pursuant to which it will progressively invest up to US$31.5 million in cash for a corresponding 12.5% equity stake in the Tulkubash and Kyzyltash projects.

Kyzyltash

A preliminary metallurgical assessment was completed in April 2020 and we are now able to further develop our high-grade Kyzyltash project. We are working towards an update of Kyzyltash's standalone 2016 feasibility study to Western standards in 2022.

Environmental, Social and Governance ("ESG")

We continue to attach great importance to sustainable development and social investment programmes in the countries in which we operate. We believe that partnership with local communities is essential for the long-term success of our operations. During the COVID-19 pandemic we have implemented various programmes to support our communities in these challenging times, including the procurement of a PCR unit to help with testing capacity in the Kyrgyz Republic. Several other ESG initiatives have been implemented by us during the period under review including:

Kapan (Armenia)

- supplied diagnostic test kits, face masks, sanitiser, and goggles to the regional hospital in cooperation with local companies;
- donated beds and equipment to the medical centre of Kapan;
- provided computers to help school children attend remote lessons;
- gave gifts to nurses of Kapan for their contribution during the pandemic;
- opened a music and art school; and
- continued construction of new kindergarten for 100 children.

Tulkubash – Chatkal, Kyrgyz Republic

- maintained employment for affected workers during the crisis;
- supplied 10 tonnes of flour, one tonne of disinfectant and face masks to the Chatkal region;
- donated face masks and hand sanitisers to hospitals; and
- donated PCR thermocyclers and PCR tests for COVID-19 to the Kyrgyz Ministry of Health.

FINANCIAL REVIEW

Income statement

Revenues in the period amounted to US$29.9 million (H1 2019: US$31.0 million). This represented sales of concentrates at Kapan for the 6-month period in H1 2020 (H1 2019: 5-month period). During this period Kapan sold 20,882 ounces of AuEq (H1 2019: 28,331 ounces) with a realised gold price per ounce of US$1,665 (US$1,327 in H1 2019).

The operating loss for the Group during the period was US$5.2 million (H1 2019: US$7.5 million) and the Group EBITDA during the period was negative US$2.2 million (H1 2019: negative US$3.3 million). This included a positive EBITDA contribution from Kapan of US$4.1 million (H1 2019: US$3.2 million), offset by depreciation and amortisation of US$2.8 million (H1 2019: US$4.0 million) as well as corporate and overhead costs of US$6.0 million (H1 2019: US$6.5 million) at head office and in the Kyrgyz Republic to fund the ongoing development of the Group. The corporate and overhead costs in H1 2020 included a non-cash charge of US$2.7 million for share-based payments in respect of the Group's management incentive plan which was implemented in H2 2019 (H1 2019: US$0.2 million). Excluding the share-based charges, corporate and overhead costs at head office were US$2.8 million less than H1 2019. The operating costs in H1 2019 were higher owing to the professional fees associated with the Kapan acquisition. All of these factors contribute to a lower operating loss in H1 2020 when compared with H1 2019. The adjusted Group EBITDA, excluding shared based payment expense, a non-cash item, is positive US$0.5 million for the six months ended 30 June 2020 (H1 2019: negative US$3.1 million).

Finance costs were US$8.0 million compared with US$4.9 million in the first half of 2019. This resulted from fees associated with the debt extensions relating to the US$19.4 million investor loan and working capital facility to 31 December 2020 as well as ongoing interest accrued on bank loans and convertible loan notes. Income taxes were US$0.4 million compared with US$0.1 million in the comparable period. Consequently, the Group made a loss for H1 2020 after tax of US$13.5 million compared with US$12.3 million in the comparative H1 2019 period.

Balance sheet

Non-current assets increased from US$103.1 million at 31 December 2019 to US$109.1 million at 30 June 2020. The increase was mainly due to the purchase of property, plant, and equipment at Kapan. Additionally, exploration and evaluation costs of US$2.2 million were capitalised in the period relating to the asset in the Kyrgyz Republic

Current assets of US$21.1 million at 30 June 2020 compared with US$23.9 million at 31 December 2019. The decrease mainly related to trade receivables and prepayments offset by an increase in cash and cash equivalents and inventory. Current assets at 30 June 2020 included cash and cash equivalents of US$5.9 million (31 December 2019: US$3.6 million).

Total liabilities at 30 June 2020 were US$101.4 million compared with US$106.8 million at 31 December 2019. This was mainly due to repayment of the bank debt in the amount of US$5.8 million including interest, settlement of the working capital facility in the amount of US$6.3 million through shares issued, offset by an increase in lease liabilities of US$1.2 million and capitalisation of interest of US$5.6 million for the H1 2020 period. The movement in liabilities is set out in more detail in Note 9 to the interim financial statements, including the split between long-term and short-term components, information relating to covenants and the treatment of the extensions to the investor loan and the working capital facility. In addition, there was an increase in the rehabilitation provision relating to Kapan of US$1.2 million.

Total equity was US$28.9 million at 30 June 2020 compared with US$20.2 million at 31 December 2019. This mainly reflects the increase in the share option reserve of US$2.7 million as a result of the management incentive scheme that was implemented during H2 2019 as well as the increase in share capital and premium of US$18.8 million, which was offset by the loss for the period of US$13.5 million. On 29 April 2020, the group closed a placing having raised approximately US$13.8 million (comprising proceeds of US$6.2 million and indebtedness reduction of US$7.6 million) from the issue of 42,115,025 ordinary shares of US$0.01 each.

Cash flow

During the first six months of 2020, the Group generated operating cash flows of US$5.9 million, compared with operating cash flow consumed of US$2.8 million in the first six months of 2019. The positive cash generation mainly represented increased 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 US$5.8 million, compared with US$44.2 million in the corresponding period for 2019. This mainly reflected the purchase of property, plant, and equipment at Kapan together with capitalised exploration and development spend in the Kyrgyz Republic during the period. Investing activities in H1 2019 were significantly higher as they included US$40 million relating to the acquisition of Kapan.

Cash flow from financing activities in the period amounted to US$2.2 million, compared with US$45.2 million in the first half of 2019. This mainly related to the funds received from the equity raise in the period and drawn from the working capital facility offset by repayments of principal and interest related to the external bank funding. Cash flow from financing activities in H1 2019 included the bank loans for the Kapan acquisition and amounts drawn on the working capital facility.

Cash and cash equivalents at 30 June 2020 were US$5.9 million compared with US$3.6 million at the start of the period. At 31 August 2020, the Group had approximately US$2.3 million of cash and cash equivalents.

Further details of the Group's status as a going concern and expected future financing plans are set out below in Note 2 to the interim financial statements.

Cost Optimisation Programme

To enable the Company to continue to progress its projects in accordance with the updated schedules in the coming months of global economic uncertainty due to the COVID-19 pandemic, the Company completed a comprehensive cost reduction exercise in reviewing all expenses across the business. This included compensation-based adjustments for the board members and senior management aligning with shareholders interest. As a consequence of this, the payment period for shares subscribed by some executives in the April placing through offset against future salaries has been extended from six months to 19 months.

Corporate Finance

In April, the previous peak period of the COVID–19 situation, we were able to raise c. US$13.8 million on the upper end of the US$13-14 million target range from existing and new investors via a placing of 42,112,025 new ordinary shares of US$0.01 each at a placing price of 26 pence per share. The prime motivation for this placing was to strengthen the balance sheet and to allow us to continue our strategy amidst the current macro-economic factors.

In April we also extended the maturity dates of two of our facilities to 31 December 2020:

- US$19.4 million investor loan (including US$2.4 million of accrued interest at 31 March 2020); and
- Working capital facility from our major shareholder, Labro Investments Limited, which is currently undrawn and of which US$6.5 million remains available for drawdown.

The proceeds of the placing together with the loan extensions and our overall indebtedness reduction enhanced our liquidity buffer in H1 2020 and has enabled us to continue to progress our Tulkubash project to the extent that the COVID-19 pandemic permits and to advance further our high-grade, 5.4 million ounces Resource, Kyzyltash project as set out earlier in this Review.

To achieve the planned operational outlook management will need to raise future financing. Apart from the funds available under the Labro working capital facility, there are currently no binding agreements in place in respect of any additional funding. Management is committed to raising additional funds and has an established record of successfully achieving this in the past. Further details of the Group's going concern and expected future financing plans are set out below in Note 2 to the condensed interim financial statements.

Artem Volynets	Chris Eger
Chief Executive Officer	**Chief Financial Officer**

10 September 2020

Unaudited Consolidated Income Statement

For the six months ended 30 June 2020

	6 months ended 30 June 2020 US$'000	6 months ended 30 June 2019 US$'000
Revenue	29,886	30,956
Cost of Sales	(24,448)	(27,968)
Gross profit	**5,438**	**2,988**
Selling expenses	(935)	(1,443)
Administrative expenses	(9,657)	(9,052)
Operating loss	**(5,154)**	**(7,507)**
Interest receivable	13	8
Interest payable	(8,024)	(4,929)
Loss before tax for the year, attributable to equity shareholders of the parent	**(13,165)**	**(12,428)**
Income tax credit/(charge)	(355)	81
Loss after tax for the year, attributable to equity shareholders of the parent	**(13,520)**	**(12,347)**
Loss per share (basic and diluted) – US$ cents	**(2.76)**	**(3.06)**

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	6 months ended 30 June 2020 US$'000	6 months ended 30 June 2019 US$'000
Loss for the year, attributable to equity shareholders of the parent	**(13,520)**	**(12,347)**
Items which may subsequently be reclassified to profit and loss		
Exchange differences on translating foreign operations and investments	(386)	1,108
Other comprehensive income for the year, net of tax	**(386)**	**1,108**
Total comprehensive loss for the year attributable to equity shareholders of the parent	**(13,906)**	**(11,239)**

Unaudited Consolidated Balance Sheet

As at 30 June 2020

	Note	As at 30 June 2020 (Unaudited) US$'000	As at 31 December 2019 (Audited) US$'000
Assets			
Non-current assets			
Exploration and evaluation costs	7	57,240	55,070
Other Intangible assets		1,407	1,609
Property, plant, and equipment		41,690	38,269
Prepayments for non-current assets		1,431	501
Deferred income tax assets		7,380	7,652
Total non – current assets		**109,148**	**103,101**
Current assets			
Inventories		10,396	9,676
Trade and other receivables		2,250	6,665
Deferred VAT receivable		570	837
Prepayments		1,915	3,117
Cash and cash equivalents		5,933	3,585
Total current assets		**21,064**	**23,880**
Total assets		**130,212**	**126,981**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	8	5,246	4,688
Share premium	8	186,780	168,616
Own shares reserve		(216)	(216)
Convertible loan note reserve		3,042	2,493
Merger reserve		10,885	10,885
Share option reserve		13,357	10,624
Shares to be issued		-	217
Translation reserve		(15,261)	(14,875)
Accumulated losses		(174,981)	(162,253)
Total equity		**28,852**	**20,179**
Liabilities			
Non-current liabilities			
Provision for rehabilitation		9,867	8,638
Convertible loan note	9	21,552	19,994
Lease liabilities	9	1,308	302
Total non-current liabilities		**32,727**	**28,934**
Current liabilities			
Trade and other payables		17,972	16,759
Deferred VAT payable		570	837
Convertible loan note	9	16,606	-
Lease liabilities	9	76	276
Other loans	9	-	22,343
Borrowings	9	32,687	36,915
Other provisions for liabilities and charges		722	738
Total current liabilities		**68,633**	**77,868**
Total liabilities		**101,360**	**106,802**
Total liabilities and equity		**130,212**	**126,981**

Unaudited Consolidated
Statement of Changes in Equity

For the six months ended 30 June 2020

	Share Capital US$'000	Share Premium US$'000	Own Shares Reserve 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 year	-	-	-	-	-	-	-	-	-	(29,405)	(29,405)
Translation gains for the year	-	-	-	-	-	-	-	-	523	-	523
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**523**	**(29,405)**	**(28,882)**
Share options lapsed	-	-	-	-	-	-	(204)	-	-	136	(68)
Share options expense	-	-	-	-	-	-	9,847	-	-	-	9,847
Share options exercised	3	95	-	-	-	-	(20)	-	-	-	78
Share scheme modification	-	-	-	-	-	-	(413)	-	-	-	(413)
Issuance of shares for cash	157	6,387	-	-	-	-	-	-	-	-	6,544
Issuance of shares for settlement of liabilities	69	3,041	-	-	-	-	-	-	-	-	3,110
Issuance of treasury shares	216	-	(216)	-	-	-	-	-	-	-	-
Issuance of shares for acquisition of Kapan	146	5,109	-	-	-	-	-	-	-	-	5,255
Equity element of convertible loan notes	-	-	-	-	133	-	-	-	-	-	133
Warrants exercised	146	1,921	-	(1,352)	-	-	-	217	-	-	932
As at 31 December 2019 (Audited)	**4,688**	**168,616**	**(216)**	**-**	**2,493**	**10,885**	**10,624**	**217**	**(14,875)**	**(162,253)**	**20,179**
Loss for the period	-	-	-	-	-	-	-	-	-	(13,520)	(13,520)
Translation gains for the period	-	-	-	-	-	-	-	-	(386)	-	(386)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(386)**	**(13,520)**	**(13,906)**
Share options expense	-	-	-	-	-	-	2,697	-	-	-	2,697
Share options exercised	1	21	-	-	-	-	-	-	-	-	22
Share scheme modification	-	-	-	-	-	-	36	-	-	-	36
Issuance of shares for cash	191	6,041	-	-	-	-	-	-	-	-	6,232
Issuance of shares for settlement of current and future liabilities	358	11,893	-	-	-	-	-	-	-	-	12,251
Warrants exercised	8	209	-	-	-	-	-	(217)	-	-	-
Equity element of other loans	-	-	-	-	549	-	-	-	-	792	1,341
As at 30 June 2020	**5,246**	**186,780**	**(216)**	**-**	**3,042**	**10,885**	**13,357**	**-**	**(15,261)**	**(174,981)**	**28,852**

Unaudited Consolidated Cash Flow Statement

For the six months ended 30 June 2020	**6 months ended 30 June 2020 US$'000**	**6 months ended 30 June 2019 US$'000**
Cash flows from operating activities		
Operating loss	(5,154)	(7,507)
Depreciation and amortisation	2,954	4,213
Loss/(gain) on disposal of property, plant, and equipment	(2)	156
Loss/(gain) on sale of inventories	44	145
Change in provisions	1,133	1,163
Unrealised foreign exchange (gain)/losses	141	-
Share based payments	2,697	153
(Increase)/decrease in inventories	(858)	4,627
Decrease/(increase) in trade and other receivables	4,732	(5,387)
Decrease in prepayments	311	341
Increase/(decrease) in trade and other payables	(344)	4,892
Cash generated/(used) in operations	**5,654**	**2,796**
Income taxes (paid)/refund	273	-
Net cash generated/(used) in operations	**5,927**	**2,796**
Investing activities		
Purchase of property, plant & equipment	(3,569)	(299)
Acquisition of subsidiary, net of cash acquired	-	(40,000)
Exploration and evaluation costs	(2,104)	(3,044)
Purchase of intangible assets	(140)	(887)
Proceeds from sale of property, plant & equipment	2	5
Interest received	13	8
Net cash used in investing activities	**(5,798)**	**(44,217)**
Financing activities		
Proceeds from issue of share capital, net of costs	6,232	2,286
Receipt of funds for share options exercised	22	-
Proceeds from convertible loan notes issued, net of costs	-	572
Repayments of principal portion of lease liabilities	(322)	-
Proceeds from loans, net of costs	2,500	43,500
Transaction costs paid	(521)	-
Repayments of principal amount of loan	(4,000)	(500)
Repayments of interest	(1,758)	(694)
Net cash from financing activities	**2,153**	**45,164**
Net change in cash and cash equivalents	**2,282**	**3,743**
Cash and cash equivalents at beginning of the period	3,585	1,168
Effect of changes in foreign exchange rates	66	(6)
Cash and cash equivalents at end of the period	**5,933**	**4,905**

Notes to the Financial Statements

1 General information and group structure

Chaarat Gold Holdings Limited (the "Company") (registration number 1420336) is incorporated in the British Virgin Islands (BVI) and is the ultimate holding company for the companies set out below (the "Group"). The Company's shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange (AIM:CGH).

The registered office address of the Company is: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands, VG1110.

As at 30 June 2020 the Group consisted of the following companies all of which are wholly owned:

Group company	Country of incorporation	Principal activity
Chaarat Gold Holdings Limited	BVI	Ultimate holding company
Zaav Holdings Limited	BVI	Holding company
Chon-tash Holdings Limited	BVI	Holding company
At-Bashi Holdings Limited	BVI	Holding company
Akshirak Holdings Limited	BVI	Holding company
Goldex Asia Holdings Limited	BVI	Holding company
Chon-tash Mining LLC*	Kyrgyz Republic	Exploration
At-Bashi Mining LLC*	Kyrgyz Republic	Exploration
Akshirak Mining LLC*	Kyrgyz Republic	Exploration
Goldex Asia LLC*	Kyrgyz Republic	Exploration
Chaarat Zaav CJSC*	Kyrgyz Republic	Exploration
Chaarat Gold International Limited	Cyprus	Holding company
Chaarat Gold Services Limited	England & Wales	Services company
Chaarat Kapan CJSC*	Armenia	Production company
Chaarat Eurasia Limited	Russia	Services company

*Companies owned indirectly by the Company.

2 Accounting policies

Basis of preparation of interim financial statements

The consolidated interim financial information has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the European Union. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 Annual Report. The results for the period are derived from continuing activities. The figures for the period ended 31 December 2019 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.

The consolidated interim financial information for the six months ended 30 June 2020 and 30 June 2019 is unreviewed and unaudited and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

As Chaarat Kapan was acquired on 30 January 2019, the consolidated interim financial information for the six months ended 30 June 2019 includes Kapan's financial information for five months whereas for the six months ended 30 June 2020, Kapan's financial information for the full six months is included.

The unaudited results for the period ended 30 June 2020 have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2019 and in addition, as disclosed below.

Convertible loan notes

Convertible loan notes are compound financial instruments that can be converted to ordinary shares at the option of the holder.

The liability component of convertible loan notes is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the convertible loan note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The modification of a standard loan is considered substantial where a conversion option is included. Upon modification, the original liability is extinguished, new liability and equity components are recognised at the fair values with a difference attributed to profit or loss.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a convertible loan note is not remeasured.

Interest related to the financial liability is recognised in profit and loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised. When conversion option is not exercised, the equity element is transferred to accumulated losses.

Critical accounting judgements and key sources of estimation uncertainty

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

In preparing the consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019 and in addition as disclosed below.

Convertible loan notes

The fair value of the liability component of the convertible loan notes has been calculated based on management's best estimate of the equivalent market rate for a loan without a conversion option. In case of modification, the fair value of the equity component of the convertible loan notes has been calculated using Black-Scholes option pricing model. The cost of the corporate guarantee in respect of the modified loan note was included in the transaction costs and amortised over the term of the loan The guarantee fee in relation to the extended maturity date of the working capital facility was considered to be a substantial modification and recognised in profit and loss.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated interim financial information are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019. There were no new standards that became effective on 1 January 2020 and the Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

Going Concern

As at 31 August 2020 the Group had approximately US$2.3 million of cash and cash equivalents and US$81.4 million of debt (including accrued interest to the date of maturity, the terms of which are disclosed in the notes) comprising the following:

- US$26.4 million convertible loan note, repayable on 31 October 2021, including accrued interest to 31 October 2021, unless converted into equity by the noteholder (note 9).
- US$21.2 million investor loan, including interest to 8 January 2021 (the "Investor Loan") (note 9).
- Term loan for US$33.8 million, including interest, entered into in connection with the acquisition of Kapan in January 2019. The loan is being repaid through quarterly instalments over a period of four years, the final payment being January 2023. As disclosed in note 9, the loan has certain covenants attached to it which the Company did not meet as at 30 June 2020 and as such the full bank debt has been disclosed as a current liability. A waiver was received in August 2020, with regards to the relevant covenant not being met on 30 June 2020 and therefore the Group remains in full compliance with the loan.

The Group also has a revolving term loan facility agreement with Labro Investments Limited ("Labro") for a total initial amount of US$15 million (the "Labro Facility"). To date US$8.5 million has been drawn down which has subsequently been repaid, and a further US$6.5 million remains available to the Group. The facility matures on 31 December 2020 (note 9).

The Board has reviewed the Group's cash flow forecast for the period to 31 December 2021. The cash flow forecasts reviewed by the Board exclude cash inflows from funding which is not contractually committed. The forecasts show that the US$21.2 million loan will need to be extended or refinanced by 8 January 2021 and the Group forecasts it will require further funding before the end of 2020 to meet operational commitments and overheads for Tulkubash and Corporate. The forecasts also show that if COVID-19 had an adverse impact on the Kapan mine then the Group would require further funding if operation of the mine were suspended for more than one month.

Kyrgyz Republic

The significant global restrictions on the movement of people have impacted the workforce mobilisation for the summer construction period at the Tulkubash Project. As previously announced, this delay has caused the first expected gold pour to be moved from late 2021 to Q4 2022. For the purpose of making an assessment of going concern, the cash flow forecasts do not include discretionary expenditure in relation to the Kyrgyz Republic projects, taking into account the delay to the Tulkubash Project. The forecasts include minimum commitments in respect of overheads and based on a non-binding agreement, exclude payments to the mining contractor until further funding is raised.

Kapan

The Board has based the cash flow forecasts for Kapan on the most recent budgets. Chaarat Kapan has experienced minimal disruptions to supply chains and shipment as a result of COVID-19. However, if there was an unexpected adverse combination of factors or the temporary closure of Kapan for more than one month, then a future covenant on the Kapan loan may be breached and the Group would require further additional funding.

Investor loan

On 7 April 2020, the Group entered into an agreement with the lender to extend the maturity date of the US$19.4 million loan to 8 January 2021 at which stage US$21.2 million will be due including interest accrued to the maturity date. The terms of the loan include a requirement to repay the loan prior to or in conjunction with any additional debt financing that the Group may raise with limited exceptions.

Labro Facility

The Labro facility matures on 31 December 2020. The outstanding amount is currently nil and an amount of US$6.5 million remains available for drawdown until the date of maturity.

The Board has a reasonable expectation that the Group will be able to raise additional funds as demonstrated by the Group's established track record in historical fund raisings and refinancing events and ongoing proactive discussions with stakeholders. Notwithstanding this, COVID-19 has had a significant negative impact on the global economy which may mean it is harder to secure additional funding than has historically been the case.

Subject to the above 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. 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 were unable to continue as a going concern.

Impact of COVID-19

COVID-19 has a significant impact on the global economy and management has applied judgement in deciding what impact it has on the going concern assessment including future economic impact on suppliers, operations, customers, demand, commodity prices, foreign exchange rates and operating costs. Further disclosure is included in the going concern disclosure within this note above.

3 Revenue

The revenue recognised from contracts with customers for the 6 months ended 30 June 2020 and 5 months ended 30 June 2019 (from the date of acquisition of the Kapan mine) consisted of the following:

	2020 US$'000	2019 US$'000
Copper concentrate	23,794	23,345
Zinc concentrate	6,092	7,611
Total	**29,886**	**30,956**

The Group's sales of copper and zinc concentrate are based on provisional 1-3-month commodity forward prices and as such, contain an embedded derivative which is marked to market at each month end.

The Group's sales are to internationally well-established commodity traders under standard offtake terms.

In 2020, Copper concentrate sales are made on an ex works basis meaning that control passes to the buyer when the concentrate is loaded on the truck at the Kapan mine. Whereas in 2019, sales were made on a cost, insurance and freight ("CIF") basis meaning that control passes to the buyer when the concentrate is loaded on the vessel in the port of shipment (e.g. port of Poti, Georgia). Zinc concentrate sales were made on a CIF basis in both 2020 and 2019.

In 2020, the Group did not recognise any contract assets or liabilities in relation to its contracts with customers. Further, no impairment losses on receivables arising from contracts with customers were recognised in 2020.

4 Segmental analysis

Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Board, in order to allocate Resources to the segments and to assess their performance.

Based on the proportion of revenue and profit within the Group's operations and on the differences in principal activities, the Board considers there to be two operating segments:

- Exploration for mineral deposits in the Kyrgyz Republic with support provided from the corporate function ('Kyrgyz Republic')
- Exploration and production of copper and zinc concentrates at Kapan in Armenia ('Armenia')

30 June 2020	Kyrgyz Republic US$'000	Armenia US$'000	Corporate US$'000	Total US$'000
Revenue				
Sales to external customers	-	29,886	-	29,886
Total segment revenue	**-**	**29,886**	**-**	**29,886**
Earnings before interest, tax, depreciation, and amortisation	(882)	4,102	(5,441)	(2,221)
Unwinding of discount – provision for rehabilitation	-	332	-	332
Inventory provision	-	(445)	-	(445)
Income on reversal of payable	-	134	-	134
Depreciation and amortisation	(378)	(2,487)	(89)	(2,954)
Interest receivable	-	13	-	13
Interest payable	-	(2,003)	(6,021)	(8,024)
Profit/(loss) before income tax expense	**(1,260)**	**(354)**	**(11,551)**	**(13,165)**
Income tax expense	-	(355)	-	(355)
Profit/(loss) after income tax expense	**(1,260)**	**(709)**	**(11,551)**	**(13,520)**
Assets				
Segment assets – non-current	48,609	42,103	18,436	109,148
Segment assets - current	491	16,828	3,745	21,064
Total assets	**49,100**	**58,931**	**22,181**	**130,212**
Liabilities				
Segment liabilities	4,426	58,287	38,647	101,360
Total liabilities	**4,426**	**58,287**	**38,647**	**101,360**

*On 18 September 2019, the Group adopted a new Management Incentive Plan ("MIP") whereby 6,295,481 of options vested or vesting under the old plan were replaced with 1,543,959 of new restricted stock units ("RSUs") and a cash settlement of US$0.4 million. 50% of the replacement restricted stock units vested on 15 October 2019 and 50% will vest on 31 December 2020 subject to a vesting condition of continued employment by the Group.

On the same date 56,805,258 share options exercisable at 42p per share and 21,494,198 RSUs were granted under the new MIP (subject to performance conditions for executives in the case of the RSUs), 33% of the share options and RSUs vested on 15 October 2019 (Tranche 1), 33% on 31 December 2019 and (in the case of RSUs subject to performance conditions) on 21 February 2020 (Tranche 2), and the remaining 33% are expected to vest on 31 December 2020 subject to a vesting condition of continued employment by the Group and performance conditions in the case of the RSUs (Tranche 3).

In addition, on 27 April 2020 a further 1,500,000 options and 500,000 RSUs were awarded to a new employee on the same terms as Tranche 3.

Consequently, a share-based payment expense of US$2.7 million was recognised for the six months period ended 30 June 2020 and US$0.2 million for comparable 2019 period. The adjusted Group EBITDA, excluding shared based payment expense, a non-cash item, is positive US$0.5 million for the six months ended 30 June 2020 (H1 2019: negative US$3.1 million).

30 June 2019*	Kyrgyz Republic US$'000	Armenia US$'000	Corporate US$'000	Total US$'000
Revenue				
Sales to external customers	-	30,956	-	30,956
Total segment revenue	**-**	**30,956**	**-**	**30,956**
Earnings before interest, tax, depreciation, and amortisation	(1,034)	3,199	(5,459)	(3,294)
Depreciation and amortisation	(252)	(3,961)	-	(4,213)
Interest receivable	-	8	-	8
Interest payable	-	(2,312)	(2,617)	(4,929)
Profit/(loss) before income tax expense	**(1,286)**	**(3,066)**	**(8,076)**	**(12,428)**
Income tax expense	-	81	-	81
Profit/(loss) after income tax expense	**(1,286)**	**(2,985)**	**(8,076)**	**(12,347)**
Assets				
Segment assets – non-current	33,862	42,978	17,662	94,502
Segment assets - current	930	27,750	5,463	34,143
Total assets	**34,792**	**70,728**	**23,125**	**128,645**
Liabilities				
Segment liabilities	1,283	60,843	49,994	112,120
Total liabilities	**1,283**	**60,843**	**49,994**	**112,120**

*As the Kapan mine was acquired on 30 January 2019, the segmental analysis for the six months ended 30 June 2019 includes Kapan's financial information for five months.

5 Interest payable

The interest payable for the 6 months ended 30 June consisted of the following:

	2020 US$'000	2019 US$'000
Interest on convertible loan notes	3,048	1,799
Interest on loans	2,496	3,130
Interest on lease liabilities	83	-
Unwinding of discount – provision for rehabilitation	345	-
Financing costs	2,006	-
Other	46	-
Total	**8,024**	**4,929**

The interest on convertible loans has increased due to the reclassification of the investor loan from "Other loans" to "Convertible loans", further detail in Note 9 below.

The interest on loans of US$2.5 million includes interest on other loans of US$1.0 million and interest on borrowings of US$1.5 million, refer to Note 9 for further detail.

The financing costs of US$2.0 million comprise the modification loss on the refinancing of the investor loan of US$1.1 million and the Labro security fee of US$0.9 million

6 Loss per share

Loss per share is calculated by reference to the loss for the 6 months ended 30 June 2020 of US$13.5 million (2019: loss of US$12.3 million) and the weighted average number of ordinary shares in issue during the period of 490,694,593 (2019: 402,094,578).

At 30 June 2020, share options and convertible loan notes have been excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

7 Exploration and evaluation costs

	Tulkubash	Kyzyltash	Total
	US$'000	US$'000	US$'000
At 1 January 2020	**45,868**	**9,202**	**55,070**
Additions	2,170	-	2,170
At 30 June 2020	**48,038**	**9,202**	**57,240**

Exploration and evaluation assets comprise costs associated with exploration for, and evaluation of, mineral Resources together with costs to maintain mining and exploration licences for mining properties that are considered by the Directors to meet the requirements for capitalisation under the Group's accounting policies.

8 Share capital

		Share Capital	Share Premium
Ordinary shares of US$0.01 each	**Number of Shares ('000)**	**Nominal Value US$'000**	**Nominal Value US$'000**
Authorised	1,395,167	13,952	-
Issued and fully paid			
At 1 January 2020	**468,811**	**4,688**	**168,616**
Issued for cash	19,047	191	6,041
Issued to settle liabilities	35,759	358	11,893
Exercise of warrants	825	8	209
Exercise of share options	120	1	21
At 30 June 2020	**524,562**	**5,246**	**186,780**

On 20 January 2020, the Company issued 516,525 shares to Labro to satisfy an outstanding commitment fee under the Labro Facility agreement, as disclosed in note 10. On the same day, the Company issued 825,000 shares to satisfy the Company's obligations under a warrant agreement.

On 14 April 2020, the Company issued 12 million shares to Labro to satisfy the fee associated with the guarantee and security package that Labro has provided in respect of the investor loan, as disclosed in note 10.

On 29 April 2020, the Company issued a further 42,112,025 shares comprised of:

- 12,954,962 shares issued to existing shareholders and new investors for cash (US$4.2 million);
- 25,396,945 shares issued to Labro, of which 19,305,407 shares were issued to set off the outstanding amount owed by the Company to Labro on the Labro Loan Facility of US$6.34 million (per note 10), and the remaining 6,091,538 shares were issued for a cash payment of US$2 million;
- 3,760,118 shares issued to directors and senior management, of which 1,998,786 shares were issued to the Company's Executive Chairman to set off the outstanding amount owed by the Company for directors fees, and 1,286,839 shares were issued to KMPs as disclosed in note 10 and 474,493 shares were issued to other employees.

On 29 April 2020, the Company also issued 177,330 shares to Labro to satisfy outstanding fees pursuant to drawdowns made by the Company on the Labro Facility and 120,000 shares were issued to satisfy the Company obligations under the Company's 2017 incentive plan to a former director on the exercise by that director of previously vested options.

9 Liabilities

Reconciliation of liabilities

Convertible loan notes and other liabilities	Convertible loans US$'000	Lease liabilities US$'000	Other loans US$'000	Borrowings US$'000	Total US$'000
At 1 January 2020	**19,994**	**578**	**22,343**	**36,915**	**79,830**
Cash flows:					
Cash proceeds	-	-	2,500	-	2,500
Transaction costs paid	(521)	-	-	-	(521)
Payment of interest	-	-	-	(1,758)	(1,758)
Payment of principal amount	-	-	-	(4,000)	(4,000)
Lease payments	-	(322)	-	-	(322)
Net proceeds	**(521)**	**(322)**	**2,500**	**(5,758)**	**(4,101)**
Non-cash items:					
Amount classified as equity	(1,341)	-	-	-	(1,341)
Loan modification	20,480	-	(19,357)	-	1,123
Interest capitalised to principal loan	-	-	587	-	587
Interest accrued	3,048	83	379	1,530	5,040
Acquisition of subsidiary	-	(36)	-	-	(36)
Additions	-	1,208	-	-	1,208
Reclassification	-	(115)	-	-	(115)
Repayments through shares issued	-	-	(6,338)	-	(6,338)
Transaction costs	(3,502)	-	(114)	-	(3,616)
Effect of currency translation	-	(12)	-	-	(12)
Total liabilities from financing activities at 30 June 2020	**38,158**	**1,384**	**-**	**32,687**	**72,229**
Non-current	**21,552**	**1,308**	**-**	**-**	**22,860**
Current	**16,606**	**76**	**-**	**32,687**	**49,369**

Convertible loan notes

During the period:

- there were no new issues of 2021 convertible loan notes. The only movement in the period was accrued interest of US$1.6 million (2019: US$1.8 million).

- The investor loan was reclassified from "Other loans" to "Convertible loans" following its extension and modification to include a conversion option, as explained below.

	2021 Notes US$'000	Investor loan US$'000	Total US$'000
At 1 January 2020	**19,994**	**-**	**19,994**
Cash proceeds	-	-	-
Transaction costs	-	(521)	(521)
Net proceeds	-	**(521)**	**(521)**
Amount classified as equity	-	(1,341)	(1,341)
Loan modification	-	20,480	20,480
Accrued interest	1,558	1,490	3,048
Transaction costs	-	(3,502)	(3,502)
At 30 June 2020	**21,552**	**16,606**	**38,158**

2021 Notes

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

The 2021 notes accrued interest at 10% p.a. until 30 April 2020 and then at a rate of 12% p.a. until 31 October 2021. The notes are secured on the shares of the Group's principal operating subsidiary, Chaarat Zaav CJSC via the intermediate holding company Zaav Holdings Limited. The notes are repayable on 31 October 2021 and can be redeemed by the Company at any time subject to paying a minimum of 5% interest. The notes, including accrued interest, can be converted at any time at the holder's option at a price of £0.36 per ordinary share.

The value of the liability and equity conversion component was determined at the date of issue. The fair value of the liability component at inception was calculated using a market interest rate of 15% for an equivalent instrument without conversion option.

Investor Loan

In April 2020, the Group modified the Investor Loan of US$19.4 million to include a conversion option. The modification was considered to be substantial under IFRS 9 and therefore the Group derecognised the original loan of US$19.4 million, recognised a liability component of US$19.1 million, an equity component of US$1.3 million and a loss on modification of US$1.1 million. The loan accrues interest at 13% p.a until 8 January 2021 and at maturity date the outstanding amount of the loan, including interest, will be US$21.2 million. Transaction costs included US$0.5 million of cash and US$3.5 million of shares issued and are amortised over the term of the loan.

The modified loan contained three conversion options as follows:

- option to convert US$5.0 million of principal and accrued interest into ordinary shares any time up to 1 June 2020;
- option to convert US$5.0 million of principal and accrued interest into ordinary shares any time up to 6 June 2020;
- option to convert US$2.5 million of principal and accrued interest into ordinary shares any time up to 8 January 2021.

The options to convert US$10.0 million of the loan into ordinary shares of the Company were not exercised by 30 June 2020 therefore US$0.8 million of the equity element was transferred to accumulated losses.

The value of the liability and equity conversion component was determined at the date of modification. The fair value of the liability component was calculated using a market interest rate of 15% for an equivalent instrument without conversion option. The fair value of the equity component was calculated using the Black-Scholes option pricing model using 1-year volatility of 76.13% and a risk-free rate of 0.16%.

Lease liabilities

The Group's leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

The Group leases property and land in the jurisdictions from which it operates, the most notable being the office space that is leased in the United Kingdom and the land that is leased in Armenia. These leases fall within the scope of IFRS 16 and therefore right-of-use assets and lease liabilities are recognised. The Group also leases certain items of property, plant and equipment in the Kyrgyz Republic which contain variable payments over the lease terms, therefore these leases do not fall within the scope of IFRS 16, and right-of-use assets and lease liabilities are not recognised as a result.

The movements in the Group's right-of-use assets and lease liabilities for the period are presented below:

Right-of-use assets

	Land US$'000	Property US$'000	Total US$'000
At 1 January 2020	315	197	512
Additions	1,203	-	1,203
Depreciation charge	(323)	(89)	(412)
Effect of translation to presentation currency	-	-	-
At 30 June 2020	**1,195**	**108**	**1,303**

Lease liabilities

	Land US$'000	Property US$'000	Total US$'000
At 1 January 2020	302	276	578
Additions	1,208	-	1,208
Interest expense	81	2	83
Net off debt inherited with receivable	(36)	-	(36)
Lease payments	(243)	(79)	(322)
Reclassification	-	(115)	(115)
Effect of translation to presentation currency	(4)	(8)	(12)
At 30 June 2020	**1,308**	**76**	**1,384**
Non-current	**1,308**	**-**	**1,308**
Current	**-**	**76**	**76**

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 30 June 2020 and the contractual maturity date:

	Within 6 months US$'000	6 months to 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total at 30 June 2020 US$'000
Property leases	66	-	-	-	66
Land leases	453	45	473	402	1,373
Total	**519**	**45**	**473**	**402**	**1,439**

As at 30 June 2020, the gross contractual discounted cash flows due on the Group's lease liabilities amounts to US$1.4 million (2019: nil).

The discount rate used in calculating the lease liabilities is the rate implicit in the lease, unless this cannot readily be determined, in which case the Group's incremental rate of borrowing is used instead. In 2020, a discount rate ranging between 4.10% and 4.75% per annum and 12% per annum has been used to calculate the Group's lease liabilities for its property and land leases, respectively.

Other loans

Other loans at 30 June consisted of the following:

	Investor loan US$'000	Labro Facility US$'000	2020 US$'000
At 1 January 2020	**18,771**	**3,572**	**22,343**
Additional funds received	-	2,500	2,500
Interest capitalised to principal loan	587	-	587
Interest accrued	-	379	379
Transaction costs	-	(114)	(114)
Loan modification	(19,357)	-	(19,357)
Repayments through shares issued	-	(6,338)	(6,338)
At 30 June 2020	**-**	**-**	**-**

Investor Loan

On 17 April 2020, the Investor Loan agreement originally entered into on 13 November 2018 was further amended which resulted in the capitalisation of the current period interest of US$587k as well as all interest accrued to date since the inception of the Investor Loan resulting in an increased principal amount of US$19.4 million and the Investor Loan's maturity date was extended to 8 January 2021. The modification to the Investor Loan included conversion options and has therefore been classified as a convertible loan, as disclosed above.

Labro Facility

During March and April 2020, the Company drew down US$2 million and US$0.5 million, respectively, from the US$15 million revolving term loan facility granted by Labro to the Company on 12 December 2018. On 14 April 2020, the maturity date of the Labro Facility was extended to 31 December 2020. On 29 April 2020, the total amount then outstanding under the Labro Facility including interest was repaid through the issue of ordinary shares of US$0.01 each in the capital of the Company ("Ordinary Shares"). At 30 June 2020 US$6.5 million remained available for draw down under the Labro Facility. The costs associated with the extension, including the appropriate portion of the 12 million shares issued to Labro, have been expensed.

Borrowings

Borrowings at 30 June 2020 and 31 December 2019 consisted of the following:

	Currency	Date of maturity	Interest rate (%)	2020 US$'000	2019 US$'000
Syndicated loan from Armenian banks	US$	31/12/2022	Libor 3m+8%	32,687	36,915
Total				**32,687**	**36,915**

The movements of borrowings are presented below:

	2020 US$'000
At 1 January 2020	**36,915**
Borrowing attracted in cash	-
Interest expense in profit or loss	1,530
Payment of interest in cash, net of taxes	(1,758)
Payment of principal amount in cash, net of taxes	(4,000)
Effect of currency translation	-
At 30 June 2020	**32,687**

On 30 January 2019, the documentation was finalised for the Kapan Acquisition Financing totalling US$40 million, which is syndicated with Ameriabank CJSC (US$32 million), HSBC Bank Armenia CJSC (US$5 million) and Ararat Bank OJSC (US$3 million). The loan 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 Group needs to adhere to, one of which is the Net debt to last 12 months ('LTM') EBITDA of 2.5x as at 30 June 2020. The Company did not meet this covenant as at 30 June 2020 and as such the full bank debt has been disclosed as a current liability. The LTM EBITDA calculation is based on EBITDA from 1 July 2019 to 30 June 2020.

In addition, the loan maintains a first line ranking to the Kapan assets. The loan also contains a cash sweep mechanism whereby Chaarat must make a mandatory repayment of the loan equal to the cash sweep percentage of the free cash flow after existing debt service. The cash sweep Percentage means: (i) 60% for the period starting on the utilisation date to the relevant date following 12 months after the utilisation date; (ii) 50% for the period starting on the second anniversary of the utilisation date to the relevant date following 24 months.

A waiver was received in August 2020, with regards to the relevant covenant not being met on 30 June 2020 and therefore the Group remains in full compliance with the loan.

10 Related party transactions

Remuneration of key management personnel

Remuneration of key management personnel for the 6 months ended 30 June 2020 and 30 June 2019 is as follows:

	2020 US$'000	2019 US$'000
Short term employee benefits	950	767
Share based payments charge	2,185	38
Total	**3,135**	**805**

Included in the above key management personnel are 7 directors and 2 key managers (31 December 2019: 8 and 1).

Entities with significant influence over the Group

At 30 June 2020, Labro, Chaarat's largest shareholder, owned 38.67% (2019: 35.14%) of the Ordinary Shares and US$1.0 million of 10% secured convertible loan notes 2021 which, assuming full conversion of principal and interest to maturity on 31 October 2021, are convertible into 2,849,330 Ordinary Shares (comprised of 2,111,484 Ordinary Shares in respect of principal and around 737,846 Ordinary Shares in respect of interest).

Labro Facility Agreement

The Company has issued the following Ordinary Shares in the Company to Labro, payment for which was offset against commitment and drawdown fees incurred and reduction of indebtedness under the Labro Facility:

Date payment due	Amount to be paid under Labro Loan Agreement	Type of payment under Labro Loan Agreement	№ of shares issued to Labro in satisfaction	Date shares issued to Labro
29 March 2019	US$ 225,000	Commitment fee	516,525	20 January 2020
3 March to 8 April 2020	US$ 75,000	Drawdown fee	177,330	29 April 2020
n/a	US$ 6,338,434	Indebtedness reduction	19,305,407	29 April 2020

Refer to note 9 above for a reconciliation of the Labro Facility during the period, showing a nil balance as at 30 June 2020, US$6.5 million remains available for draw down. On 14 April 2020, the Company entered into an agreement with Labro whereby the maturity date for the Labro Facility was extended to 31 December 2020. As noted below, 20% of the 12 million shares issued to Labro has been allocated to the cost of this extension.

On 29 April 2020, Labro subscribed for 25,396,945 Ordinary Shares at £0.26 per share pursuant to the placing announced by the Company on 27 April 2020 ("the Placing Shares"). Labro's obligation to deliver cash in respect of 19,305,407 of the Placing Shares was offset against the Company's indebtedness under the Labro Facility with the consequence that the Company's obligations under the Labro Facility decreased by US$6.4 million to nil.

Labro Guarantee and Security Fee Agreement

On 14 April 2020 the Company and Labro entered into a Security Fee Agreement pursuant to which Labro agreed to provide an increased security package (including a personal guarantee from the Company's Executive Chairman) to support a US$2.4 million increase in the principal amount of the Investor Loan relating to accrued interest to US$19.4 million and an extension of the maturity date of the Investor Loan from 31 March 2020 to 8 January 2021. On 15 April 2020 the Company issued to Labro 12 million new Ordinary Shares of which 80% has been attributed as consideration for Labro agreeing to provide the increased security package and (as noted above) the remaining 20% has been attributed as consideration for the extension of the Labro facility agreement. A further 8 million Ordinary Shares will be issued to Labro on 31 October 2020 if the Investor Loan has not been repaid in full by that date.

Shares issued to Key Management Personnel

Pursuant to the placing announced by the Company on 27 April 2020 (the "Placing"), the following Ordinary Shares were subscribed for by, and issued to, key management personnel ("KMPs") at a price of £0.26 per Ordinary Share:

1,998,786 Ordinary Shares were subscribed for by, and issued to, the Company's Executive Chairman. The subscription price therefore was satisfied in full by way of set-off of US$0.7 million of unpaid director fees that were due to him in respect of the seven calendar quarters ended 31 March 2020.

A further 1,286,839 Ordinary Shares were subscribed for by, and issued to, KMPs in the Placing upon terms that the subscription price therefore would be satisfied by way of set-off against a proportion of fees and salaries due and to become due until such time as the subscription price was fully paid:

Category	Total No. of Placing Shares issued	Total amount	Total repayments	Outstanding balance at 30 June 2020
Directors (including the Executive Chairman)	1,073,635	US$ 352,500	US$ 166,382	US$ 186,118
Other KMPs	213,204	US$ 70,000	US$ 14,737	US$ 55,263
Total	**1,286,839**	**US$ 422,500**	**US$ 181,119**	**US$ 241,381**

11 Post balance sheet events

Breach of loan covenant

The bank financing has certain covenants attached to it that the Group needs to adhere to, one of which is the net debt to last 12 months ('LTM') EBITDA of 2.5x as at 30 June 2020. The Company did not meet this covenant as at 30 June 2020 and as such the full bank debt has been disclosed as a current liability. The LTM EBITDA calculation is based on EBITDA from 1 July 2019 to 30 June 2020.

A waiver was received in August 2020, with regards to the relevant covenant not being met on 30 June 2020 and therefore the Group remains in full compliance with the loan.