

WFW ADVISES CHAARAT ON KAPAN REVERSE TAKEOVER AND DEBT FINANCING

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Watson Farley & Williams (“WFW”) advised long-term client Chaarat Gold Holdings Ltd (“Chaarat”) on the acquisition and related financing by its subsidiary, Chaarat Gold International Limited, of Kapan Mining and Processing CJSC (“Kapan”), which owns a medium-sized polymetallic mine in the Republic of Armenia, from PMTL Holding Ltd (“Polymetal”), a subsidiary of Polymetal International plc.

The consideration of US\$55m (subject to net debt, working capital and other adjustments) was paid in a mixture of cash and \$10m of Chaarat 10% secured convertible loan notes 2021. Following completion of the transaction, which constituted a reverse takeover under AIM Rules, Chaarat’s shares were successfully readmitted to trading on AIM on 4 February 2019.

Chaarat funded US\$40m of the consideration through a new debt financing facility provided to Kapan by a syndicate of banks led by Ameriabank CJSC (US\$32m) together with HSBC Bank Armenia CJSC (US\$5m) and Ararat Bank OJSC (US\$3m). The initial US\$5m deposit was funded out of Chaarat’s existing cash resources.

The acquisition is an important step in achieving Chaarat’s goal of building a leading emerging markets gold company with an initial focus on Central Asia and the FSU through organic growth and selective M&A.

The WFW team advising Chaarat was led by Partner and Global Natural Resources Head Jan Mellmann, working closely with Corporate Partner Andy Savage, Associate Nicholas Connell, Tax Partner Tom Jarvis, and Senior Associate David Jacob on the acquisition, as well as Senior Associate Jenny Hodges and Associate Clementine Freeth on the readmission to AIM. Project Finance Partner Daisy East led on the debt financing, assisted by Associates Emma Blake and Aimee Myhre.

Jan Mellmann commented: “We are delighted to have advised Chaarat on the successful financing and closing of this milestone acquisition, which transforms Chaarat from a developer to a cash-generative producer with three solid assets in two jurisdictions. The debt financing was completed in a month from start to finish which demonstrates the ability of our mining project finance team to execute deals quickly and efficiently in developing markets”.

Sergei Zhukov, General Counsel of Chaarat, commented: “I am grateful to WFW for their well-planned and proactive work on all project-related streams”.

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Jan and the team previously advised Chaarat on a series of placements of equity and convertible notes in 2017 and 2018 to fund development of its Chaarat Gold Project in the Kyrgyz Republic.

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