

**Company** : Chaarat Gold Holdings Ltd  
**TIDM** : CGH  
**Headline** : *Chaarat Gold Holdings Ltd - Final Results 2007*  
**Released** : 16 May 2008  
**Number** : 5756U

16 May 2008

**Chaarat Gold Holdings Ltd**  
**Ticker- AIM:CGH**

**PRELIMINARY ANNOUNCEMENT OF AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 December 2007**

**Chairman's Report**

**A Year of Progress**

Our Company has achieved a new milestone in its development with the admission of its shares to trading on the Alternative Investment Market in London. For the first time, this provides investors with the ability to trade in our shares on the stock exchange.

New capital raised by the IPO amounted to \$16.4 million net, which was less than had been sought but sufficient, nevertheless, to fund the Company at planned levels of expenditure into 2009. The onset of the credit crisis at the time of the IPO undermined sentiment towards exploration investment. The Company and its strategy were, however, well received by the investment community.

The fall in our share price since the issue will, I regret, have been a disappointment to shareholders and in the view of the Board does not adequately value the prospects of your Company. To address this further, efforts are being made to raise the awareness of both the scale of the project and the progress that we are making towards the fulfilment of its potential.

In terms of exploration, 2007 was another productive year for work carried out and for the growth in our resource base. Over 10,000 metres of drilling was completed and alongside this, an active programme of surface work was undertaken.

Subsequent to the year end, and based on the drilling results to the end of the 2007 exploration season, the JORC compliant resource calculation shows 3.13 million ounces of gold in the indicated and inferred categories. This represents an increase of 68% over the 1.87 million ounce gold resource at the end of 2006. The value of the deposit is further enhanced by significant grades of silver and antimony associated with the gold. The value to be derived from these metals will surely enhance the potential viability of the project.

Since the year end, work that has been underway on the adit, which has recently intersected the mineralisation in the Contact Zone, has given us important and encouraging confirmatory information on the width and gold grade of the zone. The adit itself, as planned, now allows us to carry out a year round drilling programme and to drill the Contact Zone at depth. Currently the mineralisation in the Contact Zone is open along strike and at depth. In summary, our exploration confirms that Chaarat's strategy of defining a resource capable of supporting a mine with an output of 200,000 ounces of gold production per year is well on course.

The focus of our metallurgical work has centred on laboratory testing of samples in a Denver laboratory and in the study of suitable processes for treating ore. We are still at an early stage in the examination of different processes suitable for the mineralisation. We are, however, encouraged that tests achieved a baseline gold recovery of 96%.

Aside from exploration, progress has been made on the environmental impact assessment study of the project. Regarding the sustainability aspects, the Company is well founded in its commitment to the sustainability of the region in which it operates. We have a strong team of professionals to oversee the social and environmental aspects of the project. As part of that commitment, much work is being done on programmes that support health, education and the cultural aims of the local community.

I am pleased to report that we have been successful in attracting new skilled recruits to our project. A new Project Manager has been appointed and will arrive in Bishkek shortly. A Geology Manager and an Exploration Manager have recently joined us and a Group Financial Controller has been recruited to be based in Bishkek, where he will arrive early in June.

Finally, I should like to thank our management and staff for their efforts in bringing our project further along the path to fruition. At a time when equipment and resources have been in tight supply throughout the industry, their achievements in 2007 are to their credit.

**Christopher Palmer-Tomkinson**  
**Chairman**

## **Chief Executive's Operation Report**

### **General**

The past year has been one of transition, from being a small private exploration company, we are now a public listed company. Furthermore, we have increased the scale of our operations and now operate on a year round basis, with our well established field base allowing us to avoid the winter close-down, which we had practised until recently. In addition, the Company commenced the preparation of a scoping study, which is scheduled for completion during the 2<sup>nd</sup> quarter of 2008.

With these developments, the skills base of the Company is being expanded by recruitment and training. The communication infrastructure and IT systems have been upgraded. Indeed, during the recent winter, we were able to continue with field operations in the development of the adit and the attendant underground drilling operations, which are ongoing.

Your Company is now well prepared to meet its objectives, namely the delineation of sufficient resources to support the development of a large scale gold mining operation at Chaarat.

### **Exploration**

The 2007 field operations, conducted during the season which commenced in June, included a significant amount of surface work. We completed 53 diamond drill holes (10,200 metres), developed and sampled 5,500 metres of trenches and exposed a number of mineralised outcrops in bulldozer excavations which have proved to be a very useful surface exploration tool. Our understanding of the three mineralised zones at Chaarat; the Contact, Main and Tulkubash Zones, improved considerably. At the same time we continued to discover new mineralised targets in our regional prospecting and mapping programmes. The Chaarat

licence continues to develop as a significant gold district in the Tien Shan Gold Belt.

As a result of this work, the mineral resource that has been delineated increased to 3.13 million ounces at end 2007 from 1.87 million ounces at end 2006 (in the JORC compliant, indicated and inferred categories). The Company has also commissioned Behre Dolbear International Ltd. ("Behre Dolbear"), an independent and internationally recognised engineering consulting firm, to prepare a scoping study on the economic viability of the Chaarat Project as well as setting out a recommended work programme to develop the project to the mining stage.

### **Contact Zone**

Recent drilling continues to confirm the potential of this zone. Whereas the Contact Zone can be identified for a length of more than 10 kilometres, we have undertaken drilling and trenching on only 1.5 kilometres, in four targets or project areas. These were identified by the wide mineralised outcrops, with attractive gold grades. Three of these targets have been drilled and the fourth has been mapped and trenched and now awaits drilling. In the C5300 Project Area, the width of the mineralisation appears to increase from some 5 to 6 metres at surface to over 20 metres at a vertical depth of about 300 metres below outcrop. Such widths are significant, both in terms of an increase in the resource potential and the probability that there could be a reduction in the unit costs of any future mining operation.

Recent drilling results indicate that the mineralised zone may be continuous over the 1,800 metres of strike between the C4000, C4600 and C5300 Project Areas. Due to the steep terrain and the advantage of conducting underground work on a year round basis, the company developed an adit in the centre of the C5300 Project Area, at an elevation of 300 metres below the mineralised outcrop. Subsequent to the year end, the adit intersected the Contact Zone mineralisation and currently we are developing underground drilling chambers, as well as continuing to develop drifts parallel to the mineralised zone, towards both the south west and north east. The additional exposure of this zone will allow us to obtain a better understanding of the mineralisation controls and distribution, as well as providing further access for drilling and bulk metallurgical samples.

The recently updated resource estimate for the Contact Zone (as calculated by Behre Dolbear), which includes all the drill holes which were drilled during 2007 for the C 5300, C4600 and C4000 Project Areas and the initial adit sampling on the C5300 Project Area is 1.25 million ounces at a grade of 4.42 g/t Au. The deepest drilling on these project areas is some 380 metres below outcrop (440m down dip) and the mineralisation remains open between the three project areas drilled, along strike and down dip. These extensions will be drilled in the coming year.

### **Main Zone**

The Main Zone is developed within the siltstones of the Chaarat and Karator Formations, on the lower slopes of the Sandalash River valley and has been prospected over a limited distance of five kilometres. The Main Zone is sub parallel to the Contact Zone and outcrops some 400 metres to the south east of the Contact Zone. Some seven mineralised areas have been identified along the strike of outcrop on the Main Zone, which have been designated as the M2400, M3000, M3400, M3900, M4400, M5000 and M6000 Project Areas. All of these project areas have been drilled to date, and on which resources of 1.56 million ounces of gold at a grade of 4.33 g/t have been delineated in the most recent resource estimate.

Drilling in the past year indicates that the mineralisation may be continuous between the two adjacent Project Areas, the M3400 and the M3900, which would result in a 660 metres long zone of mineralisation. The intervening area will be the focus of drilling during the next year.

Further along strike to the southwest, the M2400 Project Area has a resource estimated at 0.43 million ounces at a grade of 3.96 g/t Au. Drilling results in the past year were very positive, including drill hole DH101 at the south of the Project area, where mineralisation with a width of 33 metres (true width of 17 metres) and a gold grade of 5.67 g/t was intersected. The strike length of the M2400 Project Area has been increased through surface excavations and sampling by 50 metres (from 570 metres to 620 metres). Diamond drilling in the southern parts of this Project Area has been hindered by the unconsolidated surficial deposits and the Company intends to continue drilling this area by reverse circulation techniques, to probe the strike and down dip extensions to this mineralised area.

### **Tulkubash Zone**

The Tulkubash Zone is the third mineralised zone, which outcrops near the southernmost outcrops of the Contact Zone. The mineralisation was initially identified by a prominent four kilometre long gold in soil geochemical anomaly, overlying the Tulkubash quartzites, parallel to the Contact Zone. Relatively limited drilling has been completed to date over much of this strike length and has focussed only on the southernmost five hundred metres, which has been designated the T0700 Project Area. Eleven drill holes completed in the past year bring the total number of drill holes here to sixteen, which have served to increase the resources delineated in this area from 56,000 ounces to 319,000 ounces at a grade of 4.69 g/t Au. The mineralisation on this Project Area, which is seen as a possible open pit target, remains open at depth and for most of the extensive strike length and will be subjected to further drilling in the coming year.

### **Metallurgy**

Pursuant to the three metallurgical tests conducted during 2005 and 2006, a 200 kilogram metallurgical sample was subjected to further test work by Resource Development Inc. ("RDI") in Denver during 2007. Following the test work, RDI recommended a pressure oxidation treatment process on the whole ore, to be followed by either CIL or Merrill Crowe extraction process. RDI further determined that the proposed process should recover at least 94%-96% of the contained gold. RDI also believes that a significant portion of the silver and antimony associated with the gold mineralisation may be extracted. Notwithstanding the encouraging results, test work on all aspects of the proposed process will continue in 2008. In addition, the Company will study other processing methods, to ensure that we can select the optimal process for the deposit.

### **Scoping and Pre-feasibility studies**

During the 4<sup>th</sup> quarter of 2007, Behre Dolbear was requested to undertake a scoping study on the project, which is expected to be completed during May 2008. Furthermore, discussions have commenced with independent parties, with the aim of undertaking a pre-feasibility study. During May 2008 we expect to announce which company will undertake the pre-feasibility study.

### **Environmental work**

Work on the Baseline Environmental Study has commenced. The study is designed and supervised by Knight Piésold and Co. of the USA, who are independent of Chaarat and have commissioned a local consultant to undertake the on-site work. The study will comply with the standards of the World Bank (Equator Principles). A team of environmental specialists has commenced the work which is due to be completed in June 2009. At that time the results of this study and those of the pre-feasibility study will be available, thereby making it possible to initiate an Environmental Impact Study ("EIS") relating to the proposed development plan.

## **Sustainability**

The Chaarat Project, in common with other similar large scale projects, has numerous interactions with the various elements of its environment, including the social, communal, biological and physical aspects. Management is determined to ensure that as a result of such interactions, the impact of the Project will be as positive as possible. It is important that the Project has support from the local population as well as the local, regional and national administrations who are the custodians of the long-term wellbeing of the nation. Chaarat has adopted a proactive and transparent process whereby such stakeholders understand the technologies to be used and the protection measures that will be adopted.

The Company, in concert with the local population, accordingly has developed a number of initiatives designed to facilitate a process of positive interaction. These initiatives include assistance in such aspects as healthcare, vocational training, management of the regional hunting reserve and the preservation of local culture and customs.

**Dekel Golan**

**Chief Executive Officer**

## Consolidated income statement

For the years ended 31 December

	2007	2006
	USD	USD
Exploration expenses	(5,298,560)	(2,695,571)
Administrative expenses	(1,623,792)	(513,656)
Other operating income/(expense)	(2,852)	21,268
Operating loss	(6,925,204)	(3,187,959)
Financial expense	-	(82,264)
Financial income	384,858	131,781
Loss for the year, attributable to equity shareholders of the Company	(6,540,346)	(3,138,442)
Loss per share (basic and diluted) – USD cents	(11.21)c	(6.04)c

All amounts relate to continuing activities.

## Consolidated balance sheet

At 31 December

	2007	2006
	USD	USD
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	4,797	-
Property, plant and equipment	1,215,273	126,217
Other receivables	37,740	16,308
	1,257,810	142,525
<b>Current assets</b>		
Inventories	475,846	-
Trade and other receivables	742,433	110,178
Cash and cash equivalents	13,128,822	846,573
	14,347,101	956,751
<b>Total assets</b>	15,604,911	1,099,276
<b>Liabilities and equity</b>		
<b>Equity attributable to shareholders</b>		
Share capital	718,834	3,431
Share premium	15,665,928	6,454,707
Other reserves	11,048,357	-
Foreign currency reserve	(408,059)	11,801
Retained losses	(11,995,860)	(5,455,514)
	15,029,200	1,014,425
<b>Current liabilities</b>		
Trade payables	401,253	42,171
Accrued liabilities	174,458	42,680
	575,711	84,851
<b>Total liabilities and equity</b>	15,604,911	1,099,276

## Consolidated statement of changes in equity

For the years ended 31 December

	Share capital USD	Share premium USD	Retained losses USD	Other reserves USD	Translation reserve USD	Total USD
<b>Balance at 31 December 2005</b>	3,156	3,431,063	(2,317,072)	-	-	1,117,147
Currency translation	-	-	-	-	11,801	11,801
Net income recognised directly in equity	-	-	-	-	11,801	11,801
Loss for the year ended 31 December 2006	-	-	(3,138,442)	-	-	(3,138,442)
Total recognised income and expense for the year	-	-	(3,138,442)	-	11,801	(3,126,641)
Issuance of shares	275	3,303,850	-	-	-	3,304,125
Share issue costs	-	(280,206)	-	-	-	(280,206)
<b>Balance at 31 December 2006</b>	3,431	6,454,707	(5,455,514)	-	11,801	1,014,425
Currency translation	-	-	-	-	(419,860)	(419,860)
Net loss recognised directly in equity	-	-	-	-	(419,860)	(419,860)
Loss for the year ended 31 December 2007	-	-	(6,540,346)	-	-	(6,540,346)
Total recognised income and expense for the year attributable to equity shareholders of the Company	-	-	(6,540,346)	-	(419,860)	(6,960,206)
Issuance of shares and options for cash, pre reverse acquisition	308	4,750,232	-	248,509	-	4,999,049
Transfer to reserves - reverse acquisition *	(3,739)	(11,204,939)	-	11,208,678	-	-
Share for share exchange – reverse acquisition *	572,136	-	-	(572,136)	-	-
Share options expense	-	-	-	163,306	-	163,306
Issuance of shares for cash	146,698	18,119,004	-	-	-	18,265,702
Share issue costs	-	(2,453,076)	-	-	-	(2,453,076)
<b>Balance at 31 December 2007</b>	718,834	15,665,928	(11,995,860)	11,048,357	(408,059)	15,029,200

\* The transfers to reserves during 2007 represent the issued share capital and share premium of subsidiary Chaarat Gold Limited prior to its reverse acquisition of Chaarat Gold Holdings Ltd

## Consolidated cash flow statement

For the periods ended 31 December

	2007	2006
	USD	USD
<b>Operating activities</b>		
Result for the period before and after tax	<b>(6,540,346)</b>	<b>(3,138,442)</b>
Adjustments:		
Amortisation expense intangible assets	430	-
Depreciation expense property, plant and equipment	200,415	21,486
Loss on disposal of property, plant and Equipment	3,541	19,782
Loan discounting	-	82,264
Interest income	(263,558)	(131,781)
Share based payments	163,306	-
Foreign exchange	87,875	(7,145)
(Increase)/decrease in inventories	(475,846)	-
(Increase)/decrease in accounts receivable	(633,208)	(29,344)
Increase/(decrease) in accounts payable	490,859	45,454
<b>Net cash flow used in operations</b>	<b>(6,966,532)</b>	<b>(3,137,726)</b>
<b>Investing activities</b>		
Purchase of computer software	(5,227)	-
Purchase of property plant and equipment	(1,297,372)	(123,689)
Proceeds from sale of equipment	13,750	26,707
Loans issued	-	(160,000)
Loans repaid	40,000	40,000
Interest received	203,079	105,825
<b>Net cash used in investing activities</b>	<b>(1,045,770)</b>	<b>(111,157)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	23,264,751	3,304,125
Issue costs	(2,453,076)	(280,206)
<b>Net cash from financing activities</b>	<b>20,811,675</b>	<b>3,023,919</b>
<b>Net change in cash and cash equivalents</b>	<b>12,799,373</b>	<b>(224,964)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>846,573</b>	<b>1,059,977</b>
Effect of changes in foreign exchange rates	(517,124)	11,560
<b>Cash and cash equivalents at end of the year</b>	<b>13,128,822</b>	<b>846,573</b>

### Notes:

#### 1 Preparation of accounts

The financial information set out in this preliminary announcement does not constitute the Group's complete financial statements under the definition of ISA 1, for the years ended 31 December 2007 or 2006.

The consolidated balance sheet at 31 December 2007, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's 2007 annual financial statements upon which the auditors' opinion is unqualified.

#### 2 Loss per share

The loss per share is calculated by reference to the loss for the year of USD6,540,346 (2006:USD3,138,442) and the weighted average number of shares in issue during the year of 58,366,390 (2006: 51,938,220). There is no dilutive effect of share options or warrants.

#### 3 Dividend

No dividend is proposed in respect of the period.

#### **4 Selected accounting policies**

##### **Basis of preparation of financial statements**

The financial information has been prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union. The acquisition of the Company has been treated as a reverse acquisition by its operating subsidiary, without the presence of goodwill.

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods. Further funding is raised as and when required.

The Directors are confident that the Group has sufficient funding to enable it to continue to meet its debts as they fall due.

The Directors are of the opinion that the Company will require to raise additional financial resources to enable the group to undertake an optimal programme of exploration and appraisal activity beyond the next twelve months. Accordingly, the Directors intend to raise further funds during the course of the next twelve months.

##### **Basis of consolidation**

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, that entity or business is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

On 7 September 2007, the Company became the legal parent company of Chaarat Gold Limited in a share for share exchange transaction. The substance of the transaction was effectively that Chaarat Gold Limited acquired Chaarat Gold Holdings Ltd by way of reverse acquisition. Chaarat Gold Limited was the acquirer in the transaction in that Chaarat Gold Holdings Ltd at the time of acquisition was a shell with no net assets, compared with the more substantial value of its acquiror subsidiary, Chaarat Gold Limited. Furthermore, the subsidiary's management determined the selection of the management team of the combined entity.

The consolidated income statement for the year ended 31 December 2007 consolidates the results of Chaarat Gold Limited for the whole year and those of Chaarat Gold Holdings Ltd from 7 September 2007, the date of the reverse acquisition.

##### **Mining exploration and development costs**

During the exploration phase of operations, all costs are expensed in the Income Statement as incurred. A subsequent decision to develop a mine property within an area of interest is based on the exploration results, an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, exploration, development and other expenditures relating to the project are capitalised and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations over the relevant life of mine on a units of production basis.

#### **5 Publication of Annual Report**

Copies of the Annual Report and Accounts for the year ended 31 December 2007 will be posted to shareholders during May 2008 and will be available, free of charge, from Central Asia services Limited, 5 Conduit Street, London, W1S.2XD, for a period of 14 days from the date of their posting and will be made available on the Company's website - [www.chaarat.com](http://www.chaarat.com).

The Company's Annual General Meeting will be held at the offices of Chaarat Zaav CJSC, Chokmorova Street 127, Bishkek 720040, Kyrgyz Republic, on 3 July 2008 at 4:00pm local time.

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