

Chaarat Gold Holdings Ltd

("Chaarat" or "the Company")

Operations update

Road Town, Tortola, British Virgin Islands (17 May 2010).

Chaarat (AIM: CGH), the gold exploration and development company operating in the Kyrgyz Republic, is pleased to announce an update on recent developments in the Pre Feasibility Study (PFS) at its 100% owned Chaarat project, on which a 4.009 million ounce JORC compliant gold resource has been reported.

Highlights

- The PFS findings indicate the potential of implementing an initial high grade, low-cost, open pit mine within the T0700 project area
- The PFS is on track for completion in Q3 2010

T0700 Project Area

Strong progress has been made in determining the development strategy and economic parameters of the Chaarat project.

A significant development, which is being explored in more detail, is the potential of implementing an initial, high grade, low-cost open pit mine within the T0700 project area in the Tulkubash zone. This area currently has a JORC compliant resource of 336,000 oz at a grade of 4.18 g/t Au. The development of such a mine would require a comparatively small capital investment and provide a much shorter time frame to production than originally envisaged.

Recent work has shown that a significant proportion of the mineralisation in the T0700 project area is not sulphidic and that consequently gold can be extracted by direct and simple cyanidation. This option would not require the costly pressure oxidation unit which is part of the larger scale project. It has also been confirmed that almost all of the resource in the T0700 project can be mined by an open pit method. Open pit is a significantly cheaper mining method than underground mining and could allow a rapid increase in the mining rate.

The benefits of developing an early stage open pit operation within the T0700 project area will need to be considered against its inclusion within the construction of the full scale plant which will take place later and require much larger investment. The economic analysis of the relative merits of the two options will be dependent on the fund raising options available to the Company. Chaarat is in the process of assessing the best development strategy for its shareholders.

The Company believes that the Tulkubash zone, which has not been extensively drilled to date, is very prospective and significant exploration attention will be directed towards it. The Company is pleased to report that drilling will recommence this week in the Tulkubash zone and preliminary studies indicate the potential for the resource to be increased considerably.

Update on PFS

During the last few months, Charat has been coordinating a team of consultants and consulting companies to generate the information and analysis for a PFS. SRK (Johannesburg) has been selected to manage the PFS as well as to prepare the mine design and mine-scheduling work. SNC Lavalin, a world leader in process engineering and pressure oxidation plant designs, has been commissioned to undertake the process plant engineering and design. RDI, a leading Denver based metallurgical laboratory, has developed the process package and Eco-Services, a Kyrgyz company, is preparing the tail dam design and the general arrangement of the site in order to ensure compliance with both Kyrgyz and "western" standards and legal requirements.

Mining

Following a thorough geo-technical study, a pit design and pit optimisation plan have been completed for the open pit areas within the project. A mining method has been selected for the underground operation and scheduling of the mining activities is being undertaken to determine mining rate. The work is attempting to balance production from open pit and underground activities in order to optimise the capital investment and the utilisation of equipment.

Once the mine design has been completed, the ventilation and other facilities will be designed and included in the operational and economic models.

Process

The optimal process, developed by RDI, has been selected. The process will involve flotation of the ore and pressure oxidation of the float concentrate, instead of the previously considered option of whole ore pressure oxidation. Following oxidation, the concentrate, together with the tailings from the flotation circuit, will be sent to a CIL circuit for gold extraction. The process will provide a significant reduction in both capital and operating costs, as well as technical complexity, whilst still subjecting the whole ore to CIL high gold recovery. Bench scale trials are in process in order to further optimise the gold recovery parameters. The Company believes that recovery of around 88%-90% of contained gold is feasible.

An added benefit of this process is a much reduced environmental impact due to the fact that most, if not all, the arsenic is expected to be locked in non-soluble, non-hazardous compounds following the high pressure oxidation process.

Road and Transport

A number of trade-off studies have shown that the optimal way to site is a route of 190 km from the nearest rail head. The majority of the route is on public roads and only the last 40 km are on a private road. Another option being investigated is to avoid a mountain pass by taking a detour of 80 km. The decision is not purely economic as the needs of the local population and the impact traffic will have on their lives must be considered. It does seem however, at this stage, that the shorter road is also the one which has the least negative impact on society and the environment.

Additional resource and exploration

With the progress on the mine planning and the mining scheduling, it has become clear where further drilling will have the most significant impact, not only on the resource, but also on the

quantity of reserves to be determined at the end of the PFS. The Company plans to target those areas in the current season.

Dekel Golan, CEO of Chaarat, comments: *"I am delighted to report such pleasing progress on the project and look forward to updating the market as we proceed to completion of the PFS later this year."*

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Chaarat

Chaarat is an exploration and development company operating in the Kyrgyz Republic with its current main activity being the development of the Chaarat Gold Project. The Chaarat Gold Project is situated within the Middle Tien Shan Mountains of Kyrgyzstan which form part of the Tien Shan gold belt. The Company has thus far delineated a JORC compliant mineral resource of 4.009 Moz at a grade of 4.14 g/t gold. A scoping study demonstrating the economic viability of the Chaarat Gold Project was completed at the end of 2008. The Company is currently in the process of compiling a pre-feasibility study. Chaarat's objective is to become a low cost gold producer targeting an initial production of over 200,000 ounces per annum by early 2013.

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