

Chaarat Gold Holdings Limited

(“Chaarat” or “the Company”)

PRELIMINARY ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Road Town, Tortola, British Virgin Islands (25 May 2010)

Chaarat (AIM – CGH), the AIM quoted exploration and development company with assets in the Kyrgyz Republic, has today published its preliminary results for the year ended 31 December 2010.

Highlights

- **Two projects identified at Chaarat**

The Chaarat Property has been divided into two projects each hosting a different mineralisation; the low sulphur clean Tulkubash Project and the refractory Kiziltash Project.

- **Fast track to production identified**

The discovery of free milling mineralisation at the Tulkubash Project has accelerated Chaarat’s production plans.

- **Enhanced management team**

A team of experienced managers has joined the existing management team ensuring Chaarat has both the capacity and expertise to explore, develop and operate its assets

- **Fund raising**

\$80 million (net) was raised early in 2011 primarily from major institutional investors, to provide the finance for the construction of the first stage of the production facility (based on costs estimated by SNC Lavalin). During 2010 Chaarat raised approximately \$14m for ongoing exploration and development work

- **New Projects**

The Kyrex acquisition has brought Chaarat new projects in the Kyrgyz Republic. Chontash, one of the projects acquired is viewed by management as providing significant near term potential, with Kyzil Ompul an exciting prospect for the longer term

Christopher Palmer-Tomkinson, Chairman of Chaarat, commented: *“During the last 12 months, Chaarat’s development strategy has undergone a transformation. I am pleased to report that Chaarat continues to make progress on all operational fronts as we move towards gold production from the Tulkubash section of the Chaarat deposit.*”

“A pre-feasibility study, which will review the Chaarat deposit as a whole, is under preparation by SNC Lavalin and is expected to be announced around the end of June. This report will provide a good basis for an understanding of the operational potential of the Chaarat deposit and will underpin the maiden reserve report of the Company.

“We will update the market regularly on progress on the feasibility study for the Tulkubash Project, as milestones are reached, with the complete study to be published in the second half of the year.”

Chairman’s report

During the last 12 months your company’s development strategy has undergone a transformation. This has been brought about by the recognition that the Tulkubash section of the Chaarat deposit benefits from simpler mineralogy, hence we can accelerate our move into gold production.

In addition, we have managed to attract into the Company an entire team of experienced operatives with a track record of bringing mineral projects from inception into production in Central Asia. This regional operating expertise will benefit Chaarat as we move towards gold production. Moreover, the capital required to fund this first stage development has also been raised from an \$80 million equity issue shortly after the year end.

It has been a year of political changes in our host country, the Kyrgyz Republic. An upheaval during April 2010, which dislodged the president, weakened the central regime and allowed, later during the summer, ethnic tension to result in violence in the south of the country. Viewed more positively, it resulted in a new constitution and parliamentary elections under a new president, Mrs Otunbayeva.

From the perspective of our company, actual disruption to operations at Chaarat was minimal. Indeed, a declaration by the interim administration that the status quo for foreign mining companies operating in the Kyrgyz Republic would be respected was helpful.

Chaarat has always had a policy of assisting neighbouring communities and last year did much to help families affected by the events in the south. That assistance, in differing forms, is ongoing.

In terms of exploration, it has been a year of further good progress. Total resources at Chaarat have been expanded to 4.4 million ounces of gold and at an improved grade of 4.2 g/t. A component of our drilling in the Tulkubash section was devoted to confirmatory work, due to the potential of near term production, rather than purely focusing on further exploration.

The Contact and Main Zones at Chaarat are now included in the Kiziltash Project, which is the second and largest stage of the total project. Significant further work has been carried out on the Contact Zone, but work has, to date, focused on only 1,160 metres out of an identified 10 km of mineralised strike. Over 2 million ounces of gold have been classified as resource within the Contact Zone with the mineralisation still open at depth as well as along strike.

Recent results, the latest reported in March 2011, provide grounds for believing that this area is part of a much larger mineralised body where the gold grade improves at depth. We continue to be excited by the potential of this area.

Work has continued on the various studies required to bring Chaarat into production. Progress has been made on a number of fronts including the design of the access road, where tenders for construction are shortly to commence. The entire length of the power line has been designed for construction in two, or possibly three, stages, each with the capacity suitable for the projected production phases.

The metallurgy and process packages for both the free milling (a process for recovering gold without oxidation) and the refractory phases have been completed by SGS Lakefield and RDI.

Separate from exploration and development at Chaarat, in July 2010 the Company acquired the unlisted exploration company Kyrex Limited for the issue of 11.9 million shares. Kyrex has three principal exploration targets, all within the Kyrgyz Republic. The most economically promising of these is the Chontash project where a modest amount of drilling work has been carried out this year. There have been intersections of good grade molybdenum as well as gold and copper in the skarn segment of the deposit, but the core body, a porphyry system, is yet to be drilled. Interestingly, rare earth elements were also found in the drill holes, potentially adding to the in-situ value of the deposit. Whilst the geological indications thus far are encouraging, a great deal of drilling needs to be carried out before we can assess the full potential of Chontash.

Our watchword from here on is execution. We believe that we have a management team in place with all the strength and experience required to deliver successfully our plans. Together with our broader team of dedicated staff and a strong and diversified shareholder base, we are positioned to view the future with confidence.

Sincerely

Christopher Palmer-Tomkinson
Chairman

Chief Executive Officer's Report

Operational review

Chaarat's focus during 2010 was on activities which will bring us closer to production. Our resource was enhanced and expanded during the year, with the ounces we added confirming our understanding of how this resource will be mined. In addition to the exploration effort, we have made significant progress in recruitment and team building. The Company now has a full complement of operational expertise; their professional dedication and commitment will endeavour to turn Chaarat's promise into a reality.

The Company has three main operational objectives:

- commence production in Chaarat in the near term
- increase and improve the Chaarat resource base
- develop Chontash into another major deposit

This report sets out what progress has been made to date and what needs to be done to achieve our objectives. We could not have come this far without the support of our shareholders and dedicated staff to whom I wish to express my appreciation.

Towards production

Chaarat's operational strategy undertook a major shift during 2010 when it was decided to move towards production, albeit at a small scale, without delay. This positive change of strategy was enabled by the discovery that the mineralisation of Tulkubash is partially amenable to direct cyanidation and is cleaner with significantly lower levels of sulphur than the rest of the deposit.

The mineralisation in Chaarat is hosted in three structures: two of which host "refractory" mineralisation (in the Kiziltash Project) and the third, the Tulkubash Project, hosts mineralisation which is easier to process and can loosely be described as "free milling". Refractory ore requires oxidation, a capital and energy intensive process, but the free milling material is more amenable to simpler less capital intensive processing. Refractory process plants are usually large in order to benefit from economies of scale and financing large projects may prove difficult, especially in countries with limited relevant experience. The ability to commence production with the less challenging, free milling Tulkubash project is therefore a major breakthrough in the Company's ability to realise the value of Chaarat without causing too much dilution for our existing shareholders. We believe that the commencement of production should de-risk the execution of the whole project and will improve our opportunities to raise funds for the development of Kiziltash.

The current programme is to target small scale production as soon as practicable and then expand production gradually, by bringing the Kiziltash Project on stream, to reach production of about 200,000 ounces per annum.

The gradual process of increasing production will take place in two principal stages; the addition of an oxidation unit to allow the processing of the refractory Kiziltash ore and the installation of an additional "line" to support an increase in mining activity.

The following description is an indicative outline of the production process assuming the stages are carried out consecutively:

First production stage: The first production line will initially process only ore from the open pit section of the Tulkubash Project at a capacity of 1,000-2,500 tonnes per day (tpd). The actual processing rate from the Tulkubash open pit is likely to be about 1,000 tpd. The line capacity will be expanded to the full 2,500 tpd with an increase in the mining rate either from Tulkubash or once mining has commenced at Kiziltash.

The process flow sheet at this stage will involve crushing and milling of the ore. The milled material will be sent to a flotation circuit and separated into two streams. The process of flotation will capture the gold which is associated with sulphuric minerals, such as pyrite, to generate a "collective concentrate" whereas the "free gold" will be left in the tailings stream. Both the concentrate and the tailings from the flotation circuit will be leached in order to recover all the leachable gold.

Gold will be recovered from the loaded cyanide solution and will be cast as doré – bullion which is a mixture of gold and silver. The remaining concentrate will also be sold and the now gold-free tailings will be neutralised and treated before being sent to the tailings storage facility.

We expect that over 90% of the gold will be recovered. The local sulphur grade will determine the proportion of gold poured as doré and how much gold will be retained in concentrate. Overall we expect that about two thirds of the recovered gold will be produced as doré and the balance as concentrate.

Assuming a 1,000 tpd operation we expect annual gold production to be approximately 30-40,000 ounces of gold per annum.

Second production stage: The second stage will involve installing an oxidation unit which will enable the Company to process all the ore from both Tulkubash as well as from Kiziltash. Metallurgical work undertaken by RDI from Denver has shown that pressure oxidation is most suitable for the processing of the Chaarat ore.

Once the oxidation unit is installed there will be no need to continue with the separation of the sulphide associated gold from the "free milling" gold for which the flotation circuit had been used at the first stage. The whole ore will be sent directly for oxidation after it has been milled. The oxidised stream will be leached, gold will be recovered from the loaded solution and the tailings will be sent as before to the tailings facility.

At this stage the plant will be able to process both types of ore, so it is expected to work at full capacity of around 2,500 tpd. Gold production could reach 100,000 ounces of gold per annum all in the form of doré, as concentrate will no longer be produced.

Third production stage: A second "line" identical to the original one will be installed to double production capacity to 5,000 tpd. Assuming a 5,000 tpd operation, we expect annual gold production to be approximately 180,000 ounces of gold per annum.

Exploration

Resource increase and improvement

The exploration activities of the Company are focused on increasing the mineable resource which can be converted to reserves. Drilling has been planned in accordance with a specific mine design so that when additional resources are delineated they can immediately be converted into reserves on completion of the relevant economic modeling. Our aim is to delineate at least 6 million ounces of resource and to ensure a large proportion of that is recognised as reserves by the end of 2012.

Objectives and activities during 2010

The primary objective of the exploration programme of 2010 was to delineate the open pit potential of the Tulkubash oxide zone. Accordingly, most of the surface drilling was carried out in the Tulkubash Project. This drilling will enable the Company to comply with the local regulatory requirements for a mining permit application. Underground drilling continued in the Contact Zone from underground drill chambers, with very good results being reported. Drilling in the Main Zone comprised only a few surface drill holes, but the excellent results received from some of these holes warrant further exploration work.

A total of 9,869 metres of drilling (65 drill holes), 100 metres of drifting and two drill chambers have been completed in addition to about 900 metres of trenching in the Main and Tulkubash Zones.

The mineral resource estimation prepared early in 2011, which includes the 2010 drilling results, concluded that thus far Chaarat has delineated 4.406 million ounces of gold at a grade of 4.20 g/t. Drilling underground has continued throughout the winter and management believes that when the next resource estimate is announced the resource of the Contact Zone will have increased further.

Contact Zone

The two main sections of the Contact Zone, Project C4600 and Project C5300, have been consolidated by drilling into one large project now referred to as the Contact Project. The mineral resource of the contiguous Contact Project Area has only been drilled along 1,160 metres of strike and is open for extension both to the north and south. The depth extension varies but in some places it reaches a vertical depth of 900 metres from the surface which translates to a down dip length of 1,400 metres. The mineralisation seems to continue deeper and we will be working on extending the drilling both sideways and down dip.

A total of 2.001 Moz has already been delineated in the Contact Project at a grade of 4.20 g/t Au. Drilling continues and encouraging results are reported regularly. The Contact Project is proving to be a significant mineralised body, which can in itself support a major mining operation.

Main Zone

The Main Zone currently extends to over 4 km of strike and includes seven bodies with a total stated resource of 1.992 Moz at a grade of 4.30 g/t Au. This resource, which is open in all directions, has both open pit and underground potential, with particular promise in the southern section. The three projects (known as M2400, M3000 and M3400) appear to have the potential to support a robust mining rate of good grade rock.

The mineral resource of the three projects over a strike of about 1,500 metres currently totals 1.436 Moz with, in the opinion of the Company, much more to be delineated.

Work is progressing on the conceptual mine design by the Company and its advisers and will determine the best location for production and access adits. The exploration adit will be built in the appropriate location so that it can also be used for production thus shortening the time to production and reducing investment cost.

Although most of the resource is to be mined by underground methods, a significant amount is amenable to open pit mining. The Company's advisers have generated a preliminary pit "shell" model which will make it easier to identify the locations where surface drilling will not only increase the overall resource but will also contribute to a low cost open pit resource.

The preliminary calculation of the open pit mineable inventory geometry is approximately 250,000 ounces at a grade of 4.16 g/t Au capping the strip ratio at 17.2:1. The Company believes that this inventory can be increased with focused drilling.

Tulkubash Zone

The Tulkubash Project contains 321,000 ounces of gold at a grade of 4.00 g/t Au in mineralisation which is mostly free milling i.e. amenable to extraction by a relatively low cost metallurgical process. A significant portion of the resource at Tulkubash can be extracted by the open pit method which significantly improves the economics. In addition the Tulkubash mineralisation contains very low levels of silver, arsenic, antimony and sulphur.

With those features in mind, the Company decided to fast track Tulkubash to production. Drilling in 2010 has demonstrated the continuity of mineralisation, at varying widths, over a strike of 400m. During 2011 drilling will continue and will attempt to add to the resource by drilling along strike both towards south west and north east.

Tulkubash is an important first step for a large mining project. Production of lower cost gold can begin whilst the rest of the deposit is being developed; it is simpler to manage, production can be ramped up and it should contribute to the funds needed for the second phase of operation.

Chontash

Development of Chontash

Chontash is a promising deposit which deserves further significant exploration. Drilling in 2010 identified a resource containing molybdenum, copper and gold and there are good geological and geophysical reasons to believe there is significant potential still to be found in Chontash.

The Chontash Project is located in the Akshirak range of mountains, which extend along the edge of the main fault in the region, the Talas Fergana. The range hosts a number of mineral deposits, the best known of which is the Makmal deposit which used to host the largest gold mine in the country. The now dormant Makmal mine is currently being brought back into production, which will result in Chontash being close to mining infrastructure.

Chontash is focused on two connected targets: a porphyry intrusive body, which has the potential to be developed into a copper, gold, molybdenum, and rare earths (Cu-Au-Mo-REE) deposit, and a skarn deposit at its periphery. Skarn is metamorphic rock formed at the contact of an intrusive body (the porphyry) and carbonate rocks (the existing formation).

Fifteen holes have been drilled at Chontash. Targeted drilling of the skarn type mineralisation has delineated 2.852Mt of mineralisation with a Mo grade of 0.196%, with copper and gold credits of 0.13% and 0.08g/t respectively.

Three drill holes which seem to have penetrated the porphyry type mineralisation in the periphery of the skarn, delineated 380,000 tonnes of porphyry mineralisation with 0.9% Cu and 0.43g/t of Au. In light of this high grade indicative result, the Company intends to undertake additional geophysical work in order to further delineate the presumed porphyry target which may have generated the skarn.

The results of four holes drilled in the intrusive rocks showed that another phase of mineralisation in the porphyry contains REE at a grade of 0.232%. Although the grade may not be economic on a standalone basis, this result may contribute considerably to the attractiveness of Chontash, by adding credit to the Mo-Cu-Au deposit. During 2011, the Company will work to determine the development potential of an REE deposit, in both commercial grade and size.

Social engagement

Over the last few years Chaarat has been active on various fronts in assisting both the local administration as well as liaising directly with the Chatkal communities. The Company focuses its involvement with the local communities in four main areas: health, education, employment creation and the environment. A survey commissioned in 2010 identified areas where intervention and support in those areas will have the greatest positive impact. The survey findings will be used to prioritise what the Company can do to improve the quality of life of the residents of the Chatkal valley.

Working with the local communities

An effective local administration is a vital element of functioning communities. It should ensure infrastructure maintenance and the provision of critical health and veterinary services in a community where most of the population is involved in animal husbandry. In order to augment the income of the local administration, Chaarat has registered its subsidiaries locally and has reached an agreement that its land usage fees and other fees will be paid directly to the local administration, thereby becoming a significant local tax payer.

In 2010 the Company paid for improvements to the buildings housing the regional and local administration which were in a state of poor repair.

Kiyal, the local TV station, broadcasts the main source of regional information for the Chatkal residents. To ensure the continuation of a good quality service to residents, we provided new video equipment.

During the sad events of June in the south of the country, local communities received assistance in bringing back home members of family, especially students, who were caught up in the situation.

In addition to state organised structures, the communities in the Chatkal valley have informal institutions which are very important in maintaining social order and support. Chaarat is working with some of these institutions, including the Ak-Sakals (wisemen) and Bai-Biche (wise women) to ensure relationships with the neighbouring communities are friendly and productive. We have established a tradition of providing the Uraza meal, which is an important part of the ceremonies marking the month of Ramadan, for the elders of each community. The warm relationship helps to prevent the negative sentiments often directed at mining companies due to a lack of communication and misinformation.

Chaarat has established an independent charity called Chatkal Ordo, which can be loosely translated as the Chatkal community or the Chatkal clan. As an independent entity, Chatkal Ordo will be able to co-ordinate assistance to local communities from Chaarat as well as encouraging other entities to participate in doing so.

Health

The Company has provided the local medical centre with a four wheel drive vehicle which ensures help can be provided to residents in all weathers and difficult off road locations can be accessed. Assistance was also provided to the district hospital and in particular, to local veterans of the Second World War.

Education

We are still assessing how we can provide sustainable assistance to the local schools. 2010's "Back to School" saw all 510 of the first year primary school students receive school kits to mark the occasion. Each kit included a school backpack complete with school supplies. This modest start will hopefully mark increasing involvement and support of local schools. At the request of the administration, special assistance was given to single parent families in surrounding villages to ease the difficulty of sending children to school.

Chaarat has established scholarships for local students to attend higher education in the mining engineering or geology disciplines. Each year five students are selected and their

tuition is fully paid by the Company. The students, subject to achievements, are then offered work opportunities with Chaarat.

Employment Creation

Shyrdaks, a type of felt carpet, are one of the most admired aspects of Kyrgyz culture. A project aimed at reviving the craft amongst the Chatkal communities will hopefully start this spring following training and preparation by the staff of Chatkal Ordo, who will provide financial help with marketing and quality control to the local women.

A significant recruitment and training campaign has also been initiated and, by the end of 2011, the Company expects to have created a meaningful number of jobs in the Chatkal valley as a direct consequence of its involvement in the area.

Environment

The Besh Aral nature reserve just north of the Chaarat licence area is an area of outstanding natural beauty and ecological significance. The Company has been working with the environmental protection committee and provided direct assistance both financially and in the provision of seedlings to the Besh Aral management.

Sincerely

Dekel Golan

Chief Executive Officer

Consolidated income statement *For the years ended 31 December*

	2010	2009
	USD	USD
Exploration expenses	(7,242,318)	(4,695,271)
Administrative expenses	(3,432,711)	(2,430,171)
Administrative expenses- Share options expense	(588,587)	(49,778)
Administrative expenses- Other	(18,514)	(32,205)
Administrative expenses- Foreign exchange loss	(168,336)	(240,532)
Operating loss	(11,450,466)	(7,447,957)
Financial income	14,363	19,048
Taxation	-	-
Loss for the year, attributable to equity shareholders of the parent	(11,436,103)	(7,428,909)
Loss per share (basic and diluted) – USD cents	(9.12)c	(8.22)c

Consolidated statement of comprehensive income *For the years ended 31 December*

	2010	2009
	USD	USD
Loss for the year, attributable to shareholders of the parent	(11,436,103)	(7,428,909)

Other comprehensive income:		
Exchange differences on translating foreign operations	(143,478)	(343,968)
Other comprehensive income for the year, net of tax	(143,478)	(343,968)
Total comprehensive income for the year attributable to shareholders of the parent	(11,579,581)	(7,772,877)

Consolidated balance sheet
At 31 December

	2010	2009
	USD	USD
Assets		
Non-current assets		
Intangible assets	20,082	60,558
Mining exploration assets	8,349,367	-
Property, plant and equipment	596,502	1,221,765
Other receivables	50,456	-
	<u>9,016,407</u>	<u>1,282,323</u>
Current assets		
Inventories	150,035	156,691
Trade and other receivables	1,619,590	418,239
Cash and cash equivalents	10,124,977	6,812,046
	<u>11,894,602</u>	<u>7,386,976</u>
Total assets	20,911,009	8,669,299
Equity and liabilities		
Equity attributable to shareholders		
Share capital	1,470,339	1,129,110
Share premium	48,949,592	27,499,843
Other reserves	13,839,590	13,312,190
Translation reserve	(1,083,334)	(939,856)
Accumulated losses	(44,173,760)	(32,798,843)
	<u>19,002,427</u>	<u>8,202,444</u>
Non-current liabilities		
Deferred tax	487,000	-
	<u>487,000</u>	<u>-</u>
Current liabilities		
Trade payables	646,788	285,890
Accrued liabilities	774,794	180,965
	<u>1,421,582</u>	<u>466,855</u>
Total liabilities	1,908,582	466,855
Total equity and liabilities	20,911,009	8,669,299

Consolidated Statement of Changes in Equity
For the years ended 31 December

	Share capital USD	Share premium USD	Accumulated losses USD	Other reserves USD	Translation reserve USD	Total USD
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Balance at 31 December 2008	718,834	15,665,928	(25,510,680)	13,403,158	(595,888)	3,681,352
Currency translation	-	-	-	-	(343,968)	(343,968)
Net income recognised directly in equity	-	-	-	-	(343,968)	(343,968)
Loss for the year ended 31 December 2009	-	-	(7,428,909)	-	-	(7,428,909)
Total comprehensive income for the year	-	-	(7,428,909)	-	(343,968)	(7,772,877)
Share options lapsed	-	-	140,746	(140,746)	-	-
Share options expense	-	-	-	49,778	-	49,778
Issuance of shares for cash	410,276	12,351,904	-	-	-	12,762,180
Share issue costs	-	(517,989)	-	-	-	(517,989)
Balance at 31 December 2009	1,129,110	27,499,843	(32,798,843)	13,312,190	(939,856)	8,202,444
Currency translation	-	-	-	-	(143,478)	(143,478)
Net income recognised directly in equity	-	-	-	-	(143,478)	(143,478)
Loss for the year ended 31 December 2010	-	-	(11,436,103)	-	-	(11,436,103)
Total comprehensive income for the year	-	-	(11,436,103)	-	(143,478)	(11,579,581)
Share options lapsed	-	-	61,186	(61,186)	-	-
Share options expense	-	-	-	588,586	-	588,586
Issuance of shares for acquisition	119,282	7,500,134	-	-	-	7,619,416
Issuance of shares for cash	221,947	14,386,364	-	-	-	14,608,311
Share issue costs	-	(436,749)	-	-	-	(436,749)
Balance at 31 December 2010	1,470,339	48,949,592	(44,173,760)	13,839,590	(1,083,334)	19,002,427

Consolidated cash flow statement
For the years ended 31 December

	2010	2009
	USD	USD
Operating activities		
Loss for the year	(11,436,103)	(7,428,909)
Adjustments:		
Amortisation expense - intangible assets	25,520	33,929
Depreciation expense - property, plant and equipment	490,024	654,224
Loss on disposal of property, plant and equipment	5,094	37,546
Finance income	(14,363)	(19,048)
Share based payments	588,587	49,778
Foreign exchange income	(42,590)	(64,025)
Decrease/(Increase) in inventories	8,553	(106,800)
(Increase)in accounts receivable	(1,080,142)	(19,489)
Increase in accounts payable	688,041	117,116
Net cash flow used in operations	(10,767,379)	(6,745,678)
Investing activities		
Purchase of computer software	(3,664)	(117)
Purchase of property plant and equipment	(98,445)	(44,680)
Acquisition of subsidiary (net of cash acquired)	5,865	-
Proceeds from sale of equipment	-	42,500
Loans repaid	4,407	48,557
Interest received	14,363	6,600
Net cash (used in)/generated from investing activities	(77,474)	52,860
Financing activities		

Proceeds from issue of share capital	14,608,310	12,762,180
Issue costs	(436,749)	(517,989)
Net cash from financing activities	14,171,561	12,244,191
Net change in cash and cash equivalents	3,326,708	5,551,373
Cash and cash equivalents at beginning of the year	6,812,046	1,375,445
Effect of changes in foreign exchange rates	(13,777)	(114,772)
Cash and cash equivalents at end of the year	10,124,977	6,812,046

Significant non cash transactions

As disclosed in note 3, the purchase price for the acquisition of Kyrex Limited comprised shares. The fair value of the shares issued was USD 7,619,416.

Notes:

1 Preparation of accounts

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009. The statutory accounts for the year ended 31 December 2010 have been finalised on the basis of the financial information presented by the directors in this preliminary announcement.

The consolidated balance sheet at 31 December 2010, the consolidated income statement, consolidated statement of comprehensive income, 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 2010 annual financial statements upon which the auditors' opinion is unqualified.

2 Loss per share

Loss per share is calculated by reference to the loss for the year of USD 11,436,103 (2009: USD 7,428,909) and the weighted number of shares in issue during the year of 125,387,960 (2009: 90,367,958)

There is no dilutive effect of share options

3 Acquisitions

On 28 July 2010 the Company completed the acquisition of 100% of the issued and to be issued share capital of Kyrex Limited, a holding company of a number of exploration companies with activities in the Kyrgyz Republic, in a share for share transaction comprising 54 fully paid Chaarat ordinary shares for each Kyrex share. The total consideration was 11,928,222 Chaarat shares. Based on the Volume Weighted Average Price per Chaarat share on 28 July 2010 of 41.13p and a GBP:USD exchange rate of 1.5532 this represents a total consideration of USD 7,619,416.

As the Chaarat project moves into development management wished to maximise the value of Chaarat's experienced exploration team on other prospective licences. Kyrex was a suitable target holding a number of promising licence areas in the Kyrgyz Republic.

The fair value of assets acquired was USD 7,619,416 being the net of USD 8,349,367 of exploration assets and USD 729,951 of net liabilities. The exploration assets were independently valued. Details of the net assets acquired and fair value adjustments are set out below.

Book value	Fair value adjustment	Fair Value
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	USD'000	USD'000	USD'000
Intangible fixed assets	-	8,349	8,349
Tangible fixed assets	10	-	10
Inventories	2	-	2
Receivable	1	-	1
Cash	6	-	6
Payables	(144)	-	(144)
Deferred tax liability		(487)	(487)
Loans payable	(118)	-	(118)
Net assets acquired	(243)	7,862	7,619
Consideration			7,619

The fair value adjustments in respect of intangible assets are due to the recognition of USD 8,349,000 in respect of exploration assets which were independently valued in June 2010.

The acquisition related costs totalled USD 58,528. These costs are recognised as an expense in the Administrative expenses line of the Income Statement. The contribution to the net loss of the group was USD 270,588. Had the business combination been effective for the full year, the loss for the year from continuing operations would have been USD 371,659.

4 Post balance sheet events

On 20 January 2011 Rontree Ventures Limited, a Cypriot company, was incorporated as a subsidiary of the Company.

On 7 February 2011 the Group announced that it had conditionally raised approximately USD 83.4 million (GBP 51.6 million) (gross) from a proposed issue of 103,290,468 ordinary shares of USD 0.01 each at a price of USD 0.808 each (GBP 0.50). Of these shares, 3,147,798 were issued on 4 February 2011 with the balance issued on 2 March 2011 following an Extraordinary General Meeting held on that date.

In March 2011, 8,500,000 share options were granted to certain employees with exercise prices between 70p and 150p. The options are exercisable between 1 and 8 years from the date of grant.

5 Timetable and distribution of accounts

The Annual Report and Accounts together with the Notice of AGM, Proxy form and Form of Direction will be sent to all registered shareholders. The Annual General Meeting will be held at 10:00 a.m. on 7 July 2011 at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB.

Additional copies of the Annual Report and Accounts will be available from Central Asia Services Limited, 6 Conduit Street, London, W1S 2XE and on the Company's website - www.chaarat.com.

Note to Editors:

Further information about the Company:

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About Chaarat Gold

Chaarat Gold is an exploration and development company operating in the Kyrgyz Republic. The Company's main activity is the development of the Kiziltash and Tulkubash projects situated within the Middle Tien Shan Mountains of Kyrgyzstan, which form part of the Tien Shan gold belt. The Company has delineated a JORC compliant mineral resource of 4.406Moz at a grade of 4.20g/t gold across both deposits. The Company is currently in the process of compiling a Pre-Feasibility study on the Kiziltash project. Chaarat's key objective is to become a low cost gold producer; with initial production from the Tulkubash project, targeting increased production of over 200,000 ounces per annum from the Kiziltash project.

www.chaarat.com

Disclaimer

This press release includes forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Chaarat's control that would cause the actual results, performance or achievements of Chaarat to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Chaarat's present and future business strategies and the environment in which Chaarat will operate in the future. Any forward-looking statements speak only as at the date of this document. Chaarat expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this document to reflect any change in Chaarat's expectations with regard to these or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this press release may not occur either partially or at all.