

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

**Half Year Results to 30 June 2010**

Road Town, Tortola, British Virgin Islands (29 September 2010)

Chaarat (AIM: CGH) today announces its half-year financial results for the six months ended 30 June 2010.

**Highlights**

- Continued progress on evaluating the small scale gold production opportunity at Tulkubash for development in 2011
- Acquisition of Kyrex Limited ("Kyrex") ,a private company with four prospective licences in the north west of the Kyrgyz Republic
- After the period end GBP 6.7 million raised before expenses to accelerate project development

**Dekel Golan CEO commented:** *"I am pleased to report good progress from our exploration activities in the Kyrgyz Republic. The PFS for our 4Moz Chaarat Gold Project is progressing well. In addition, we are continuing to evaluate the various options available to us to accelerate the development of the Tulkubash project which has the potential to commence production in 2011 thereby providing early cash flow ahead of the main section of the Chaarat Gold Project in 2012. During the period, we also completed the acquisition of Kyrex Limited, an early stage exploration company that owns three highly prospective licences in the north west of the country."*

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**Chief Executive's Report**

I am pleased to present the Company's financial results for the six months ended 30 June 2010 and also to reflect on progress at Chaarat in the period since my last report.

Chaarat's main focus in the period has been on the development of a strategy for advancement of the Company's 4Moz flagship Chaarat project; evaluation of the option of advancing the Tulkubash resource into production in 2011 through an initial small scale gold production operation and at the

same time the group has been widening its exploration asset base through the acquisition of new licences in the Kyrgyz Republic.

The development of the Chaarat project is being progressed by a group of consultants working on our “pre-feasibility study” (“PFS”). The final PFS will enable the board to decide upon the most appropriate route to production. As a result of the continued evaluation of a number of options the PFS will not be available before the end of 2010. The board considers it to be in the best interests of the future development of the project to thoroughly evaluate the options at this stage. Latest findings of the PFS are discussed below:

The analysis and testing of the best route for development of our Main Zone and Contact Zone resource has been ongoing over the last two years and is beginning to reach resolution. More recently the Company has identified the fact that the mineralisation of the Tulkubash resource is free milling. This is an important development as it presents Chaarat with the opportunity of developing a first phase, low cost, small scale gold production operation relatively quickly. In addition there is an opportunity to develop at least part of the Tulkubash resource as an open pit operation.

A number of companies have been invited to bid for the preparation of the full feasibility study (“FS”) on the Tulkubash project, tenders have been submitted and are currently being reviewed. We expect to have a FS in place for the Tulkubash project before the end of Q2 2011.

The preliminary findings of the PFS indicate that the optimal metallurgical process for the Chaarat deposit has been established as whole ore pressure oxidation or POX process. The POX process is well understood, is safe, robust and most importantly generates completely non-hazardous tailings. Of the processes available it has the smallest environmental footprint. Overall gold extraction of  $\pm 88\%$  (85%-92%) is projected for the whole ore POX/cyanidation with recovery in earlier years expected to be slightly higher.

A site for hosting the tailings dam and mill has been identified, studied and proved to be suitable. Two tailings dams with a capacity in total of about 10 million cubic metres have been designed. The locations of the various components of the operation were determined so that they could service both the smaller Tulkubash project as well as the Main project. This should mean that the operation of the Tulkubash project will not be interrupted by the construction of the main operation.

Having reviewed the power supply options, it became clear that building a dedicated power line is likely to be the cheapest and most reliable option. The comparatively low cost of power in the Kyrgyz Republic and its status as an exporter of electricity should ensure a continuous supply. So as to avoid power outages from surges in demand from residential and other industrial users on the national grid, it has been decided to build a dedicated line from a location near an existing hydro power station. A formal allocation has been received from the Kyrgyz Power Supply Authority, which is effectively a commitment to provide electricity. A detailed study of the line route and technical and economic aspects has been commissioned from an engineering company.

### **The Kyrex acquisition**

During June Chaarat entered into agreement to acquire the entire issued and to be issued share capital of a private company, Kyrex, in an all share transaction. Kyrex holds a number of promising licence areas in Kyrgyzstan. As the Chaarat deposit is nearing its development phase, management was of the view that our exploration team can be better utilised in adding value through exploration on other

prospective licences. At present the two Kyrex licences of greatest interest to us are Chontash, a gold-copper- molybdenum project and Mironovskoye, a polymetallic deposit.

Chontash, a skarn type deposit presents a significant opportunity for Chaarat. If our geological expectations materialise, it may host a sizeable porphyry body with economic grades of copper, gold and molybdenum. Chontash is located near Makhmal, which until the establishment of the Kumtor Mine, was the largest gold mine in Kyrgyzstan. While Chontash does not have much by way of immediate infrastructure it is only 15 km away from another mine which should ensure access to power, labour and roads. Drilling has commenced and we expect to be able to report preliminary results soon. We commenced drilling the property with a small 1,000 metre programme in order to allow our exploration team to gain further understanding of the property and design a broader drilling programme. We expect to be able to report preliminary results soon.

Mironovskoye is a small polymetallic deposit located near Bishkek and consequently has rail, power lines and roads available nearby. It should be relatively easy to develop and generate cash flow with a modest investment. Prior to its acquisition by Chaarat, Kyrex has conducted significant metallurgical work which will now be reviewed and possibly updated. Once a process has been developed, a feasibility study will be commissioned to support the development of the project.

Kyrex also owns a number of other prospective grass root exploration properties which will be evaluated in the coming years.

As mentioned in the Chairman's statement in the 2009 Annual Report, management continues to look at ways of narrowing the gap between the Company's share price and underlying value. We continue to review different corporate options including trading Chaarat's shares on the Hong Kong Stock Exchange, where there seems to be an appetite for Asian mining companies; especially those involved in gold exploration and production, nor have we excluded other resource friendly exchanges such as the TSX in Toronto.

Since the period end Chaarat had raised an aggregate of GBP 6.7 million before expenses through private placements. I am pleased to report our Chinese partner has indicated its intent to seek approval from the relevant State authorities to maintain its 19.9% shareholding in the expanded share capital of the Company. Receipt of these funds will leave the Company well capitalised.

Dekel Golan  
Chief Executive Officer

### **Chaarat Gold**

Chaarat is an exploration and development company operating in the Kyrgyz Republic. The Company's main activity is the development of the Chaarat Gold Project 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. In addition, the Company has identified the potential of establishing an early stage, low cost, partially open pit mine at the Tulkubash project for initial production, subject to funding, in Q4 2011.

**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.

**Consolidated income statement***For the six months ended 30 June*

		<b>6 months to 30 June 2010 (unaudited)</b>	<b>6 months to 30 June 2009 Restated (unaudited)</b>	<b>12 months to 31 December 2009 (audited)</b>
	Note	USD	USD	USD
Exploration expenses		(2,081,166)	(1,190,702)	(4,023,948)
Prefeasibility study expenses		(438,363)	(234,197)	(671,323)
Administrative expenses		(1,558,026)	(1,020,034)	(2,430,171)
Administrative expenses - Share options expense	5	(221,594)	(51,618)	(49,778)
Administrative expenses - Other operating expense		(11,673)	(33,524)	(32,205)
Administrative expenses – Foreign exchange (loss)/gain		(61,935)	101,997	(240,532)
<b>Operating loss</b>		<b>(4,372,757)</b>	<b>(2,428,078)</b>	<b>(7,447,957)</b>
Financial income		8,270	4,883	19,048
<b>Loss for the period, attributable to equity shareholders of the Parent</b>		<b>(4,364,487)</b>	<b>(2,423,195)</b>	<b>(7,428,909)</b>
Loss per share (basic and diluted) – USD cents	2	(3.87)c	(3.15)c	(8.22)c

**Consolidated statement of comprehensive  
income and expense***For the six months ended 30 June*

		<b>6 months to 30 June 2010 (unaudited)</b>	<b>6 months to 30 June 2009 (unaudited) Restated</b>	<b>12 months to 31 December 2009 (audited)</b>
		USD	USD	USD
<b>Loss for the period, attributable to equity shareholders of the Parent</b>		<b>(4,364,487)</b>	<b>(2,423,195)</b>	<b>(7,428,909)</b>
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations		(102,621)	(64,874)	(343,968)
<b>Total comprehensive loss for the period</b>		<b>(4,467,108)</b>	<b>(2,488,069)</b>	<b>(7,772,877)</b>

See note 6 for details of the restatement of the share options expense for the six months ended 30 June 2009.

**Consolidated balance sheet***At 30 June*

	<b>30 June 2010 (unaudited)</b>	<b>30 June 2009 (unaudited) Restated</b>	<b>31 December 2009 (audited)</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	30,010	73,470	60,558
Property, plant and equipment	720,759	1,667,202	1,221,765
	<u>750,769</u>	<u>1,740,672</u>	<u>1,282,323</u>
<b>Current assets</b>			
Inventories	146,430	27,057	156,691
Trade and other receivables	903,874	212,876	418,239
Cash and cash equivalents	3,007,319	2,850,852	6,812,046
	<u>4,057,623</u>	<u>3,090,785</u>	<u>7,386,976</u>
<b>Total assets</b>	<b><u>4,808,392</u></b>	<b><u>4,831,457</u></b>	<b><u>8,669,299</u></b>
<b>Liabilities and equity</b>			
<b>Equity attributable to shareholders</b>			
Share capital	1,129,110	911,780	1,129,110
Share premium	27,499,843	18,700,475	27,499,843
Other reserves	13,529,935	13,449,409	13,312,190
Translation reserve	(1,042,477)	(660,762)	(939,856)
Retained losses	(37,159,481)	(27,928,508)	(32,798,843)
	<u>3,956,930</u>	<u>4,472,394</u>	<u>8,202,444</u>
<b>Current liabilities</b>			
Trade payables	527,360	127,911	285,890
Accrued liabilities	324,102	231,152	180,965
	<u>851,462</u>	<u>359,063</u>	<u>466,855</u>
<b>Total liabilities and equity</b>	<b><u>4,808,392</u></b>	<b><u>4,831,457</u></b>	<b><u>8,669,299</u></b>

See note 6 for details of the restatement of the share options expense for the six months ended 30 June 2009.

**Consolidated cash flow statement***For the 6 months ended 30 June*

	<b>6 months to 30 June 2010 (unaudited)</b>	<b>6 months to 30 June 2009 Restated (unaudited)</b>	<b>12 months to 31 December 2009 (audited)</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Operating activities</b>			
Loss for the period before and after tax	<b>(4,364,487)</b>	<b>(2,423,195)</b>	<b>(7,428,909)</b>
Adjustments:			
Amortisation expense - intangible assets	13,107	26,003	33,929
Depreciation expense - property plant and equipment	312,944	313,075	654,224
Loss on disposal of property, plant and equipment	3,052	34,864	37,546
Finance income	(8,270)	(4,883)	(19,048)
Share based payments	221,594	51,618	49,778
Foreign exchange	2,909	(174,477)	(64,025)
(Increase)/Decrease in inventories	10,261	(24,012)	(106,800)
(Increase)/Decrease in accounts receivable	(294,386)	345,283	(19,489)
Increase /(Decrease) in accounts payable	380,200	18,418	117,116
<b>Net cash flow used in operations</b>	<b>(3,723,076)</b>	<b>(1,837,306)</b>	<b>(6,745,678)</b>
<b>Investing activities</b>			
Purchase of computer software	-	-	(117)
Purchase of property, plant and equipment	(40,299)	(70,217)	(44,680)
Proceeds from sale of equipment	-	40,000	42,500
Loans issued	-	-	-
Loans repaid	4,407	8,557	48,557
Interest received	8,270	4,186	6,600
<b>Net cash used in investing activities</b>	<b>(27,622)</b>	<b>(17,474)</b>	<b>52,860</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	-	3,357,258	12,762,180
Issue costs	-	(129,765)	(517,989)
<b>Net cash from financing activities</b>	<b>-</b>	<b>3,227,493</b>	<b>12,244,191</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,750,698)</b>	<b>1,372,713</b>	<b>5,551,373</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>6,812,046</b>	<b>1,375,445</b>	<b>1,375,445</b>
Effect of changes in foreign exchange rates	(54,029)	102,694	(114,772)
<b>Cash and cash equivalents at end of the period</b>	<b>3,007,319</b>	<b>2,850,852</b>	<b>6,812,046</b>

See note 6 for details of the restatement of the share options expense for the six months ended 30 June 2009.

### Consolidated statement of changes in equity

For the six months ended 30 June

	Share capital USD	Share premium USD	Retained losses USD	Other reserves USD	Translation reserve USD	Total USD
<b>Balance at 31 December 2008</b>	718,834	15,665,928	(23,889,711)	11,782,189	(595,888)	3,681,352
Restatement	-	-	(1,620,969)	1,620,969	-	-
<b>Balance at 31 December 2008 (restated)</b>	<b>718,834</b>	<b>15,665,928</b>	<b>(25,510,680)</b>	<b>13,403,158</b>	<b>(595,888)</b>	<b>3,681,352</b>
Currency translation	-	-	-	-	(64,874)	(64,874)
Net income recognised directly in equity	-	-	-	-	(64,874)	(64,874)
Loss for the six months ended 30 June 2009 (restated)	-	-	(2,423,195)	-	-	(2,423,195)
Total recognised income and expense for the six months	-	-	(2,423,195)	-	(64,874)	(2,488,069)
Share options lapsed	-	-	5,367	(5,367)	-	-
Share options expense (restated)	-	-	-	51,618	-	51,618
Issuance of shares for cash	192,946	3,164,312	-	-	-	3,357,258
Share issue costs	-	(129,765)	-	-	-	(129,765)
<b>Balance at 30 June 2009 (restated)</b>	<b>911,780</b>	<b>18,700,475</b>	<b>(27,928,508)</b>	<b>13,449,409</b>	<b>(660,762)</b>	<b>4,472,394</b>
Currency translation	-	-	-	-	(279,094)	(279,094)
Net income recognised directly in equity	-	-	-	-	(279,094)	(279,094)
Loss for the six months ended 31 December 2009	-	-	(5,005,714)	-	-	(5,005,714)
Total recognised income and expense for the six months	-	-	(5,005,714)	-	(279,094)	(5,284,808)
Share options lapsed	-	-	135,379	(184,290)	-	(48,911)
Share options expense	-	-	-	47,071	-	47,071
Issuance of shares for cash	217,330	9,187,592	-	-	-	9,404,922
Share issue costs	-	(388,224)	-	-	-	(388,224)
<b>Balance at 31 December 2009</b>	<b>1,129,110</b>	<b>27,499,843</b>	<b>(32,798,843)</b>	<b>13,312,190</b>	<b>(939,856)</b>	<b>8,202,444</b>
Currency translation	-	-	-	-	(102,621)	(102,621)
Net income recognised directly in equity	-	-	-	-	(102,621)	(102,621)
Loss for the six months ended 30 June 2010	-	-	(4,364,487)	-	-	(4,364,487)
Total recognised income and expense for the six months	-	-	(4,364,487)	-	(102,621)	(4,467,108)
Share options lapsed	-	-	3,849	(3,849)	-	-
Share options expense	-	-	-	221,594	-	221,594
<b>Balance at 30 June 2010</b>	<b>1,129,110</b>	<b>27,499,843</b>	<b>(37,159,481)</b>	<b>13,529,935</b>	<b>(1,042,477)</b>	<b>3,956,930</b>

See note 6 for details of the restatement of the share options expense for the six months ended 30 June 2009.

## Notes to the financial statements

### 1 Dividend

No dividend is proposed in respect of the period.

### 2 Loss per share

The loss per share is calculated by reference to the loss of USD 4,364,487 for the six months ended 30 June 2010 and the weighted average number of shares in issue of 112,911,003 during the period. There is no dilutive effect of share options.

### 3 Basis of preparation of financial statements

The unaudited results have been prepared on a going concern basis and on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2009. The results for the period are derived from continuing activities.

The financial information set out in this half-yearly report does not constitute statutory accounts. The figures for the period ended 31 December 2009 have been extracted from the statutory financial statements, prepared under IFRS, which are available on the Group's website [www.chaarat.com](http://www.chaarat.com). The auditor's report on those financial statements was unqualified.

### 4 Selected accounting policy

#### 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 unit of production basis.

### 5 Share options

On 25 February 2010 the Company awarded 2,079,731 share options to directors and staff, at an exercise price of GBP 0.41 per share. The total number of share options outstanding were:

At 31 December 2009	7,813,823
Awarded 25 February 2010	2,079,731
Lapsed in period	(35,124)
At 30 June 2010	9,858,430

An amount of USD 221,594 was recognised as share based payment expense during the six month period ended 30 June 2010 (six months ended 30 June 2009 (restated): USD 51,618; 12 months ended 31 December 2009: USD 49,778).

## **6 Restatement of Administrative expenses - share options expense**

At 31 December 2009, management revisited the fair value estimates of the share options, and identified that the share based payment charges were incorrectly scheduled in respect of some of those options. As a result the period over which the related share based payment was charged was reduced to the vesting period applicable to those options and the share based payment recalculated. As a result the six months ended 30 June 2009 has been restated.

## **7 Post Balance Sheet Events**

On 1 July 2010 the Company announced the closing of a placing of 9,634,675 new ordinary shares at 40p per share raising GBP 3,853,870 before expenses. The enlarged share capital after the placing was 122,545,678 shares. Trading of the new shares commenced on the AIM market of the London Stock Exchange on 5 July 2010.

On 27 July 2010 the Company announced the completion of the acquisition of Kyrex Limited (“Kyrex”). The offer comprised 54 fully paid Chaarat ordinary shares of US\$0.01 each for each Kyrex share. The aggregate consideration for the whole of the issued and to be issued share capital of Kyrex comprised 11,928,222 shares representing approximately 8.9 per cent of the Company’s issued ordinary share capital immediately after the acquisition. The enlarged share capital after the acquisition was 134,473,900 shares. Trading of the new shares commenced on the AIM market of the London Stock Exchange on 28 July 2010.

On 27 July 2010 the Company announced that China Nonferrous Metals International Mining Co. Ltd (CNMIM) had confirmed that, pursuant to its option in the subscription agreement with the Company, it will subscribe for such number of new shares to maintain its 19.9 per cent holding in the Company. The subscription would therefore be for 5,357,074 new ordinary shares at a price of 40p being GBP 2,142,830. The Company will therefore have raised a total of GBP 5,996,700 before expenses through both the Placing and CNMIM’s subsequent subscription. The investment by CNMIM in Chaarat is subject to the necessary regulatory approvals from the Chinese government; such approvals are expected by 31 October 2010.

On 23 September the Company announced the closing of a further placing of 6,860,000 new ordinary shares at 42p per share raising GBP 2,881,200 before expenses. The enlarged share capital after the placing was 141,333,900 shares. Trading of the new shares commenced on the AIM market of the London Stock Exchange on 24 September 2010.

The required notice to CNMIM in respect of the further Placing has been issued.