# Chaarat Gold Holdings Limited

("Chaarat" or "the Company")

## UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Road Town, Tortola, British Virgin Islands (30 September 2013)

## HIGHLIGHTS

- Preparation of the Definitive Feasibility Study (DFS) for the Chaarat Project in progress
- Data collection for the DFS well advanced
- Infill drilling supports increase in open pit potential and reduction of upfront project cost
- Negotiations with parties interested in the Chaarat Project continue
- Community Consultation Group established

Dekel Golan, Chief Executive Officer of Chaarat, commented:

*"I am pleased to report that our strategy to optimise the return from the Chaarat Project is proceeding to plan. Good progress has been made in appointing consultants for the Definitive Feasibility Study and collecting the data they need. We continue to explore all options at a corporate level with encouraging results. We are fully funded to complete the DFS and continue our active community engagement programme to optimise the value of the Chaarat investment proposition.*

*Over the coming months we will report on progress and as ever we are grateful for the continued support of our loyal shareholders."*

**Enquiries:**


| | |
|---|---|
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Further information is available at www.chaarat.com

**Strategic focus**

During 2012 all efforts were focused on establishing a small scale production base for the Tulkubash area within the Chaarat Project. However, after a thorough review of conditions in the financial markets, the Board decided not to commit any further funds to this strategy for the following reasons:

1. The increased volatility of the gold price made it more difficult to forecast the expected revenue from small scale gold production. In addition, the cost of borrowing the required $20 million working capital had increased so the Company was unlikely to generate significant surplus cash flow from such production.

2. It has become clear that a low share price and the absence of an up-to-date DFS are obstacles in negotiations with potential strategic investors. A DFS prepared by reputable third parties will underpin the project layout, its expected production capacity, its cost and as a consequence its value. Clearly the choice was either moving to production or preparing a DFS.

3. As reported in May 2013, the Board of Chaarat decided that the completion of a DFS will substantiate the value and potential of the Chaarat deposit. It will provide the Board with a stronger negotiating position with potential strategic investors, who have already approached Chaarat, as well as increasing the options available for adding value for shareholders.

**Corporate activities**

There are two basic options for us to ensure that the value of the Chaarat Project is optimised. These are either to introduce a partner (operating or passive) to the Project company and develop the project as a joint venture, or to sell the Project altogether.

The Board considers that the sale of the Project may take away any future "upside" from shareholders and the preference of the Board is therefore to introduce a significant partner or partners to the Project company. We are pursuing several avenues to achieve this outcome.

**Negotiations with Shandong Gold**

During March we announced that the discussions with Shandong Gold Mineral Resources Group (SGMR) had been delayed due to a change in the senior personnel at the holding company level of the SGMR group. In May we reported that the new management team had scheduled a site visit for later in the summer. We are pleased to report that following the site visit the new management team has reiterated SGMR's interest in the Chaarat Project. A Hong Kong based investment bank has been appointed by SGMR to oversee the process of engaging with Chaarat.

**Progress on Definitive Feasibility Study**

The work on the DFS will be divided into two stages:

1. Between now and the end of 2013, the following activities will be completed:
    a. Data collection
        i. Exploration and infill drilling of about 11,000 metres including the related road development
        ii. Hydrological and geotechnical drilling of about 4,500 metres
        iii. Preparing a number of trade off studies to determine the best solutions for different engineering aspects of the Project
    b. Scoping the Project – defining the size, set-up and other general characteristics of the Project (process, capacity, location of main facilities on site) so as to ensure the scope of work of the DFS study is clearly defined
    c. Selection of Lead Consultant to head the project as well as the consultants to execute specific sections such as environmental and social, metallurgy, engineering, resource and reserve calculation, tailings and waste management etc.

2. The engineering and design work of all the consultants will be compiled into a single report by the Lead Consultant. The DFS should then be completed by late 2014.

Mac DeGuire is responsible for coordinating and managing the DFS. His experience includes the San Cristobal project in Bolivia which is an $800 million 40,000 tpd open pit silver, zinc lead deposit and in the top 6 world-wide producers of each metal. He managed the project development and initial operations of Newmont's $225 million gold heap leach project in Uzbekistan and the feasibility study for the Yanacocha gold heap leach project in Peru.

**Exploration**

As previously reported, we focused on infill drilling to increase the open pit potential of the deposit during the period. We have achieved better results than anticipated as announced on 23 September.

Further drilling as outlined above will be undertaken up to the end of the season while underground drilling will continue during the winter. An updated JORC resource will be available in early 2014.

**Power**

The design of the power line from site to the grid has been completed. The Company has renewed and extended its agreement with the national electricity company to allocate and reserve a quota of 25 MW from the Kristal sub-station. This allocation removes the need to build another substation and will support production of 200,000 ounces of gold per annum.

The Kyrgyz Republic is well endowed with hydropower capacity and potential and is a net power exporter. The low cost and ready availability of power in the Kyrgyz Republic is a competitive advantage to all those involved in the country's mining industry.

**Community relations**

During the year the Company continued to engage with the residents of the Chatkal valley, the adjacent valley to the deposit. A Community Consultation Group has been established which includes representatives of all local stakeholders. This group will be the community representative body to discuss the Project with Chaarat and the conduit to air the concerns and wishes of the local population. Chaarat is committed to work according to the IFC and Equator principles and to ensure its activities in the region are undertaken in consultation with the local stakeholders.

Chaarat has developed a proactive sensitivity to the concerns and interests of the local communities and the preparation of the Definitive Feasibility Study will build on this engagement. We believe that the long history of cooperation and mutual respect will result in a fruitful consultation process.

**Finance**

During the period since the announcement of the change in strategic focus a review of our staff headcount has been undertaken and we have reduced our operating team.  All costs continue to be closely scrutinised and overheads cut.  During the six month period we made large payments to the government.  We paid $5.77 million to obtain a mining licence over the whole Chaarat deposit area and we wrote off $$3.3 million of irrecoverable VAT in the six month period.

We are fully funded to complete the DFS, to continue our active community engagement programme and cover our reduced overheads until mid 2015.

Dekel Golan
Chief Executive Officer

**About Chaarat Gold**

Chaarat Gold is an exploration and development company operating in the Kyrgyz Republic with a large, high grade resource which is capable of generating low cost gold production – the Chaarat Gold Project. Situated in the highly prospective Tien Shan gold belt, a JORC compliant resource of 5.76Moz at a grade of 4.03g/t has so far been delineated and recent infill drilling shows the potential to increase the resource base. The Company's key objective is to become a low cost gold producer targeting annual production of 200,000 ounces from the development of the Chaarat Gold Project.

The Pre-feasibility Study published in 2011 indicated that the Chaarat deposit is capable of supporting gold production of approximately 200,000 ounces of gold per year, at a cash cost of production below $600 per ounce. The study also identified areas which could be improved with further work.

We are fully funded to complete a Definitive Feasibility Study (DFS) and continue our active community engagement programme to optimise the value of the Chaarat investment proposition.

Chaarat has several other promising prospects also located within the Kyrgyz Republic. An exploration programme is underway at the Company's Chontash molybdenum-copper-gold-porphyry project, located in the Akshirak range of mountains. A mining licence has been obtained for the Mironovskoye polymetallic asset, located about 120km east of Bishkek.

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

| | 6 months to 30 June 2013 (unaudited) USD | 6 months to 30 June 2012 (unaudited) USD | 12 months to 31 December 2012 (audited) USD |
|---|---|---|---|
| Exploration expenses | (6,756,622) | (2,819,809) | (6,301,714) |
| | | | |
| Payment for mining licence | (5,666,213) | - | - |
| Administrative expenses | (2,865,015) | (2,441,901) | (5,905,089) |
| - Share options expense | (338,383) | (275,583) | (588,514) |
| - Foreign exchange (loss)/gain | (551,330) | (11,998) | 229,581 |
| Total administrative expenses | (3,754,728) | 2,729,482 | (6,264,022) |
| Other operating income | 591 | 364,097 | 345,862 |
| **Operating loss** | **(16,176,972)** | **(5,185,194)** | **(12,219,874)** |
| Financial income | 110,315 | 347,275 | 730,086 |
| **Loss for the period, attributable to equity shareholders of the parent** | **(16,066,657)** | **(4,837,919)** | **(11,489,788)** |
| Loss per share (basic and diluted) – USD cents | (6.41)c | (1.93)c | (4.59)c |

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

| | 6 months to 30 June 2013 (unaudited) USD | 6 months to 30 June 2012 (unaudited) USD | 12 months to 31 December 2012 (audited) USD |
|---|---|---|---|
| **Loss for the period, attributable to equity shareholders of the parent** | **(16,066,657)** | **(4,837,919)** | **(11,489,788)** |
| | | | |
| **Other comprehensive income:** | | | |
| Exchange differences on translating foreign operations and investments | 731,264 | (519,814) | (918,873) |
| **Other comprehensive income for the period, net of tax** | **731,264** | **(519,814)** | **(918,873)** |
| | | | |
| **Total comprehensive loss for the period attributable to equity shareholders of the parent** | **(15,335,393)** | **(5,357,733)** | **(12,408,661)** |

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

| | 30 June 2013 (unaudited) USD | 30 June 2012 (unaudited) USD | 31 December 2012 (audited) USD |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 120,942 | 156,231 | 129,740 |
| Mining exploration assets | 8,349,367 | 8,349,367 | 8,349,367 |
| Mine properties | 8,353,682 | 4,913,369 | 8,400,984 |
| Property, plant and equipment | 7,026,987 | 2,030,354 | 4,685,330 |
| Assets in construction | 15,018,098 | 7,821,718 | 15,598,101 |
| Other receivables | - | 1,878,355 | - |
| | 38,869,076 | 25,149,394 | 37,163,522 |
| **Current assets** | | | |
| Inventories | 2,336,790 | 1,291,950 | 2,783,323 |
| Trade and other receivables | 2,697,557 | 6,853,233 | 3,143,397 |
| Cash and cash equivalents | 20,727,659 | 52,611,254 | 36,944,060 |
| | 25,762,006 | 60,756,437 | 42,870,780 |
| **Total assets** | **64,631,082** | **85,905,831** | **80,034,302** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity attributable to shareholders** | | | |
| Share capital | 2,504,778 | 2,504,778 | 2,504,778 |
| Share premium | 128,551,662 | 128,551,662 | 128,551,662 |
| Other reserves | 14,808,155 | 14,437,527 | 14,618,604 |
| Translation reserve | (1,257,789) | (1,589,994) | (1,989,053) |
| Accumulated losses | (82,549,024) | (60,111,184) | (66,631,199) |
| | **62,057,782** | **83,792,789** | **77,054,792** |
| **Non- current liabilities** | | | |
| Deferred tax | 472,961 | 460,579 | 472,620 |
| | 472,961 | 460,579 | 472,620 |
| **Current liabilities** | | | |
| Trade payables | 1,423,399 | 828,166 | 754,951 |
| Accrued liabilities | 676,940 | 824,297 | 1,751,939 |
| | 2,100,339 | 1,652,463 | 2,506,890 |
| **Total liabilities** | 2,573,300 | 2,113,042 | 2,979,510 |
| **Total liabilities and equity** | **64,631,082** | **85,905,831** | **80,034,302** |

**Consolidated statement of changes in equity**

*For the six months ended 30 June*

| | Share capital USD | Share premium USD | Accumulated losses USD | Other reserves USD | Translation reserve USD | Total USD |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2011** | **2,504,778** | **128,551,662** | **(55,420,195)** | **14,308,874** | **(1,070,180)** | **88,874,939** |
| Currency translation | - | - | - | - | (519,814) | **(519,814)** |
| Other comprehensive income | - | - | - | - | (519,814) | **(519,814)** |
| Loss for the six months ended 30 June 2012 | - | - | (4,837,919) | - | - | **(4,837,919)** |
| Total comprehensive income for the six months ended 30 June 2012 | - | - | (4,837,919) | - | (519,814) | **(5,357,733)** |
| Share options lapsed | - | - | 146,930 | (146,930) | - | - |
| Share options expense | - | - | - | 275,583 | - | **275,583** |
| Issuance of shares for cash | - | - | - | - | - | - |
| Share issue costs | - | - | - | - | - | - |
| **Balance at 30 June 2012** | **2,504,778** | **128,551,662** | **(60,111,184)** | **14,437,527** | **(1,589,994)** | **83,792,789** |
| Currency translation | - | - | - | - | (399,059) | **(399,059)** |
| Other comprehensive income | - | - | - | - | (399,059) | **(399,059)** |
| Loss for the six months ended 31 December 2012 | - | - | (6,651,869) | - | - | **(6,651,869)** |
| Total comprehensive income for the six months ended 31 December 2012 | - | - | (6,651,869) | - | (399,059) | **(7,050,928)** |
| Share options lapsed | - | - | 131,854 | (131,854) | - | - |
| Share options expense | - | - | - | 312,931 | - | **312,931** |
| Issuance of shares for cash | - | - | - | - | - | - |
| **Balance at 31 December 2012** | **2,504,778** | **128,551,662** | **(66,631,199)** | **14,618,604** | **(1,989,053)** | **77,054,792** |
| Currency translation | - | - | - | - | 731,264 | **731,264** |
| Other comprehensive income | - | - | - | - | 731,264 | **731,264** |
| Loss for the six months ended 30 June 2013 | - | - | (16,066,657) | - | - | **(16,066,657)** |
| Total comprehensive income for the six months ended 30 June 2013 | - | - | (16,066,657) | - | 731,264 | **(15,335,393)** |
| Share options lapsed | - | - | 148,832 | (148,832) | - | - |
| Share options expense | - | - | - | 338,383 | - | **338,383** |
| Issuance of shares for cash | - | - | - | - | - | - |
| **Balance at 30 June 2013** | **2,504,778** | **128,551,662** | **(82,549,024)** | **14,808,155** | **(1,257,789)** | **62,057,782** |

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

| | 6 months to 30 June 2013 (unaudited) USD | 6 months to 30 June 2012 (unaudited) USD | 12 months to 31 December 2012 (audited) USD |
|---|---|---|---|
| **Operating activities** | | | |
| Loss for the period | **(16,066,657)** | **(4,837,919)** | **(11,489,788)** |
| Adjustments: | | | |
| Amortisation expense - intangible assets | 29,599 | 14,273 | 53,372 |
| Depreciation expense – property, plant and equipment | 647,360 | 379,853 | 902,531 |
| (Profit)/loss on disposal of property, plant and equipment | 7,259 | (364,097) | (359,991) |
| Finance income | (110,315) | (347,275) | (730,086) |
| Share based payments | 338,383 | 275,583 | 588,514 |
| Foreign exchange (gains)/losses | (551,330) | 16,751 | (229,581) |
| (Increase)/Decrease in inventories | 446,533 | 36,417 | (1,454,957) |
| (Increase)/Decrease in accounts receivable | 902,907 | 3,269 | 4,920,850 |
| (Decrease)/Increase in accounts payable | (406,212) | (567,799) | 299,059 |
| **Net cash flow used in operations** | **(14,762,473)** | **(5,390,944)** | **(7,500,077)** |
| **Investing activities** | | | |
| Purchase of computer software | (28,582) | (138,138) | (138,354) |
| Purchase of mine assets, property, plant and equipment | (1,844,136) | (2,719,417) | (17,060,389) |
| Acquisition of subsidiary (net of cash acquired) | - | - | - |
| Proceeds from sale of equipment | - | - | - |
| Loans repaid | - | - | - |
| Interest received | 110,315 | 347,275 | 730,086 |
| **Net cash used in investing activities** | **(1,762,403)** | **(2,510,280)** | **(16,468,657)** |
| **Financing activities** | | | |
| Proceeds from issue of share capital | - | - | - |
| Issue costs | - | - | - |
| **Net cash from financing activities** | **-** | **-** | **-** |
| **Net change in cash and cash equivalents** | **(16,524,876)** | **(7,901,224)** | **(23,968,734)** |
| **Cash and cash equivalents at beginning of the period** | **36,944,060** | **61,184,915** | **61,184,915** |
| Effect of changes in foreign exchange rates | 308,475 | (672,437) | (272,121) |
| **Cash and cash equivalents at end of the period** | **20,727,659** | **52,611,254** | **36,944,060** |

## Notes to the financial statements

### 1 Loss per share

The loss per share is calculated by reference to the loss of USD16, 066,657 for the six months ended 30 June 2013 and the weighted average number of shares in issue of 250,477,868 during the period. There is no dilutive effect of share options.

### 2 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 2012. 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 2012 have been extracted from the statutory financial statements, prepared under IFRS, which are available on the Group's website www.chaarat.com. The auditor's report on those financial statements was unqualified.

### 3 Intangible assets – acquired mining exploration assets

Mining exploration assets acquired on the acquisition of subsidiaries are carried in the balance sheet at their fair value at the date of acquisition less any impairment losses, pending determination of technical feasibility and commercial viability of those projects.

When such a project is deemed to no longer have technical or commercially viable prospects to the Group, acquired mining exploration costs in respect of that project are deemed to be impaired and written off to the statement of total comprehensive income.

Subsequent mining exploration costs incurred on those projects are expensed in accordance with the Group’s accounting policy below.

### 4 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.

Expenditure is only capitalised provided it meets the following recognition requirements:

- completion of the project is technically feasible and the Company has the ability to and intends to complete it;
- the project is expected to generate future economic benefits;
- there are adequate technical, financial and other resources to complete the project; and
- the expenditure attributable to the development can be measured reliably.

No depreciation is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programmes, which will be deferred and depreciated over the remaining life of the related assets.

The carrying values of exploration and development expenditures in respect of each area of interest which has not yet reached commercial production are periodically assessed by management and where it is determined that such expenditures cannot be recovered through successful development of the area of interest, or by sale, the expenditures are written off to the income statement.