Chaarat Gold Holdings Limited

("Chaarat" or "the Company")

NEW CHAIRMAN TO BE APPOINTED
DEVELOPMENT OF HEAP LEACH PROJECT CONFIRMED
INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

Road Town, Tortola, British Virgin Islands (20 September 2016)

Chaarat (AIM – CGH), the AIM quoted exploration and development company with assets in the Kyrgyz Republic, today announces the intention to appoint a new non-executive Chairman, a refreshed strategic focus to achieve production and publishes its unaudited results for the period ended 30 June 2016.

HIGHLIGHTS

- Largest shareholder affirms his support for Chaarat by agreeing to join as non-executive Chairman
- Development of Tulkubash Heap Leach Project (the "Tulkubash Project") confirmed
- Tulkubash Project expected to process approximately 8,000 tonnes of ore per day to produce approximately 60-70,000 ounces of gold per annum
- GBM and WAI contracted and working on preparation of Bankable Feasibility Study for Tulkubash Project
- Metallurgical and geotechnical drilling underway on site and due for completion by the end of the 2016 season
- During the period to 30 June 2016 the results and initial optimisation of the NERIN Feasibility Study for the whole Chaarat Project were published

2016 has already seen significant developments in our progress towards the crystallisation of value from the Chaarat Project with the publication of the NERIN Feasibility Study.

Your Board has previously referred to the twin track strategy of seeking potential acquirers or joint venture partners whilst at the same time working on our own development plan for the Chaarat deposit. The Board is now focussed on taking the Chaarat Project into production as it believes that this route will deliver greater value to shareholders.

The first stage on the road to production will be the Tulkubash Project. An internal study based on the results of the recently completed NERIN Feasibility Study demonstrates this first stage will generate an acceptable return as well as minimising the initial capital outlay required to reach production. This will establish the foundations for the development of the second much larger project in due course.

Board update

Our largest shareholder Martin Andersson (who holds his shares through Labro Investments) is fully supportive of this strategy and we are delighted that he has agreed to lead the Board as non-executive Chairman. Martin has significant experience of Russia and the region. He is a private investor with a wide range of interests, predominantly in real estate and technology.

Martin will be joined on the Board by his associate Martin Wiwen-Nilsson, who will also be a non-executive director. Martin spent 21 years at Goldman Sachs, where he was a Partner from 2008 to 2015. During his time there he held leadership positions in, amongst others, the emerging markets, commodities and sovereign wealth fund businesses.

Both new directors will provide guidance, knowledge and introductions to contacts from their extensive networks to inform Chaarat's strategy. Both the appointment of Martin Andersson as non-executive Chairman and Martin Wiwen-Nilsson as non-executive director are subject to Board approval which is anticipated shortly.

On the appointment of Martin Andersson to the Board, Christopher Palmer-Tomkinson will step down as Chairman. The Board is very grateful for his wisdom and guidance since Chaarat's admission to AIM in 2007.

Background to staged development approach

Our decision to pursue a staged development for the large Chaarat deposit was determined by two factors. The first is the type of ore contained in the deposit and the available processing options for gold extraction. The second is the proposed future developments to processing infrastructure in the Kyrgyz Republic which will have a positive effect on the economics of the Chaarat Project.

1. Ore and processing options
   Large gold deposits in the belt from Turkey in the west, via Russia and through China in the east, also contain the combination of free milling and refractory ores found at Chaarat where both types of ore are contained within Chaarat's three Zones (Tulkubash, Contact and Main).

   The Tulkubash Zone contains "free milling" ore from which gold can be recovered by conventional cyanide leaching. The Contact and Main Zones contain refractory sulfide ore which requires a more capital intensive process to extract the gold, either by producing concentrate, which then needs to be smelted, or by oxidising the ore before leaching.

2. In country development
   The Kyrgyz Government is seeking to retain the added value from processing refractory ore in country which is lost if concentrate is transported abroad for smelting. It has therefore recently signed a binding agreement with a Turkish company to build a smelter near the Chaarat deposit. Once the smelter is built Chaarat will have the option to produce concentrate from its refractory ore and have it processed locally. This processing option means that the construction of our own oxidation unit can be postponed.

   Whilst awaiting developments in the processing options for refractory ore, Chaarat will be able to achieve production from the Tulkubash Project.

Previous small scale production plan

Shareholders will recall our plan in 2011 to move to small scale production by building a standard Carbon in Leach ("CIL") plant to process the free milling ore from the Tulkubash deposit. We originally estimated there was enough ore for three years of processing (to achieve production of 20-30,000 ounces of gold per year) and the capital costs involved included a mill, a power line and tailings dam.

Once in production we intended to add either a flotation unit (to generate and sell concentrate) or increase the size of the plant and add an oxidation unit to oxidize the refractory ore which would then be treated by the same CIL unit. The general design of the plant and the more detailed engineering and tender for construction of the first phase were completed.

Further metallurgical testing of the ore from the Tulkubash deposit then established that it is amenable to heap leaching. This is a relatively low cost processing method (both in terms of capital and operating costs) and uses a well-established and uncomplicated technology. Extracting gold via a heap leach reduces the capital requirements as a mill and tailings dam are not required. Generators can initially provide sufficient power and a power line can be constructed at a later date.

By 2013 we were aware that uncertainty in the market conditions could have made our production plans uneconomic. We therefore put production on hold pending completion of the NERIN Feasibility Study for the whole Chaarat Project. This decision proved to be wise, as evidenced by the demise of a number of our peers who, whilst reaching production, were unable to develop sustainable businesses.

Why a Chinese Feasibility Study?

In February 2016 we announced the results of the Feasibility Study prepared by NERIN for the Chaarat Project and in April the results of the initial optimisation. One rationale for seeking a Chinese prepared Feasibility Study was to set a benchmark valuation for negotiations with potential Chinese acquirers. This benchmark was duly set at in excess of 20 times the market capitalisation of Chaarat shares at that time. The Chaarat share price has continued to trade at a substantial discount to the value of the ounces of gold in the ground as set out in the NERIN Feasibility Study. The Board has therefore concluded that it is not possible to sell the Company at this developmental stage for a sensible price.

Interest in the Chaarat Project from Chinese companies is still in evidence but there is, more generally, a noticeable bias towards acquisitions of assets which are already in production and therefore substantially derisked.

What next for the Tulkubash Project?

We took the opportunity of the suspension of our previous production strategy to invest funds in infrastructure and further exploration to increase the size of the Tulkubash resource. Based on this work we announced a revised JORC resource of just over 7 million ounces in June 2016 (an increase of 15%). The Tulkubash Zone resource itself was increased by 26% to 912,000 ounces and therefore comprises 13% of the total resource.

Our plan now envisages a processing capacity of 2.8 million tonnes of ore per year which (based on the recovery achieved in previous metallurgical testing) would result in production of 60-70,000 ounces of gold per year with a mine life slightly in excess of five years. This triples the production capacity from the Tulkubash Project as originally estimated in 2011 from a three year life of mine.

We believe that the Tulkubash resource can be increased by further drilling as we have identified that it continues along strike and at depth. Our internal studies, prepared on the basis of the NERIN Feasibility Study work, show that the returns generated within five years from the Tulkubash Project will comfortably exceed the estimated capital investment required for its development.

A Feasibility Study for the Tulkubash Project

In order to optimise the results of the work undertaken by NERIN on the Tulkubash Project within their Feasibility Study and to ensure the level of reliance on those results is at a "bankable" level, we have commissioned GBM and Wardell Armstrong International ("WAI") to prepare a Bankable Feasibility Study for the standalone stage one Tulkubash Project.

This Bankable Feasibility Study will provide the basis for us to raise funds for construction and production, establish the most efficient layout for the Tulkubash Project, provide confirmation on the metallurgy and recoveries from the free milling ore and assist with the tendering for equipment.

One of the key determinants of the economics of the Tulkubash Project is the recovery of gold achieved from the heap leach process. We are therefore planning to verify previous test results by reperforming the work on new ore samples. Consequently drilling is now underway on site to extract large samples for metallurgical testing. We are also undertaking further geotechnical drilling to confirm the suitability of the proposed layout of the Project.

We are well placed to capitalise on our work over the last three years.

- We have completed additional drilling within the Tulkubash Zone to increase the resource and therefore prospective gold production;
- We have achieved the social licence to operate a heap leach project – the first in the country;
- We have a mining licence until 2032;
- All payments to the Government in respect of the delineated resource to obtain the mining licence have been made;
- A significant portion of the Project infrastructure is in place – roads, bridge, camps, a workshop and a fuel tank farm;
- The access road has been designed;
- The land needed to cover the whole footprint of the Project has been identified and the formal allocation is in progress; and
- The site has been "sterilised" of alluvial gold deposits in preparation for construction of the mine.

The provisional timetable to production is now:

- Completion of the Bankable Feasibility Study for the Tulkubash Heap Leach Project in the first half of 2017;

- Completion of the local approvals process for the Project – aiming for the third quarter of 2017;
- Work on the financing to continue during 2017 with the aim of raising finance for construction in the third quarter of 2017; and
- Subject to completion of the local approvals process and financing, construction is to begin in the first quarter of 2018, provisionally targeting the first gold pour in 2019.

What about the second stage?

We have by no means overlooked the fact that the Contact and Main Zones contain 87% of the ore at Chaarat. Currently only two main options exist to develop this section of the deposit. The first is to process the refractory ore in order to produce concentrate which requires a smelter to produce gold from the concentrate. We have looked at the option of sending concentrate to China for processing and this approach would be uneconomic. The construction of a smelter near Chaarat would accelerate the possibility of building a second stage project based on the refractory ore in the Main and Contact Zones by generating a smeltable concentrate.

The second processing option is to build an oxidation unit for the pre-treatment of the ore prior to cyanidation. The type of oxidation unit needed to achieve the highest recoveries from the Chaarat refractory ore would require a very high capital cost based on current technologies.

Hence the first option, to produce concentrate, would be preferable since it is a less technically complex and has a much lower capital cost.

Given the technical developments which are being made to achieve more efficient processing of refractory ore, we consider that the economics of the second stage development of the Chaarat Project could become significantly more attractive in the short term. In the meantime we have the prospect of extending the production life of the Tulkubash Project.

Funding and corporate update

During the period under review we realised USD 1.2 million from the sale of fixed assets and reduced headcount to a permanent staff of 27, supplemented by approximately 70 temporary staff during the season, most of whom are based on site. As at 30 June 2016, the Company had cash and cash equivalents of USD 2.06 million.

We will be working with our largest shareholder to review our options for additional funding in the light of our renewed production strategy.

The Board is also taking the opportunity of the renewed focus on production to align the interests of the management with shareholders by cancelling all existing share options held by directors and certain key members of staff in Bishkek, which are significantly out of the money. New options will be issued at a price to be determined by the Board in due course.

Dekel Golan CEO commented: "*I am delighted to welcome our new Chairman and director to the Board at this pivotal time in the Chaarat story and look forward to working with them. The whole Board is hugely appreciative of the patience and support shown by our loyal shareholders. I know it* *may have seemed to them that nothing was happening at the Chaarat Project but, as we have now demonstrated, we have implemented concrete plans to achieve production in the near future.*

I am also very grateful for the wise counsel of Christopher, our outgoing Chairman, which I am sure, will still be available to me and the rest of the Board."

Dekel Golan
Chief Executive Officer

Enquiries:

Chaarat Gold Holdings Limited	+ 44 20 7499 2612
c/o Central Asia Services Limited	info@chaarat.com
Dekel Golan CEO	
Linda Naylor FD	
	+44 (0) 20 7260 1000
Numis Securities Limited	
John Prior, Paul Gillam (NOMAD)	
James Black (Broker)	

About Chaarat Gold

Chaarat Gold is an exploration and development company operating in the Kyrgyz Republic with a large, high grade resource – the Chaarat Gold Project. The Company's key objective is to become a low cost gold producer generating significant production from the development of the Chaarat Gold Project. Chaarat is engaged in an active community engagement programme to optimise the value of the Chaarat investment proposition.

Chaarat aims to create value for its shareholders, employees and communities from its high quality gold and mineral deposits in the Kyrgyz Republic by building relationships based on trust and operating to the best environmental, social and employment standards.

Further information is available at www.chaarat.com

Consolidated income statement
For the six months ended 30 June

	6 months to 30 June 2016 (unaudited) USD	6 months to 30 June 2015 (unaudited) USD	12 months to 31 December 2015 (audited) USD
Exploration expenses	(991,276)	(787,523)	(2,115,164)
Administrative expenses	(1,568,432)	(1,379,582)	(2,551,262)
- Share options expense	(981)	(45,436)	(90,869)
- Foreign exchange gain/(loss)	3,808	(24,798)	20,187
Total administrative expenses	(1,565,605)	(1,449,816)	(2,621,944)
Other operating income/(expense)	589,327	65,449	-
Operating loss	**(1,967,554)**	**(2,171,890)**	**(4,737, 108)**
Finance income	17,312	26,529	132,752
Taxation	-	-	-
Loss for the period, attributable to equity shareholders of the parent	**(1,950,242)**	**(2,145,361)**	**(4,604,356)**
Loss per share (basic and diluted) – USD cents	(0.71)	(0.79)	(1.69)

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

	6 months to 30 June 2016 (unaudited) USD	6 months to 30 June 2015 (unaudited) USD	12 months to 31 December 2015 (audited) USD
Loss for the period, attributable to equity shareholders of the parent	**(1,950,242)**	**(2,145,361)**	**(4,604,356)**
Other comprehensive income:			
Items which may subsequently be reclassified to profit and loss			
Exchange differences on translating foreign operations and investments	2,689,088	(1,311,157)	(7,708,129)
Other comprehensive income for the period, net of tax	**2,689,088**	**(1,311,157)**	**(7,708,129)**
Total comprehensive loss for the period attributable to equity shareholders of the parent	**738,846**	**(3,456,518)**	**(12,312,485)**

Consolidated balance sheet
At 30 June

	30 June 2016 (unaudited) USD	30 June 2015 (unaudited) USD	31 December 2015 (audited) USD
Assets			
Non-current assets			
Intangible assets	31,042	41,399	29,505
Mine properties	21,764,870	22,268,925	19,797,277
Property, plant and equipment	906,746	3,129,417	2,174,678
Assets in construction	10,185,681	11,964,950	9,259,089
	32,888,339	**37,404,691**	**31,260,549**
Current assets			
Inventories	360,134	763,523	306,111
Trade and other receivables	254,165	728,884	212,845
Cash and cash equivalents	2,063,517	5,156,510	2,839,159
	2,677,816	6,648,917	3,358,115
Total assets	**35,566,155**	**44,053,608**	**34,618,664**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	2,729,353	2,729,353	2,729,353
Share premium	132,108,746	132,108,746	132,108,746
Share warrant reserve	1,358,351	1,358,351	1,358,351
Other reserves	14,926,889	15,038,993	14,952,340
Translation reserve	(15,839,768)	(12,131,884)	(18,528,856)
Accumulated losses	(100,328,935)	(96,078,216)	(98,405,125)
	34,954,636	**43,025,343**	**34,214,809**
Current liabilities			
Trade payables	132,663	386,181	176,641
Accrued liabilities	478,856	642,084	227,214
	611,519	1,028,265	403,855
Total liabilities	**611,519**	**1,028,265**	**403,855**
Total liabilities and equity	**35,566,155**	**44,053,608**	**34,618,664**

Consolidated statement of changes in equity
For the six months ended 30 June

	Share capital USD	Share premium USD	Share warrant reserve USD	Accumulated losses USD	Other reserves USD	Translation reserve USD	Total USD
Balance at 31 December 2014	**2,729,353**	**132,108,746**	**1,358,351**	**(94,144,808)**	**15,205,510**	**(10,820,727)**	**46,436,425**
Currency translation	-	-	-	-	-	(1,311,157)	**(1,311,157)**
Other comprehensive income	-	-	-	-	-	(1,311,157)	**(1,311,157)**
Loss for the six months ended 30 June 2014	-	-	-	(2,145,361)	-	-	**(2,145,361)**
Total comprehensive income for the six months **ended 30 June 2014**	-	-	-	(2,145,361)	-	(1,311,157)	**(3,456,518)**
Share options lapsed	-	-	-	211,953	(211,953)	-	-
Share options expense	-	-	-	-	45,436	-	**45,436**
Balance at 30 June 2015	**2,729,353**	**132,108,746**	**1,358,351**	**(96,078,216)**	**15,038,993**	**(12,131,884)**	**43,025,343**
Currency translation						(6,396,972)	**(6,396,972)**
Other comprehensive income						(6,396,972)	**(6,396,972)**
Loss for the six months ended 31 December 2015				(2,458,995)			**(2,458,995)**
Total comprehensive income for the six months **ended 31 December 2015**				(2,458,995)		(6,396,972)	**(8,855,967)**
Share options lapsed				132,086	(132,086)		
Share options expense					45,433		**45,433**
Warrant expense							
Issuance of shares for cash							
Share issue cost							
Balance at 31 December 2015	**2,729,353**	**132,108,746**	**1,358,351**	**(98,405,125)**	**14,952,340**	**(18,528,856)**	**34,214,809**
Currency translation						2,689,088	**2,689,088**
Other comprehensive income						2,689,088	**2,689,088**
Loss for the six months ended 30 June 2016				(1,950,242)			**(1,950,242)**
Total comprehensive income for the six months **ended 30 June 2016**				(1,950,242)		2,689,088	**738,846**
Share options lapsed				26,432	(26,432)		
Share options expense					981		**981**
Balance at 30 June 2016	**2,729,353**	**132,108,746**	**1,358,351**	**(100,328,935)**	**14,926,889**	**(15,839,768)**	**34,954,636**

Consolidated cash flow statement
For the 6 months ended 30 June

	6 months to 30 June 2016 (unaudited) USD	6 months to 30 June 2015 (unaudited) USD	12 months to 31 December 2015 (audited) USD
Operating activities			
Loss for the period	**(1,950,242)**	**(2,145,361)**	**(4,604,356)**
Adjustments:			
Amortisation expense - intangible assets	3,580	6,953	11,400
Depreciation expense – property, plant and equipment	197,905	293,314	578,096
(Profit)/loss on disposal of property, plant and equipment	(154,700)	45,227	(86,580)
Provision for inventories	-	-	268,692
Finance income	(17,312)	(51,327)	(132,752)
Share based payments	981	45,436	90,869
Decrease in inventories	(15,557)	84,295	147,538
(Increase)/Decrease in accounts receivable	(1,688)	(2,498)	153,680
Increase/(Decrease)in accounts payable	291,999	(384,173)	(322,778)
Net cash flow used in operations	**(1,645,034)**	**(2,108,134)**	**(3,896,191)**
Investing activities			
Purchase of tangible fixed assets	(28,351)	(8,836)	(220,711)
Capitalisation of development activities	(181,138)	(487,568)	(1,213,724)
Proceeds from sale of equipment	1,224,585	326,601	449,801
Interest received	17,312	26,529	132,752
Net cash used in investing activities	**1,032,408**	**(143,274)**	**(851,882)**
Financing activities			
Proceeds from issue of share capital	-	-	-
Issue costs	-	-	-
Net change from financing activities	-	-	-
Net change in cash and cash equivalents	**(612,626)**	**(2,251,408)**	**(4,748,073)**
Cash and cash equivalents at beginning of the period	**2,839,159**	**7,608,865**	**7,608,865**
Effect of changes in foreign exchange rates	(163,016)	(200,947)	(21,633)
Cash and cash equivalents at end of the period	**2,063,517**	**5,156,510**	**2,839,159**

Notes to the financial statements

1 Loss per share

The loss per share is calculated by reference to the loss of USD 1,950,242 for the six months ended 30 June 2016 and the weighted average number of shares in issue of 272,935,389 during the period. There is no dilutive effect of share options.

2 Basis of preparation of financial statements

The financial information set out in this interim statement does not constitute statutory accounts.

The unaudited results for the period ended 30 June 2016 have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2015. The results for the period are derived from continuing activities. The figures for the period ended 31 December 2015 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.

The Group had cash and cash equivalents of USD 2.06 million and no borrowings at 30 June 2016. The Board is in the process of identifying sources of additional funding and has a reasonable expectation that additional funds will be made available from existing and new shareholders. Other sources of funds include selling equipment and other assets of the Group, cutting discretionary expenditure, reducing headcount, reviewing the timing of other expenditure and pursuing other fund raising options.

Subject to the successful realisation of these expectations, the Board is satisfied that it has sufficient funds to maintain the Group as a going concern and therefore considers it appropriate to prepare these unaudited results on a going concern basis.

However, in the absence of such arrangements being in place, these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.