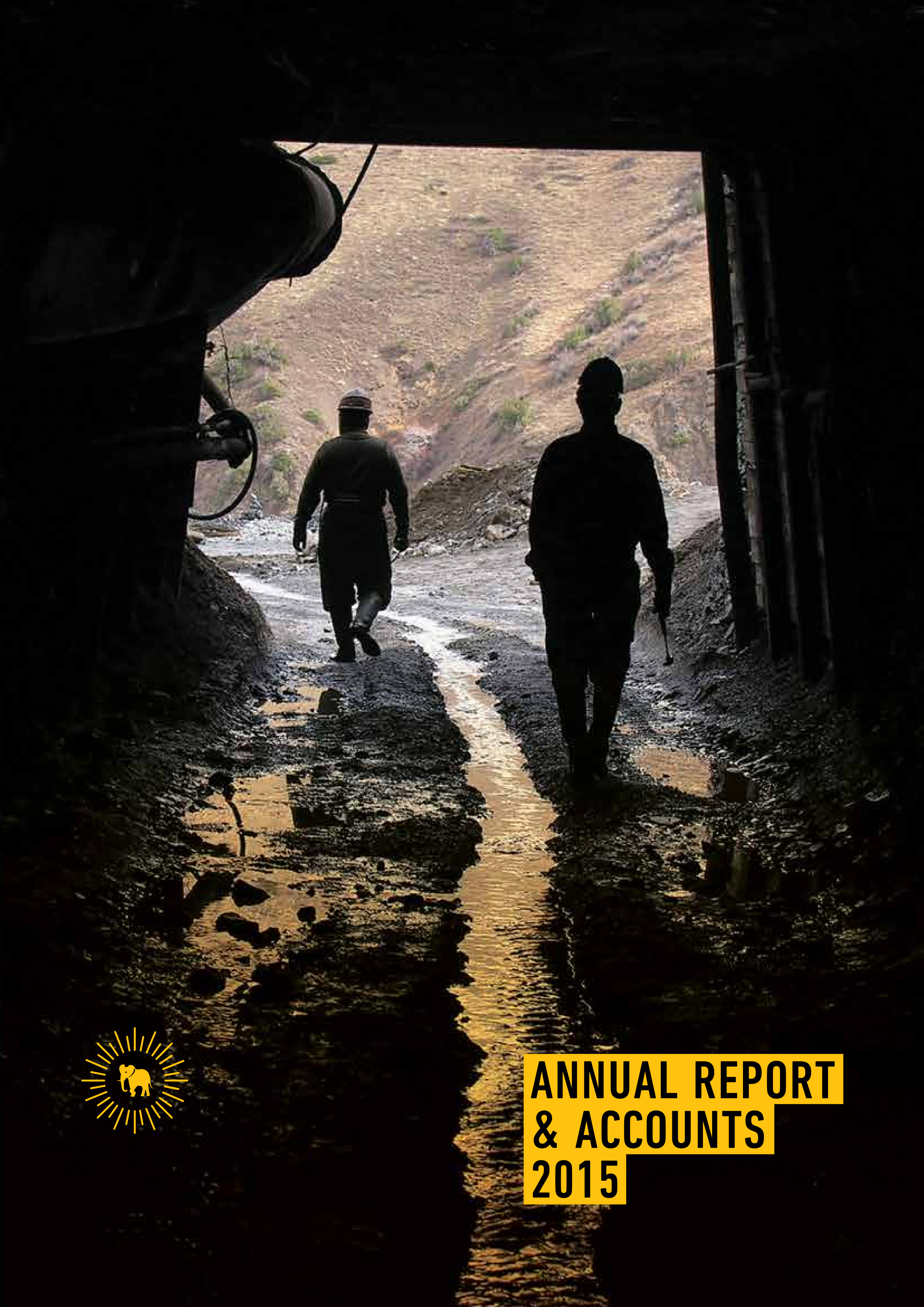

ANNUAL REPORT & ACCOUNTS 2015

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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.

CHAIRMAN'S REPORT

Dear Shareholder

This report is being written against a backdrop of a gold price that has shown a gradual advance. Confidence amongst gold production and development companies has been bolstered and, as a consequence, there has been an increase in deal flow as well as in capital raisings.

The company took the decision three years ago to sit out a downturn within the mining industry, cutting back on expenditure and engaging in a feasibility study for the whole project aimed at putting a benchmark value on what we perceived to be, in terms of scale and grade, one of the best deposits in the world.

The optimised study demonstrates a present value for the project in excess of 20 times our current market capitalisation.

Increasing numbers of "non-western" companies are interested in Central Asia and its resources and they are not deterred by the real or mostly imagined difficulties associated with the region. We would expect these companies, being Chinese or from elsewhere within that region, to be comfortable with our study, especially one that has been put together by a credible company.

Chaarat is diligently working on evaluating a preferred development approach. It will involve the preparation of a ' starter ' mining and production plan that can balance a modest initial outlay of capital yielding an acceptable return whilst enabling the development of a scaled up project later on. Choices are being examined as to how such a plan can be financed.

I would like to record my thanks to our staff, advisers and shareholders for their patience and active support, particularly in the case of our largest shareholder.

Christopher Palmer- Tomkinson
Chairman

The optimised study demonstrates a present value for the project in excess of 20 times our current market capitalisation.

CHAARAT DEPOSIT
SUMMARY OF ESTIMATED RESOURCES

June 2016

The summary has been prepared using the cut off grades identified in the Definitive Feasibility Study as applicable to each operational category.

Tulkubash open pit heap leach COG 0.5 g/t Au	Tonnes (kt)	Au grade (g/t)	Content (koz)
Measured	12,902	1.41	582.9
Indicated	5,911	1.24	236.2
Measured & Indicated	18,813	1.35	819.1
Inferred	2,124	1.36	93.0
Total	**20,937**	**1.35**	**912.1**

Main and Contact zones open pit refractory COG 1.0 g/t Au	Tonnes (kt)	Au grade (g/t)	Content (koz)
Measured	9,172	2.13	629.6
Indicated	15,361	2.54	1,252.9
Measured & Indicated	24,533	2.39	1,882.5
Inferred	2,478	2.26	180.3
Total	**27,011**	**2.38**	**2,062.8**

Main and Contact zones underground refractory COG 1.8 g/t Au	Tonnes (kt)	Au grade (g/t)	Content (koz)
Measured	3,215	3.05	315.2
Indicated	25,844	3.63	3,013.3
Measured & Indicated	29,059	3.56	3,328.5
Inferred	6,068	3.79	740.1
Total	**35,127**	**3.60**	**4,068.6**

Total for all zones	Tonnes (kt)	Au grade (g/t)	Content (koz)
Total Measured and Indicated	72,405	2.59	6,030.1
Inferred	10,670	2.95	1,013.4
Total	**83,075**		**7,043.5**

COG = cut off grade • g/t = grammes per tonne • kt = thousand tonnes • koz = thousand ounces

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder

Our work in 2015 (as the lull in the mining industry continued) was dominated by finalisation of the Feasibility Study, the results of which were announced in early 2016. Although later than originally planned, the timing of its publication coincides with an upturn in interest in gold projects and a stabilisation of the gold price.

The credentials of the Chaarat Project as a world class, high grade and low cost of production asset are summarised in the table below which shows the results of the FS and the work we undertook on its optimisation:

Description	Unit	NERIN FS	Optimised FS
Total production over planned life of mine	Moz	3.65	3.65
Life of Mine (LOM)	Years	18	18
Milling rate per annum	Mt	4.1	4.1
Initial Project Capital Cost	US$M	665	451
Working Capital	US$M	18.8	18.8
Annual average gold production	Koz	211	211
All-in sustaining cost (AISC)	US$/oz	635.2	605.0
Operating cost per ounce of gold produced	US$/oz	536.9	506.7
All in cost per ounce of gold produced	US$/oz	817.9	734.3
NPV (US$1,250/oz @ 8% discount rate)	US$M	351	615
IRR	%	15.3	24.82

The optimisation results summarised above relate only to identified improvements in the layout of the project with the consequent reduction of earthworks and the inclusion of updated quotes and operating costs. The optimisation is progressing to improve the recoveries to concentrate from the Chaarat ore.

We have prepared an updated resource statement to reflect the results of the mine plan prepared as part of the FS. This means we have now established a JORC compliant resource in excess of 7 million ounces.

Going forward

With the increased interest in gold projects we are pursuing our twin track strategy of keeping the door open for an acquirer or JV partners while adding value to the Chaarat deposit by developing a realistic profitable option to get into production.

The FS envisages a one stage development of the project assuming capital requirements and funding were not limiting factors. This maximises the potential of the deposit but may not be the optimal practical approach given the scope of the project.

A number of options for a staged development strategy are therefore now being considered. We are aiming to identify a first stage project which requires a low capital outlay whilst generating a high return and which capitalises upon the investment in infrastructure we have already made: roads, bridge, camps, workshop and fuel tank farm. The stage one development will be scalable and not impede any future developments.

We have selectively strengthened our team in Bishkek to assist in the evaluation of options as to mining and metallurgy.

The government has approved our application to extend the time in which regulatory approvals for the project's development have to be obtained from December 2016 to December 2018. This means that we have more time for discussion with potential joint venture partners and by taking their contribution into consideration we will maintain flexibility in the development strategy.

We have also been successful in 2015 in securing our licence to operate the Tulkubash heap leach project which is likely to be the first stage development. To do so we arranged a visit for representatives from the local communities to the Copler mine – a large heap leach operation in Turkey. As a result we were very pleased that the public hearings process held subsequently in the nearby villages resulted in approval of the Project from all the local communities.

We are required to "sterilise" the alluvial gold from all areas on site which are to be built over. This process was completed in 2015.

Our range of development options has been improved by the Kyrgyz government awarding a tender which includes the requirement to construct a smelter a short distance from Chaarat. This would open up the choice for building a project based on the refractory ore in the Main and Contact zones, by generating a smeltable concentrate. This would simplify the process and lower the capital cost as it would eliminate, at least at the outset, the need to build an expensive oxidation unit.

In 2015 there were two important changes affecting the economics of the project. The first was the fall in the oil price which impacts many of the consumables used for mining such as fuel and explosives. The second, which accentuated the first, was a dramatic devaluation of currencies in the Russian speaking world, first in Russia, as a result of the falling oil price combined with western sanctions and later in Kazakhstan and the Kyrgyz Republic. There has also been a reduction in the taxes affecting mining companies with the abolition of VAT on fuel and sales tax.

The Kyrgyz Republic joined the Eurasian Economic Union in August 2015. The Union includes Russia, Kazakhstan, Uzbekistan, Armenia and Belarus and enables free movement of goods and people between these countries. This is a positive development as it improves access to and the competitiveness of the Russian and Belarusian mining equipment manufacturers. That will enable local operators to have a larger pool of staff available to them and to source equipment with which they are familiar.

There are now eight active gold projects in the country of which six are in production.

We remain very disciplined on costs and are funded to the end of 2016. We are actively pursuing a number of options to fulfil our strategy, including any required funding.

I reported last year that we had taken a decision to fully impair our other exploration projects. We continue to seek ways to raise value from these projects and I am pleased to confirm that in March 2016 we sold our interest in the greenfield Kyzil Ompul licence for USD 200k.

Armed with a robust FS, an improving gold price and more flexible markets for equipment, we are now hopeful that we can feed the growing interest in our project from potential partners and deliver value to shareholders and stakeholders in the local communities.

Dekel Golan
Chief Executive Officer

CORPORATE SOCIAL RESPONSIBILITY REPORT

Chaarat aims to ensure that the benefits from its high quality gold and mineral deposits in the Kyrgyz Republic are shared by all the relevant stakeholders. This will be achieved by building relationships based on trust and operating to the best environmental, social and employment standards.

The Community Consultation Group (CCG) continued to be actively engaged with local stakeholders in 2015. The group was established in 2013 with participation from all sections of the communities near the Chaarat deposit, including the heads of the two local "Keneshes" (councils).

Chaarat makes investment decisions based on the following principles:

- The number of people who benefit from the project
- The potential to operate independently of the company and to continue when support ends
- The potential to increase professional and employment skills within the community
- The availability of contributions from the initiators of the project either in monetary form or their own efforts
- The ability to monitor and report on the impact of the investment

The objectives of the CCG based on these principles are:

- To establish that the local population understands the process and concept of development of the Chaarat deposit and any concerns are addressed
- To ensure that the support provided by the Company to the local community is invested according to the priorities of the local communities and for their general benefit

Projects are selected through a transparent process and in cooperation with community representatives. The results of the decision-making process are documented and made publicly available. Chaarat strongly encourages projects that fit with existing socio-economic development strategies and that build on initiatives which are already underway. The projects we support must become self-sustaining.

In agreement with the local government, the community and Chaarat, the focus of our activity in 2015 concentrated on: infrastructure and transport, medical, education and employment.

Infrastructure and transport

Chaarat has continued to be the leading member of a group of exploration and mining companies who commit resources to the upgrade of the main road in the Chatkal valley. This is a vital artery to enable the local population to trade the goods they produce and buy the products they need. When the Chaarat Project is in production 2% of its revenue will be allocated to a local development fund which will also be used in part to continue upgrading the road.

In 2015 we arranged for a concrete pavement to be added to the road we asphalted in 2014 in Kanysh-Kia (the largest village in the Chatkal valley).

Repairs have been made to schools, kindergartens and local community offices in surrounding villages during the year, as well as the mosque in Jany-Bazar. Furniture was provided for the schools, kindergartens and local community offices. We repaired a local bus which is a vital means of communication between the villages. A container was custom fitted for use by the local police to establish a post on the main road into the valley.

Medical

The shortage of doctors and medical facilities continues to be an important local concern. Chaarat therefore arranged a visit by a team of eye surgeons to perform cataract operations on 21 Chatkal residents. To alleviate the shortage of doctors we sponsor 7 students from the Chatkal region who are studying at the Bishkek Medical Academy.

Education

Since 2008 Chaarat has supported qualifying students through higher education in mining sector related skills (principally geology and mine engineering). We pay for students' tuition and provide a modest living allowance and they work as trainees on site during the summer holidays on full pay. We are currently supporting 12 students.

Employment

As well as providing employment at the Chaarat site, we continued to support two retail outlets in Kanysh-Kia and Jany-Bazar to ensure the prices charged for basic supplies are competitive with those in Bishkek. We assisted with the distribution of local newspapers.

Winter support

Chaarat for the sixth year supported the local population during the harsh winter by buying supplies in Bishkek, transporting them to the mountains and selling them on at cost. This support is much appreciated by the community as it provides essential flour for bread and hay for animal feed.

Donations

The Chatkal district was established in 1936 and we contributed to the 80th anniversary celebrations. We supported the Chatkal volleyball club.

Social licence

We have a responsibility to the local community to educate them about our plans and obtain their approval to the proposed means of developing the Chaarat Project.

During 2015 a visit was organised to the Copler mine in Turkey which gave 17 residents of the Chatkal valley the opportunity to see a heap leach operation and address their concerns to the mine personnel. This visit, together with other information and meetings held with the local communities, resulted in a decision at the public hearings to permit development of the Chaarat deposit. We wish to record our thanks to Alacer Gold for their help in arranging this visit.

DIRECTORS' BIOGRAPHIES

Christopher Palmer-Tomkinson
(Non-Executive Chairman)

Chairman of Chaarat since the admission to AIM in 2007, Christopher continues to lead the Chaarat Board with the same focus on corporate governance and the interests of shareholders.

A partner in Cazenove from 1972 until 2001, he was managing Director of international corporate finance until May 2002. He was responsible at various times for Cazenove's African and Australian businesses focusing on the resource sector. He is a member of Chaarat's Remuneration and Audit Committees.

Dekel Golan
(Chief Executive Officer)

Dekel brings his proven entrepreneurial skills to the development of the Chaarat Project. Formerly president of Apex Asia LDC, a subsidiary of Apex Silver Mines Limited, he has extensive experience in developing businesses, in emerging economies as well as the developed world, and was the founder and Executive Chairman of APC Limited, a coffee and tea producer in Africa.

Alexander Novak
(Executive Director)

Alexander is based in Bishkek and is responsible for all our activities in the Kyrgyz Republic, in particular licencing and community relations. He has assisted companies investing in the Kyrgyz Republic in various aspects of finance, administration and representation with the authorities since 2000. He has more than 25 years of experience in all aspects of business management in Central Asia including negotiations with governmental institutions, contractors, preparation of development plans, monitoring of operations and public relations.

Linda Naylor
(Finance Director)

Linda is responsible for the finance and treasury functions as well as fulfilling the role of Company Secretary. She is the primary point of contact for all shareholders. A Chartered Accountant and a former partner in Grant Thornton UK LLP, her experience gained over more than twenty years included working as a nominated adviser in the Capital Markets team from 1996 and as an audit partner specialising in the natural resource sector.

Richard Rae
(Non-Executive Director)

Richard is an experienced City professional who brings his contacts and in depth understanding of the equity markets to the Board of Chaarat which will assist in the Company's engagement and communication with its shareholders.

As a managing Director of ABN AMRO, Richard was responsible for the team engaged in research, sales and trading of Mid and SmallCap equities. In this role, and before that as Head of UK Smaller Companies Research & Sales, he managed the liaison with the corporate broking and financial advisory departments. He is a non-executive Director and member of the Audit Committee of Aberforth Smaller Companies Investment Trust plc, the largest investment trust within the UK Smaller Company sector.

A Chartered Accountant, Richard is Chairman of Chaarat's Audit and Remuneration Committees.

ACCOUNTS 2015

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2015.

Principal Activities

The principal activity of the Group is exploration for gold and the development of the Chaarat Gold project in the Kyrgyz Republic. The principal activities of the Company are those of a holding, management and finance company.

In common with many exploration and development groups, the Group raises finance for its exploration, appraisal and development activities in discrete tranches which finance its activities for limited periods. Further fundraising is undertaken as and when required.

Business Review

Reviews of operations and business developments are reported on in the Chairman's Statement, the Chief Executive Officer's Report and within the details of the Financial Statements. The Financial Statements set out the financial position of the Group.

Results and Dividends

The results for the year are set out in the Consolidated Income Statement. No dividend is proposed in respect of the year (2014: nil). The loss for the year is USD 4,604,356 (2014: USD 13,563,462).

Directors

The Directors who served during the year were:

- **Christopher Palmer- Tomkinson**
- **Dekel Golan**
- **Alexander Novak**
- **Linda Naylor**
- **Richard Rae**

In accordance with the Company's Articles of Association the Directors who have been longest in office since their last election must retire by rotation at the Annual General Meeting, and may stand for re-appointment at the Meeting. Accordingly, the Directors retiring by rotation, Alexander Novak and Richard Rae, being eligible, offer themselves for re-appointment.

Share Capital and Substantial Share Interests

Details of the Company's share capital are disclosed in note 17 of the financial statements.

On 23 May 2016, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Number of shares	%
Labro Investments Limited	68,775,064	25.2
China Nonferrous Metals Int'l Mining Co. Ltd	22,469,289	8.23
Stewart Investors	14,171,832	5.19
Dekel Golan via Mada Limited	14,075,691	5.16
Alexander Novak via Vetan Investments Limited	10,686,198	3.92
UBS Wealth Managment	10,267,692	3.76

Going concern and project funding requirements

The Group had cash and cash equivalents of USD 2.8 million and no borrowings at 31 December 2015. The Board has completed the optimisation of the Feasibility Study prepared by NERIN and is now reviewing strategies to reach production as well as continuing discussions with investors and potential acquirers.

The Board has reviewed the Group's cash flow forecast for the period to 30 June 2017. It is satisfied that there are sufficient funds to maintain the Group as a going concern until the end of 2016. After that date, and in order to maintain the Group as a going concern for a period of over twelve months from the date of signing the annual report and accounts, it will be necessary to secure additional funds. These could be made available from existing and new shareholders, 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. The Board has a reasonable expectation that additional funds will be made available from these sources.

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.

Once the stage one development strategy has been selected, further funding will be required to bring the Chaarat Project into production. The timeframe and costs of so doing, as well as securing finance for the Project, are difficult to estimate.

If this funding cannot be secured the Group may not be able to fully develop the Project and the carrying values of the mine properties, related plant and equipment and assets in construction, which at 31 December 2015 amounted to approximately USD 31 million, may become impaired.

Directors' Responsibilities

The Directors are responsible for preparing the financial statements and have, as required by the AIM rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the state of affairs of the group and of its profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The Directors are responsible for keeping records that are sufficient to show and explain the company's transactions and will, at any time, enable the financial position of the company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the British Virgin Islands governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditor

In the case of each of the Directors who are Directors of the company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of the information.

Auditor

A resolution to re-appoint BDO LLP as auditors of the company will be put to the next Annual General Meeting.

Corporate Governance

The key objective of corporate governance is to enhance and protect shareholder value. The Board is committed to maintaining high standards of corporate governance by applying good corporate governance principles pragmatically, having regard to the business profile and size of the Group. The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code, which sets out the principles of Good governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the UK Corporate Governance Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Corporate Governance Code in relation to the size and the stage of development of the Company. Guidance from the Quoted Companies Alliance is also provided by the Corporate Governance Code for small and mid-size quoted companies 2013. The Board is assisted in this regard by the committees described below.

Independence

The Board considers it essential, notwithstanding the small size of the Company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre as non-executive Directors. Consequently they believe that it is in the interests of shareholders that non-executive Directors should be provided with share options in addition to the level of fees considered affordable. The Company sought advice from its advisers on this policy which does depart from best practice. The number of such options currently amounts to 880,914 in total, or just under 0.32% of the current issued share capital, and in the opinion of the executive Directors is not of sufficient magnitude as to affect the independence of the non-executive Directors.

Our priority as a Board is to enhance and protect shareholder value by appointing Directors with the requisite technical and personal skills to achieve the strategy. Our Chairman considers his role of building an effective Board as his principal contribution to Chaarat. All our Directors bring independence of character and judgement to their roles.

The non-executive Directors are usually free from any material business or other relationship with the Group. Any such interest would be disclosed and relate to their particular skill and expertise for the benefit of the Group. Richard Rae is the senior non-executive Director and is considered independent by the rest of the Board.

Board meetings
The members of the Board meet regularly to review progress. Board meetings at which formal decisions are made are held offshore as required to approve strategy and budgets, major capital expenditure and the financial statements.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of their duties.

Remuneration committee
The remuneration committee comprises Richard Rae as Chairman and Christopher Palmer-Tomkinson. The committee meets as required during each financial year. It is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration, having due regard to the interests of shareholders as a whole and the performance of the Group. The remuneration committee also administers the company's share option arrangements. The remuneration of the non-executive Directors is reviewed by the whole Board. The executive Directors were not awarded an increase in salary, bonuses or share options in 2015 or 2014.

Details of Directors' emoluments and share options are disclosed in the Remuneration Report.

Audit committee
The audit committee comprises Richard Rae as Chairman and Christopher Palmer-Tomkinson. The committee meets formally on at least two occasions each financial year. It reviews the Company's interim and annual financial statements before submission to the Board for approval, as well as regular reports from management and the external auditors on audit, accounting and internal control matters. Where appropriate, the audit committee monitors the progress of action taken in relation to such matters. The audit committee also recommends the appointment of, and reviews the fees of, the external auditors. It also reviews the independence of the external auditors and any non-audit services provided.

In 2015 and 2014 the review of the interim statement was the only non-audit service provided.

Nominations committee
The nominations committee is comprised of the whole Board of Directors. The Chairman reviews all proposed changes to the Board with regard to the balance of skills necessary to achieve Chaarat's strategic objectives. Recommendations for nomination to the Board have been based to date on the personal contacts of the existing Board

Health, Safety, Environment and Community committee
A Health, Safety, Environment and Community committee is responsible for the overall health, safety and environmental performance of the Company and its operations and its relationship with the local community in the Kyrgyz Republic. The Committee is comprised of the entire Board of Directors.

Relations with shareholders
The Board recognises the importance of maintaining a dialogue with its shareholders (whether institutional or private) and values the views expressed. Dialogue can take the form of individual meetings or presentations to retail investors. Members of the Board meet with shareholders, analysts and other institutions regularly throughout the year to keep them updated. The AGM and website encourage engagement with the Board and all correspondence and queries are dealt with promptly.

Remuneration Report
Policy
The policy of the Company is to ensure the members of the Board are fairly remunerated with regard to the responsibilities undertaken and with regard to comparable pay levels in the mining industry. Bonuses and the award of share options are used to attract, retain and motivate Directors and senior management where appropriate. The award of bonuses and share options is recommended to the Board for approval by the Remuneration Committee.

Details of individual Directors' remuneration are shown below:

	Salary USD	Fees USD	Share based consideration USD	2015 Total USD	2014 Total USD
Dekel Golan	428,406		31,153	459,559	503,681
Alex Novak	266,016		19,266	285,282	312,197
Linda Naylor	264,900		19,074	283,974	331,331
Christopher Palmer- Tomkinson		45,799	3,715	49,514	58,241
Richard Rae		45,799	4,677	50,476	59,343
Retired Directors			1,590	1,590	245,616
Total	**959,322**	**91,598**	**79,475**	**1,130,395**	**1,510,409**

Directors' Interests

Share Interests

The Directors of the Company who held office at 31 December 2015 held the following beneficial interests, either directly or indirectly, (including interests held by spouses, minor children or associated parties) in the ordinary shares and options of the Company at 23 May 2016:

	Number of Shares	Number of Options over Shares
Christopher Palmer-Tomkinson	6,275,000	680,914
Dekel Golan	14,075,691	5,809,331
Alexander Novak	10,686,198	3,632,124
Linda Naylor	1,000,000	2,029,244
Richard Rae	200,000	200,000
	32,236,889	**12,351,613**

The following executive Directors have options to subscribe for ordinary shares in the Company as follows:
At 31 December 2015 and 2014

Price	Exercise period	Dekel Golan	Alex Novak	Linda Naylor
USD 0.9166	08/11/07 – 16/10/17	2,400,000	1,500,000	-
25p	01/09/12 – 31/08/17	400,000	252,000	156,000
41p	25/02/11 – 24/02/18	162,602	102,439	105,691
41p	25/02/12 – 24/02/18	162,602	102,439	105,691
41p	25/02/13 – 24/02/18	162,602	102,439	105,691
61p	22/12/11 – 21/12/18	109,289	68,852	71,039
61p	22/12/12 – 21/12/18	109,289	68,852	71,039
61p	22/12/13 – 21/12/18	109,290	68,852	71,038
27p	22/12/12 – 21/12/19	302,469	166,667	185,185
27p	22/12/13 – 21/12/19	302,469	166,667	185,185
27p	22/12/14 – 21/12/19	302,469	166,667	185,185
25p	31/12/13 – 30/12/20	428,750	288,750	262,500
25p	31/12/14 – 30/12/20	428,750	288,750	262,500
25p	31/12/15 – 30/12/20	428,750	288,750	262,500
Total		**5,809,331**	**3,632,124**	**2,029,244**

The non-executive Directors have options to subscribe for ordinary shares in the Company as follows:
At 31 December 2015 and 2014

Price	Exercise period	Christopher Palmer-Tomkinson	Richard Rae
USD 0.9166	08/11/07 – 16/10/17	300,000	-
25p	01/09/12 – 31/08/17	26,000	-
41p	25/02/11 – 24/02/18	18,699	-
41p	25/02/12 – 24/02/18	18,699	-
41p	25/02/13 – 24/02/18	18,699	-
61p	22/12/11 – 21/12/18	12,569	-
61p	22/12/12 – 21/12/18	12,569	-
61p	22/12/13 – 21/12/18	12,568	-
27p	22/12/12 – 21/12/19	37,037	-
27p	22/12/13 – 21/12/19	37,037	-
27p	22/12/14 – 21/12/19	37,037	-
25p	31/12/13 – 30/12/20	50,000	-
25p	31/12/14 – 30/12/20	50,000	-
25p	31/12/15 – 30/12/20	50,000	-
25p	08/05/14 – 07/05/21	-	-
25p	08/05/15 – 07/05/21	-	-
25p	08/05/16 – 07/05/21	-	-
25p	03/03/15 – 02/03/22	-	66,667
25p	03/03/16 – 02/03/22	-	66,667
25p	03/03/17 – 02/03/22	-	66,666
Total		**680,914**	**200,000**

By Order of the Board

L Naylor

Linda Naylor
Company Secretary
20 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAARAT GOLD HOLDINGS LIMITED

We have audited the financial statements of Chaarat Gold Holdings Limited for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The group's cash flow forecasts indicate further funding is required to meet its liabilities that fall due in next 12 months. Whilst the Directors have a reasonable expectation that additional required funds will be made available through fundraising, asset sales or further cost reductions, these arrangements are not yet in place. In the absence of such arrangements the existing conditions indicate the existence of a material uncertainty which may cast significant doubt as to the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

BDO LLP

BDO LLP
Chartered accountants
London
United Kingdom
20 June 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December

	Note	2015 USD	2014 USD
Exploration expenses		**(2,115,164)**	(4,251,623)
Impairment of assets	4	-	(6,023,622)
Administrative expenses - other		**(2,551,262)**	(3,868,516)
Administrative expenses- share options expense		**(90,869)**	(256,613)
Administrative expenses- foreign exchange gain/(loss)		**20,187**	(126,499)
Total administrative expenses		**(2,621,944)**	(4,251,628)
Operating loss	4	**(4,737,108)**	(14,526,873)
Finance income	7	**132,752**	476,536
Taxation	21	-	486,875
Loss for the year, attributable to equity shareholders of the parent		**(4,604,356)**	(13,563,462)
Loss per share (basic and diluted) – USD cents	18	**(1.69)**	(5.40)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

	2015 USD	2014 USD
Loss for the year, attributable to equity shareholders of the parent	(4,604,356)	(13,563,462)
Other comprehensive income: *Items which may subsequently be reclassified to profit and loss*		
Exchange differences on translating foreign operations and investments	(7,708,129)	(8,302,919)
Other comprehensive income for the year, net of tax	**(7,708,129)**	**(8,302,919)**
Total comprehensive income for the year attributable to equity shareholders of the parent	**(12,312,485)**	**(21,866,381)**

CONSOLIDATED BALANCE SHEET

At 31 December

	Note	2015 USD	2014 USD
Assets			
Non-current assets			
Intangible assets	8	29,505	50,197
Mining exploration assets	9	-	-
Mine properties	10	19,797,277	22,653,950
Property, plant and equipment	11	2,174,678	3,622,423
Assets under construction	12	9,259,089	12,339,224
Other receivables	13	-	-
		31,260,549	**38,665,794**
Current assets			
Inventories	14	306,111	847,818
Trade and other receivables	15	212,845	726,386
Cash and cash equivalents	16	2,839,159	7,608,865
		3,358,115	9,183,069
Total assets		**34,618,664**	**47,848,863**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	17 (b)	2,729,353	2,729,353
Share premium	17 (b)	132,108,746	132,108,746
Share warrant reserve		1,358,351	1,358,351
Other reserves		14,952,340	15,205,510
Translation reserve		(18,528,856)	(10,820,727)
Accumulated losses		(98,405,125)	(94,144,808)
Total equity		**34,214,809**	**46,436,425**
Current liabilities			
Trade and other payables	19	176,641	561,916
Accrued liabilities	20	227,214	850,522
		403,855	1,412,438
Total liabilities		**403,855**	**1,412,438**
Total liabilities and equity		**34,618,664**	**47,848,863**

The financial statements were approved and authorised for issue by the Board of Directors on 20 June 2016.

Dekel Golan
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the For the Years Ended 31 December

	Note	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 2013	**17 (b)**	**2,504,778**	**128,551,662**	**-**	**(80,646,255)**	**15,013,806**	**(2,517,808)**	**62,906,183**
Currency translation		-	-	-	-	-	(8,302,919)	(8,302,919)
Other comprehensive income		-	-	-	-	-	(8,302,919)	(8,302,919)
Loss for the year ended 31 December 2014		-	-	-	(13,563,462)	-	-	(13,563,462)
Total comprehensive income for the year		-	-	-	(13,563,462)	-	(8,302,919)	(21,866,381)
Share options lapsed		-	-	-	64,909	(64,909)	-	-
Share options expense		-	-	-	-	256,613	-	256,613
Warrant expense		-	-	1,358,351	-	-	-	1,358,351
Issuance of shares for cash		224,575	3,672,495	-	-	-	-	3,897,070
Share issue costs		-	(115,411)	-	-	-	-	(115,411)
Balance at 31 December 2014	**17 (b)**	**2,729,353**	**132,108,746**	**1,358,351**	**(94,144,808)**	**15,205,510**	**(10,820,727)**	**46,436,425**
Currency translation		-	-	-	-	-	(7,708,129)	(7,708,129)
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**(7,708,129)**	**(7,708,129)**
Loss for the year ended 31 December 2015		-	-	-	(4,604,356)	-	-	(4,604,356)
Total comprehensive income for the year		**-**	**-**	**-**	**(4,604,356)**	**-**	**(7,708,129)**	**(12,312,485)**
Share options lapsed		-	-	-	344,039	(344,039)	-	-
Share options expense		-	-	-		90,869	-	90,869
Balance at 31 December 2015	**17 (b)**	**2,729,353**	**132,108,746**	**1,358,351**	**(98,405,125)**	**14,952,340**	**(18,528,856)**	**34,214,809**

CONSOLIDATED CASH FLOW STATEMENT

For the Years Ended 31 December

	Note	2015 USD	2014 USD
Operating activities			
Loss for the year		(4,604,356)	(13,563,462)
Adjustments:			
Amortisation expense - intangible assets	8	11,400	45,230
Depreciation expense - property, plant and equipment	4/11	578,096	1,622,409
Gain/loss on disposal of property, plant and equipment	4/11	(86,580)	500,319
Impairment of assets	4/9	-	6,023,622
Provision for inventories	14	268,692	-
Finance income	7	(132,752)	(476,536)
Share based payments	4	90,869	256,613
Decrease in inventories		147,538	905,984
Decrease in accounts receivable		153,680	131,517
(Decrease) in accounts payable		(322,778)	(578,714)
Net cash flow used in operations		**(3,896,191)**	**(5,133,018)**
Investing activities			
Purchase of computer software	8	-	(6,777)
Purchase of tangible fixed assets	11	(220,711)	(32,864)
Capitalisation of development activities	10/12	(1,213,724)	(4,865,186)
Proceeds from sale of equipment	4	449,801	1,029,472
Interest received	7	132,752	476,536
Net cash used in investing activities		**(851,882)**	**(3,398,819)**
Financing activities			
Proceeds from issue of share capital		-	5,255,420
Issue costs		-	(115,411)
Net cash from financing activities		**-**	**5,140,009**
Net change in cash and cash equivalents		**(4,748,073)**	**(3,391,828)**
Cash and cash equivalents at beginning of the year		7,608,865	11,163,079
Effect of changes in foreign exchange rates		(21,633)	(162,386)
Cash and cash equivalents at end of the year	**16**	**2,839,159**	**7,608,865**

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP STRUCTURE

Chaarat Gold Holdings Limited (the Company) (registration number 1420336) was incorporated in the British Virgin Islands (BVI), and acts as the ultimate holding company for the Group. The Company is listed on the Alternative Investment Market of the London Stock Exchange (AIM:CGH).

The legal address of the Company is: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands, VG1110. The Group's principal place of business is at: 15th floor, 19 Razzakova Street, Bishkek, the Kyrgyz Republic, 720040.

At 31 December the Group consisted of the following companies all of which are wholly owned:

Group company	Country of incorporation	Principal activity
Chaarat Gold Holdings Limited	BVI	Ultimate holding company
Zaav Holdings Limited	BVI	Holding company
Chon-tash Holdings Limited	BVI	Holding company
At-Bashi Holdings Limited	BVI	Holding company
Akshirak Holdings Limited	BVI	Holding company
Naryn Holdings Limited	BVI	Holding company
Goldex Asia Holdings Limited	BVI	Holding company
Chon-tash Mining LLC*	Kyrgyz Republic	Exploration
At-Bashi Mining LLC*	Kyrgyz Republic	Exploration
Akshirak Mining LLC*	Kyrgyz Republic	Exploration
Naryn Gold LLC*	Kyrgyz Republic	Exploration
Goldex Asia LLC*	Kyrgyz Republic	Exploration
Chaarat Zaav CJSC*	Kyrgyz Republic	Exploration
Chaarat Operating Company GmbH	Switzerland	Management company (in liquidation)

*Companies owned indirectly by Chaarat Gold Holdings Limited
Chaarat Operating Company GmbH has registered a branch office in the Kyrgyz Republic.

2 ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of these consolidated financial statements are summarised below:

BASIS OF PREPARATION

The financial information has been prepared in accordance with IFRS as adopted by the European Union. The principal accounting policies adopted in the preparation of the annual financial statements are set out below. The policies have been consistently applied.

There are no new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2015.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. The following new or revised standards that are applicable to the group were issued but not yet effective:

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- Amendment to IAS 1 – Presentation of Financial Statements Disclosure Initiative
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11 – Accounting amendments relating to acquisitions of interests in joint operations.

The effects of IFRS 15 Revenues from Contracts with Customers and IFRS 9 Financial Instruments are yet to be assessed, as these new standards may have a significant effect on the Group's future financial statements.

BASIS OF CONSOLIDATION

Where the Company has control over an investee it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is re-assessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. As permitted by BVI law the Company has not presented its own financial information.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred.

Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss.

FUNCTIONAL AND PRESENTATION CURRENCY OF THE PARENT

These consolidated financial statements are presented in United States dollars, rounded to the nearest dollar as the Company believes it to be the most appropriate and meaningful currency for investors. Management has concluded that the US dollar is the currency of the primary economic environment in which the entity operates because a significant portion of the transactions and settlements of the Company are influenced by the US Dollar. The Company's assets and liabilities are largely denominated and settled in US Dollars which is also the currency in which business risks and exposures are managed and the business is measured.

CASH AND CASH EQUIVALENTS

Cash includes petty cash and cash held in current bank accounts. Cash equivalents include short-term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

INTEREST

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less any subsequent accumulated depreciation and impairment losses. The historical cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use

Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged on each part of an item of property, plant and equipment so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement, unless it is considered to relate to the construction of another asset, in which case it is capitalised as part of the cost of that asset. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

Buildings	- 5 years
Office equipment	- 2.5 to 3 years
Machinery and equipment	- 3 to 10 years
Motor vehicles	- 5 years
Furniture and facilities	- 3 to 5 years
Leasehold improvements	- over the term of the lease

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishments and improvements expenditure, where the benefit enhances the capabilities or extends the useful life of an asset, is capitalised as part of the appropriate asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

INTANGIBLE ASSETS – COMPUTER SOFTWARE

Computer software is initially capitalised at cost and amortisation is provided on a straight line basis over a period of 3 years. The carrying value is regularly reviewed and a provision made in the year that impairment or obsolescence is determined by management to have occurred.

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 for the Group, acquired mining exploration costs in respect of that project are deemed to be impaired and written off to the income statement.

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

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 likely availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, 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 anticipated to be 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.

IMPAIRMENT TESTING

At each balance sheet date, the Group reviews the carrying amounts of its mine development costs, assets under construction, property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Where the asset does not generate cash flows that are independent from other assets, the Group assesses the cash-generating unit to which the asset belongs for impairment.

Impairment reviews for deferred exploration and evaluation costs are undertaken when indicators of impairment arise and typically when one of the following circumstances apply:

i. unexpected geological occurrences that render the resource uneconomic;
ii. title to the asset is compromised;
iii. variations in metal prices that render the project uneconomic; and
iv. variations in the currency of operation.

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

LEASED ASSETS

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date the asset is initially recognised or the date of entering into the lease agreement.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

TAXATION

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items in other comprehensive income, in which case the related deferred tax is also charged or credited to other comprehensive income.

INVENTORIES

Inventories consist of equipment spares and consumables which are stated at the lower of cost or net realizable value. Cost is calculated using the average cost method. Net realizable value is the estimated value in use for the exploration work for which the inventories are acquired.

EQUITY

Equity comprises the following:

- ''Share capital" represents the nominal value of equity shares.
- ''Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

- "Share warrant reserve" represents the equity portion of warrants in issue.
- "Other reserves" represent the difference between the issued share capital and share premium of Chaarat Gold Holdings Limited and its former subsidiary Chaarat Gold Limited arising as a result of the reverse acquisition, plus the equity component of share options issued.
- ''Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- ''Accumulated losses" include all current and prior period results as disclosed in the income statement.

FOREIGN CURRENCY

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (the ''functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement. The presentation currency is the US dollar. This is also the functional currency of the Company and is considered by the Board also to be appropriate for the purposes of preparing the Group financial statements.

On consolidation, the results of overseas operations are translated into US dollars, the presentation currency, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognised directly in the consolidated statement of other comprehensive income.

The intercompany loans form a part of the Company's investment in a foreign operation. The exchange difference arising on the intercompany loans is recognised in other comprehensive income and accumulated in a separate component of equity until disposal of the foreign operation.

The exchange rates at year-end used by the Group in the preparation of the historical financial information are as follows:

	2015	2014	2013
Kyrgyz Som (KGS) to 1 US dollar (USD)	75.8993	58.8865	49.2470
Kyrgyz Som (KGS) to 1 UK pound (GBP)	113.5511	91.6190	81.3383
US dollar (USD to 1 UK pound (GBP)	1.4961	1.5559	1.6516

SHARE-BASED EMPLOYEE REMUNERATION

The Company operates equity-settled share-based remuneration plans for some of its employees. The Company awards share options to certain Company Directors and employees to acquire shares of the Company.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to ''other reserves".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

After the vesting date no subsequent adjustments are made to total equity. In the year when the share options lapse the total accumulated charge to the share based payment reserve is transferred to retained earnings.

RETIREMENT AND OTHER BENEFIT OBLIGATIONS

The Group does not offer any pension arrangements other than those provided under the State pension system of the Kyrgyz Republic, which requires current contributions by the employer, calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Group does not have any obligations in respect of post-retirement or other significant compensation benefits.

FINANCIAL INSTRUMENTS

Financial assets

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group did not have any financial assets "at fair value through profit or loss" and "available for sale" financial instruments as at 31 December 2015 and 31 December 2014.

Loans and receivables

Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except where maturity occurs greater than 12 months after the reporting date, in which case they are classified as non-current assets.

Loans and receivables are initially measured at fair value and subsequently carried at their amortised cost using the effective interest rate method, net of any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the asset have been impacted. For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

In the event of impairment, the carrying amount of the financial asset is reduced by the impairment loss, except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account, and the amount of loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances and deposits in banks and similar institutions, which are readily convertible to cash and which are subject to insignificant risk of changes in value.

Financial liabilities

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest income is recognized by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

GOING CONCERN AND PROJECT FUNDING REQUIREMENTS

The Group had cash and cash equivalents of USD 2.8 million and no borrowings at 31 December 2015. The Board has completed the optimisation of the Feasibility Study prepared by NERIN and is now reviewing strategies to reach production as well as continuing discussions with investors and potential acquirers.

The Board has reviewed the Group's cash flow forecast for the period to 30 June 2017. It is satisfied that there are sufficient funds to maintain the Group as a going concern until the end of 2016. After that date, and in order to maintain the Group as a going concern for a period of over twelve months from the date of signing the annual report and accounts, it will be necessary to secure additional funds. These could be made available from existing and new shareholders, 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. The Board has a reasonable expectation that additional funds will be made available from these sources.

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.

Once the stage one development strategy has been selected, further funding will be required to bring the Chaarat Project into production. The timeframe and costs of so doing, as well as securing finance for the Project, are difficult to estimate.

If this funding cannot be secured the Group may not be able to fully develop the Project and the carrying values of the mine properties, related plant and equipment and assets in construction, which at 31 December 2015 amounted to approximately USD 31 million, may become impaired.

3 SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATION

The application of the accounting policies described in note 2 require the Directors to make judgements, estimates and assumptions which affect the carrying amounts of assets and liabilities in the financial statements. The estimates and associated assumptions are based on experience and knowledge of the relevant facts and circumstances which the Directors consider to be relevant and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if actual results may differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below.

Carrying value of the mine development assets

A Definitive Feasibility Study ("DFS") for the Chaarat Project was completed in the period and the results were published in February 2016. The results of the stage one optimisation were announced in May 2016.

At 31 December 2015 the costs of the mine properties, related plant and equipment and assets in construction amounted to approximately USD 31 million. Further details of these assets can be found in notes 10, 11 and 12. As required by IAS 36 –"Impairment of Assets", the Board has reviewed these assets. Based on the results of the DFS and the optimisation work the Directors have concluded that an impairment of the Project is not required. They are supported in that view by the stabilisation of the gold price, the increased investor interest in gold projects and the increase in mining activity in the Kyrgyz Republic. Work is underway on identifying the optimal stage one development route for the Project which minimises the capital expenditure requirement but does not impede the future development of the Project. As this work continues current views on key estimates and assumptions may change and if these changes are adverse then an impairment of the current carrying value of the mine properties, related plant and equipment and assets under construction may arise.

Capitalisation of development expenditure

During the exploration phase of operations, all exploration costs are expensed in the Income Statement as incurred. The mining exploration and development costs accounting policy provides further detail. The key judgement implicit in this policy is the determination of the date upon which development of the property is judged to be commercially viable.

The carrying value of development expenditure is reviewed periodically for impairment based on internal and external indicators. The recoverability of development expenditure is assessed based on a judgement about the feasibility of the project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and production are sources of estimation uncertainty.

Carrying values of property, plant and equipment and computer software

Depreciation and amortisation rates detailed in the accounting policies are considered by management to fairly reflect the expected useful lives of the respective asset categories.

Carrying values of acquired mining exploration assets

The recoverability of the expenditure capitalised as intangible assets is assessed based on the Directors' judgement about the feasibility of the project and estimates of its future cash flows from either value in use or through sale. Future gold prices, operating costs, capital expenditure and likely production levels are sources of estimation uncertainty. Internal and external indicators are taken into account when making judgements about impairment. Any impairment is based on estimates of future cash flows. In particular the Directors recognise that any decision to withdraw from exploration activity on an asset, whether caused by the expiry of a licence or a decision not to budget for exploration expenditure on that asset would mean that that they would need to assess whether an impairment is necessary based on the likely sale value of the asset.

Based on the impairment review undertaken in 2014, the Directors have fully impaired the value of the exploration assets which were originally acquired in 2010. The licences relating to these assets have been maintained and the Directors continue to invite expressions of interest in purchasing these assets.

Share based payments

The expected life of share options used in the Black Scholes model for calculating the fair value of those options is based on management's best estimate, adjusted for the effects of non-transferability, exercise restrictions, and behavioural considerations.

4 OPERATING LOSS

The operating loss is stated after charging:

	2015 USD	2014 USD
Depreciation of property, plant and equipment	578,096	1,622,409
Amortisation of intangible assets	11,400	45,230
Operating lease expenses	145,514	378,602
Share based payment charges	90,869	256,613
(Gain) / loss on sale of fixed assets	(86,580)	500,319
(Gain) / loss on foreign exchange	(20,187)	126,499
Audit – remuneration for audit of Chaarat Gold Holdings Limited	53,515	75,542
Impairment of acquired exploration assets	-	6,023,622
Inventories provision	268,692	-

Segmental analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, in order to allocate resources to the segments and to assess their performance.

The Group's operations relate to the exploration for, and development of, mineral deposits in the Kyrgyz Republic with support provided from the British Virgin Islands and as such the Group has only one reportable segment. The non-current assets in the Kyrgyz Republic are USD 31,260,549 (2014: USD 38,665,794).

5 STAFF NUMBERS AND COSTS

	2015 Number	2014 Number
Management and administration	44	66
Operations	92	234
	136	**300**

The aggregate payroll costs of these persons were as follows:

	2015 USD	2014 USD
Staff wages and salaries	812,448	2,169,681
Social security and other pension costs	255,014	484,655
Employee share based payment charges	11,395	45,149
Directors remuneration as detailed in the Remuneration Report		
Wages and salaries	1,050,920	1,298,945
Share based payment charge	79,474	211,464
	2,209,251	**4,209,894**

Share based payment charges relate to the notional charge attributed to share options granted.

The staff wages and salaries and social security and other pension costs includes amounts capitalised to Mine Properties of USD 440,052 (2014: USD 1,286,285) and to Assets under Construction of USD Nil (2014: USD 200,014).

6 DIRECTORS' REMUNERATION

The costs of certain Directors' services were charged to the Company via consultancy companies, as separately detailed below and in the related party transactions note 23, rather than directly as short-term employment costs. These arrangements are in place purely for administrative convenience and are not methods to mitigate, reduce or remove liabilities to taxation in the respective Director's country of residence. Details of Directors' remuneration are provided in the Remuneration Report.

Dekel Golan (paid via related party, Mada Consulting Pte Limited)
Alexander Novak (paid via related party, Vetan Limited)
Linda Naylor (paid via related party, Central Asia Services Limited)
Christopher Palmer-Tomkinson (paid directly)
Richard Rae (paid directly)

Wages and salaries	**2015 USD**	**2014 USD**
Paid directly	138,050	165,951
Paid via related party consultancy companies	912,870	1,132,994
Share based payment charge	79,475	211,464
Total	**1,130,395**	**1,510,409**

The highest paid Director received emoluments totaling USD 428,406 (2014: USD 429,105) and share based payments of USD 31,153 (2014: USD 74,576). Directors' remuneration includes no long term benefits.

Share based payment charges relate to the fair value charge attributed to share options granted.

7 FINANCE INCOME

	2015 USD	**2014 USD**
Interest on cash and cash equivalents	19,645	66,955
Other income	113,107	409,581
	132,752	**476,536**

8 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Cost	USD
At 31 December 2013	**274,684**
Additions	6,777
Exchange differences	(74,828)
At 31 December 2014	**206,633**
Additions	-
Exchange differences	(25,444)
At 31 December 2015	**181,189**

Amortisation	USD
At 31 December 2013	**170,966**
Charge for the year	45,230
Exchange differences	(59,760)
At 31 December 2014	**156,436**
Charge for the year	11,400
Exchange differences	(16,152)
At 31 December 2015	**151,684**

Carrying amounts	USD
At 31 December 2015	**29,505**
At 31 December 2014	**50,197**
At 31 December 2013	**103,718**

9 INTANGIBLE ASSETS – ACQUIRED MINING EXPLORATION ASSETS

	Chontash USD	Mironovskoye USD	Kyzil Ompul USD	Total USD
At 31 December 2013	**4,397,202**	**2,398,474**	**397,237**	**7,192,913**
Impairment	(3,682,386)	(2,008,574)	(332,662)	(6,023,622)
Exchange differences	(714,816)	(389,900)	(64,575)	(1,169,291)
At 31 December 2014 and 31 December 2015	-	-	-	-
Carrying amounts				
At 31 December 2014 and 31 December 2015	-	-	-	-
At 31 December 2013	**4,397,202**	**2,398,474**	**397,237**	**7,192,913**

The Directors have fully impaired the value of the exploration assets which were originally acquired in 2010. The licences relating to these assets have been maintained and the Directors continue to invite expressions of interest in purchasing these assets. On 29 March 2016 the rights to the licences over the Kyzil Ompul properties were sold for consideration of USD 200,000.

10 MINE PROPERTIES

	Mine Properties USD	Definitive Feasibility Study USD	Total USD
At 31 December 2013	**20,924,730**	**732,312**	**21,657,042**
Development cost capitalised	1,958,676	-	1,958,676
Definitive Feasibility Study	-	2,773,682	2,773,682
Exchange differences	(3,673,471)	(61,979)	(3,735,450)
At 31 December 2014	**19,209,935**	**3,444,015**	**22,653,950**
Development cost capitalised	282,358	-	282,358
Definitive Feasibility Study	-	1,291,227	1,291,227
Exchange differences	(4,239,533)	(190,725)	(4,430,258)
At 31 December 2015	**15,252,760**	**4,544,517**	**19,797,277**
Carrying amounts			
At 31 December 2015	**15,252,760**	**4,544,517**	**19,797,277**
At 31 December 2014	**19,209,935**	**3,444,015**	**22,653,950**
At 31 December 2013	**20,924,730**	**732,312**	**21,657,042**

11 PROPERTY, PLANT AND EQUIPMENT

	Land USD	Buildings USD	Machinery and equipment USD	Office equipment USD	Furniture and facilities USD	Motor vehicles USD	Leasehold improvements USD	Total USD
Cost								
At 31 December 2013	**-**	**821,088**	**7,271,802**	**287,763**	**126,968**	**2,348,846**	**61,700**	**10,918,167**
Additions	7,910	662	18,591	2,113	459	3,129	-	32,864
Disposals	(222)	(11,859)	(1,653,519)	(13,141)	(3,324)	(185,129)	(853)	(1,868,047)
Exchange differences	(1,210)	(92,444)	(913,058)	(19,230)	(9,508)	(143,404)	(2,357)	(1,181,211)
At 31 December 2014	**6,478**	**717,447**	**4,723,816**	**257,505**	**114,595**	**2,023,442**	**58,490**	**7,901,773**
Additions	-	212,357	8,195	-	159	-	-	220,711
Disposals	(6,478)	-	(542,898)	(1,445)	(1,621)	(51,590)	-	(604,032)
Exchange differences	-	(115,706)	(740,115)	(22,903)	(11,494)	(112,315)	(2,897)	(1,005,430)
At 31 December 2015	**-**	**814,098**	**3,448,998**	**233,157**	**101,639**	**1,859,537**	**55,593**	**6,513,022**
Depreciation								
At 31 December 2013	**-**	**290,698**	**2,195,849**	**183,882**	**68,215**	**440,824**	**47,433**	**3,226,901**
Charge for the year	-	59,115	1,331,093	35,245	15,347	176,435	5,174	1,622,409
Disposals	-	(2,665)	(269,504)	(8,536)	(4,745)	(52,196)	(610)	(338,256)
Exchange differences	-	(10,617)	(170,708)	(6,475)	(2,846)	(40,144)	(914)	(231,704)
At 31 December 2014	**-**	**336,531**	**3,086,730**	**204,116**	**75,971**	**524,919**	**51,083**	**4,279,350**
Charge for the year	-	119,321	307,732	27,901	11,302	107,941	3,899	578,096
Disposals	-	-	(223,464)	(973)	(908)	(15,466)	-	(240,811)
Exchange differences	-	(24,517)	(206,722)	(11,716)	(4,910)	(28,692)	(1,734)	(278,291)
At 31 December 2015	**-**	**431,335**	**2,964,276**	**219,328**	**81,455**	**588,702**	**53,248**	**4,338,344**
Net book value								
At 31 December 2015	**-**	**382,763**	**484,722**	**13,829**	**20,184**	**1,270,835**	**2,345**	**2,174,678**
At 31 December 2014	**6,478**	**380,916**	**1,637,086**	**53,389**	**38,624**	**1,498,523**	**7,407**	**3,622,423**
At 31 December 2013	**-**	**530,390**	**5,075,953**	**103,881**	**58,753**	**1,908,022**	**14,267**	**7,691,266**

The Group’s property, plant and equipment are free from any mortgage or charge.

12 TANGIBLE ASSETS - ASSETS UNDER CONSTRUCTION

	USD
At 31 December 2013	**14,477,613**
Additions	132,828
Exchange differences	(2,271,217)
At 31 December 2014	**12,339,224**
Reduction	(565,510)
Exchange differences	(2,514,625)
At 31 December 2015	**9,259,089**
Carrying amounts	
At 31 December 2015	**9,259,089**
At 31 December 2014	**12,339,224**
At 31 December 2013	**14,477,613**

The movement in the year relates to the cancellation of a payment to a supplier with the consequent reduction in the amount capitalised.

13 OTHER RECEIVABLES

Long term receivables - VAT

	2015 USD	2014 USD
Balance at 31 December	**2,464,186**	**3,142,331**
Less provision	(31,388)	(570,879)
Capitalised VAT	(2,432,798)	(2,571,452)
VAT recoverable amount	-	-

Chaarat Zaav is a registered value added tax payer in the Kyrgyz Republic and therefore has a right to recover value added tax paid on purchased goods and services.The Group's management has provided against this asset as at 31 December 2015 and 31 December 2014 due to uncertainty regarding the timing of recovery. Chaarat Operating Company GmbH (Kyrgyz branch) has capitalised the VAT which is no longer regarded as recoverable.

14 INVENTORIES

	2015 USD	2014 USD
Equipment spares and consumables	574,803	847,818
Provision	(268,692)	-
	306,111	**847,818**

Inventories of spare parts and consumables are recorded at the lower of cost price or estimated value in future use. They are not held for re-sale but are utilised in the Company's exploration and development activities. A provision was made in 2015 for items of stock which had not moved for more than 12 months. (2014: nil)

No inventories are pledged against payables or other obligations.

15 TRADE AND OTHER RECEIVABLES

	2015 USD	2014 USD
Advance payments to sub-contractors	195,982	555,843
Other receivables	16,863	170,543
	212,845	**726,386**

Advance payments to sub-contractors

The advance payments were made in relation to contracts entered into with service sub-contractors to provide working capital for those companies. The advance payments are to be repaid by way of deductions from works performed.

The short-term carrying values are considered to be a reasonable approximation of the fair value.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December consisted of the following:

	2015 USD	2014 USD
Cash		
Cash in hand	25,123	33,882
Cash Equivalents		
Short-term deposits held in UK	2,667,474	7,156,566
Short-term deposits held in the Kyrgyz Republic	146,562	418,417
	2,839,159	**7,608,865**

17 CAPITAL AND RESERVES

The share capital of Chaarat Gold Holdings Limited at 31 December 2015 and 2014 consists of 272,935,389 ordinary shares of a single class. All shares have equal rights to receive dividends or capital repayments and all shares represent one vote at meetings of Chaarat Gold Holdings Limited.

Capital management policies and procedures

The Company considers in its management of capital all components included in shareholders' equity and its debt obligations (when relevant). Its objectives are to ensure that the Company will continue to operate as a going concern in order to pursue the development of its mineral properties, to sustain future development and growth as well as to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing, or acquire or dispose of assets. The Company, following approval from the Board of Directors, will make changes to its capital structure as deemed appropriate under specific circumstances.

(a) Authorised share capital

Chaarat Gold Holdings Limited - ordinary shares of USD 0.01 each	Number of Shares	Nominal Value USD
Authorised at 31 December 2014 and 2015	**600,000,000**	**6,000,000**

(b) Changes in issued share capital and share premium:

Ordinary shares of USD0.01 each	Number of shares	Nominal Value USD	Share premium USD	Total USD
At 31 December 2013	250,477,868	2,504,778	128,551,662	131,056,440
Shares issued on 17 December	21,367,521	213,675	4,786,245	4,999,920
Shares issued on 31 December	1,090,000	10,900	244,601	255,501
Share issue costs charged to share premium	-	-	(115,411)	(115,411)
Share warrant reserve	-	-	(1,358,351)	(1,358,351)
At 31 December 2014 and 2015	**272,935,389**	**2,729,353**	**132,108,746**	**134,838,099**

(c) Potential issue of ordinary shares

Share options

At 31 December 2015 the Company had options of 14,546,955 (2014: 16,190,558) outstanding for the issue of ordinary shares as follows:

Share Options held at 31 December 2015	Option Price	Exercise Period
100,000	USD 1.0633	16/10/07 to 02/11/16
200,000	USD 1.0633	16/10/07 to 01/07/17
180,000	GBP 0.54	01/07/08 to 01/07/16
5,100,000	USD 0.9166	08/11/08 to 16/10/17
180,000	GBP 0.54	30/06/09 to 30/06/16
34,500	GBP 0.54	08/08/12 to 08/08/17
56,022	GBP 0.25	08/08/12 to 08/08/17
834,000	GBP 0.25	01/09/12 to 01/09/17
1,273,722	GBP 0.41	25/02/11 to 25/02/18
817,347	GBP 0.61	22/12/11 to 22/12/18
2,236,781	GBP 0.27	22/12/12 to 22/12/19
3,334,583	GBP 0.25	31/12/13 to 31/12/20
200,000	GBP 0.25	01/01/15 to 01/01/22
14,546,955		

All options are share settled.

All options were fully vested by 31 December 2015 apart from those with an exercise period from 01/01/15 to 01/01/22. One third of the options vested on 1 January 2015, with the other two thirds vesting in equal tranches on the first and second anniversaries of that date.

Options not yet vested will lapse if an employee or director leaves the Company prior to the vesting date. Unexercised vested options will lapse six months after an employee or director leaves the Company's employ.

	Options	2015 Weighted average exercise price (USD)	Options	2014 Weighted average exercise price (USD)
Outstanding at 1 January	16,190,558	0.674	16,375,163	0.682
Granted during the year	-	-	400,000	0.412
Exercised during the year	-	-	-	-
Lapsed during the year	(1,643,603)	0.578	(584,605)	0.468
Outstanding at 31 December	**14,546,955**	**0.643**	**16,190,558**	**0.674**
Exercisable at 31 December	14,413,622	0.646	14,854,516	0.737

The share options outstanding at 31 December 2015 had a weighted average exercise price of USD 0.643 (2014: USD 0.682) and a weighted average remaining contractual life of 3.0 (2014: 4.4) years.

The expected volatility is based on the historical share price of the Company.

Fair value assumptions for share option charges

The fair value of options granted on 3 March 2014 was assessed by using the Black-Scholes Option Valuation Model, using the following inputs:

Share price when issued	USD 0.310
• Exercise price	USD 0.388
• Expected volatility	60.14%
• Expected life	3.5 years
• Risk free rate (US Federal Funds Rate)	0.74%
• Expected dividends	Nil
• Average fair value per option	USD 0.111

The expected volatility used in the Valuation Model has been derived from the weighted average volatility of the Company's share price since Initial Public Offering and a proxy of nine AIM listed gold exploration companies for whom trading data was available over the relevant periods prior to IPO.

Warrants

At 31 December 2015 the Company had 22,457,521 (2014: 22,457,521) warrants in issue with an exercise price of GBP 0.15 and an average remaining contractual life of 2 years. 21,367,521 warrants expire on 17 December 2017 and 1,090,000 expire on 23 December 2017.

18 LOSS PER SHARE

Loss per share is calculated by reference to the loss for the year of USD 4,604,356 (2014: USD 13,563,462) and the weighted number of shares in issue during the year of 272,935,389 (2014: 251,297,444). There is no dilutive effect of share options or warrants.

19 TRADE AND OTHER PAYABLES

Trade and other payables at 31 December consisted of the following:

	2015 USD	2014 USD
Trade payables	136,754	511,702
Social security and employee taxes	39,498	45,686
Other taxes	389	4,528
	176,641	**561,916**

The above listed payables were all unsecured.

Trade payables at 31 December 2015 do not include any amounts owed to Directors or companies controlled by Directors (2014: USD NIL).

20 ACCRUED LIABILITIES

Other current liabilities at 31 December consisted of the following:

	2015 USD	2014 USD
Accruals	227,214	850,522

Accruals at 31 December 2015 did not include any amounts owed to Directors or companies controlled by Directors (2014: USD 69,300).

21 DEFERRED TAXATION

As described in note 22, with effect from 1 January 2013 there has been a move to a revenue based tax system for gold production in the Kyrgyz Republic. Management therefore consider that the accumulated income tax losses arising from operations in the Kyrgyz Republic will only be able to be utilised in limited circumstances such as the offset against certain fixed asset related profits.

22 INCOME TAX EXPENSE

The income tax expense relates only to the Company's subsidiaries and the Kyrgyz branch of Chaarat Operating Company GmbH, the Group not being subject to corporate income tax and withholding tax in the British Virgin Islands. The Company's Swiss subsidiary, Chaarat Operating Company GmbH is subject to corporate income tax and withholding tax in Switzerland but did not incur any tax liabilities in the year and is now in liquidation.

The relationship between the expected tax expense based on the standard tax rate for the subsidiaries of 0% for the year to 31 December 2015 (2014:0%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2015 USD'000	2014 USD'000
Loss per accounts	(4,604)	(13,563)
Income tax using the BVI tax rate	-	-
Effect of tax rates in foreign jurisdictions	(3,932)	(3,064)
Deferred tax not recognised	3,932	3,064
Deferred tax released to income statement	-	487
Total tax (expense)/credit, net	**-**	**487**

Legal entities of the Kyrgyz Republic must individually report taxable income and remit profit taxes to the appropriate authorities. With effect from 1 January 2013 the tax code for the Kyrgyz Republic has been amended for gold mining companies engaged in the production and sale of gold. Under these revised arrangements the Group's Kyrgyz gold mining operations will pay a revenue based tax on the sales of gold. A fixed royalty of 9% (which comprises a royalty of 5%, sales tax 2% and contribution to local infrastructure of 2%) will be payable on the sales of gold and a further percentage rate of tax will be based on the average monthly international gold price, being 1% if the gold price is below USD1,300 per ounce and up to 20% when the gold price exceeds USD2,501 per ounce. The maximum royalty payable when the gold price is above USD2,501 per ounce is therefore 29%.

Because of this change in the tax regime management consider that the opportunities to utilise income tax losses accumulated by the Group in the Kyrgyz Republic will in future periods be limited to circumstances such as the offset against certain fixed asset profits that may arise in the country.

At the balance sheet date the Group has received no tax claims and the management believes that the Group is in compliance with the tax laws affecting its operations; however the risk remains that the relevant authorities could take differing positions with regard to interpretive issues.

As the Group's operations are at a development stage, the Group has no income or revenue tax expense for the years ended 31 December 2015 or 2014.

23 RELATED PARTY TRANSACTIONS

Key management personnel

The Directors are the key management personnel and their remuneration is USD 1,050,920 (2014: USD 1,298,945). Dekel Golan and Alex Novak charged for their services via entities under their control, being Mada Consulting Pte Limited and Vetan Investments Limited, respectively. Linda Naylor's remuneration was paid by Central Asia Services Limited, a company controlled by Dekel Golan and contracted to provide management services to the Group.

	2015 USD	2014 USD
Expenses charged:		
Mada Consulting Pte Limited (in respect of D Golan)	416,755	416,755
Vetan Investments Limited (in respect of A Novak)	231,216	231,216
Central Asia Services Limited (in respect of L Naylor's salary)	264,899	285,672
Central Asia Services Limited (for other management services)	215,638	307,126
Eagle`s Nest Mining Consultants Ltd (in respect of former directors' consultancy fees)	-	150,000
	1,128,508	**1,390,769**
Amounts payable at 31 December	-	-

Vetan Investments Limited charged a total of USD 259,729 (2014: USD 253,296) which includes the amounts detailed above relating to the remuneration of Alex Novak. In addition to the amounts referred to above Dekel Golan and Alex Novak received USD 11,651 (2014: USD 12,350) and USD 34,800 (2014: USD 34,800) respectively which was paid directly.

24 COMMITMENTS AND CONTINGENCIES

Capital expenditure commitment

The Company had no commitments at 31 December 2015 (2014: USD 1,488,877) in respect of capital expenditure contracted for.

Operating lease commitments

Details of operating lease commitments are set out in note 25 below.

Licence retention fee commitments

The Company has calculated a commitment of USD 83,240 at 31 December 2015 (2014: USD 61,044) in respect of licence retention fees but not provided in these financial statements. The amount to be paid will be determined by the Kyrgyz authorities and is not payable until a demand for payment is received by the Company. No demand had been received at the date of these financial statements.

Tax issues

The Kyrgyz Republic currently has a number of laws related to various taxes imposed by both state and regional governmental authorities that are subject to review and investigation by a number of authorities which have the right by law to impose significant fines, penalties and interest charges. These facts create tax risks in the Kyrgyz Republic substantially more significant than typically found in countries with more developed tax systems.

Licence agreements

There are minimum expenditure commitments under all the license agreements. These minimum levels of investment have always been achieved.

Site restoration liability

According to Kyrgyz legislation and the licence agreements, the Kyrgyz subsidiaries are committed to restore working areas on the deposits. The restoration is only required to be made if mining or exploration ceases on the deposit. At 31 December 2015, management deemed the cost of restoration to be immaterial.

25 OPERATING LEASES

Non-cancellable operating lease liabilities of the Group are as follows:

	2015 USD	2014 USD
Less than one year	141,268	158,817
Between one and two years	4,842	158,817
Between two and three years	4,842	5,661
	150,952	**323,295**

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from its operating activities. The Group's risk management is coordinated by the executive Directors, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Categories of financial instruments

2015	Loans and receivables USD	Financial Liabilities measured at amortised cost USD
Trade and other receivables	16,863	-
Cash and cash equivalents	2,839,159	-
Trade and other payables	-	136,754
Accrued liabilities	-	227,214
	2,856,022	**363,968**

2014	USD	USD
Trade and other receivables	170,543	-
Cash and cash equivalents	7,608,865	-
Trade and other payables	-	511,702
Accrued liabilities	-	850,522
	7,779,408	**1,362,224**

Credit risk

The Group's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is USD 2,856,022 (2014: USD 7,779,408).

The Group's significant credit risks relate to cash at bank. Cash at bank is held principally at an independently 'A' rated bank. No significant cash amounts are held at banks rated less than 'B'. Cash is held either on current account or on short-term deposit at floating rates of interest determined by the relevant prevailing base rate. The fair value of cash and cash equivalents at 31 December 2015 and 2014 did not differ materially from its carrying value.

Market risk

The Group's financial instruments affected by market risk include bank deposits, trade receivables and trade payables. The following analysis is intended to illustrate the sensitivity of the Group's financial instruments (as at year end) to changes in market variables, being exchange rates and interest rates.

The following tables show the illustrative effect on the income statement and equity that would result from possible changes in foreign currency exchange rates which are considered reasonable given observed market volatility.

The Group holds short term bank deposits on which short term fluctuations in the interest rate receivable are to be expected but are not deemed to be material.

Foreign currency risk

The Group carries out expenditure transactions substantially in US dollars, with a lesser amount in GBP pounds. Fund-raising has taken place mainly in GBP pounds. Any resulting gains or losses are recognised in the income statement.

Exchange rate exposure arises principally from the Group's holdings of cash in GBP pounds, from the Kyrgyz subsidiary's inter-company loan exposure and from the foreign currency translation risk arising on exposure to the local currency denominated net assets of the Kyrgyz operating subsidiaries.

To mitigate the Group's exposure to foreign currency risk, cash holdings are maintained to closely represent the expected short term profile of expenditure by currency. Apart from these resultant offsets, no further hedging activity is undertaken.

Functional currency of individual entity

	USD		KGS		Total	
Net foreign currency financial assets / (liabilities)	**2015 USD'000's**	**2014 USD'000's**	**2015 USD'000's**	**2014 USD'000's**	**2015 USD'000's**	**2014 USD'000's**
USD	-	-	146	114	146	114
GBP	(58)	132	-	-	(58)	132
KGS	-	-	-	-	-	-
Other	18	22	-	-	18	22
Total net exposure	(40)	154	146	114	106	268

Effect of possible changes in exchange rates

USD '000	**2015 Move (%)**	**Income statement Profit/(loss)**	**SOCI**	**2014 Move (%)**	**Income statement Profit/(loss)**	**SOCI**
Fall in value of GBP vs USD	5	3	3	5	(7)	(7)
Increase in value of GBP vs USD	5	3	3	5	(6)	(6)
Fall in value of KGS vs USD	10	(34)	(15)	10	(21)	(11)
Increase in value of KGS vs USD	25	9	49	10	-	13

Fair value of financial instruments

The fair value of the Group's financial instruments at 31 December 2015 and 2014 did not differ materially from their carrying values.

The Group does not have any long term borrowings, nor does it hold any derivative financial instruments.

Liquidity risk

The Group, at its present stage of development, has no sales revenues. It therefore finances its operations through the issue of equity share capital in order to ensure sufficient cash resources are maintained to meet short-term liabilities. Management monitors availability of funds in relation to forecast expenditures in order to ensure timely fundraising. Funds are raised in discrete tranches to finance activities for limited periods. Funds surplus to immediate requirements are placed in liquid, low risk investments.

The Group's ability to raise finance is partially subject to the price of gold, from which eventual sales revenues are to be derived. There can be no certainty as to the future gold price.

CORPORATE INFORMATION

DIRECTORS

Christopher Palmer - Tomkinson	Non-Executive Chairman
Dekel Golan	Chief Executive Officer
Alexander Novak	Executive Director
Linda Naylor	Finance Director
Richard Rae	Non-Executive

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