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 STATEMENT

Dear shareholder

Last year was not an easy year for our sector. The gold price plunged during 2013 from above USD1700 per ounce to USD1200 and during 2014 it seems to have been accepted that USD1200-USD1250 per ounce is the new "long term gold price". That realisation, to the great dismay of investors, meant that a large number of projects which were marginally profitable, or not profitable at all, had to be written down. The sector as a whole became less interesting to shareholders and as a result share prices dropped to multi-year lows. Your company's share price was not an exception.

The Board had therefore to consider the best way to tackle the new reality and make sure the value hidden in the Chaarat deposit is optimally unlocked and more importantly not diminished.

It became clear to us that whilst the mining sector has become unattractive to many western investors that is not the case in other regions of the world. We have seen a keen interest from many regions in Asia be it China, Japan, Korea and the Arab Gulf. Such interest is shown both by the private sector as well as the state owned enterprises and sovereign wealth funds.

That situation forced us to consider carefully our options and make sure that whatever effort we are making will be effective and productive.

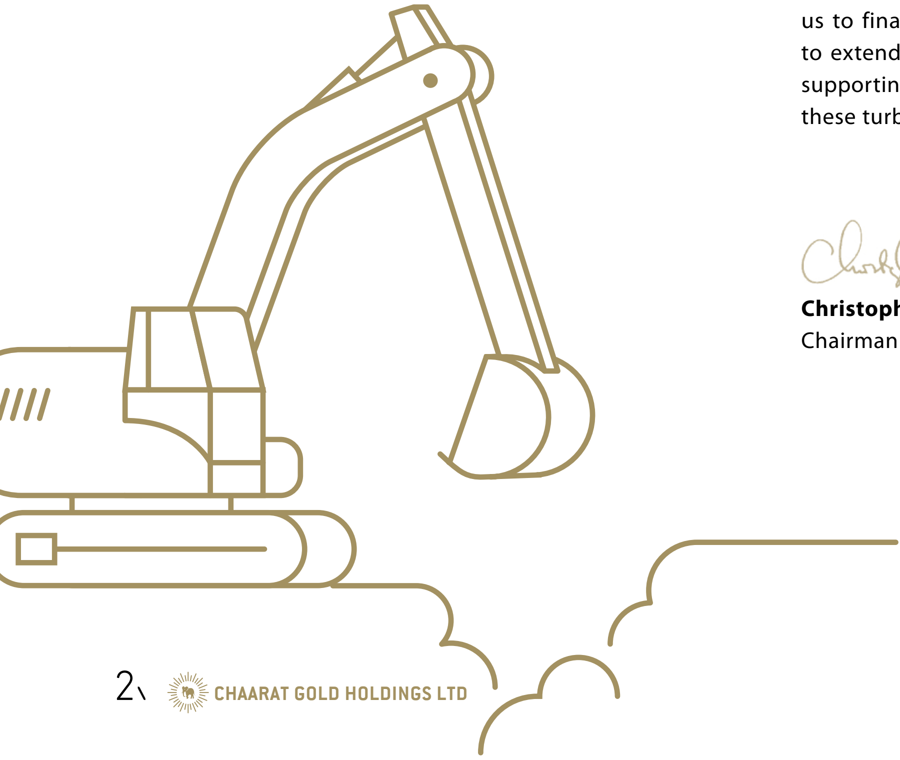
The decision of the Board was to "look East". We had to recognize that the investment environment both of our sector, the mining industry, as well as infrastructure development in general, has changed and is dominated more and more by Asian companies. This domination exists in the provision of finance, construction and operational services such as contract mining.

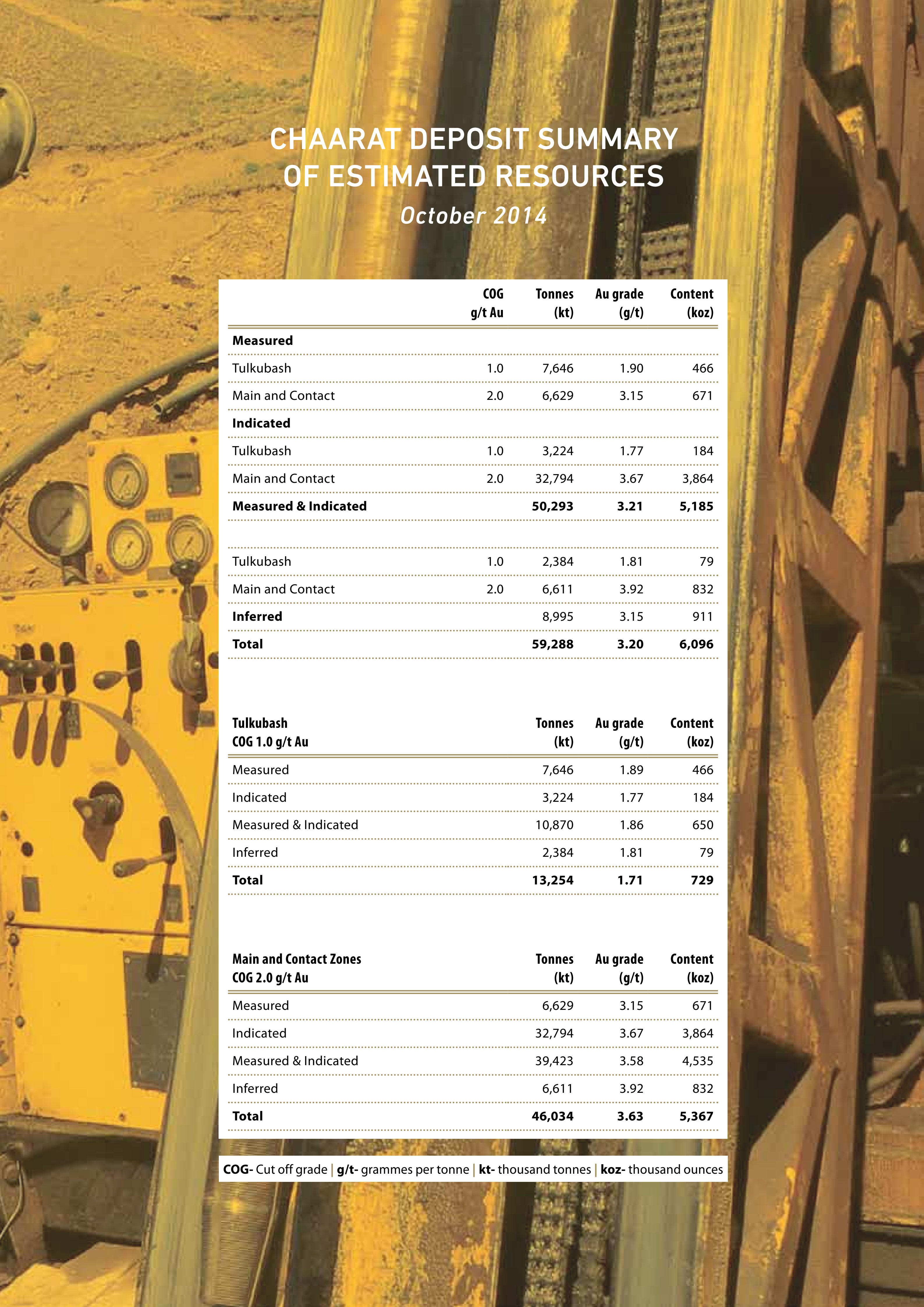
...we are marching towards completing a robust and bankable study...

It became apparent that in order to finance a project from China one has to have a Chinese compliant Bankable Feasibility Study. To ensure the interface between feasibility study towards basic engineering, detailed engineering and construction is seamless and effective it seemed best to work with Chinese engineering, so a decision presented itself: let us finish the relevant preparatory chapters by the current advisors and seek to consolidate this by a first class Chinese engineering company.

This was not an easy decision: we were aware of the cultural differences and in some cases different technical approaches. It was clearly going to be a challenge and indeed it has been. Having said that, we believe that we are marching towards the completion of a robust and bankable study; which will both demonstrate the value of the Chaarat deposit as well as allow us to finance the construction of the first stage. I would like to extend my thanks to the patient investors who have been supporting us and assure you all we are doing our best to cross these turbulent times safely.

Christopher Palmer - Tomkinson
Chairman





CHAARAT DEPOSIT SUMMARY OF ESTIMATED RESOURCES

October 2014

	COG g/t Au	Tonnes (kt)	Au grade (g/t)	Content (koz)
Measured				
Tulkubash	1.0	7,646	1.90	466
Main and Contact	2.0	6,629	3.15	671
Indicated				
Tulkubash	1.0	3,224	1.77	184
Main and Contact	2.0	32,794	3.67	3,864
Measured & Indicated		**50,293**	**3.21**	**5,185**
Tulkubash	1.0	2,384	1.81	79
Main and Contact	2.0	6,611	3.92	832
Inferred		8,995	3.15	911
Total		**59,288**	**3.20**	**6,096**

Tulkubash COG 1.0 g/t Au	Tonnes (kt)	Au grade (g/t)	Content (koz)
Measured	7,646	1.89	466
Indicated	3,224	1.77	184
Measured & Indicated	10,870	1.86	650
Inferred	2,384	1.81	79
Total	**13,254**	**1.71**	**729**

Main and Contact Zones COG 2.0 g/t Au	Tonnes (kt)	Au grade (g/t)	Content (koz)
Measured	6,629	3.15	671
Indicated	32,794	3.67	3,864
Measured & Indicated	39,423	3.58	4,535
Inferred	6,611	3.92	832
Total	**46,034**	**3.63**	**5,367**

COG- Cut off grade | **g/t-** grammes per tonne | **kt-** thousand tonnes | **koz-** thousand ounces

CHIEF EXECUTIVE OFFICER'S REPORT

Dear shareholder

2014 was dedicated to consolidating the knowledge and data collected over the years in order to produce a "Definitive Feasibility Study" (DFS), identifying gaps in the information and filling them. This is the final stage before securing finance and starting the detailed engineering and construction of the Project.

We had started work on the DFS with a team of consultants, but at a certain point, it became clear that there have been fundamental changes in the mining sector and strategically we had to consider where we could most successfully obtain finance and engineering. After much deliberation we decided to entrust the completion of the DFS to a Chinese engineering company, China Nerin Engineering Co Ltd (NERIN). One should never underestimate the challenge of bridging cultural differences. However we are convinced that our efforts to overcome the challenges of the early stage of the process will be rewarded as we move to the more advanced stages of engineering, finance and construction.

Infrastructure

Our previous team of DFS advisers recommended that, due to the location of the deposit in a narrow valley, the production facility should be located in an adjacent valley. This would necessitate the construction of a tunnel to connect the plant to the mine site. NERIN, together with local Kyrgyz companies, studied the alternatives and identified a layout which will eliminate the need to construct a tunnel for at least the first ten years of operation. The elimination of the immediate requirement for a tunnel will reduce the upfront cost of the project considerably, as well as reducing the uncertainty involved in developing a tunnel and the lead time to production. This is a major breakthrough in minimizing risks and adding value to the Chaarat Project.

On the electric supply front we have secured an extension to the power supply quota. Most of the power in the Kyrgyz Republic is generated from hydroelectric power stations which makes the cost of power amongst the cheapest on earth at less than USD0.03/kWh. More capacity is being added now and the country is effectively a net power exporter. This is a significant positive for a large future power consumer such as the Chaarat Project.

Access by road to site has improved after our work to widen the state road to the south of Chaarat's site in order to enable the transport of larger cargoes. The state road from Bishkek and Osh to Chatkal is now open throughout the year. The access road from the main road to Chaarat needs improvement. The design of the required upgrade has been completed and it is awaiting approval now by the relevant authorities.

Geology

Initially we focussed on a lengthy and meticulous process of verification and due diligence to ensure that the geological database (which includes millions of items of data) is as error free as possible. Once that was completed a new Resource Estimation was calculated. 6,000 metres of additional drilling and some trenching were undertaken in 2014 to provide missing data. The additional results were incorporated into the resource calculation by a team experienced with Asian deposits.

We were very pleased to report that the resource base of Chaarat now comprises 6.1 million ounces of gold. The resource is composed of two different types of ore, free milling and refractory, so an average grade for the whole deposit is not very informative. The full analysis can be seen in the resource table (on page 3). The refractory section should also be divided into the open pittable section and the underground section as a different cut-off grade will be applied.

This work confirms Chaarat as one of the world's largest gold finds of the 21st century and as one of the largest high grade undeveloped gold deposits in the world.

Mining

TetraTech, from our previous team of advisers, had already completed extensive work on the rock mechanics and hydrology profile of the areas where the open pit is to be situated. This has enabled our mine designers from NERIN to complete the preliminary pit design and determine the "potential mill feed" (the quantity and grade of ore available for delivery to the mill). This is not yet a determination of reserves but is an approximation which is optimized from the detailed pit design.

Metallurgy

We were encouraged by metallurgical reports from a leading metallurgical institute in China (IMME) that their proprietary version of the bioxidation process was found to be suitable for processing the Chaarat ore. Bioxidation produces marginally better gold recovery results than the previously recommended Pressure Oxidation process (POX) and underpins a lower capital requirement for Chaarat and certainly a much lower technological challenge. Bioxidation is used in many operating mines in Central and Northern Asia such as Olimpiada (Russia – Polyus Gold), Jinfeng (China- Eldorado Gold) and Kokpatas (Uzbekistan – Navoi Mining and Metallurgical Combinat (NMMC), the largest in the world).

Chaarat will not begin processing refractory ore before its third year of operation so there is still plenty of time to optimize the technology to ensure maximum recovery at the lowest operating costs. NERIN (the engineering company working on our DFS) were joint designers of the Jinfeng BIOX plant which achieves recoveries of about 85% of gold, according to information provided by El Dorado Gold.

Operations

We have decided that as a junior company it is best to employ an experienced mining contractor to take full responsibility for the mining. This approach will reduce upfront capital expenditure and more importantly reduce the operational challenge. Requests for proposals have been sent to a number of contractors with suitable experience in the region.

Your management has continued to pursue completion of a DFS which will both underpin financing of the first stage of the Project and determine a valuation benchmark for the Company. The DFS remains on track for delivery imminently.

Funding and financial accounting

The price of Chaarat shares has continued to disappoint us all but we were very encouraged by the support of our shareholders who enabled us to complete a fundraising of USD5.1 million at the end of 2014. This will finance us into 2016. We have continued to dispose of assets and equipment which are not immediately required to progress the project. By the end of 2014 we had raised USD1.64 million and further sales are ongoing.

As well as generating income from sales we have cut costs. The main burden has fallen on our staff in Bishkek and we have had to part company with many loyal employees and friends. I wish to thank them for all their efforts and those of our remaining employees.

As we near completion of the DFS for our flagship Chaarat Project we have to recognise that we do not currently have the funds to progress our other three projects namely Chontash, Mironovskoye and Kyzil Ompul. We have therefore, with regret, made the decision to make a full impairment against these assets, in compliance with international accounting standards, and released the related deferred tax provision. Your Board is convinced that these assets have an underlying value and we remain hopeful that we will be able to find buyers who recognise this inherent value.

The Kyrgyz Republic

I would like to set the development of the Chaarat Project in the context of the mining sector in the Kyrgyz Republic which is undergoing significant change and development. Until very recently the country hosted only a single large operating mine and a few large exploration projects. Gold equivalent production is likely to triple in the next five years with the development of a number of new mines.

Two new mines are now close to production: Taldybulak (owned and operated by Zijin Gold) and Bozymchak (owned and operated by Kaz Minerals). The sentiment in the industry and the approach of the government is changing. The political saga of Centerra is drawing to a close with the ultimate reassurance for investors that the promise of the government not to nationalise the Kumtor mine has been maintained.

Two new entities entered the Kyrgyz mining scene in 2014: a Russian company bought the Jerooy project for over USD100 million in cash and an Indonesian conglomerate purchased Goldfield's Kyrgyz asset and combined it with some other assets to establish Tengri Resources.

Highland Gold has reported the delineation of a large (3.7 million ounces JORC compliant) resource, second only to Chaarat's 6.1 million ounces JORC compliant resource.

The Kyrgyz Republic is gradually learning to balance the expectations of the different stakeholders in the mining industry. Balancing the needs of state, communities, environment and investors is a delicate ongoing undertaking that is also in the interest of all those stakeholders. There are promising signs that the Kyrgyz Republic is moving in the right direction. We, the management of Chaarat, hope that with the change of sentiment in-country, investor sentiment will also change and will be reflected in the share price of all Central Asian mining companies which are currently trading at a significant discount.

Dekel Golan
Chief Executive Officer

CORPORATE SOCIAL RESPONSIBILITY REPORT

In 2014 we continued our ongoing engagement and consultation with local stakeholders through our Community Consultation Group ("CCG"). 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 understand 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.

We have built on the foundations established by the CCG and in agreement with the local government, the community and Chaarat, the focus of our activity in 2014 concentrated on: infrastructure, education and employment.

Projects are selected through a transparent process and in cooperation with community representatives

Infrastructure

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 the Company will allocate 2% of its revenue to a local development fund which will also be used in part to continue upgrading the road.

In 2014 we asphalted the road in Kanysh-Kia (one of the villages in the Chatkal valley) and expanded the road in the vicinity of a previously inaccessible area. We received a letter of appreciation from the rural council of Jany-Bazar village where we reconstructed the water supply system during the year.

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. The students work as trainees on site during the summer holidays on full pay.

In 2014 we also supported three students from the Chatkal region who are studying at the Bishkek Medical Academy.

Employment

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

Winter support

For the fifth year, Chaarat 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

Chaarat is honoured to provide financial aid for the dwindling number of veterans of the Great Patriotic War. For the next generation we support International Children's Day and provide New Year gifts to low income families.

Social licence

As we progress the DFS we are mindful of our responsibilities to the local community to educate them about our plans and obtain their approval to the proposed means of developing the Chaarat Project. In June 2015 we organised a trip for local representatives drawn from the CCG to visit a heap leach project in Turkey. Their queries and concerns were answered by the residents near the mine and the operations team. The positive response will be fed back to their communities and we expect it to be reflected in the public hearings process.

DIRECTORS' BIOGRAPHIES

Christopher Palmer - Tomkinson
(Non-Executive Chairman)

Christopher has continued to lead the Chaarat Board with the same focus on corporate governance and the interests of shareholders he has demonstrated since Chaarat became a public company in 2007.

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. Christopher is a former Director of Highland Gold Mining Limited. He is a member of Chaarat's Remuneration and Audit Committees.

Richard Rae
(Non-Executive Director)

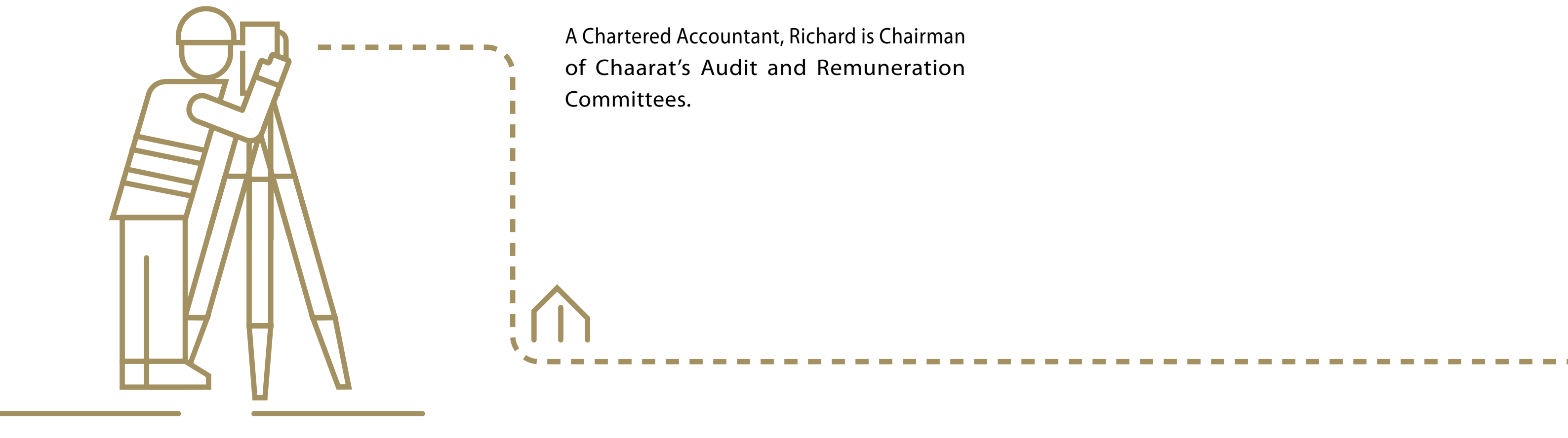
Richard is an experienced City professional who brings his contacts and in depth understanding of the equity markets to the Board of Chaarat which will assist in the Company's engagement and communication with its shareholders.

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.

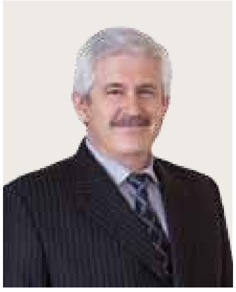
Dekel Golan
(Chief Executive Officer)

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.



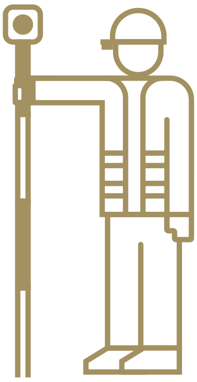
Linda Naylor
(Finance Director)

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.



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.



ACCOUNTS 2014

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2014.

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 (2013: nil). The loss for the year of USD 13,563,462 (2013: USD 14,376,210) has been taken to reserves.

Directors

The Directors who served during the year were:

Christopher Palmer - Tomkinson

Dekel Golan

Alexander Novak

Linda Naylor

Richard Rae

Robert Weinberg (retired on 4 May 2014)

Marcel DeGuire (retired on 31 December 2014)

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, Dekel Golan and Linda Naylor, being eligible, offer themselves for re-appointment.

Share Capital and Substantial Share Interests

Details of the Company's share capital are disclosed in note 19 of the financial statements.

On 23 May 2015, 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
First State Stewart	19,721,832	7.23
Dekel Golan via Mada Limited	14,075,691	5.16
Alexander Novak via Vetan Investments Limited	10,686,198	3.92

Going concern and project funding requirements

Following a placing which raised USD 5.1 million, the Group had cash and cash equivalents of USD 7.6 million and no borrowings at 31 December 2014.

The Board has reviewed the Group's cash flow forecast for the period to 30 June 2016, and is satisfied that it has sufficient funds to complete the DFS and 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, subject to the successful realisation of its reasonable expectation that additional funds will be made available by selling certain equipment and other assets of the Group, cutting discretionary expenditure, reducing headcount where this does not compromise safety at site or impede the progress of the DFS, reviewing the timing of other expenditure and pursuing other fund raising options. As at 31 December 2014 USD 1.64 million had been realised from the disposal of equipment and other assets.

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.

After completion of the DFS further funding will be required to bring the Chaarat Project into production. The timeframe and costs of engaging a contractor for mining and construction, as well as securing finance for the Project, are difficult to estimate. The Company has a reasonable expectation that existing funds, as well as the funds to be raised from selling equipment, should be sufficient to complete the above process.

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 2014 amounted to approximately USD 39 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 their independence as 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 and this is demonstrated by their engagement with shareholders.

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. During the year Mac DeGuire worked as a project manager on the DFS. 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 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 2012 and 2013 there were no non- audit services other than a review of the interim statement.

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 members.

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 payment USD	2014 Total USD	2013 Total USD
Dekel Golan	429,105	-	74,576	503,681	591,525
Alexander Novak	266,016	-	46,181	312,197	358,023
Linda Naylor	285,672	-	45,659	331,331	372,014
Christopher Palmer - Tomkinson	-	49,351	8,890	58,241	66,441
Richard Rae	-	52,245	7,098	59,343	3,246
Mac DeGuire	-	199,351	20,463	219,814	102,452
Rob Weinberg	-	17,205	8,597	25,802	64,604
Retired Directors	-	-	-	-	2,456
Total	**980,793**	**318,152**	**211,464**	**1,510,409**	**1,560,761**

Directors' Interests

Share Interests

The Directors of the Company who held office at 31 December 2014 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 2015:

	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**

Robert Weinberg and Marcel DeGuire retired from the Board on 4 May 2014 and 31 December 2014 respectively.

The following executive Directors have options to subscribe for ordinary shares in the Company as follows:
At 31 December 2014 and 31 December 2013

Price	Exercise period	Dekel Golan	Alexander 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 2014		At 31 December 2013		
Price	**Exercise period**	**Christopher Palmer - Tomkinson**	**Richard Rae**	**Christopher Palmer - Tomkinson**	**Rob Weinberg**	**Mac DeGuire**
USD 0.9166	08/11/07 – 16/10/17	300,000	-	300,000	-	-
25p	01/09/12 – 31/08/17	26,000	-	26,000	-	-
41p	25/02/11 – 24/02/18	18,699	-	18,699	-	-
41p	25/02/12 – 24/02/18	18,699	-	18,699	-	-
41p	25/02/13 – 24/02/18	18,699	-	18,699	-	-
61p	22/12/11 – 21/12/18	12,569	-	12,569	-	-
61p	22/12/12 – 21/12/18	12,569	-	12,569	-	-
61p	22/12/13 – 21/12/18	12,568	-	12,568	-	-
27p	22/12/12 – 21/12/19	37,037	-	37,037	34,568	-
27p	22/12/13 – 21/12/19	37,037	-	37,037	34,568	-
27p	22/12/14 – 21/12/19	37,037	-	37,037	34,568	-
25p	31/12/13 – 30/12/20	50,000	-	50,000	50,000	-
25p	31/12/14 – 30/12/20	50,000	-	50,000	50,000	-
25p	31/12/15 – 30/12/20	50,000	-	50,000	50,000	-
25p	08/05/14 – 07/05/21	-	-	-	-	32,466
25p	08/05/15 – 07/05/21	-	-	-	-	32,466
25p	08/05/16 – 07/05/21	-	-	-	-	32,465
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**	**680,914**	**253,704**	**97,397**

By Order of the Board

L Naylor

Linda Naylor
Company Secretary
10 June 2015

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 2014 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 which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with 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 the Annual Report 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 2014 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Emphasis of matter – going concern, the carrying value of mine development assets and adequacy of project funding

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2 and 3 to the financial statements regarding going concern, the carrying value of the mine development assets and the requirement for the Group to raise further funding to enable the mine project to be brought into production.

The Directors have reviewed the Group's cash flow forecast for the period to 30 June 2016 and believe that following the completion of the Definitive Feasibility Study ("DFS"), further funding may be required to meet working capital requirements. The Board has a reasonable expectation that these funds will be made available by selling certain equipment and other assets of the Group, cutting discretionary expenditure, reviewing the timing of other expenditure and pursuing other fund raising options. However, these conditions, along with the other matters explained in the going concern disclosures in Note 2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about 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.

The disclosure in note 2 on project funding requirements explains that further funding is required to complete the mine project and if the Group is unable to secure the additional funding it may not be able to fully develop the project and this may lead to the carrying value of the mine properties, related plant and equipment and assets in construction becoming impaired.

The disclosure in note 3 on significant areas of judgement and estimation explains the assessment that the Board has made of the carrying value of the mine project. The DFS is currently in progress and therefore the evaluation is at an early stage and no detailed economic model is currently available. During the course of the completion of the DFS, current views on key estimates and assumptions may change and if these changes are adverse then an impairment of the carrying value of the mine properties, related plant and equipment and assets in construction, which amounted to approximately USD39 million at 31 December 2014, may arise.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom
10 June 2015

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	2014 USD	2013 USD
Exploration expenses		**(4,251,623)**	(4,780,317)
Impairment of assets	4	**(6,023,622)**	(4,061,949)
Administrative expenses		**(3,868,516)**	(4,962,471)
Administrative expenses- Share options expense		**(256,613)**	(756,356)
Administrative expenses- Foreign exchange (loss)/gain		**(45,242)**	8,309
Total administrative expenses		**(4,170,371)**	(5,710,518)
Other operating expense		**(81,257)**	(43,027)
Operating loss	4	**(14,256,873)**	(14,595,811)
Finance income	8	**476,536**	219,601
Taxation	23/24	**486,875**	-
Loss for the year, attributable to equity shareholders of the parent		**(13,563,462)**	(14,376,210)
Loss per share (basic and diluted) – USD cents	20	**(4.97)**	(5.74)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

	2014 USD	2013 USD
Loss for the year, attributable to equity shareholders of the parent	(13,563,462)	(14,376,210)
Other comprehensive income: *Items which may subsequently be reclassified to profit and loss*		
Exchange differences on translating foreign operations and investments	(8,302,919)	(528,755)
Other comprehensive income for the year, net of tax	**(8,302,919)**	**(528,755)**
Total comprehensive income for the year attributable to equity shareholders of the parent	**(21,866,381)**	**(14,904,965)**

CONSOLIDATED BALANCE SHEET

At 31 December

	Note	2014 USD	2013 USD
Assets			
Non-current assets			
Intangible assets	9	50,197	103,718
Mining exploration assets	10	-	7,192,913
Mine properties	11	22,653,950	21,657,042
Property, plant and equipment	12	3,622,423	7,691,266
Assets in construction	13	12,339,224	14,477,613
Other receivables	14	-	-
		38,665,794	**51,122,552**
Current assets			
Inventories	15	847,818	1,753,802
Trade and other receivables	16	726,386	857,903
Cash and cash equivalents	17	7,608,865	11,163,079
		9,183,069	13,774,784
Total assets		**47,848,863**	**64,897,336**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	19 (b)	2,729,353	2,504,778
Share premium	19 (b)	132,108,746	128,551,662
Share warrant reserve		1,358,351	-
Other reserves		15,205,510	15,013,806
Translation reserve		(10,820,727)	(2,517,808)
Accumulated losses		(94,144,808)	(80,646,255)
Total equity		**46,436,425**	**62,906,183**
Non-current liabilities			
Deferred tax	23	-	**475,772**
Current liabilities			
Trade and other payables	21	561,916	617,181
Accrued liabilities	22	850,522	898,200
		1,412,438	1,515,381
Total liabilities		**1,412,438**	**1,991,153**
Total liabilities and equity		**47,848,863**	**64,897,336**

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2015.

Dekel Golan
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 2012	**19(b)**	**2,504,778**	**128,551,662**	**-**	**(66,631,199)**	**14,618,604**	**(1,989,053)**	**77,054,792**
Currency translation		-	-	-	-	-	(528,755)	(528,755)
Other comprehensive income		-	-	-	-	-	**(528,755)**	**(528,755)**
Loss for the year ended 31 December 2012		-	-	-	(14,376,210)	-	-	(14,376,210)
Total comprehensive income for the year		**-**	**-**	**-**	**(14,376,210)**	**-**	**(528,755)**	**(14,904,965)**
Share options lapsed		-	-	-	361,154	(361,154)	-	-
Share options expense		-	-	-	-	756,356	-	756,356
Balance at 31 December 2013	**19 (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		**2,729,353**	**132,108,746**	**1,358,351**	**(94,144,808)**	**15,205,510**	**(10,820,727)**	**46,436,425**

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December

	Note	2014 USD	2013 USD
Operating activities			
Loss for the year		**(13,563,462)**	**(14,376,210)**
Adjustments:			
Amortisation expense - intangible assets	9	45,230	50,914
Depreciation expense - property, plant and equipment	4/12	1,622,409	1,076,025
Loss on disposal of property, plant and equipment	4/12	500,319	9,439
Impairment of assets	4/10/13	6,023,622	4,416,403
Finance income	8	(476,536)	(219,601)
Share based payments	4	256,613	756,356
Gains on foreign exchange	4	45,242	(8,309)
Decrease in inventories		905,984	1,029,521
Decrease in accounts receivable		131,517	2,285,494
(Decrease) in accounts payable		(578,714)	(988,359)
Net cash flow used in operations		**(5,087,776)**	**(5,968,327)**
Investing activities			
Purchase of computer software	9	(6,777)	(24,892)
Purchase of tangible fixed assets	11/12/13	(4,898,050)	(19,486,920)
Proceeds from sale of equipment	4	1,029,472	-
Interest received	8	476,536	219,601
Net cash used in investing activities		**(3,398,819)**	**(19,292,211)**
Financing activities			
Proceeds from issue of share capital	19(b)	5,255,420	-
Issue costs	19(b)	(115,411)	-
Net cash from financing activities		**5,140,009**	-
Net change in cash and cash equivalents		**(3,346,586)**	**(25,260,538)**
Cash and cash equivalents at beginning of the year		**11,163,079**	**36,944,060**
Effect of changes in foreign exchange rates		(207,628)	(520,443)
Cash and cash equivalents at end of the year	17	**7,608,865**	**11,163,079**

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 with ticker symbol 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

*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 2014.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

BASIS OF CONSOLIDATION

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, that entity or business is classified as a subsidiary. 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.

CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company considers in its management of capital all components included in shareholders' equity and its debt obligations. 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.

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. Cost includes professional fees. 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 in 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 realisable value. Cost is calculated using the average cost method. Net realisable 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) and 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 equity.

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

	2014	2013	2012
Kyrgyz Som (KGS) to 1 US dollar (USD)	58.8865	49.2470	47.4012
Kyrgyz Som (KGS) to 1 UK pound (GBP)	91.6190	81.3383	76.2998
US dollar (USD) to 1 UK pound (GBP)	1.5559	1.6516	1.6097

SHARE-BASED EMPLOYEE REMUNERATION
The Company operates equity-settled share-based remuneration plans for remuneration of 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.

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

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on the trade date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on the trade date when the Group is no longer a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

Trade payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short period is not considered to be material.

GOING CONCERN AND PROJECT FUNDING REQUIREMENTS

Following a placing which raised USD 5.1 million, the Group had cash and cash equivalents of USD 7.6 million and no borrowings at 31 December 2014. The funds are expected to finance the Company into the first quarter of 2016.

The Board has reviewed the Group's cash flow forecast for the period to 30 June 2016, and is satisfied that it has sufficient funds to complete the DFS and 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, subject to the successful realisation of its reasonable expectation that additional funds will be made available by selling certain equipment and other assets of the Group, cutting discretionary expenditure, reducing headcount where this does not compromise safety at site or impede the progress of the DFS, reviewing the timing of other expenditure and pursuing other fund raising options. As at 31 December 2014 USD 1.64 million had been realised from the disposal of equipment and other assets.

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.

After completion of the DFS further funding will be required to bring the Chaarat Project into production. The timeframe and costs of engaging a contractor for mining and construction, as well as securing finance for the Project, are difficult to estimate. The Company has a reasonable expectation that existing funds, as well as the funds to be raised from selling equipment, should be sufficient to complete the above process.

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 2014 amounted to approximately USD 39 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 is currently in progress and is expected to be completed in mid-2015.

At 31 December 2014 the costs of the mine properties, related plant and equipment and assets in construction amounted to approximately USD 39 million. Further details of these assets can be found in notes 11, 12 and 13. As required by IAS 36 –"Impairment of Assets", the Board has reviewed these assets. Following a review of the information arising to date from the DFS the Directors have concluded that there are no impairment indicators for the Project. However, the evaluation is ongoing and a detailed economic model is not yet finalised. During the course of completion of the DFS, 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 in 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 and development commenced.

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 judgements 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.

Following an assessment of the carrying value and in the current absence of any available funds to continue exploration of these assets, and any expressions of interest from purchasers, the Directors have therefore made the decision to fully impair the 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:

	2014 USD	2013 USD
Depreciation of property, plant and equipment	1,622,409	1,076,025
Amortisation of intangible assets	45,230	50,914
Operating lease expenses	378,602	558,479
Share based payment charges	256,613	756,356
Loss on sale of fixed assets	500,319	9,439
Loss/(gain) on foreign exchange	45,242	(8,309)
Audit – remuneration for audit of Chaarat Gold Holdings Limited	48,042	45,498
Audit – remuneration for audit of subsidiary companies	27,500	27,500
Other assurance services provided by the auditor	-	3,000
Impairment of assets in construction	-	3,259,949
Impairment of acquired exploration assets	6,023,622	802,000

5 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 38,665,794 (2013: USD 51,122,552).

6 STAFF NUMBERS AND COSTS

	2014 Number	2013 Number
Management and administration	66	111
Operations	234	256
	300	**367**

The aggregate payroll costs of these persons were as follows:

	2014 USD	2013 USD
Staff wages and salaries	3,468,626	5,105,513
Social security and other pension costs	484,655	678,892
Employee share based payment charges	45,149	344,960
Directors remuneration as detailed in the Remuneration Report		
Wages and salaries	1,298,945	1,149,364
Share based payment charge	211,464	411,396
	5,508,839	**7,690,125**

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

The staff wages and salaries and social security and other pension costs includes amounts capitalised to Mine Properties and Assets in Construction for 2014 USD 1,286,285 and USD 200,014 respectively (2013: USD 2,427,134 and USD 531,029 respectively).

7 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 25, 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)
Rob Weinberg (paid directly)
Mac DeGuire (paid directly in respect of director's fees and via related party, Eagle's Nest Mining Consultants Ltd in respect of consulting services relating to the Definitive Feasibility Study)

Wages and salaries	**2014 USD**	**2013 USD**
Paid directly	165,951	172,805
Paid via related party consultancy companies	1,132,994	976,559
Share based payment charge	211,464	411,396
Total	**1,510,409**	**1,560,760**

The highest paid director received emoluments totaling USD 429,105 (2013: USD 427,394) and share based payments of USD 74,576 (2013: USD 164,131).

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

8 FINANCE INCOME

	2014 USD	**2013 USD**
Interest on cash and cash equivalents	66,955	150,049
Other income	409,581	69,552
	476,536	**219,601**

9 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Cost	USD
At 31 December 2012	**250,561**
Additions	28,970
Exchange differences	(4,847)
At 31 December 2013	**274,684**
Additions	6,777
Exchange differences	(74,828)
At 31 December 2014	**206,633**

Amortisation	USD
At 31 December 2012	**120,821**
Charge for the year	50,914
Exchange differences	(769)
At 31 December 2013	**170,966**
Charge for the year	45,230
Exchange differences	(59,760)
At 31 December 2014	**156,436**

Carrying amounts	USD
At 31 December 2014	**50,197**
At 31 December 2013	**103,718**
At 31 December 2012	**129,740**

10 INTANGIBLE ASSETS – ACQUIRED MINING EXPLORATION ASSETS

	Chontash USD	Mironovskoye USD	Kyzil Ompul USD	Total USD
At 31 December 2012	**4,592,152**	**2,504,810**	**1,252,405**	**8,349,367**
Impairment	-	-	(802,000)	(802,000)
Exchange differences	(194,950)	(106,336)	(53,168)	(354,454)
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	**-**	**-**	**-**	**-**
Carrying amounts				
At 31 December 2014			**-**	**-**
At 31 December 2013	**4,397,202**	**2,398,474**	**397,237**	**7,192,913**
At 31 December 2012	**4,592,152**	**2,504,810**	**1,252,405**	**8,349,367**

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 but in the current absence of any available funds to continue exploration, and any expressions of interest from purchasers, the Directors have made the decision to recognise the impairment. The related deferred tax liability (see note 23) has been released to the income statement.

11 MINE PROPERTIES

	Mine Properties USD	Definitive Feasibility Study USD	Total USD
At 31 December 2012	**8,400,984**	**-**	**8,400,984**
Development cost capitalised	12,828,519	-	12,828,519
Definitive Feasibility Study	-	731,680	731,680
Exchange differences	(304,773)	632	(304,141)
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**

Carrying amounts

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**
At 31 December 2012	**8,400,984**	**-**	**8,400,984**

12 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 2012	**-**	**547,067**	**4,026,567**	**286,414**	**115,942**	**1,873,132**	**62,696**	**6,911,818**
Additions	-	509,637	3,413,130	28,735	19,434	521,116	-	4,492,052
Disposals	-	(221,259)	(31,722)	(22,510)	(6,144)	(8,758)	-	(290,393)
Exchange differences	-	(14,357)	(136,173)	(4,876)	(2,264)	(36,644)	(996)	(195,310)
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**
Depreciation								
At 31 December 2012	**-**	**213,393**	**1,516,483**	**157,790**	**51,682**	**252,996**	**34,144**	**2,226,488**
Charge for the year	-	80,310	714,413	50,520	23,762	193,029	13,991	1,076,025
Disposals	-	-	(6,609)	(21,829)	(6,144)	(872)	-	(35,454)
Exchange differences	-	(3,005)	(28,438)	(2,599)	(1,085)	(4,329)	(702)	(40,158)
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**
Net book value								
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**
At 31 December 2012	**-**	**333,674**	**2,510,084**	**128,624**	**64,260**	**1,620,136**	**28,552**	**4,685,330**

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

13 TANGIBLE ASSETS - ASSETS IN CONSTRUCTION

	USD
At 31 December 2012	**15,598,101**
Additions	2,574,799
Impairment	(3,259,949)
Exchange differences	(435,338)
At 31 December 2013	**14,477,613**
Additions	132,828
Exchange differences	(2,271,217)
At 31 December 2014	**12,339,224**

Carrying amounts

At 31 December 2014	**12,339,224**
At 31 December 2013	**14,477,613**
At 31 December 2012	**15,598,101**

14 OTHER RECEIVABLES

Long term receivables - VAT

	2014 USD	2013 USD
Balance at 31 December	**3,142,331**	**3,728,750**
Less provision	(570,879)	(1,695,507)
Capitalised VAT	(2,571,452)	(2,033,243)
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 2014 and 31 December 2013 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.

15 INVENTORIES

	2014 USD	2013 USD
Equipment spares and consumables	847,818	1,753,802

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. No write-downs or reversals have occurred during the respective periods.

No inventories are pledged against payables or other obligations.

16 TRADE AND OTHER RECEIVABLES

	2014 USD	2013 USD
Advance payments to sub-contractors	555,843	755,059
Loans to sub-contractors	24,810	-
Other receivables	145,733	102,844
	726,386	**857,903**

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.

17 CASH AND CASH EQUIVALENTS

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

	2014 USD	2013 USD
Cash		
Cash in hand	33,882	45,301
Cash Equivalents		
Short-term deposits held in Guernsey	-	10,318,411
Short-term deposits held in UK	7,156,566	-
Short-term deposits held in Switzerland	-	2,575
Short-term deposits held in the Kyrgyz Republic	418,417	796,792
	7,608,865	**11,163,079**

18 DISPOSAL

On 5 November 2014, Chaarat Operating Company GmbH completed the disposal of 100% of the share capital of Geoservices KG LLC, an exploration contractor company. The total consideration was USD 17,000. The fair value of the net assets disposed of was USD 17,380 being the net of USD 23,170 of assets and USD 5,790 of liabilities. Details of the net assets acquired and the fair value adjustments are set out below:

	Book value USD'000	Fair value adjustment USD'000	Fair Value USD'000
Deferred tax assets	10	(10)	-
Receivables	13	(13)	-
Payables	(2)	2	-
Short-term accrued liabilities	(4)	4	-
Net assets acquired	17	(17)	-
Consideration			17

19 CAPITAL AND RESERVES

The share capital of Chaarat Gold Holdings Limited consists of 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.

(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 2013 and 2014	**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	**272,935,389**	**2,729,353**	**132,108,746**	**134,838,099**

(c) Potential issue of ordinary shares

Share options

At 31 December 2014 the Company had options of 16,190,558 (2013: 16,375,163) outstanding for the issue of ordinary shares as follows:

Share Options held at 31 December 2014	Option Price	Exercise Period
300,000	USD 1.0633	16/10/07 to 16/10/15
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
100,000	USD 1.0633	01/09/09 to 02/11/16
200,000	USD 1.0633	01/09/09 to 01/07/17
231,250	GBP 0.54	08/08/12 to 08/08/17
112,047	GBP 0.25	08/08/12 to 08/08/17
935,227	GBP 0.25	01/09/12 to 01/09/17
1,511,182	GBP 0.41	25/02/11 to 25/02/18
932,525	GBP 0.61	22/12/11 to 22/12/18
2,511,069	GBP 0.27	22/12/12 to 22/12/19
3,664,793	GBP 0.25	31/12/13 to 31/12/20
32,465	GBP 0.25	08/05/14 to 08/05/21
200,000	GBP 0.25	01/01/15 to 01/01/22
16,190,558		

All options are share settled.

	2014 Options	2014 Weighted average exercise price (USD)	2013 Options	2013 Weighted average exercise price (USD)
Outstanding at 1 January	16,375,163	0.674	17,798,785	0.682
Granted during the year	400,000	0.412	681,120	0.412
Forfeited during the year	584,605	1.684	(2,104,742)	0.468
Outstanding at 31 December	**16,190,558**	**0.682**	**16,375,163**	**0.674**
Exercisable at 31 December	14,854,516	0.590	13,142,128	0.737

The share options outstanding at 31 December 2014 had a weighted average exercise price of USD 0.682 and a weighted average remaining contractual life of 4.355 years.

Fair value assumptions for share option charges

The fair value of options granted on 3 March 2014 has been 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 the 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 in 2007.

A total of USD 256,613 (2013: USD 756,356) of employee remuneration expense has been included in the consolidated income statement.

Fair value assumptions for Share warrants

During the year, as part of the issue of shares on 17 December 2014, 21,367,521 warrants were issued with an exercise price of GBP 0.15, expiring on 17 December 2017. A further 1,090,000 warrants with an exercise price of GBP 0.15, expiring on 23 December 2017 were issued on 23 December 2014 as part of the share placing on that date. At 31 December 2014, 22,457,521 warrants remained outstanding with an exercise price of GBP 0.15 and average remaining contractual life of 3 years.

The estimate of the fair value of the warrants is measured based on the Black-Scholes model. The following inputs were used in the calculation of the fair value of the warrants granted.

	Weighted average
Fair value	USD 0.06
Share price	USD 0.196
Weighted average exercise price	USD 0.234
Expected volatility	74.5%
Expected warrants life	1.5 years
Expected dividend yield	Nil
Risk-free interest rate	1.28%

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

20 LOSS PER SHARE

Loss per share is calculated by reference to the loss for the year of USD 13,563,462 (2013: USD 14,376,210) and the weighted number of shares in issue during the year of 272,935,389 (2013: 250,477,868). There is no dilutive effect of share options.

21 TRADE AND OTHER PAYABLES

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

	2014 USD	2013 USD
Trade payables	511,702	514,278
Social security and employee taxes	45,686	102,329
Other taxes	4,528	574
	561,916	**617,181**

The above listed payables were all unsecured.

Trade payables at 31 December 2014 do not include any amounts owed to Directors or companies controlled by Directors (2013: USD 15,000).

22 ACCRUED LIABILITIES

Other current liabilities at 31 December consisted of the following:

	2014 USD	2013 USD
Accruals	850,522	898,200

Accruals at 31 December 2014 include USD 69,300 owed to Directors or companies controlled by Directors (2013: USD NIL).

23 DEFERRED TAXATION

As described in note 24, 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

The deferred tax relating to the acquired mining exploration assets is set out below:

	2014 USD'000	2013 USD'000
Deferred tax assets – unused tax losses	348	359
Deferred tax liabilities – fair value gains	(835)	(835)
Deferred tax released to income statement	487	-
Net deferred tax liability	-	(476)

As a result of the decision to fully impair the acquired mining exploration assets the deferred taxation liability has been released to the income statement. The disposal of Geoservices KG LLC has triggered the release of the related deferred tax asset.

24 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.

The relationship between the expected tax expense based on the standard tax rate for the subsidiaries of 0% for the year to 31 December 2014 (2013: 0%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2014 USD'000	2013 USD'000
Loss per accounts	(13,563)	(14,376)
Income tax using the BVI tax rate	-	-
Effect of tax rates in foreign jurisdictions	(3,064)	(1,597)
Deferred tax not recognised	3,064	1,597
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 sale 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 2014 or 2013.

25 RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel who were remunerated by the Group during the periods under review were Dekel Golan, Alexander Novak and Linda Naylor. Dekel Golan and Alexander 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. Remuneration for key management personnel was USD 933,643 (2013: USD 909,060). The effects of exchange rate movements during the year account for the apparent increase in certain salaries. No Director was awarded a salary increase or bonus in 2014 or 2013.

	2014 USD	2013 USD
Expenses charged		
Mada Consulting Pte Limited (in respect of Dekel Golan)	416,755	416,755
Vetan Investments Limited (in respect of Alexander Novak)	231,216	221,203
Central Asia Services Limited (in respect of Linda Naylor's salary)	285,672	271,102
Central Asia Services Limited (for other management services)	307,126	207,507
Eagle`s Nest Mining Consultants Ltd (in respect of Mac DeGuire`s consultancy fees)	150,000	67,500
	1,390,769	**1,184,067**
Amounts payable at 31 December		**15,000**

Vetan Investments Limited charged a total of USD 253,296 (2013: USD 246,146) which includes the amounts detailed above relating to the remuneration of Alexander Novak.

26 COMMITMENTS AND CONTINGENCIES

Capital expenditure commitment

The Company had commitments of USD 1,488,877 at 31 December 2014 (2013: USD NIL) in respect of capital expenditure contracted for but not provided for in these financial statements.

Operating lease commitments

Details of operating lease commitments are set out in note 27 below.

Licence retention fee commitments

The Company has calculated a commitment of USD 61,044 at 31 December 2014 (2013: USD 40,782) in respect of licence retention fees which is 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 relating 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 2014, management deemed the cost of restoration to be immaterial.

27 OPERATING LEASES

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

	2014 USD	2013 USD
Less than one year	158,817	388,911
Between one and two years	158,817	220,882
Between two and three years	5,661	507,056
	323,295	**1,116,849**

28 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

2014	Loans and receivables USD	Financial Liabilities measured at amortised cost 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**

2013	USD	USD
Trade and other receivables	102,844	-
Cash and cash equivalents	11,163,079	-
Trade and other payables	-	514,278
Accrued liabilities	-	898,200
	11,265,923	**1,412,478**

Credit risk

The Group's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is USD 7,779,408 (2013: USD 11,265,923).

The Group's significant credit risks relate to cash at bank and advance payments to sub-contractors. 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 2014 and 2013 did not differ materially from its carrying value. The credit risk arising from advance payments to sub-contractors is managed by close monitoring of their work and provisions have been made where appropriate.

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 the foreign currency or interest rates which are considered reasonable given observed market volatility.

Translation risk

Foreign currency

USD 000's	2014 Move (%)	Income statement Profit/(loss)	Equity	2013 Move (%)	Income statement Profit/(loss)	Equity
Fall in value of GBP vs USD	5	(37)	(37)	5	(21)	(21)
Increase in value of GBP vs USD	5	(36)	(36)	5	(20)	(20)
Fall in value of KGS vs USD	10	(531)	(295)	10	(619)	(540)
Increase in value of KGS vs USD	10	7	328	10	442	600

Interest rates

USD 000's	2014 Move (%)	Income statement Profit/(loss)	Equity	2013 Move (%)	Income statement Profit/(loss)	Equity
Fall in US interest rates	0.12	(8)	(8)	0.12	(12)	(12)
Fall in UK interest rates	0.5	(2)	(2)	0.5	(1)	(1)
Increase in US interest rates	2	135	135	2	201	201
Increase in UK interest rates	2	8	8	2	6	6

Interest rate risk

The Group holds short term bank deposits on which short term fluctuations in the interest rate receivable are to be expected.

Foreign currency risk

The Group carries out expenditure transactions substantially in US dollars, with a lesser amount in GBP. Fund-raising has taken place mainly in GBP. 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, 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.

Foreign currency denominated financial assets and liabilities, translated into US dollars at the closing rate were as follows:

		2014 USD '000's			2013 USD '000's	
Nominal amounts	**GBP**	**KGS**	**Other**	**GBP**	**KGS**	**Other**
Financial assets	440	1,513	27	366	4,195	10
Financial liabilities	(308)	(1,439)	(13)	(47)	(1,201)	(7)
Short term exposure	**132**	**74**	**14**	**319**	**2,994**	**3**

Fair value of financial instruments

The fair value of the Group's financial instruments at 31 December 2014 and 2013 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.