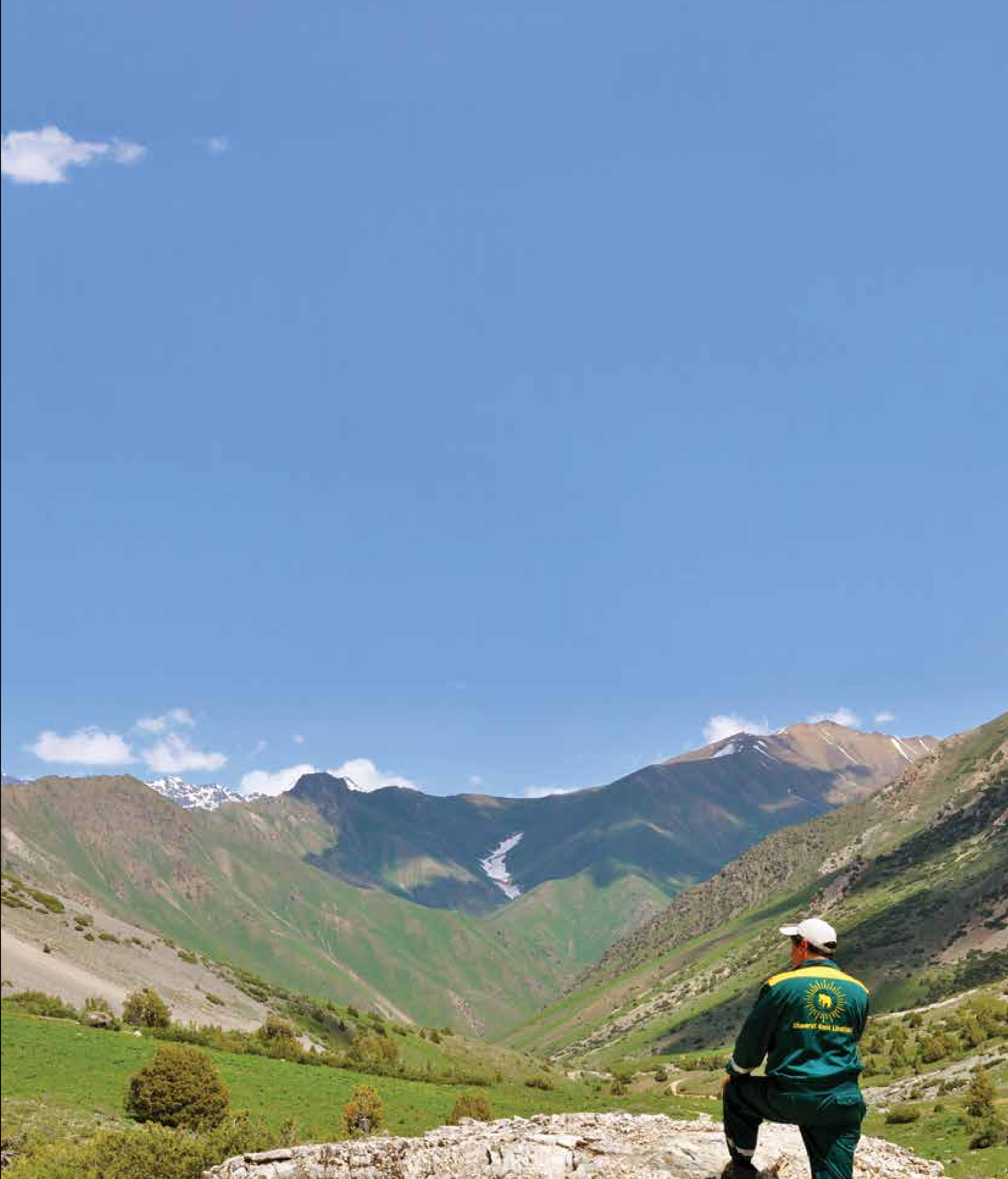

Annual Report & Accounts 2016

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

CHAIRMAN'S REPORT

Dear Shareholder

This is my first letter to you since I became Chairman of Chaarat Gold in October 2016. I am pleased to have this opportunity to share my vision and expectations for the company.

Chaarat is an exceptional asset with the potential to become one of the world's leading independent gold producers. An extensive drilling program and feasibility studies carried out over many years have revealed a rich deposit of high-grade ore in the Tulkubash, Contact and Main zones of the deposit and our licence area offers ample opportunities for future exploration.

Our current objective is to reach production as quickly and efficiently as possible. As you know, we declined an offer to purchase the company last year which did not reflect the underlying value of the Chaarat deposit. Instead, we have decided to develop the mine ourselves. We are confident that we can achieve the highest value for our shareholders by becoming a significant producer, which, in the long term, will serve as a platform for further acquisitions and generate significant and stable dividends.

In April 2017, we placed US$15 million in convertible loan notes, a success that reinforced Chaarat's credibility on the capital markets. This milestone financing allows Chaarat to proceed on an accelerated basis towards our objective of bringing the mine to production. We expect the convertible bond to be repaid early next year from a traditional project financing package being arranged by Endeavour Financial or be converted into equity in the company.

In February, Robert Benbow joined us as Chief Operating Officer with a mandate to build a strong execution team with delivery experience. As Vice President and later Country Manager, Bob developed and managed Alacer Gold Corp.'s Çöpler heap leach project in Turkey and, prior to that, brought three more greenfield gold mines to production. Like Chaarat, the Çöpler Mine is a large deposit with a heap leach section (which is operating successfully) and a larger refractory element. Alacer, the project owner, is now building a pressure oxidation unit, a project planned by Bob, to process the refractory section of the deposit. We are delighted to welcome Bob to the Chaarat project.

We expect to celebrate our first gold pour from the Tulkubash open pit in the first half of 2019. Once we have a proven track record in bringing this first production stage to fruition, we will be looking to raise financial support for the second stage of development of the Chaarat deposit. From there, we aim to grow organically and assimilate additional value-accretive assets.

In January, I had the honour of meeting with the Kyrgyz Republic's Prime Minister Sooronbay Zheenbekov, Speaker of the Parliament Chynybai Tursunbekov and Chairman of the State Committee for Industry, Energy and Mining Duyshenbek Zilaliev. Based on their knowledge of the Company and its operating history in the country, our future plans for Chaarat were received with support and enthusiasm. I also offered to work together with them to educate the market and raise the profile of the Kyrgyz Republic with global investors. As the first step in this initiative, we were pleased to co-host with the EBRD a Kyrgyz Republic Government conference in London in May.

A few words about myself by way of a brief introduction. I started investing in Chaarat in 2011 and, since then, have been gradually building my holding. From my regular visits to the Chaarat site, I am confident that our team is well on the way to building a modern, sustainable and environmentally-friendly mine that will be to the benefit of all its stakeholders over the long term.

I am especially happy to be involved in a project in the CIS, as I have longstanding ties to this region. The first decade of my career was spent building Brunswick Brokerage (Brunswick UBS), one of Russia's first investment banks and my seven years as a Board member and shareholder of Siberian Coal Energy Company (SUEK), one of the world's largest coal companies and the leading coal producer in Russia, are particularly relevant to my role within Chaarat. With over twenty five years' experience in the CIS building companies and serving as a Board member and shareholder of various organisations within the region, it is my sincere hope that my experience will contribute to the success of Chaarat in the future.

Finally, I would like to thank my predecessor Christopher Palmer-Tomkinson for chairing Chaarat for the last 10 years. I would also like to express my gratitude on behalf of all shareholders to the team in Bishkek for their hard work and loyalty.

Yours sincerely

Martin Andersson
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder

Your company has undergone significant changes during 2016. With a refreshed Board of Directors in place our sole focus is now on preparing Chaarat to build its first mine by itself.

Accordingly, we are currently working on two priorities: building management capacity and performing the necessary engineering work to underpin the construction and financing of the project.

Bob Benbow, our Chief Operating Officer, has been working with Chaarat as a consultant since June 2016. He has already begun recruiting staff for the engineering and construction effort and the preparation for the next stage of development is underway. I am looking forward to working with him on our tight but achievable timetable.

As we started to contemplate project financing, it became clear that we needed to increase our reserve base in order to achieve optimal debt/equity ratios, without which our shareholders would face unnecessary dilution. With that in mind, and in order to adhere to the production timetable, we have implemented a work program which is now underway in five streams.

- We are concluding those chapters of the Bankable Feasibility Study for which sufficient information is available. These include the crushing plant, gold plant, leach pad and ponds, access road, camp and other civil aspects of the project, as well as preparation of a draft Environmental and Social Impact Assessment report. Most chapters will be completed soon and we expect the full study, including the newly added resource from this summer's drilling campaign, to be available in the first quarter of 2018.
- We are developing the local documents required for permitting the project. This process has progressed well and most documents have been submitted and are undergoing appraisal.
- We are implementing an intensive drill program in order to increase the resource and reserve available for the project.
- We have started the process of securing project finance in parallel with preparing the feasibility study so that these can be completed at the same time.
- We have undertaken certain construction activities which include upgrading the access road, advancing detailed engineering on certain project elements, and commencing initial procurement and contracting related to these elements.

We expect to be able to deliver on our promise to be in production during the first half of 2019 and we will continue to update you as we make progress.

With best regards

Dekel Golan
Chief Executive Officer

CHIEF OPERATING OFFICER'S REPORT

Dear Shareholder

I am excited to be providing you with my first shareholder report. I am also excited about the prospect of bringing the Chaarat Mine into production.

I believe the core to any organization that sets out on a journey to build and operate a mine is the people it brings to the endeavour. Mining projects require diverse skills to carry out the complexities of safe, efficient operations. We will seek to employ high quality experienced people in building and operating the mine. I will be helped considerably in this task by Davron Vakhabov, a former colleague from the Çöpler Mine, who joined the team in May as Project Manager. Health, safety and environmental stewardship will be based on best practices worldwide. Our goal in the operation of the mine will be efficient and productive practices seeking continuous improvement throughout.

The company's decision to develop the Tulkubash Gold Project as a heap leach oxide operation in the first phase of the project means that we start with an industry standard gold processing method that is relatively easy to build and to operate, the least capital intensive gold processing plant and a highly proven technology. This approach minimizes the startup risk and allows us to train a core team of operators, get into production quickly, and put the company on a solid financial standing.

The drilling program currently underway for the Tulkubash deposit is designed to add oxide resources and reserves to the project thus providing further de-risking. While the completion of the feasibility study will come after the results of the drilling program are available, so that the increased resources and reserves can be included, the work on finalizing the facility designs will continue. This will allow the company to prepare for project financing and begin initial construction in a timely manner.

The feasibility study we are currently working on extracts the oxide portion of the previous feasibility study and builds on that body of work to provide more project definition to the heap leach operation. Oxide ores in the Tulkubash deposit are undergoing diligent metallurgical testing to verify metal recoveries, identify consumption of reagents and determine operating costs. Equipment and construction will be costed to AACE International (the internationally recognized provider of best practices in cost estimating) Class 3 standards.

The Chaarat holdings in the Sandalash Valley represent one of the world's premier untapped gold opportunities. With resources of at least 7 million ounces, the project is sure to provide gold production providing economic benefits to the local population, the Republic of Kyrgyzstan and the Chaarat shareholders for years to come.

I thank the local Chaarat team, Chaarat management, Board of Directors and shareholders for the faith they have afforded me in this journey. I look forward to reporting our progress to you in the future.

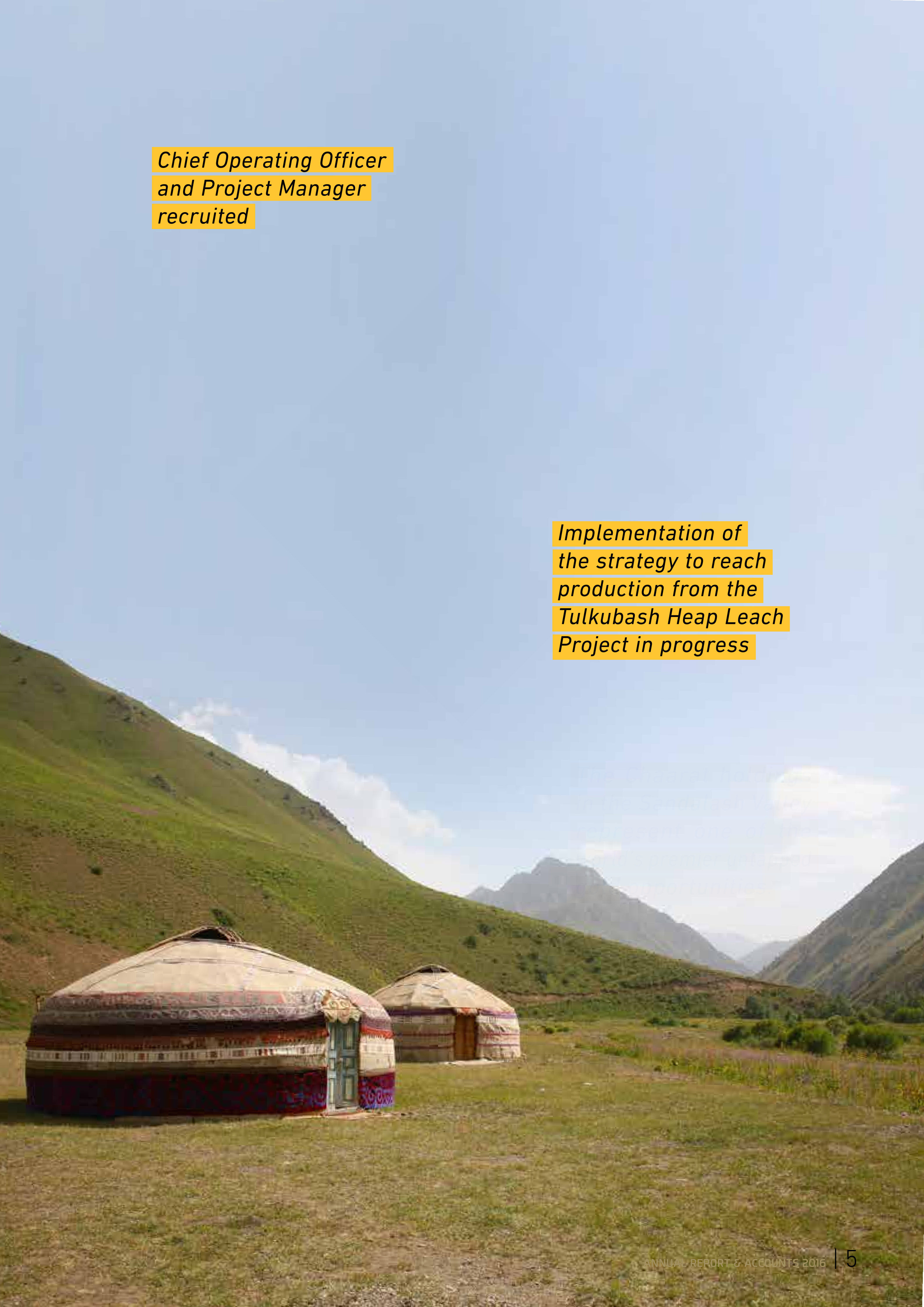
With Highest Regards

R.D. Benbow

Robert D. Benbow
Chief Operating Officer

Chief Operating Officer and Project Manager recruited

Implementation of the strategy to reach production from the Tulkubash Heap Leach Project in progress



CORPORATE SOCIAL RESPONSIBILITY REPORT

Every year Chaarat Zaav's Deputy Director, Turat Usubaliev, agrees a "social package" of support with the local community near the Chaarat deposit. He does this through the Community Consultation Group (CCG) we established in 2013 which ensures participation from all sections of the communities, including the heads of the two local councils or "Keneshes" as they are known.

Our priority is to ensure the support provided is invested according to the priorities of the local communities and for the greatest benefit of the majority of the population. The Memorandum signed this year between Chaarat Zaav CJSC and the Chatkal district state administration was aimed at improving the skills of the local population as well as the renovation and improvement of the local infrastructure. Proof of success was evidenced via letters of gratitude from the Chatkal Akim and the Head of the Kanysh-Kia Rural Council in appreciation for the support and social aid provided to the local government and the residents.

We have a regional office in the Chatkal district which logs all comments and complaints received from local residents and our staff work on resolving the identified issues. The office is also responsible for informing the local community about the activities of Chaarat so maintaining our licence to operate as we develop the Tulkubash Project. We are always mindful of the need to ensure the appropriate level of health and safety, as well as taking all precautions for the protection of the environment, and at the same time respecting local culture.

Employment

We continued our programme of summer placements for the 11 (2015: 12) geology and mining students we sponsor through their studies and in 2016 we also employed 36 workers at site from the local community.

Small wholesale shops in Kanysh-Kiya and Jany-Bazar villages operate successfully providing the local residents with groceries at Bishkek prices. We also assisted with the distribution of a local newspaper - Chatkal Ottoru.

Medical

We sponsored 13 (2015:7) medical students since there continues to be a shortage of doctors and medical facilities in rural communities. The Kanysh Kia and Chatkal rural councils requested our help for the provision of medical treatment to residents which we were glad to provide.

Transport and infrastructure

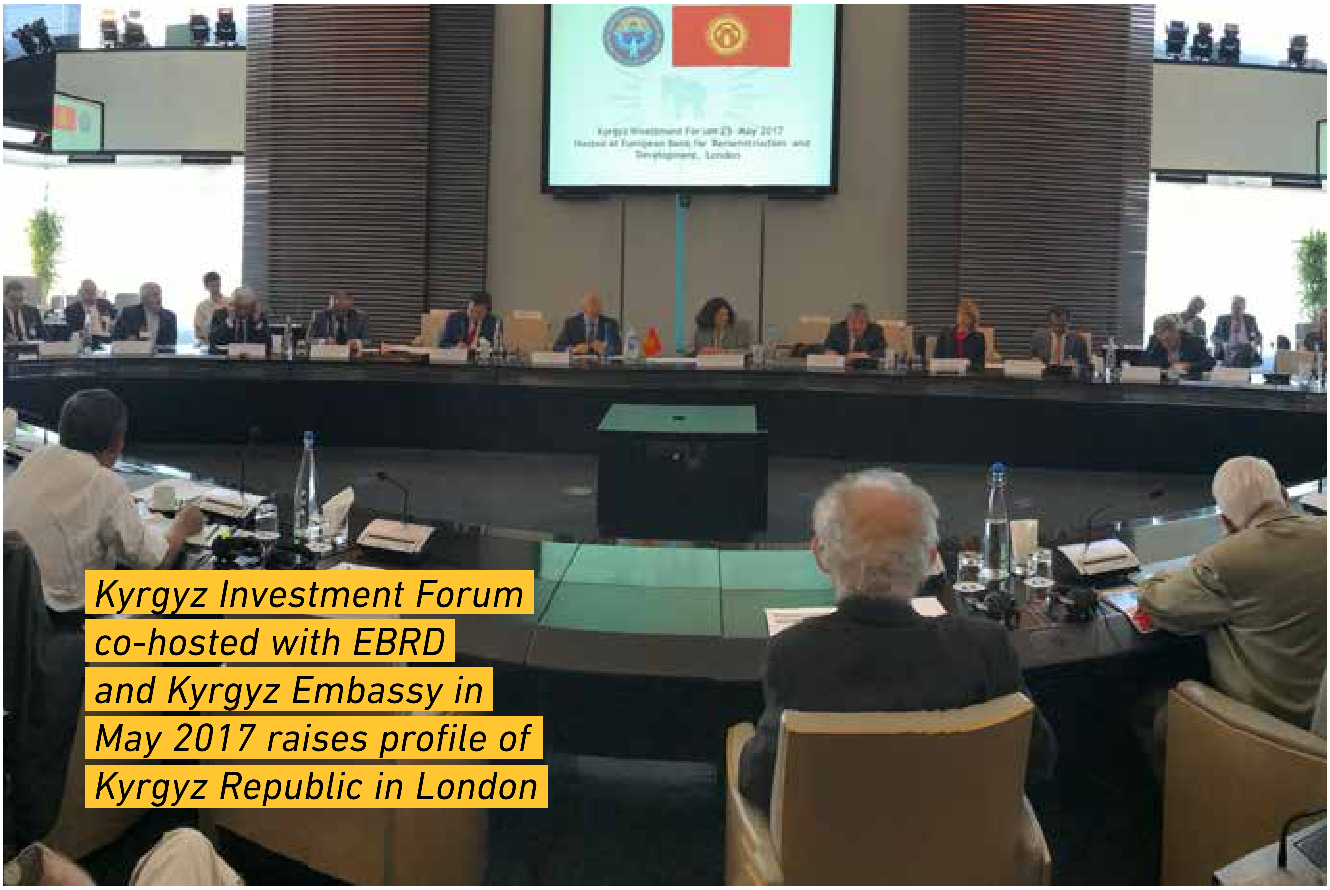
The Chaarat deposit is approximately 320km south west of the capital, Bishkek. From Bishkek the property is accessed via a combination of 520km of paved and unpaved roads. During the winter an alternative route provides almost year round access at a distance of 760km from Bishkek. The remoteness of the location means that transport and infrastructure are high priorities for the local communities. We have therefore provided assistance through the construction and repair of roads in the Chatkal district, contributed to the construction of a suspension bridge, purchased a vehicle for the use of the local council and provided fuel and lubricants for the equipment clearing the Karabuura pass.

Donations

We continue to provide gifts to children and elderly residents at holidays and local celebrations.

During the year the children in Jany-Bazar were able to improve their wrestling skills courtesy of a coach provided by Chaarat in the sports hall we built in the village. We also purchased equipment and sponsored regional sporting events and tournaments.

INVESTMENT FORUM



Chaarat Gold co-hosted an Investment Forum on 25th May 2017 with the Embassy of the Kyrgyz Republic and the European Bank for Reconstruction and Development entitled "The Kyrgyz Republic – a true democracy open for business".

The Forum was held as the first stage of the strategy agreed between Chaarat and the Kyrgyz Government to educate and inform the international investor community about the Kyrgyz Republic as an investment destination. The Forum built on the success of the inaugural UK trade mission to the Kyrgyz Republic which took place in March 2017 and is part of the Government's initiative to create a positive investment environment in the Kyrgyz Republic. Approximately 100 people attended the Forum, which was a resounding success.

Mr Duishenbek Zilaliev, the Head of the State Committee on Industry, Energy and Mining of the Kyrgyz Republic, confirmed that mining accounts for 50.1% of the total industry capacity and 31.8% of total investment in the economy of the Kyrgyz Republic. The significant growth expectations in the hydropower capacity of the country were highlighted together with the low cost of power at approximately 3 US cents per kilowatt which is of significant benefit to the mining industry.

Chaarat's 7.04m ounce gold deposit was highlighted as a strategic asset for the country and the Government's support for the development of the stage one Tulkubash Heap Leach Project was re-iterated.

Alexander Novak, the Chaarat director based in Bishkek, has been invited by the Speaker of the Parliament to join the council which has recently been set up to promote foreign investment in the country. As part of this group, Chaarat will have the ability to comment on proposed changes to legislation affecting, for example, mining regulations and the foreign investment climate.

DIRECTORS' BIOGRAPHIES

Martin Andersson
(Non-Executive Chairman)

Martin was appointed as Chairman of Chaarat on 1 October 2016. He is a long term and supportive shareholder and brings both his significant experience of Russia and the region and his contacts from an extensive network to assist the achievement of the strategy set by the Chaarat Board.

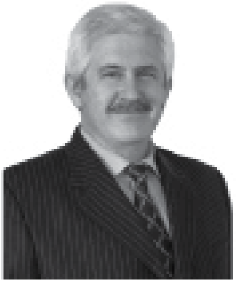
He manages an active portfolio with an interest in real estate, financial services and information technology. Between 2006 and 2013 he was a shareholder and served on the Board of Siberian Coal Energy Company (SUEK), one of the largest thermal coal producers in Russia. He is currently a director of Brunswick Real Estate S.A.R.L., Brunswick Rail Limited, Cabo Delgado Investments Limited and Central Atlantic Investment Holding LLC.

A graduate of the Stockholm School of Economics and HEC Paris, Martin worked in mergers and acquisitions at Booz Allen Hamilton and advised the Russian Government on its privatization programme. In 1993 he co-founded Brunswick Brokerage – a Moscow based investment bank that was later sold to UBS – initially holding the position of CEO and from 1999 as Chairman of the joint venture, Brunswick UBS Warburg.

He is a member of Chaarat's Audit Committee.

Dekel Golan
(Chief Executive Officer)

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



Alexander Novak
(Executive Director)

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

Linda Naylor
(Finance Director)

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

Richard Rae
(Non-Executive Director)

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

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

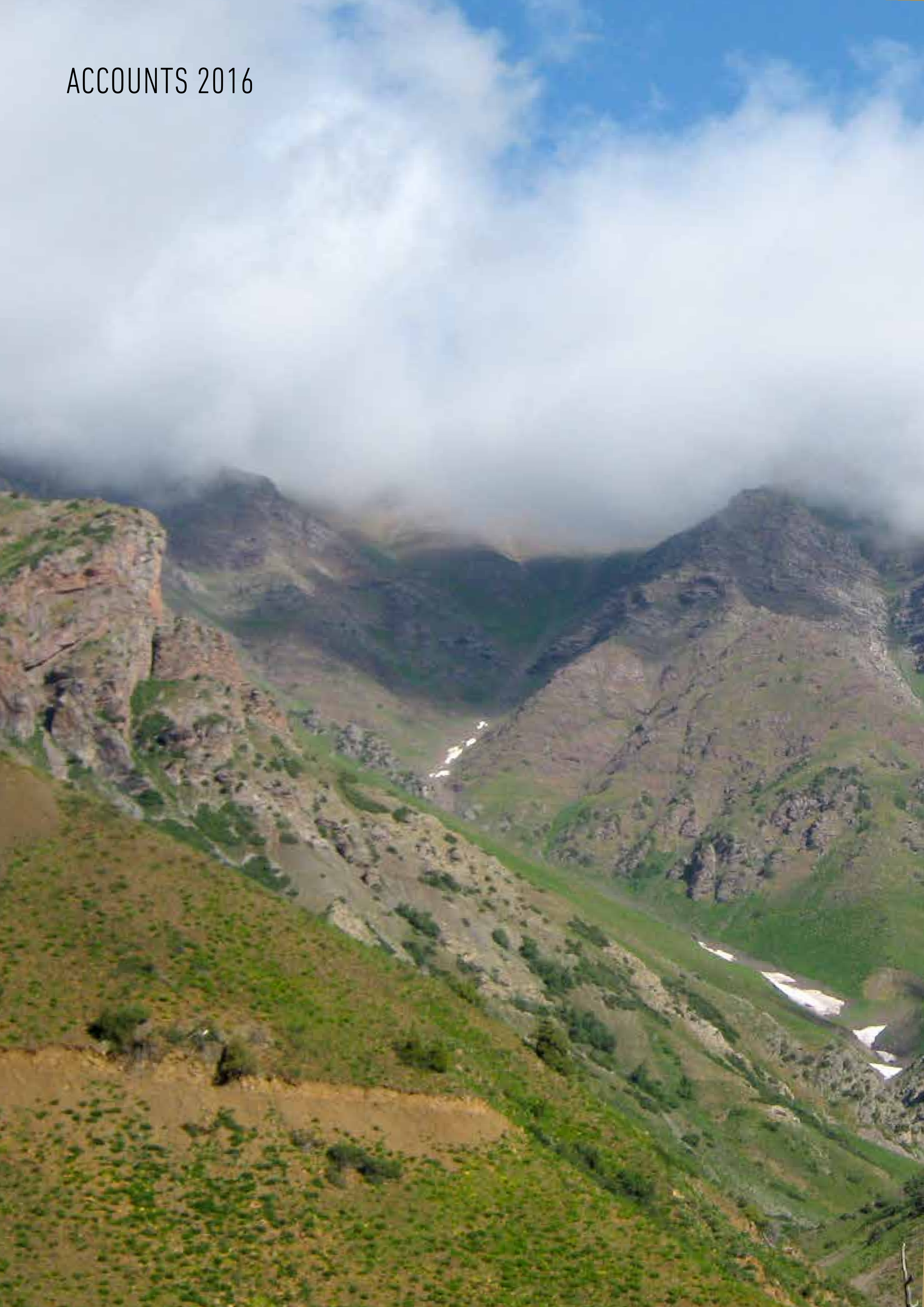
A Chartered Accountant, Richard is Chairman of Chaarat's Audit and Remuneration Committees.

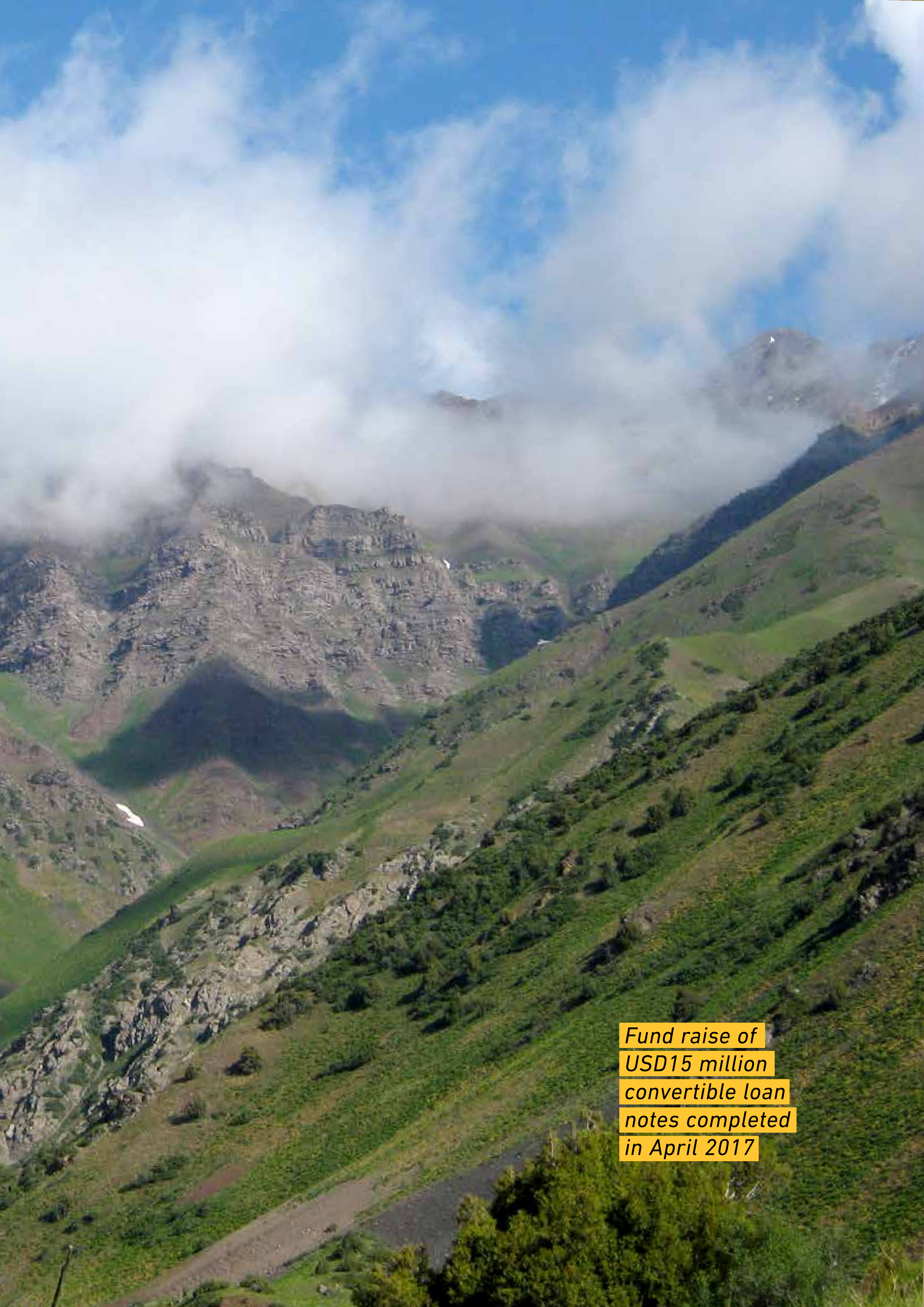
Martin Wiwen-Nilsson
(Non-Executive Director)

Martin Wiwen-Nilsson spent 21 years at Goldman Sachs, where he was a Partner from 2008 to 2015. During his time there he held leadership positions in, amongst others, the global emerging markets business, the global commodities business and the global sovereign wealth fund business. He served on a number of executive committees, including the Investment Banking Operating Committee and the Growth Market Operating Committee.

He is a member of Chaarat's Remuneration Committee.

ACCOUNTS 2016





Fund raise of USD15 million convertible loan notes completed in April 2017

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2016.

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 (2015: nil). The loss for the year is USD 4,454,876 (2015: USD 4,604,356).

Directors

The Directors who served during the year were:

Martin Andersson Non-Executive Chairman	Appointed 1 October 2016
Dekel Golan Chief Executive Officer	
Linda Naylor Finance Director	
Alexander Novak Executive Director	
Richard Rae Non-Executive Director	
Martin Wiwen-Nilsson Non-Executive Director	Appointed 1 October 2016
Christopher Palmer-Tomkinson Non-Executive Chairman	Retired 1 October 2016

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 Interests

The Directors of the Company who held office at 31 December 2016 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 28 April 2017:

	Number of shares	Number of options over shares	Number of warrants over shares
Martin Andersson	120,947,823	Nil	21,367,521
Dekel Golan	14,275,691	9,809,331	Nil
Linda Naylor	1,200,000	5,029,244	Nil
Alexander Novak	10,686,198	6,632,124	Nil
Richard Rae	400,000	500,000	Nil
Martin Wiwen-Nilsson	9,422,301	200,000	Nil

Share Capital and Substantial Share Interests

Details of the Company's share capital are disclosed in note 16 of the financial statements.

On 28 April 2017, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Number of shares	%
Martin Andersson via Labro Investments Limited	120,947,823	34.38
China Nonferrous Metals Int'l Mining Co. Ltd	22,469,289	6.39
Sarastro Group	17,606,228	5.00
Dekel Golan via Mada Limited	14,275,691	4.06
UBS Wealth Management	13,641,259	3.88
Alexander Novak via Vetan Investments Limited	10,686,198	3.04

Going concern

At 31st December 2016, the Group had cash and cash equivalents of USD 3.28 million. Following the issue of USD 15 million senior short term convertible loan notes in April 2017 the Group has cash resources of approximately USD16.2 million.

Based on a review of the Group's budgets and cash flow plans, and the flexibility to alter these to suit prevailing circumstances, the Board considers there is sufficient cash to maintain the Group as a going concern for a period of at least twelve months from the date of signing the annual report and accounts.

The existing funds will be used to enlarge the heap leachable reserve base of the Tulkubash Project. This is expected to extend the life of mine and enable the Company to seek project finance from an enlarged pool of possible providers.

Preparation work for the full project financing for the Tulkubash Project is underway in parallel to the completion of the Tulkubash Feasibility Study. Endeavour Financial has been retained to manage the project financing process and has advised on the timetable to conclusion of the project financing to ensure an optimal project finance process and package.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 hence for taking reasonable steps to prevent and detect fraud and other irregularities and for the preparation of any additional information accompanying the financial statements that may be required by law or regulation.

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

On 1 October 2016, a new Chairman was appointed to lead the Board of Chaarat. Martin Andersson is the largest shareholder of Chaarat as he is indirectly beneficially interested in the majority of the shares in Labro Investments Limited (Labro) which as at 28 April 2017 holds 34.38 % of the Company's issued share capital.

The Board is convinced that the appointment of Martin as Chairman is in the best interests of all shareholders and his significant experience of operating in the region and his extensive network will be critical to the delivery of the strategy to achieve production through the Tulkubash Project.

His interests are fully aligned with all shareholders and he is keen to maintain the highest standards of corporate governance to allay any concerns regarding independence. A relationship agreement has been put in place between the Company and Labro which provides, inter alia, that for so long as Labro beneficially owns or is interested in 20% or more of the issued share capital of the Company, Labro shall have the right to nominate one director to the Board, and not take any action which will circumvent the proper application of the AIM Rules or enter into any transactions with the Company or the Group on any other than on normal commercial terms.

The Relationship Agreement will terminate on the date that Labro ceases to beneficially own or be interested in at least 20% of the issued share capital of the Company or if the ordinary shares were to cease to be admitted to trading on AIM.

As a result of the placing in September 2016 a number of associates of the incoming Chairman became shareholders in the Company. The Chairman, taking a conservative view, deemed it appropriate that those parties should be considered as forming a concert party with Labro and that, subject to the waiver mentioned below, additional share purchases by them will have to be approved by the independent Directors (being Dekel Golan, Linda Naylor, Alexander Novak and Richard Rae).

There is a provision in the Company's Articles of Association which states that the Board has the right to require any holder of more than 20% of the Company's Shares to make a mandatory offer to all the Company's shareholders to acquire their Shares if they acquire an additional interest in any Shares. The Board has previously exercised its discretion to waive the requirement for a mandatory offer when Labro acquired Shares in excess of a 20% holding. Whilst acting independently, solely in their own interests and having no direct involvement with the Company, certain of the new shareholders subscribing in the Placing who are associates of the incoming Chairman have been considered to form a concert party with Labro. This will mean that, subject to the waiver detailed below, any purchase of shares by any member of the concert party must be notified to the Board so that the Independent Directors can decide whether to exercise their discretion to waive the requirement to make a mandatory offer to all shareholders. The Board believes this is best practice for corporate governance purposes so that there is no perception that Shares are being accumulated with the objective of acquiring the Company at a potentially depressed valuation. Accordingly, Martin Wiwen-Nilsson, Dominik Dolenec, Abingdon Trust, Willem De Geer and Sarastro Group Limited (or in each case his or its nominee), are treated as concert parties of Labro for the purposes of the Articles.

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

Board meetings

The members of the Board meet regularly to review progress. Board meetings are held to approve strategy and budgets, major capital expenditure and the financial statements and certain other matters which are reserved for decision by the Board.

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 Martin Wiwen-Nilsson. 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.

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

Audit committee

The audit committee comprises Richard Rae as Chairman and Martin Andersson. 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 2016 and 2015 the review of the interim statement was the only non-audit service provided..

Nominations committee

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

Health, Safety, Environment and Community committee

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

Relations with shareholders

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

Remuneration Report

Policy

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

Details of individual Directors' remuneration are shown below:

	Salary USD	Fees USD	Share based consideration USD	2016 Total USD	2015 Total USD
Dekel Golan	427,506			427,506	459,559
Alex Novak	266,016			266,016	285,282
Linda Naylor	235,026			235,026	283,974
Christopher Palmer- Tomkinson		40,362		40,362	49,514
Richard Rae		40,362	1,962	42,324	50,476
Retired directors					1,590
Total	**928,548**	**80,724**	**1,962**	**1,011,234**	**1,130,395**

Directors' Interests

The executive Directors have options to subscribe for ordinary shares in the Company as follows:
At 31 December 2016 and 2015

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

The former Chairman, Christopher Palmer-Tomkinson, held 680,914 options for ordinary shares at 31 December 2015. The options lapsed six months after his retirement from the Board on 1 October 2016. At 31 December 2016 and 2015 Richard Rae, the senior non -executive director, held 200,000 options with an exercise price of 25p. The grant date was 1 January 2014 and vest equally over three years with an expiry date of 31 December 2021.

Options were granted to the following directors on 12th February 2017 with an exercise price of 15p. They will be exercisable between 1 and 8 years from the date of grant. Half of the awarded options will vest over three years with the remainder vesting on the achievement of milestones.

Name	Number of Options granted	Total numbe of Options held	Total number of Options now held as a percentage of the Company's current issued share capital
Dekel Golan	4,000,000	9,809,331	2.79
Alexander Novak	3,000,000	6,632,124	1.89
Linda Naylor	3,000,000	5,029,244	1.43
Richard Rae	300,000	500,000	0.14
Martin Wiwen-Nilsson	200,000	200,000	0.06

By Order of the Board

L Naylor

Linda Naylor
Company Secretary
31 May 2017

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 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's directors, as a body, in accordance with our engagement dated 11 May 2017. Our audit work has been undertaken so that we might state to the company's directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in Chairman's report, Chief Executive Officer's Report, Chief Operating Officer's Report, Corporate Social Responsibility Report, Directors' Report and Remuneration 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 2016 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

BDO LLP

BDO LLP
Chartered accountants
London
United Kingdom
31 May 2017

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	2016 USD	2015 USD
Exploration expenses		(1,060,180)	(2,071,070)
Administrative expenses – other		(3,297,786)	(2,595,356)
Administrative expenses- share options expense		(1,962)	(90,869)
Administrative expenses- foreign exchange gain/(loss)		(334,185)	20,187
Total administrative expenses		**(3,633,933)**	**(2,666,038)**
Other operating income	7	220,784	113,107
Operating loss	4	(4,473,329)	(4,624,001)
Finance income		18,453	19,645
Taxation	21	-	-
Loss for the year, attributable to equity shareholders of the parent		**(4,454,876)**	**(4,604,356)**
Loss per share (basic and diluted) – USD cents	**17**	**(1.52)**	**(1.69)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

	2016 USD	2015 USD
Loss for the year, attributable to equity shareholders of the parent	**(4,454,876)**	**(4,604,356)**
Other comprehensive income: *Items which may subsequently be reclassified to profit and loss*		
Exchange differences on translating foreign operations and investments	2,601,427	(7,708,129)
Other comprehensive income for the year, net of tax	**2,601,427**	**(7,708,129)**
Total comprehensive income for the year attributable to equity shareholders of the parent	**(1,853,449)**	**(12,312,485)**

CONSOLIDATED BALANCE SHEET

At 31 December

	Note	2016 USD	2015 USD
Assets			
Non-current assets			
Intangible assets	8	26,572	29,505
Mine properties	9	23,424,508	19,797,277
Property, plant and equipment	10	840,682	2,174,678
Assets under construction	11	10,008,201	9,259,089
		34,299,963	31,260,549
Current assets			
Inventories	12	208,955	306,111
Trade and other receivables	13	365,944	212,845
Cash and cash equivalents	14	3,284,929	2,839,159
		3,859,828	3,358,115
Total assets		**38,159,791**	**34,618,664**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	(b) 15	3,517,757	2,729,353
Share premium	(b) 15	136,553,470	132,108,746
Share warrant reserve		1,358,351	1,358,351
Other reserves		14,848,878	14,952,340
Translation reserve		(15,927,429)	(18,528,856)
Accumulated losses		(102,754,577)	(98,405,125)
Total equity		**37,596,450**	**34,214,809**
Current liabilities			
Trade and other payables	18	401,096	176,641
Accrued liabilities	19	162,245	227,214
		563,341	403,855
Total liabilities		**563,341**	**403,855**
Total liabilities and equity		**38,159,791**	**34,618,664**

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2017.

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 2014		**2,729,353**	**132,108,746**	**1,358,351**	**(94,144,808)**	**15,205,510**	**(10,820,727)**	**46,436,425**
Currency translation		-	-	-	-	-	(7,708,129)	(7,708,129)
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**(7,708,129)**	**(7,708,129)**
Loss for the year ended 31 December 2015		-	-	-	(4,604,356)	-	-	(4,604,356)
Total comprehensive income for the year		**-**	**-**	**-**	**(356 ,4,604)**	**-**	**(7,708,129)**	**(12,312,485)**
Share options lapsed		-	-	-	344,039	(344,039)	-	-
Share options expense		-	-	-	-	90,869	-	90,869
Balance at 31 December 2015		**2,729,353**	**132,108,746**	**1,358,351**	**(98,405,125)**	**14,952,340**	**(18,528,856)**	**34,214,809**
Currency translation		-	-	-	-	-	2,601,427	2,601,427
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**2,601,427**	**2,601,427**
Loss for the year ended 31 December 2016		-	-	-	(4,454,876)	-	-	(4,454,876)
Total comprehensive income for the year		**-**	**-**	**-**	**(4,454,876)**	**-**	**2,601,427**	**(1,853,449)**
Share options lapsed		-	-	-	105,424	(105,424)	-	-
Share options expense		-	-	-	-	1,962	-	1,962
Issuance of shares for cash		788,404	4,587,757	-	-	-	-	5,376,161
Share issue cost		-	(143,033)	-	-	-	-	(143,033)
Balance at 31 December 2016	**18**	**3,517,757**	**136,553,470**	**1,358,351**	**(102,754,577)**	**14,848,878**	**(15,927,429)**	**37,596,450**

CONSOLIDATED CASH FLOW STATEMENT

For the Years Ended 31 December

	Note	2016 USD	2015 USD
Operating activities			
Loss for the year		(4,454,876)	(4,604,356)
Adjustments:			
Amortisation expense - intangible assets	8	7,287	11,400
Depreciation expense - property, plant and equipment	10	332,698	578,096
Loss/(gain) on disposal of property, plant and equipment	4/10	40,074	(86,580)
Provision for inventories	12	(22,660)	268,692
Finance income	7	(18,453)	(19,645)
Other operating income	7	(220,784)	(113,107)
Share based payments	4	1,962	90,869
Decrease in inventories		147,423	147,538
(Increase)/decrease in accounts receivable		(590)	153,680
Increase/(decrease) in accounts payable		(58,507)	(209,671)
Net cash flow used in operations		**(4,246,426)**	**(3,783,084)**
Investing activities			
Purchase of tangible fixed assets	10	(68,812)	(220,711)
Capitalisation of development activities	9/11	(2,052,669)	(1,213,724)
Sale of subsidiary		200,000	-
Proceeds from sale of equipment	4	1,106,055	449,801
Interest received		18,453	19,645
Net cash used in investing activities		**(796,973)**	**(964,989)**
Financing activities			
Proceeds from issue of share capital		5,376,162	-
Issue costs		(143,033)	-
Net cash from financing activities		**5,233,129**	**-**
Net change in cash and cash equivalents		**189,730**	**(4,748,073)**
Cash and cash equivalents at beginning of the year		2,839,159	7,608,865
Effect of changes in foreign exchange rates		256,040	(21,633)
Cash and cash equivalents at end of the year	**15**	**3,284,929**	**2,839,159**

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 companies set out below (the Group). The Company is quoted on the Alternative Investment Market of the London Stock Exchange (AIM:CGH).

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

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

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

*Companies owned indirectly by Chaarat Gold Holdings Limited

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.

There are no new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to the Group's operations which are effective for accounting periods beginning on 1 January 2016 and the Group has not adopted any standards or interpretations in advance of the required implementation dates.

The following new or revised standards that may be applicable to the Group have been issued but are not yet effective:

New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	EU adopted
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	Yes
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Yes
IFRS 16	Leases	1 January 2019	No

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is currently assessing the impact of this standard but the Group is not yet in production so revenue is not generated.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognize all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Management is currently assessing the impact of this standard.

IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management are currently assessing the standard's full impact.

BASIS OF CONSOLIDATION

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

BUSINESS COMBINATIONS

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

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

FUNCTIONAL AND PRESENTATION CURRENCY OF THE GROUP

These consolidated financial statements are presented in United States dollars (USD), rounded to the nearest dollar as the Company believes it to be the most appropriate and meaningful currency for investors. Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Group's operating subsidiary is the Kyrgyz Som (KGS).

CASH AND CASH EQUIVALENTS

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

INTEREST

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

INTANGIBLE ASSETS – COMPUTER SOFTWARE

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

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. The cost of related studies to determine the details of the development are also capitalised. 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.

Assets under construction represent assets under development that are not at the stage that can be used commercially to generate revenues. No depreciation is currently applied to these assets as production has not yet commenced.

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

IMPAIRMENT TESTING

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

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

i. unexpected geological occurrences render the resource uneconomic;
ii. title to the asset is compromised;
iii. variations in metal prices 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 which 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

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
Current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate. Taxable profit differs from net profit as reported due to income tax effects of permanent and temporary differences. Non-profit based taxes are included within administrative expenses.

Deferred tax
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 arising as a result of the reverse acquisition, plus the equity component of share options issued.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Accumulated losses" include all current and prior period results as disclosed in the income statement.

FOREIGN CURRENCY
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement. The presentation currency is the United States dollar (USD). This is also the functional currency of the Group 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 USD, the presentation currency, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognised directly in the consolidated statement of other comprehensive income.

The intercompany loans form a part of the Company’s investment in a foreign operation. The exchange difference arising on the intercompany loans is recognised in other comprehensive income and accumulated in a separate component of equity until disposal of the foreign operation. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

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

	2016	2015	2014
Kyrgyz Som (KGS) to 1 US dollar (USD)	69.2301	75.8993	58.8865
US dollar (USD) to 1 UK pound (GBP)	1.2289	1.4961	1.5559

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

options to certain Company Directors and employees to acquire shares of the Company.

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

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

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

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

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

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

RETIREMENT AND OTHER BENEFIT OBLIGATIONS

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

FINANCIAL INSTRUMENTS

Financial assets

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group did not have any financial assets "at fair value through profit or loss" nor any "available for sale" financial instruments as at 31 December 2016 and 31 December 2015.

Loans and receivables

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

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

Impairment of financial assets

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

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

Cash and cash equivalents

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

Financial liabilities

Trade payables

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

Going concern

At 31st December 2016, the Group had cash and cash equivalents of USD 3.28 million. Following the issue of USD 15 million senior short term convertible loan notes in April 2017 the Group has cash resources of approximately USD16.2 million.

Based on a review of the Group's budgets and cash flow plans, and the flexibility to alter these to suit prevailing circumstances, the Board considers there is sufficient cash to maintain the Group as a going concern for a period of at least twelve months from the date of signing the annual report and accounts.

The existing funds will be used to enlarge the heap leachable reserve base of the Tulkubash Project. This is expected to extend the life of mine and enable the Company to seek project finance from an enlarged pool of possible providers.

Preparation work for the full project financing for the Tulkubash Project is underway in parallel to the completion of the Tulkubash Feasibility Study. Endeavour Financial has been retained to manage the project financing process and has advised on the timetable to conclusion of the project financing to ensure an optimal project finance process and package.

3 SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATION

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

At 31 December 2016, the capitalised costs of the mine properties, related plant and equipment and assets in construction amounted to approximately USD 34 million. Further details of these assets can be found in notes 9, 10 and 11. As required by IAS 36 –"Impairment of Assets", the Board has reviewed these assets.

The assets mainly relate to the mining project and as such are considered a single cash generation unit (CGU), and therefore, primarily assessed for impairment as a group of assets.

The carrying value of development assets is regularly reviewed for impairment indicators based on internal and external factors. The recoverability of development assets 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

Based on the results of the Feasibility Study for the Chaarat Project completed in 2016 the Directors have concluded that an impairment of the Project is not required. Work is underway on completing the Feasibility Study for the Tulkubash Heap Leach Project which will be the first stage development of the Project. As this work continues current views on key estimates and assumptions may change and if these changes are adverse then an impairment of the current carrying value of the mine properties, related plant and equipment and assets under construction may arise.

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 on non-transferability, exercise restrictions and behavioural considerations as shown in note 5.

4 OPERATING LOSS

The operating loss is stated after charging:

	2016 USD	2015 USD
Depreciation of property, plant and equipment	332,698	578,096
Amortisation of intangible assets	7,287	11,400
Operating lease expenses	144,803	145,514
Share based payment charges	1,962	90,869
Loss/(gain) on sale of fixed assets	40,074	(86,580)
(Gain) on foreign exchange	(351,353)	(20,187)
Audit – remuneration for group audit of Chaarat Gold Holdings Limited	44,767	53,516
Inventories provision	-	268,692

Segmental analysis

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

The Group's operations relate to the exploration for, and development of mineral deposits in the Kyrgyz Republic with support provided from the British Virgin Islands and as such the Group has only one reportable segment. The non-current assets in the Kyrgyz Republic are USD 34,299,963 (2015: USD 31,260,549).

5 STAFF NUMBERS AND COSTS

	Number	Number
Management and administration	24	44
Operations	65	92
	89	**136**

The aggregate payroll costs of these persons were as follows:

	2016 USD	2015 USD
Staff wages and salaries	735,540	812,448
Social security and other pension costs	53,438	255,014
Employee share based payment charges	-	11,395
Directors' remuneration as detailed in the Remuneration Report		
Wages and salaries	1,009,273	1,050,920
Share based payment charge	1,962	79,474
	1,800,213	**2,209,251**

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

The staff wages and salaries and social security and other pension costs includes amounts capitalised to Mine Properties of USD 483,762 (2015: USD 440,052).

6 DIRECTORS' REMUNERATION

The costs of certain Directors' services were charged to the Company via consultancy companies, as separately detailed below and in the related party transactions note 22, rather than directly as short-term employment costs. These arrangements are in place purely for administrative convenience and are not methods to mitigate, reduce or remove liabilities to taxation in the respective Director's country of residence. Details of Directors' remuneration are provided in the Remuneration Report.

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

Wages and salaries	**2016 USD**	**2015 USD**
Paid directly	126,277	138,050
Paid via related party consultancy companies	882,996	912,870
Share based payment charge	1,962	79,475
Total	**1,011,235**	**1,130,395**

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

7 OTHER INCOME

	2016 USD	**2015 USD**
Other operating income	220,784	113,107

The proceeds of USD 200,000 received from the sale of the company holding the licences to the Kyzil Ompul properties are included in other operating income.

8 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Cost	USD
At 31 December 2014	**206,633**
Exchange differences	(25,444)
At 31 December 2015	**181,189**
Exchange differences	7,485
At 31 December 2016	**188,674**

Amortisation	USD
At 31 December 2014	**156,436**
Charge for the year	11,400
Exchange differences	(16,152)
At 31 December 2015	**151,684**
Charge for the year	7,287
Exchange differences	3,131
At 31 December 2016	**162,102**

Carrying amounts	USD
At 31 December 2016	**26,572**
At 31 December 2015	**29,505**
At 31 December 2014	**50,197**

9 MINE PROPERTIES

	Mine Properties USD	Definitive Feasibility Studies USD	Total USD
At 31 December 2014	**19,209,935**	**3,444,015**	**22,653,950**
Development cost capitalised	282,358	-	282,358
Definitive Feasibility Study	-	1,291,227	1,291,227
Exchange differences	(4,239,533)	(190,725)	(4,430,258)
At 31 December 2015	**15,252,760**	**4,544,517**	**19,797,277**
Development cost capitalised	20,863	-	20,863
Definitive Feasibility Study	-	2,127,564	2,127,564
Exchange differences	1,390,120	88,684	1,478,804
At 31 December 2016	**16,663,743**	**6,760,765**	**23,424,508**
Carrying amounts			
At 31 December 2016	**16,663,743**	**6,760,765**	**23,424,508**
At 31 December 2015	**15,252,760**	**4,544,517**	**19,797,277**
At 31 December 2014	**19,209,935**	**3,444,015**	**22,653,950**

Mine properties consist of the costs of drilling exploration and licence retention of development properties.

10 PROPERTY, PLANT AND EQUIPMENT

	Land USD	Buildings USD	Machinery and equip-ment USD	Office equipment USD	Furniture and facili-ties USD	Motor vehicles USD	Leasehold improve-ments USD	Total USD
Cost								
At 31 December 2014	**6,478**	**403,511**	**3,659,671**	**96,435**	**48,903**	**423,975**	**12,071**	**4,651,044**
Additions	-	212,357	8,195	-	159	-	-	220,711
Disposals	(6,478)	-	(542,898)	(1,445)	(1,621)	(51,590)	-	(604,032)
Exchange differences	-	(115,706)	(740,115)	(22,903)	(11,494)	(112,315)	(2,897)	(1,005,430)
At 31 December 2015	**-**	**500,162**	**2,384,853**	**72,087**	**35,947**	**260,070**	**9,174**	**3,262,293**
Additions	- -	-	2,745	8,160	122	57,758	27	68,812
Disposals	-	(19,233)	(1,477,036)	(4,998)	(5,379)	(98,956)	(546)	(1,606,148)
Exchange differences	-	37,840	78,864	6,831	3,337	24,111	860	151,843
At 31 December 2016	**-**	**518,769**	**989,426**	**82,080**	**34,027**	**242,983**	**9,515**	**1,876,800**
Depreciation								
At 31 December 2014	**-**	**71,889**	**884,800**	**41,096**	**17,836**	**6,860**	**6,140**	**1,028,621**
Charge for the year	-	119,321	307,732	27,901	11,302	107,941	3,899	578,096
Disposals	-	-	(223,464)	(973)	(908)	(15,466)	-	(240,811)
Exchange differences	-	(24,517)	(206,722)	(11,716)	(4,910)	(28,692)	(1,734)	(278,291)
At 31 December 2015	**-**	**166,693**	**762,346**	**56,308**	**23,320**	**70,643**	**8,305**	**1,087,615**
Charge for the year	-	65,734	191,698	18,025	5,628	50,618	995	332,698
Disposals	-	(11,481)	(433,684)	(3,017)	(4,812)	(27,236)	(573)	(480,803)
Exchange differences	-	11,800	69,449	5,463	2,208	6,900	788	96,608
At 31 December 2016	**-**	**232,746**	**589,809**	**76,779**	**26,344**	**100,925**	**9,515**	**1,036,118**
Net book value								
At 31 December 2016	**-**	**286,023**	**399,617**	**5,301**	**7,683**	**142,058**	**-**	**840,682**
At 31 December 2015	**-**	**333,469**	**1,622,507**	**15,779**	**12,627**	**189,427**	**869**	**2,174,678**
At 31 December 2014	**6,478**	**331,622**	**2,774,871**	**55,339**	**31,067**	**417,115**	**5,931**	**3,622,423**

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

11 TANGIBLE ASSETS – ASSETS UNDER CONSTRUCTION

	USD
At 31 December 2014	**12,339,224**
Reduction	(565,510)
Exchange differences	(2,514,625)
At 31 December 2015	**9,259,089**
Reduction	(52,410)
Exchange differences	801,522
At 31 December 2016	**10,008,201**
Carrying amounts	
At 31 December 2016	**10,008,201**
At 31 December 2015	**9,259,089**
At 31 December 2014	**12,339,224**

Assets under construction consist of the power line, roads and mine infrastructure.

12 INVENTORIES

	2016 USD	2015 USD
Equipment spares and consumables	454,987	574,803
Provision	(246,032)	(268,692)
	208,955	306,111

Inventories of spare parts and consumables are recorded at the lower of cost price or estimated value in future use. They are not held for re-sale but are utilised in the Company's exploration and development activities. A provision was made in 2015 for items of stock which had not moved for more than 12 months. No inventories are pledged against payables or other obligations.

13 TRADE AND OTHER RECEIVABLES

	2016 USD	2015 USD
Advance payments to sub-contractors	348,491	195,982
Other receivables	17,453	16,863
	365,944	**212,845**

The advance payments to sub-contractors were made in relation to contracts entered into with service sub-contractors to provide funds for mobilisation. The advance payments will 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.

14 CASH AND CASH EQUIVALENTS

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

	2016 USD	2015 USD
Cash		
Cash in hand	9,892	25,123
Cash Equivalents		
Short-term deposits held in UK	3,194,490	2,667,474
Short-term deposits held in the Kyrgyz Republic	80,547	146,562
	3,284,929	**2,839,159**

15 CAPITAL AND RESERVES

The share capital of Chaarat Gold Holdings Limited consists of shares of a single class. All shares have equal rights to receive dividends or capital repayments and all shares represent one vote at meetings of Chaarat Gold Holdings Limited.

Capital management policies and procedures

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

(a) Authorised share capital

Chaarat Gold Holdings Limited - ordinary shares of USD 0.01 each	Number of Shares	Nominal Value USD
Authorised at 31 December 2015 and 2016	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 2014 and 2015	**272,935,389**	**2,729,353**	**132,108,746**	**134,838,099**
Shares issued on 27 September 2016	78,840,443	788,404	4,587,758	5,376,162
Shares issued costs charged to share premium	-	-	(143,034)	(143,034)
At 31 December 2016	**351,775,832**	**3,517,757**	**136,553,470**	**140,071,227**

(c) Potential issue of ordinary shares

Share options

At 31 December 2016, the Company had options of 14,213,622 (2015: 14,573,622) outstanding for the issue of ordinary shares as follows:

Share Options held at 31 December 2016	Option Price	Exercise Period
300,000	US$ 1.0633	16/10/07 to 01/07/17
5,100,000	US$ 0.9166	08/11/08 to 16/10/17
34,500	GBP 0.54	08/08/12 to 08/08/17
56,022	GBP 0.25	08/08/12 to 08/08/17
834,000	GBP 0.25	01/09/12 to 01/09/17
1,273,722	GBP 0.41	25/02/11 to 25/02/18
817,347	GBP 0.61	22/12/11 to 22/12/18
2,236,781	GBP 0.27	22/12/12 to 22/12/19
3,361,250	GBP 0.25	31/12/13 to 31/12/20
200,000	GBP 0.25	01/01/15 to 01/01/22
14,213,622		

All options are share settled.

Vesting Conditions

All options were fully vested by 31 December 2016 apart from those with an exercise period from 01/01/15 to 01/01/22. One third of the options vested on 1 January 2015, with the other two thirds vesting in equal tranches on the first and second anniversaries of that date. The only vesting condition is continued employment by a Group Company.

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

	2016 Options	2016 Weighted average ($exercise price (US	2015 Options	2015 Weighted average ($exercise price (US
Outstanding at 1 January	14,573,622	0.646	16,217,225	0.674
Lapsed during the year	(360,000)	0.664	(1,643,603)	0.578
Outstanding at 31 December	14,213,622	0.590	14,573,622	0.643
Exercisable at 31 December	14,146,956	0.591	14,413,622	0.646

The share options outstanding at 31 December 2016 had a weighted average exercise price of USD 0.590 (2015: USD 0.643) and a weighted average remaining contractual life of 3.3 (2015: 3.0) years.

Fair value assumptions for share option charges

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

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

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

Warrants

Expiry date	2016 Price GBP	2016 Number	2015 Price GBP	2015 Number
17/12/17			0.15	21,367,521
23/12/17	0.1443	50,000		
17/12/19	0.15	21,367,521		
23/12/19	0.15	1,040,000	0.15	1,090,000
		22,457,521		**22,457,521**

In conjunction with the Company's £163,500 placing in December 2014, three year warrants were issued to placees to subscribe for one Ordinary Share per placing share at the placing price of 15p per share. The terms of the Warrants allowed for an exercise price adjustment should the Company raise funds at a price which represented a discount of more than 10% to the prevailing share price. The Company made an offer to all Warrant Holders following the placing in September 2016, to amend the terms of the Warrants in order to: (i) extend the expiry date of the Warrants from 23 December 2017 to 23 December 2019, in exchange for the Warrant Holders waiving the right, on account of the Placing, to adjust the Warrant Exercise Price; and (ii) provide for Warrant Holders to be able to exercise their Warrants on a net issuance basis. If such offer is not accepted within a period of 14 days from Admission, the Warrant Exercise Price will be adjusted to 14.43p per share. In conjunction with the Company's US$5m placing in December 2014, Labro was issued 21,367,521 Labro Warrants. Labro and the Company have entered into a deed of amendment dated 26 September 2016, in order to amend the terms of the Labro Warrants by: (i) extending the expiry date of the Labro Warrants from 17 December 2017 to 17 December 2019 in exchange for Labro agreeing to waive its right, pursuant to the term of the Labro Warrants, and on account of to the Placing, to adjust the exercise price of the Labro Warrants (which adjustment would have resulted in a new Labro Warrant exercise price of 14.43p); and (ii) providing for Labro to be able to exercise the Labro Warrants on a net issuance basis (the "Labro Warrant Amendment").

16 LOSS PER SHARE

Loss per share is calculated by reference to the loss for the year of USD 4,454,876 (2015: USD 4,604,356) and the weighted number of shares in issue during the year of 293,310,960 (2015: 272,935,389). There is no dilutive effect of share options or warrants.

17 TRADE AND OTHER PAYABLES

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

	2016 USD	2015 USD
Trade payables	379,962	136,754
Social security and employee taxes	21,050	39,498
Other taxes	84	389
	401,096	**176,641**

The above listed payables were all unsecured.

Trade payables at 31 December 2016 do not include any amounts owed to Directors or companies controlled by Directors (2015: USD NIL).

18 ACCRUED LIABILITIES

Other current liabilities at 31 December consisted of the following:

	2016 USD	2015 USD
Accruals	162,245	227,214

Accruals at 31 December 2016 did not include any amounts owed to directors or companies controlled by Directors (2015: NIL).

19 DEFERRED TAXATION

As described in note 21, 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.

20 INCOME TAX EXPENSE

The income tax expense relates only to the Company's subsidiaries as the Group is not subject to corporate income tax and withholding tax in the British Virgin Islands.

The relationship between the expected tax expense based on the standard tax rate for the BVI subsidiaries of 0% for the year to 31 December 2016 (2015:0%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2016 USD'000	2015 USD'000
Loss per accounts	(4,455)	(4,604)
Income tax using the BVI tax rate	-	-
Effect of tax rates in foreign jurisdictions	(545)	(3,932)
Deferred tax not recognised	545	3,932
Deferred tax released to income statement	-	-
Total tax (expense)/credit, net	-	**-**

Legal entities of the Kyrgyz Republic must individually report taxable income and remit profit taxes to the appropriate authorities. Gold mining companies engaged in the production and sale of gold will pay a revenue based tax on the sales of gold. A fixed royalty of 7% (which comprises a royalty of 5% and a contribution to local infrastructure of 2%) will be payable on the sales of gold and a further percentage rate of tax will be based on the average monthly international gold price, being 1% if the gold price is below USD1,300 per ounce and up to 20% when the gold price exceeds USD2,501 per ounce. The maximum royalty payable when the gold price is above USD2,501 per ounce is therefore 27%.

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 2016 or 2015.

21 RELATED PARTY TRANSACTIONS

Key management personnel

The Directors are the key management personnel and their remuneration is USD 1,009,272 (2015: USD 1,050,920). Dekel Golan and Alex Novak charged for their services via entities under their control, being Mada Consulting Pte Limited and Vetan Investments Limited, respectively. Linda Naylor's remuneration was paid by Central Asia Services Limited, a company controlled by Dekel Golan and contracted to provide management services to the Group. No Director was awarded a salary increase or bonus in 2016 or 2015.

Expenses charged:	**2016 USD**	**2015 USD**
Mada Consulting Pte Limited (in respect of D Golan)	416,755	416,755
Vetan Investments Limited (in respect of A Novak)	231,216	231,216
Central Asia Services Limited (in respect of L Naylor's salary)	235,026	283,974
Central Asia Services Limited (for other management services)	168,020	215,638
	1,051,017	**1,147,583**
Amounts payable at 31 December	-	-

Vetan Investments Limited charged a total of USD 245,792 (2015: USD 259,729) which includes the amounts detailed above relating to the remuneration of Alex Novak.

In addition to the amounts referred to above Dekel Golan and Alexander Novak received USD 10,751 (2015: USD 11,651) and USD 34,800 (2015: USD 34,800) respectively which was paid directly.

22 COMMITMENTS AND CONTINGENCIES

Capital expenditure commitment

The Company had a commitment of USD 648,577 at 31 December 2016 (2015: 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 24 below.

Licence retention fee commitments

The Company has calculated a commitment of USD 54,940 at 31 December 2016 (2015: USD 83,240) in respect of licence retention fees but not provided in these financial statements. The amount to be paid will be determined by the Kyrgyz authorities and is not payable until a demand for payment is received by the Company. No demand in respect of extant licences had been received at the date of these financial statements.

Tax issues

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

Licence agreements

There are minimum expenditure commitments under all the license agreements. These minimum levels of investment have always been achieved. The commitment for 2017 is USD 56,964.

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 2016, management deemed the cost of restoration to be immaterial.

23 OPERATING LEASES

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

	2016 USD	2015 USD
Less than one year	155,412	141,268
Between one and two years	5,295	4,842
Between two and three years	4,406	4,842
	165,113	**150,952**

24 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

2016	Loans and receivables USD	Financial Liabilities measured at amortised cost USD
Trade and other receivables	17,453	-
Cash and cash equivalents	3,284,929	-
Trade and other payables	-	379,962
Accrued liabilities	-	162,245
	3,302,382	**542,207**

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

Credit risk

The Group's maximum exposure to credit risk is USD 3,302,382 (2015: USD 2,856,022).

The Group's significant credit risks relate to cash at bank. Cash at bank is held principally at an independently 'A' rated bank. No significant cash amounts are held at banks rated less than 'B'. Cash is held either on current account or on short-term deposit at floating rates of interest determined by the relevant prevailing base rate. The fair value of cash and cash equivalents at 31 December 2016 and 2015 did not differ materially from its carrying value.

Market risk

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

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

Foreign currency risk

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

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

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

Functional currency of individual entity

Net foreign currency financial assets / (liabilities)	**USD 2016 USD'000's**	**KGS 2015 USD'000's**	**TOTAL 2016 USD'000's**	**2015 USD'000's**	**2016 USD'000's**	**2015 USD'000's**
USD	-	-	76	146	76	146
GBP	(175)	(58)	-	-	(175)	(58)
KGS	-	-	-	-	-	-
Other	5	18	-	-	5	18
Total net exposure	**(170)**	**(40)**	**76**	**146**	**(94)**	**106**

Effect of possible changes in exchange rates

USD '000	**Move 2016 (%)**	**Income statement (Profit/(loss**	**SOCI**	**Move 2015 (%)**	**Income statement (Profit/(loss**	**SOCI**
Fall in value of GBP vs USD	5	9	9	5	3	3
Increase in value of GBP vs USD	5	8	8	5	3	3
Fall in value of KGS vs USD	10	(7)	(8)	10	(34)	(15)
Increase in value of KGS vs USD	25	20	25	25	9	49

Fair value of financial instruments

The fair value of the Group's financial instruments at 31 December 2016 and 2015 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 and debt 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.

25 POST BALANCE SHEET EVENTS

Following Board approval on 12th February 2017, options have been granted to directors and certain employees at an exercise price of 15p. They will be exercisable between 1 and 8 years from the date of grant. Half of the awarded options will vest over three years with the remainder vesting on the achievement of milestones.

On 27 April 2017, the Company announced the completion of the issue of senior secured convertible loan notes to raise USD 15 million.

CHAARAT DEPOSIT
SUMMARY OF ESTIMATED RESOURCES

February 2016

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

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

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

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

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

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

CORPORATE INFORMATION

DIRECTORS

Martin Andersson	Non-Executive Chairman
Dekel Golan	Chief Executive Officer
Linda Naylor	Finance Director
Alexander Novak	Executive Director
Richard Rae	Senior independent non-executive Director
Martin Wiwen-Nilsson	Non-executive Director

COMPANY SECRETARY
Linda Naylor
c/o Central Asia Services Limited
12 West Links Tollgate
Chandler's Ford SO53 3TG
T. + 44 20 7499 2612
E. info @chaarat.com

REGISTERED OFFICE
Palm Grove House
PO Box 438
Road Town, Tortola
British Virgin Islands, VG1110
Registered Number 1420336

KYRGYZ REPUBLIC OFFICE
Chaarat Zaav CJSC
15th floor, Razzakov Street
720040, Bishkek
Kyrgyz Republic

WEBSITE
www.chaarat.com

NOMINATED ADVISER AND BROKER
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

REGISTRARS
Capita Registrars (Guernsey) Ltd
Longue Hougue House
St Sampson
Guernsey GY2 4JN

DEPOSITARY
Capita IRG Trustees Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

PRINCIPAL BANKERS
HSBC Bank PLC
1st floor, 60 Queen Victoria Street
London EC4N 4TR

AUDITORS
BDO LLP
55 Baker Street
London W1U 7EU

LAWYERS
UK
Watson, Farley & Williams
15 Appold Street
London EC2A 2HB

BRITISH VIRGIN ISLANDS
Ogier
Ritter House
Wickhams Cay II
PO Box 3170
Road Town, Tortola
British Virgin Islands VG1110

KYRGYZ REPUBLIC
Kalikova & Associates
71 Erkindik Avenue
Bishkek, 720040
Kyrgyz Republic

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