

## **Chaarat Gold Holdings Limited**

(“Chaarat” or “the Company”)

### **INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015**

Road Town, Tortola, British Virgin Islands (28 September 2015)

Chaarat (AIM – CGH), the AIM quoted exploration and development company with assets in the Kyrgyz Republic, today publishes its unaudited results for the period ended 30 June 2015. Chaarat is preparing a Definitive Feasibility Study (DFS) and continuing its active community engagement programme to optimise the value of the Chaarat investment proposition.

#### **HIGHLIGHTS**

- Solid progress to production as the DFS edges towards completion
- Public hearings process successfully completed – local communities support the Chaarat Project
- Sterilisation work completed at site
- Recruitment of production focussed Chaarat team underway

#### **Dekel Golan, Chief Executive Officer of Chaarat, commented:**

*“The challenges of bringing the Chaarat Project to production cannot be ignored but I am excited as I see our plans start to coalesce. I recently had the pleasure of showing the Chaarat site to our new analyst at Numis. As he reported on his return to the UK, “the puzzle is coming together ... the project has significant flexibility and options to ease the development and funding pathway”. With the continued interest of potential joint venture partners and outright purchasers, pending the delivery of the DFS, these are indeed exciting times for one of the largest and best undeveloped deposits in the world.”*

#### **Enquiries:**

**Chaarat Gold Holdings Limited** + 44 20 7499 2612

c/o Central Asia Services Limited info@chaarat.com

Dekel Golan CEO

Linda Naylor FD

**Numis Securities Limited** +44 (0) 20 7260 1000

John Prior, Paul Gillam (NOMAD)

James Black (Broker)

Further information is available at [www.chaarat.com](http://www.chaarat.com)

### **Chief Executive Officer's Report**

During the first six months of 2015 we continued to build on the foundations established in 2014 and devoted our efforts principally to the work on the Definitive Feasibility Study (DFS).

We provided an update last month on the progress of the DFS. Following a series of review meetings in China we are working with NERIN and our team of advisers to implement a number of changes which should have a significant impact on the economics of the study. Progress continues to be slow and frustrating and the process of ensuring compliance with Chinese regulatory standards, required before the DFS can be signed off, is now suspended until mid-October, after the end of a period of national holidays in China. Despite these hurdles, the Board remains convinced that the effort made now will be rewarded. A robust study will assign a supportable "value" to the Chaarat Project which, together with our development plans outlined below, will provide a benchmark value for negotiations with Chinese investors and prospective buyers.

We have had a number of approaches from Chinese companies interested in either joint venture arrangements or an outright purchase of the Project. The DFS, already aligned to Chinese cultural and economic standards, will be more acceptable to scrutiny by Chinese entities and provide an indispensable input for their decision making.

### **Progress to production**

We reaped the reward in early July of our active community engagement programme and the formation of the Community Consultation Group. The conclusions from a site visit to the Copler mine in Turkey by 16 community leaders were fed back to their local communities and (after allaying numerous concerns, answering questions and providing clarification) representatives from each of the local villages in the vicinity of the Chaarat Project voted in favour of its development at a public hearing. This successful outcome is an essential milestone in achieving full permitting of the Project.

In tandem with the work on the DFS for the whole Chaarat Project we are continuing preparations for production and the detailed planning for the Stage 1 Tulkubash Project. We have decided to start development of the Chaarat Project by mining the near surface free milling low sulphur (non-refractory) ore found in the Tulkubash Zone first, which can be processed in a heap leach operation which is less capital intensive and has lower operating costs.

Detailed design work is underway on the heap leach, the mine and waste dump. The footprint of the Project is being minimised to cut capital costs of construction. The access road and internal site roads are being designed and logistics for the site are being planned to maximise efficiency. The tender process for the contract to build the plant and associated structures is underway with site visits arranged before the winter closes the site. We are working with the communities and the authorities to finalise the land allocation for the Project and a local Kyrgyz institute is preparing the necessary environmental reports for submission to obtain permits. Sterilisation work, to ensure there are no gold deposits where we plan to build Project infrastructure, has been completed.

Prior to seeking finance for the Tulkubash Project, we are planning to recruit an Operations Director to manage the process to production and beyond. Interviews and visits to site are underway in what has been a busy September.

### **Finance matters**

As outlined above, we have since the end of 2014 pushed ahead with the development of the Project with the objective of achieving production in 2017, subject to financing. Since we decided to embark on the preparation of a DFS in 2013, conditions for funding a mining project have remained challenging. We therefore have to demonstrate that the Chaarat Project merits a share of the limited

funds available, hence our decision to carry on with the preparatory work, despite incurring additional costs. In mitigation we have raised more than USD 2 million to date from the sale of fixed assets and equipment and the site has been sterilised at no cost to Chaarat. We continue our efforts to reduce discretionary expenditure and as a result our closing cash balance at 30 June was USD 5.2 million. As we begin our efforts to seek funding for the Tulkubash Project we are encouraged by the relationships that the Kyrgyz Republic enjoys with Turkey, China and Russia which increases Chaarat's options for engineering and contractors as well as financing.

In summary we are developing a solid plan to bring the Chaarat Project to production; the challenges are being addressed. We are confident that with the continued hard work of our staff and patient support of our shareholders the remaining hurdles will be overcome.

Dekel Golan  
Chief Executive Officer

### **About Chaarat Gold**

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

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

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

	<b>6 months to 30 June 2015 (unaudited) USD</b>	<b>6 months to 30 June 2014 (unaudited) USD</b>	<b>12 months to 31 December 2014 (audited) USD</b>
Exploration expenses	(787,523)	(1,484,299)	(4,251,623)
Impairment of assets	-	-	(6,023,622)
Administrative expenses	(1,379,582)	(1,753,273)	(3,868,516)
- Share options expense	(45,436)	(120,990)	(256,613)
- Foreign exchange gain/(loss)	(24,798)	16,826	(45,242)
Total administrative expenses	(1,449,816)	(1,857,437)	(4,170,371)
Other operating income/(expense)	65,449	44,052	(81,257)
<b>Operating loss</b>	<b>(2,171,890)</b>	<b>(3,297,684)</b>	<b>(14,526,873)</b>
Finance income	26,529	31,612	476,536
Taxation	-	-	486,875
<b>Loss for the period, attributable to equity shareholders of the parent</b>	<b>(2,145,361)</b>	<b>(3,266,072)</b>	<b>(13,563,462)</b>
Loss per share (basic and diluted) – USD cents	(0.79)	(1.30)	<b>(4.97)</b>

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

	<b>6 months to 30 June 2015 (unaudited) USD</b>	<b>6 months to 30 June 2014 (unaudited) USD</b>	<b>12 months to 31 December 2014 (audited) USD</b>
<b>Loss for the period, attributable to equity shareholders of the parent</b>	<b>(2,145,361)</b>	<b>(3,266,072)</b>	<b>(13,563,462)</b>
<b>Other comprehensive income:</b> <i>Items which may subsequently be reclassified to profit and loss</i>			
Exchange differences on translating foreign operations and investments	(1,311,157)	(2,752,373)	(8,302,919)
<b>Other comprehensive income for the period, net of tax</b>	<b>(1,311,157)</b>	<b>(2,752,373)</b>	<b>(8,302,919)</b>
<b>Total comprehensive loss for the period attributable to equity shareholders of the parent</b>	<b>(3,456,518)</b>	<b>(6,018,445)</b>	<b>(21,866,381)</b>

**Consolidated balance sheet**

At 30 June

	<b>30 June 2015 (unaudited) USD</b>	<b>30 June 2014 (unaudited) USD</b>	<b>31 December 2014 (audited) USD</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	41,399	73,019	50,197
Mining exploration assets	-	6,803,149	-
Mine properties	22,268,925	23,151,084	22,653,950
Property, plant and equipment	3,129,417	6,450,722	3,622,423
Assets in construction	11,964,950	13,782,021	12,339,224
	<b>37,404,691</b>	<b>50,259,995</b>	<b>38,665,794</b>
<b>Current assets</b>			
Inventories	763,523	1,251,030	847,818
Trade and other receivables	728,884	1,085,444	726,386
Cash and cash equivalents	5,156,510	7,122,223	7,608,865
	6,648,917	9,458,697	9,183,069
<b>Total assets</b>	<b>44,053,608</b>	<b>59,718,692</b>	<b>47,848,863</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders</b>			
Share capital	2,729,353	2,504,778	2,729,353
Share premium	132,108,746	128,551,662	132,108,746
Share warrant reserve	1,358,351	-	1,358,351
Other reserves	15,038,993	15,127,145	15,205,510
Translation reserve	(12,131,884)	(5,270,181)	(10,820,727)
Accumulated losses	(96,078,216)	(83,904,676)	(94,144,808)
	<b>43,025,343</b>	<b>57,008,728</b>	<b>46,436,425</b>
<b>Non-current liabilities</b>			
Deferred tax	-	487,000	-
<b>Current liabilities</b>			
Trade payables	386,181	1,442,676	561,916
Accrued liabilities	642,084	780,288	850,522
	1,028,265	2,222,964	1,412,438
<b>Total liabilities</b>	<b>1,028,265</b>	<b>2,709,964</b>	<b>1,412,438</b>
<b>Total liabilities and equity</b>	<b>44,053,608</b>	<b>59,718,692</b>	<b>47,848,863</b>

**Consolidated statement of changes in equity**

For the six months ended 30 June

	Share capital USD	Share premium USD	Share warrant reserve USD	Accumulated losses USD	Other reserves USD	Translation reserve USD	Total USD
<b>Balance at 31 December 2013</b>	<b>2,504,778</b>	<b>128,551,662</b>	-	<b>(80,646,255)</b>	<b>15,013,806</b>	<b>(2,517,808)</b>	<b>62,906,183</b>
Currency translation	-	-	-	-	-	(2,752,373)	(2,752,373)
Other comprehensive income	-	-	-	-	-	(2,752,373)	(2,752,373)
Loss for the six months ended 30 June 2014	-	-	-	(3,266,072)	-	-	(3,266,072)
Total comprehensive income for the six months ended 30 June 2014	-	-	-	(3,266,072)	-	(2,752,373)	(6,018,445)
Share options lapsed	-	-	-	7,651	(7,651)	-	-
Share options expense	-	-	-	-	120,990	-	120,990
<b>Balance at 30 June 2014</b>	<b>2,504,778</b>	<b>128,551,662</b>	-	<b>(83,904,676)</b>	<b>15,127,145</b>	<b>(5,270,181)</b>	<b>57,008,728</b>
Currency translation	-	-	-	-	-	(5,550,546)	(5,550,546)
Other comprehensive income	-	-	-	-	-	(5,550,546)	(5,550,546)
Loss for the six months ended 31 December 2014	-	-	-	(10,297,390)	-	-	(10,297,390)
Total comprehensive income for the six months ended 31 December 2014	-	-	-	(10,297,390)	-	-	(10,297,390)
Share options lapsed	-	-	-	57,258	(57,258)	-	-
Share options expense	-	-	-	-	135,623	-	135,623
Warrant expense	-	-	1,358,351	-	-	-	1,358,351
Issuance of shares for cash	224,575	3,672,495	-	-	-	-	3,897,070
Share issue cost	-	(115,411)	-	-	-	-	(115,411)
<b>Balance at 31 December 2014</b>	<b>2,729,353</b>	<b>132,108,746</b>	<b>1,358,351</b>	<b>(94,144,808)</b>	<b>15,205,510</b>	<b>(10,820,727)</b>	<b>46,436,425</b>
Currency translation	-	-	-	-	-	(1,311,157)	(1,311,157)
Other comprehensive income	-	-	-	-	-	(1,311,157)	(1,311,157)
Loss for the six months ended 30 June 2015	-	-	-	(2,145,361)	-	-	(2,145,361)
Total comprehensive income for the six months ended 30 June 2015	-	-	-	(2,145,361)	-	(1,311,157)	(3,456,518)
Share options lapsed	-	-	-	211,953	(211,953)	-	-
Share options expense	-	-	-	-	45,436	-	45,436
<b>Balance at 30 June 2015</b>	<b>2,729,353</b>	<b>132,108,746</b>	<b>1,358,351</b>	<b>(96,078,216)</b>	<b>15,038,993</b>	<b>(12,131,884)</b>	<b>43,025,343</b>

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

	<b>6 months to 30 June 2015 (unaudited) USD</b>	<b>6 months to 30 June 2014 (unaudited) USD</b>	<b>12 months to 31 December 2014 (audited) USD</b>
<b>Operating activities</b>			
Loss for the period	<b>(2,145,361)</b>	<b>(3,266,072)</b>	<b>(13,563,462)</b>
Adjustments:			
Amortisation expense - intangible assets	6,953	23,346	45,230
Depreciation expense – property, plant and equipment	293,314	445,658	1,622,409
(Profit)/loss on disposal of property, plant and equipment	45,227	(520,398)	500,319
Impairment of assets	-	-	6,023,622
Finance income	(26,529)	(31,612)	(475,536)
Share based payments	45,436	120,990	256,613
Foreign exchange (gains)/losses	(24,798)	(16,826)	45,242
Decrease in inventories	84,295	502,772	905,984
(Increase)/Decrease in accounts receivable	(2,498)	(227,540)	131,517
Increase/(Decrease)in accounts payable	(384,173)	718,811	(578,714)
<b>Net cash flow used in operations</b>	<b>(2,108,134)</b>	<b>(2,250,871)</b>	<b>(5,087,776)</b>
<b>Investing activities</b>			
Purchase of computer software	-	(192)	(6,777)
Purchase of mine assets, property, plant and equipment	(496,404)	(2,221,416)	(4,898,050)
Proceeds from sale of equipment	326,601	520,398	1,029,472
Interest received	26,529	31,612	476,536
<b>Net cash used in investing activities</b>	<b>(143,274)</b>	<b>(1,669,598)</b>	<b>(3,398,819)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	-	-	<b>5,255,420</b>
Issue costs	-	-	<b>(115,411)</b>
<b>Net change from financing activities</b>	<b>-</b>	<b>-</b>	<b>5,140,009</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,251,408)</b>	<b>(3,920,469)</b>	<b>(3,346,586)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7,608,865</b>	<b>11,163,080</b>	<b>11,163,080</b>
Effect of changes in foreign exchange rates	(200,947)	(120,388)	(207,629)
<b>Cash and cash equivalents at end of the period</b>	<b>5,156,510</b>	<b>7,122,223</b>	<b>7,608,865</b>

## Notes to the financial statements

### 1 Loss per share

The loss per share is calculated by reference to the loss of USD 2,145,361 for the six months ended 30 June 2015 and the weighted average number of shares in issue of 272,935,389 during the period. There is no dilutive effect of share options.

### 2 Basis of preparation of financial statements

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

The unaudited results for the period ended 30 June 2015 have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2014. The results for the period are derived from continuing activities. The figures for the period ended 31 December 2014 have been extracted from the statutory financial statements, prepared under IFRS, which are available on the Group's website [www.chaarat.com](http://www.chaarat.com). The auditor's report on those financial statements was unqualified.

The Group had cash and cash equivalents of USD 5.2 million and no borrowings at 30 June 2015. The Board has reviewed the cash flow forecasts and is satisfied that it has sufficient funds to complete the DFS and pursue its development plans, subject to the successful realisation of its reasonable expectation that additional funds will be made available by selling certain equipment and other assets of the Group, monitoring and cutting discretionary expenditure, reducing headcount where this does not compromise safety at site or impede the progress of the DFS, reviewing the timing of other expenditure and pursuing other fund raising options. More than USD 2 million to date has been secured from the sale of fixed assets and equipment and the site has been sterilised at no cost to Chaarat.

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

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

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

If this funding cannot be secured the Group may not be able to fully develop the Project and the carrying values of the mine properties, related plant and equipment and assets in construction, which at 30 June 2015 amounted to approximately USD 37 million, may become impaired.