

**Chaarat Gold Holdings Limited**

("Chaarat" or "the Company")

**INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

Road Town, Tortola, British Virgin Islands (28 September 2018)

Chaarat (AIM - CGH), the AIM quoted exploration and development company with assets in the Kyrgyz Republic, today publishes its unaudited results for the six month period ended 30 June 2018.

**Highlights for the half year**

- Intensive drilling programme at the Tulkubash oxide gold project identifies significant new volumes of gold mineralisation. Estimated Measured and Indicated (M&I) gold resources increased by 46% to 1.4 million ounces and the grade increased by 57% to 1.35 grams per tonne Au. Mineralization remains open along strike and drilling is ongoing
- Completion of the Tulkubash Feasibility Study confirming management's belief that the oxide gold project has the potential to deliver strong operational cash flow over several years Tulkubash reserves and financial model being recalculated based on updated resource
- Term sheet signed for the acquisition of a medium-sized polymetallic asset in the Commonwealth of Independent States, transforming the Company from a developer into a cash-flow generating producer
- Augmented senior management team to deliver full value from the Company's assets and support Chaarat's M&A activities
- Successful Kyrgyz Investor Forum held in June, co-hosted with the Embassy of the Kyrgyz Republic and the European Bank for Reconstruction and Development

**Post period highlights**

- Completion of the first phase of up to US\$100 million of a convertible debt placement to support selective accretive M&A and the development of Tulkubash, with most of Chaarat's long-term investors increasing their exposure in the Company
- Earlier bonds redeemed and security released as part of the Fundraising
- Mobilization of the mining/earthworks contractor to the Tulkubash mine site with full scale construction expected in the second quarter of 2019

**Martin Andersson, Executive Chairman of Chaarat, commented:** *"Chaarat has made strong progress in the first six months of 2018. I am delighted with the diligent execution of our strategy as we move towards our goal of becoming a mid-tier gold producer.*

*"The Company is in a sound financial position, has a strong portfolio of investments and a management team committed to driving Chaarat's growth. We look forward to the next six months with confidence.*

*"I would like to thank the entire Chaarat team for their hard work and dedication during a time of rapid change. On behalf of the Board, I also thank our shareholders and stakeholders for their continued support."*

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## **About Chaarat Gold**

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

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

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

## **CHIEF EXECUTIVE OFFICER'S REPORT**

Dear Shareholder

This is my first letter to you since I became CEO of Chaarat in June 2018. I am delighted to share the substantial progress we have made in the period as we continue towards our goal to build a leading emerging market gold company.

The ongoing infrastructure development at Tulkubash has allowed us to get an early start on this year's drilling programme, which commenced in April 2018. We are very encouraged by the results of our drilling to date. These have demonstrated that gold mineralisation continues further along strike northeast of the existing one million ounce resource.

We expect this year's exploration programme to be successful, leading to a significant increase in the tonnage of the oxide gold resource and the overall grade of the deposit. The completion of the Tulkubash Feasibility Study in April 2018 further validates our belief that Tulkubash will not only continue to grow into a world-class gold deposit, but indeed is the beginning of an emerging new gold district.

Post the period end, we were pleased to announce a major step in constructing the Tulkubash mine with the mobilization of the mining/earthworks contractor at the site. We expect full scale construction of the Tulkubash Heap Leach project to begin in the second quarter of 2019 and see the potential to significantly increase the existing Tulkubash resources prior to the first gold pour in 2020.

M&A remains a vital component of our growth strategy and we were pleased to announce the signing of a term sheet for the acquisition of a polymetallic asset in the Commonwealth of Independent States. Assuming completion of the acquisition, it will be an excellent addition to Chaarat's portfolio and turns the Company into an established producer in a single step. The acquisition is an important milestone in executing on our consolidation strategy for the regional gold sector.

In April 2018 we made an offer for the Kumtor Gold mine, underlining our belief in the Kyrgyz republic as a stable destination for mining investment. Our offer represents an opportunity to align the interests of investors directly with the Government and People of the Kyrgyz Republic, who will benefit from a 50 per cent interest in the post-tax cash flow from the mine. Although our offer has not yet led to meaningful engagement from the mine's owner, we remain focused on securing a successful outcome for all stakeholders.

We continue to pursue other selected M&A targets and believe Chaarat is well positioned to be a driver of consolidation in Central Asia/the former Soviet Union.

The period saw Chaarat co-host its second annual Kyrgyz Investment Forum following the success of the inaugural event in 2017. I would like to express my gratitude to the Embassy of the Kyrgyz Republic and European Bank for Reconstruction and Development ("EBRD") for their considerable support.

Post the period end, we were delighted to announce the completion of the first phase of up to US\$100 million of a convertible debt placement with existing convertible investors, as well as select new investors. The first round of fundraising is a clear expression of confidence in our management team and growth strategy and I am grateful that nearly all of Chaarat's long-term investors have taken the opportunity to increase their exposure in the Company.

Our team has been significantly enhanced by the addition of Chris Eger as Chief Financial Officer and Dmitry Yudin as Head of Strategy and Business Development. We are delighted that Chris and Dmitry have agreed to join Chaarat at such an exciting phase in the Company's development. They bring a wealth of knowledge regarding the successful growth of a public mining business and are already proving to be real assets to our management team.

We remain firm in our commitment to growth and returns, energised by the success of our strategy and confident about our future prospects.

I would like to take this opportunity to thank our shareholders for their continued support and of course our employees for their hard work and determination in driving Chaarat's growth.

With highest regards,

Artem Volynets

## Unaudited Consolidated Income Statement

For the six months ended 30 June 2018

	6 months ended 30 June 2018 US\$'000	6 months ended 30 June 2017 US\$'000
Exploration expenses	(555)	(745)
Impairment of Assets under Construction	-	-
Administrative expenses	(3,147)	(1,936)
<b>Total administrative expenses</b>	<b>(3,702)</b>	<b>(2,681)</b>
Other operating income	5	-
<b>Operating loss</b>	<b>(3,697)</b>	<b>(2,681)</b>
Finance costs	(1,407)	(388)
<b>Loss before and after tax for the year, attributable to equity shareholders of the parent</b>	<b>(5,104)</b>	<b>(3,069)</b>
<b>Loss per share (basic and diluted) - US\$ cents</b>	<b>(1.38)</b>	<b>(0.87)</b>

## Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	6 months ended 30 June 2018 US\$'000	6 months ended 30 June 2017 US\$'000
Loss for the year, attributable to equity shareholders of the parent	(5,104)	(3,069)
<b>Other comprehensive income:</b>		
<i>Items which have been reclassified to profit and loss</i>		
Previously recognised exchange differences on translating foreign operations liquidated during the period	(74)	-
<i>Items which may subsequently be reclassified to profit and loss</i>		
Exchange differences on translating foreign operations and investments	-	388
<b>Other comprehensive income for the year, net of tax</b>	<b>(74)</b>	<b>388</b>
<b>Total comprehensive loss for the year attributable to equity shareholders of the parent</b>	<b>(5,178)</b>	<b>(2,681)</b>

## Unaudited Consolidated Balance Sheet

As at 30 June 2018

	As at 30 June 2018 (Unaudited) US\$'000	As at 31 December 2017 (Audited) US\$'000
<b>Assets</b>		
<b>Non-current assets</b>		
Exploration and evaluation costs	35,828	31,385
Other Intangible assets	4	9
Property, plant and equipment	4,076	3,252
<b>Total non - current assets</b>	<b>39,908</b>	<b>34,646</b>
<b>Current assets</b>		
Inventories	-	-
Trade and other receivables	700	194
Cash and cash equivalents	5,952	7,461
<b>Total current assets</b>	<b>6,652</b>	<b>7,655</b>
<b>Total assets</b>	<b>46,560</b>	<b>42,301</b>

<b>Equity and liabilities</b>		
<b>Equity attributable to shareholders</b>		
Share capital	3,716	3,569
Share premium	142,985	138,184
Share warrant reserve	1,352	1,352
Convertible loan note reserve	1,153	867
Merger reserves	10,885	10,885
Share option reserve	1,867	2,912
Shares to be issued	-	1,926
Translation reserve	(15,398)	(15,472)
Accumulated losses	(122,828)	(118,952)
<b>Total equity</b>	<b>23,732</b>	<b>25,271</b>
<b>Current liabilities</b>		
Trade and other payables	1,320	600
Other liabilities	-	1,000
Convertible loan note	21,508	15,430
<b>Total liabilities</b>	<b>22,828</b>	<b>17,030</b>
<b>Total liabilities and equity</b>	<b>46,560</b>	<b>42,301</b>

## Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share Capital	Share Premium	Share warrant reserve	Convertible loan note reserve	Merger Reserve	Share option Reserve	Shares to be issued	Translation Reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 31 December 2017 (Audited)</b>	<b>3,569</b>	<b>138,184</b>	<b>1,352</b>	<b>867</b>	<b>10,885</b>	<b>2,912</b>	<b>1,926</b>	<b>(15,472)</b>	<b>(118,952)</b>	<b>25,271</b>
Loss for the six months ended 30 June 2018	-	-	-	-	-	-	-	-	(5,104)	(5,104)
Previously recognised translation losses for subsidiary liquidated during the period	-	-	-	-	-	-	-	-	(74)	(74)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,178)</b>	<b>(5,178)</b>
Share options lapsed	-	-	-	-	-	(1,302)	-	-	1,302	-
Share options expense	-	-	-	-	-	275	-	-	-	275
Share options exercised	2	63	-	-	-	(18)	-	-	-	47
Issuance of shares for cash	145	4,738	-	-	-	-	(1,926)	-	-	2,957
Equity element of convertible loan note	-	-	-	286	-	-	-	-	-	286
Previously recognised translation losses for subsidiary liquidated during the period	-	-	-	-	-	-	-	74	-	74
<b>As at 30 June 2018 (Unaudited)</b>	<b>3,716</b>	<b>142,985</b>	<b>1,352</b>	<b>1,153</b>	<b>10,885</b>	<b>1,867</b>	<b>-</b>	<b>(15,398)</b>	<b>(122,828)</b>	<b>23,732</b>

	Share Capital	Share Premium	Share warrant reserve	Convertible loan note reserve	Merger Reserve	Share option Reserve	Shares to be issued	Translation Reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 31 December 2016 (Audited)</b>	<b>3,518</b>	<b>136,554</b>	<b>1,358</b>	<b>-</b>	<b>10,885</b>	<b>3,964</b>	<b>-</b>	<b>(15,927)</b>	<b>(102,755)</b>	<b>37,597</b>
Loss for the six months ended 30 June 2017	-	-	-	-	-	-	-	-	(3,069)	(3,069)
Currency translation	-	-	-	-	-	-	-	388	-	388
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388</b>	<b>(3,069)</b>	<b>(2,681)</b>
Share options lapsed	-	-	-	-	-	(114)	-	-	114	-
Share options expense	-	-	-	-	-	449	-	-	-	449
Equity element of convertible loan note	-	-	-	867	-	-	-	-	-	867
<b>As at 30 June 2017 (Unaudited)</b>	<b>3,518</b>	<b>136,554</b>	<b>1,358</b>	<b>867</b>	<b>10,885</b>	<b>4,299</b>	<b>-</b>	<b>(15,539)</b>	<b>(105,710)</b>	<b>36,232</b>

## Unaudited Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	6 months ended 30 June 2018 US\$'000	6 months ended 30 June 2017 US\$'000
<b>Cash flows used in operating activities</b>		
Operating loss	(3,697)	(2,681)
Depreciation and amortisation	146	135
(Gain)/loss on disposal of property, plant and equipment	(5)	4
Provision for inventories	-	-
Impairment of assets under construction	-	-
Share based payments	275	449
(Increase)/decrease in inventories	-	(78)
Decrease/(increase) in trade and other receivables	(126)	(1)
Increase/(decrease) in trade and other payables	180	(365)
<b>Net cash flow used in operations</b>	<b>(3,227)</b>	<b>(2,537)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(966)	(61)
Exploration and development costs	(4,283)	(2,153)
Proceeds from sale of property, plant & equipment	7	27
Interest received	6	21
<b>Net cash used in investing activities</b>	<b>(5,236)</b>	<b>(2,166)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital, net of costs	3,004	-
Receipt of funds for shares to be issued	-	-
Proceeds from convertible loan notes issued, net of costs	3,950	14,732
Receipt of funds for convertible loans to be issued	-	-
<b>Net cash from financing activities</b>	<b>6,954</b>	<b>14,732</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,509)</b>	<b>10,029</b>
Cash and cash equivalents at beginning of the period	7,461	3,285
Effect of changes in foreign exchange rates	-	380
<b>Cash and cash equivalents at end of the period</b>	<b>5,952</b>	<b>13,694</b>

### Notes to the Interim Financial Statements

#### 1 Basis of preparation of interim 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 2018 have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2017 except as disclosed below in relation to foreign currency translation and the effect of new standards effective from 1 January 2018 expected to be adopted in the year ended 31 December 2018 financial statements. These are expected to be consistent with the financial statements of the Group as at 31 December 2018 that will be prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board as adopted by the European Union. The results for the period are derived from continuing activities. The figures for the period ended 31 December 2017 have been extracted from the statutory financial statements, prepared under IFRS as adopted by the European Union, 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 and noted a material uncertainty in respect of the Group's ability to continue as a going concern.

With effect from 1 January 2018 the functional currency of the Group's operating subsidiary, Chaarat Zaav CJSC, and the other subsidiaries in the Kyrgyz Republic, was determined to be the United States dollar (US\$) as a result of changes in the nature of contracting arrangements as the Group's Tulkubash project moves towards development, which has resulted in Chaarat Zaav CJSC becoming liable for movements in the exchange rate between the Kyrgyz Som and United States Dollar on key contracts. From 1 January 2018 all Group entities have a United States dollar (US\$) functional currency. At the date of change in functional currency the exchange rate between the Kyrgyz Som (KGS) and United States Dollar (USD) was USD 1:KGS 68.9417.

During the period, several new and revised Standards and Interpretations issued by the IASB became effective. IFRS 2 - Classification and Measurement of Share-based Payment Transactions, IFRS 9 - Financial Instruments and IFRS 15 - Revenue Recognition took effect on 1 January 2018. The Group has adopted these standards, however given the Group's current operations and corporate structure, these did not have a material impact on the Group's consolidated financial statements for the six months ended 30 June 2018.

Another new Standard, IFRS 16 - Leases takes effect on 1 January 2019. The Group has identified its lease arrangements as at 30 June 2018 and the impact of this new Standard is not considered to be material. Management will continue to assess the impact of this Standard if new leases are added during the remainder of the year.

## 2 Going Concern

As at 30 June 2018 the Group had US\$5.9 million of cash and cash equivalents and US\$22.8 million of current liabilities. Subsequent to the period end, the Group has refinanced US\$21.5 million of convertible loan liabilities as set out in note 4. In addition, the Group is currently undertaking a fundraising exercise through the issue of up to US\$100 million of convertible debt with a final repayment in October 2021. On 13 September 2018, as set out in note 4, the Company had received new funds in respect of that fundraising totalling US\$8.8 million.

The Board has reviewed the Group's cash flow forecast for the period to 31 December 2019. Payment of the Group's overheads, and plans to complete the acquisition (as set out in note 4) and develop the Tulkubash heap leach facility remain subject to the Group raising sufficient funds. Additional funds may also be required to complete the 2018 drilling program at Tulkubash, preparatory detailed engineering and infrastructure upgrades envisaged for the Tulkubash project prior to the commencement of construction, and for any work towards an updated feasibility study for the Kyzyltash deposit.

Subject to the above, which the Board is confident can be achieved, the Board is satisfied that the Group has sufficient funds to maintain the Group as a going concern for a period of at least twelve months from the date of the interim accounts.

However, there are currently no binding agreements in place and therefore this indicates the existence of a material uncertainty which may cast doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The interim accounts do not include the adjustments that would result if the Group was unable to continue as a going concern.

## 3 Loss per share

Loss per share is calculated by reference to the loss for the 6 months ended 30 June 2018 of US\$5,104,000 and the weighted average number of ordinary shares in issue of 369,001,753 during the period. There is no dilutive effect of share options.

## 4 Post Balance Sheet Events

On 28 August 2018 the Group announced that it had signed a non-binding term-sheet for the potential acquisition of a medium-sized polymetallic asset in the Commonwealth of Independent States which, for the year ended December 2017, produced approximately 50,000 ounces of gold equivalent and generated approximately US\$19m profit before tax with gross assets of approximately US\$100m (based on unaudited financial information).

The transaction remains subject to final and confirmatory due diligence. The proposed acquisition is categorised as a reverse takeover under the AIM Rules and will be subject to shareholder approval at a General Meeting following the publication of an AIM Admission Document.

On 11 September 2018 the Company redeemed the US\$21.5 million convertible loan notes outstanding at 30 June 2018, which comprised US\$16.6 million due for repayment in September 2018 and US\$4.9 million due for repayment in June 2019. The final redemption value totalled US\$22.5 million, including a full year of interest for the amounts due for repayment in 2019. This was settled as follows:

- US\$292,000 was settled in cash.
- US\$9,487,000 was converted into 24,067,806 ordinary shares at an average price of US\$0.394 per ordinary share.
- US\$8,410,000 was re-invested in a new issue of secured convertible loan notes due for repayment in October 2021.
- US\$4,324,000 remains in a restricted bank account awaiting settlement instructions from the holder of the convertible loan.

On 31 August 2018 the Group issued a notice to proceed to a Turkish mining contractor, Çiftay İnşaat, to commence initial work related to the development of the Tulkubash heap leach project. The notice to proceed committed the Group to minimum expenditure of US\$6,057,000.

On 13 September 2018 the Company announced the closure of the first stage of a fundraising of up to US\$100 million of convertible loan notes. The first phase comprised the issue of a total of US\$17.185 million of loan notes, of which US\$8.41 million related to the re-subscription of previously issued loan notes and US\$8.775 million represented new funds received.

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