

Chaarat Gold Holdings Limited

(“Chaarat” or “the Company”)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Road Town, Tortola, British Virgin Islands (29th September 2014)

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 2014.

HIGHLIGHTS

- Data collection for the enlarged scope Definitive Feasibility Study (DFS) complete and evaluation underway
- Drilling in Tulkubash Zone to increase oxide resource for the heap leach operation completed
- Geotechnical and hydrological site investigation of the new production plant area completed
- Community engagement strengthened

Dekel Golan, Chief Executive Officer of Chaarat, commented:

“We continue to manage our limited financial resources wisely and diligently to with the aim of delivering a solid feasibility study on the basis of which we will either engage a Joint Venture partner or pursue alternative project financing options. The results from the DFS to date continue to demonstrate the potential of the Chaarat Project as one of the largest and best undeveloped deposits in the world.”

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Chief Executive Officer's Report

During the summer our efforts have been focused on the data collection required for the enlargement in scope of the DFS, since we identified that the optimal strategic development of the Project would be two production lines which would share infrastructure but be economically viable as standalone projects.

In order to increase the returns generated from the first stage standalone heap leach operation, we undertook about 6,500 metres of diamond core drilling to both increase the resource of the open pit heap leachable Tulkubash Project as well as to identify and demonstrate additional strike for its continuation to the north. The results of this drilling will be included in the new resource calculation currently being prepared. GeoSystems International, Inc has been retained to review the current resource model as well as update it for the latest drilling results.

All field data and most other relevant data have been collected and collated relating to the new location for the production facility in the adjacent valley. The design and costs of the tunnel required to connect the deposit with the mine site will be undertaken as part of the detailed work on the scope of the Project. There are a number of critical decisions to be made with regard to scope, which will be an iterative process and must be worked through before we can move to the detailed planning process.

We are encouraged by the appointment of NFC and NERIN to complete the DFS that there will be a comprehensive review of available development options for the Project so that we are in the best possible position to make these critical decisions relating to it.

On the metallurgy front, as previously reported, we are reviewing bio-heap oxidation as an option for the oxidation of the sulphide ore during the second stage of development of the Project. This method, which was originally used and patented by Newmont at its Carlin mine in Nevada, may offer a lower capital cost way to oxidize the ore than pressure oxidation and also ensure an acceptable level of gold extraction from the ore is obtained. Initial results have been encouraging, but as with the project scope, we will not draw conclusions before all results are evaluated and considered.

As well as reviewing the bio-heap oxidation option, more and larger scale metallurgical work is underway to maximize and optimize the accuracy of the feasibility study work.

This time last year we said that "The Board considers that the sale of the Project may take away any future "upside" from shareholders and the preference of the Board is therefore to introduce a significant partner or partners to the Project company." A number of entities from different countries have expressed interest in partnering with Chaarat in the development of the Project. We do not expect any meaningful development on this front before the feasibility study is nearer completion in 2015 when a value benchmark can be attributed to the Project for the purpose of negotiations.

Community relations

We have continued to engage with the residents of the Chatkal valley, the adjacent valley to the deposit. We have carefully targeted our community engagement budget and with local help ensured that its impact has been maximised.

The Community Consultation Group established last year has met and been updated on the progress with the Project. This group is the community representative body to discuss the Project with Chaarat and the conduit to air the concerns and wishes of the local population. Chaarat is committed to work according to the IFC and Equator principles and to ensure its activities in the region are undertaken in consultation with the local stakeholders.

We continue to work with the local Akimiat (council) on improvement to the road infrastructure with sections of the road being widened by our blasting and road building team. The water distribution system in Jany- Bazar

collapsed recently following years of disrepair but has been restored following a combined effort by Chaarat and the local council.

In addition to ongoing skill building activities, such as scholarships for students and work placements, Chaarat assisted in establishing two community operated shops. These delivered essential supplies to the local population at prices obtained in more competitive markets by cutting out some expensive middlemen. The cost to Chaarat was minimal but the goodwill impact significant.

Funding

The additional data collection due to the enlargement in scope of the DFS has now been completed. The fixed price agreement with NFC and NERIN to complete the DFS will retain the costs of the DFS within the existing budget. With a reasonably high degree of visibility over future costs the Board continues to monitor closely all expenditure of a discretionary nature. As we have just reached the end of the season a comprehensive review of all operational areas is underway to ensure all staff and efforts are focused on the complementary objectives of the DFS preparation and the realisation of proceeds from equipment and fixed asset sales. The realisation of proceeds will give the Board additional flexibility to elect as and when additional funds need to be raised after completion of the DFS. During the period USD 520,398 was raised from the sale of equipment. Our exploration assets at Mironovskoye and Kyzil Ompul have attracted expressions of interest from potential buyers which are being vigorously pursued.

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*

	6 months to 30 June 2014 (unaudited) USD	6 months to 30 June 2013 (unaudited) USD	12 months to 31 December 2013 (audited) USD
Exploration expenses	(1,484,299)	(7,017,604)	(4,780,317)
Impairment of assets	-	-	(4,061,949)
Administrative expenses	(1,753,273)	(2,865,015)	(4,962,471)
- Share options expense	(120,990)	(338,383)	(756,356)
- Foreign exchange gain/(loss)	16,826	(551,330)	8,309
Total administrative expenses	(1,857,437)	(3,754,728)	(5,710,518)
Other operating income/(expense)	44,052	591	(43,027)
Operating loss	(3,297,684)	(10,771,741)	(14,595,811)
Finance income	31,612	110,315	219,601
Loss for the period, attributable to equity shareholders of the parent	(3,266,072)	(10,661,426)	(14,376,210)
Loss per share (basic and diluted) – USD cents	(1.30)	(4.26)	(5.74)

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

	6 months to 30 June 2014 (unaudited) USD	6 months to 30 June 2013 (unaudited) USD	12 months to 31 December 2013 (audited) USD
Loss for the period, attributable to equity shareholders of the parent	(3,266,072)	(10,661,426)	(14,376,210)
Other comprehensive income:			
Exchange differences on translating foreign operations and investments	(2,752,373)	494,377	(528,755)
Other comprehensive income for the period, net of tax	(2,752,373)	494,377	(528,755)
Total comprehensive loss for the period attributable to equity shareholders of the parent	(6,018,445)	(10,167,049)	(14,904,965)

Consolidated balance sheet

At 30 June

	30 June 2014 (unaudited) USD	30 June 2013 (unaudited) USD	31 December 2013 (audited) USD
Assets			
Non-current assets			
Intangible assets	73,019	120,942	103,718
Mining exploration assets	6,803,149	8,349,367	7,192,913
Mine properties	23,151,084	13,676,260	21,657,042
Property, plant and equipment	6,450,722	7,026,987	7,691,266
Assets in construction	13,782,021	14,863,864	14,477,613
	50,259,995	44,037,420	51,122,552
Current assets			
Inventories	1,251,030	2,336,790	1,753,802
Trade and other receivables	1,085,444	2,697,557	857,903
Cash and cash equivalents	7,122,223	20,727,659	11,163,079
	9,458,697	25,762,006	13,774,784
Total assets	59,718,692	69,799,426	64,897,336
Equity and liabilities			
Equity attributable to shareholders			
Share capital	2,504,778	2,504,778	2,504,778
Share premium	128,551,662	128,551,662	128,551,662
Other reserves	15,127,145	14,808,155	15,013,806
Translation reserve	(5,270,181)	(1,494,676)	(2,517,808)
Accumulated losses	(83,904,676)	(77,143,793)	(80,646,255)
	57,008,728	67,226,126	62,906,183
Non-current liabilities			
Deferred tax	487,000	472,961	475,772
Current liabilities			
Trade payables	1,442,676	1,423,399	617,181
Accrued liabilities	780,288	676,940	898,200
	2,222,964	2,100,339	1,515,381
Total liabilities	2,709,964	2,573,300	1,991,153
Total liabilities and equity	59,718,692	69,799,426	64,897,336

Consolidated statement of changes in equity

For the six months ended 30 June

	Share capital USD	Share premium USD	Accumulated losses USD	Other reserves USD	Translation reserve USD	Total USD
Balance at 31 December 2012	2,504,778	128,551,662	(66,631,199)	14,618,604	(1,989,053)	77,054,792
Currency translation	-	-	-	-	494,377	494,377
Other comprehensive income	-	-	-	-	494,377	494,377
Loss for the six months ended 30 June 2013	-	-	(10,661,426)	-	-	(10,661,426)
Total comprehensive income for the six months ended 30 June 2013	-	-	(10,661,426)	-	494,377	(10,167,049)
Share options lapsed	-	-	148,832	(148,832)	-	-
Share options expense	-	-	-	338,383	-	338,383
Balance at 30 June 2013	2,504,778	128,551,662	(77,143,793)	14,808,155	(1,494,676)	67,226,126
Currency translation	-	-	-	-	(1,023,132)	(1,023,132)
Other comprehensive income	-	-	-	-	(1,023,132)	(1,023,132)
Loss for the six months ended 31 December 2013	-	-	(3,714,784)	-	-	(3,714,784)
Total comprehensive income for the six months ended 31 December 2013	-	-	(3,714,784)	-	(1,023,132)	(4,737,916)
Share options lapsed	-	-	212,322	(212,322)	-	-
Share options expense	-	-	-	417,973	-	417,973
Balance at 31 December 2013	2,504,778	128,551,662	(80,646,255)	15,013,806	(2,517,808)	62,906,183
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
Balance at 30 June 2014	2,504,778	128,551,662	(83,904,676)	15,127,145	(5,270,181)	57,008,728

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

	6 months to 30 June 2014 (unaudited) USD	6 months to 30 June 2013 (unaudited) USD	12 months to 31 December 2013 (audited) USD
Operating activities			
Loss for the period	(3,266,072)	(10,661,426)	(14,376,210)
Adjustments:			
Amortisation expense - intangible assets	23,346	29,599	50,914
Depreciation expense – property, plant and equipment	445,658	647,360	1,076,025
(Profit)/loss on disposal of property, plant and equipment	(520,398)	7,259	9,349
Impairment of assets	-	-	4,416,403
Finance income	(31,612)	(110,315)	(219,601)
Share based payments	120,990	338,383	756,356
Foreign exchange (gains)/losses	(16,826)	(551,330)	(8,309)
Decrease in inventories	502,772	446,533	1,029,521
(Increase)/Decrease in accounts receivable	(227,540)	902,907	2,285,494
Increase/(Decrease)in accounts payable	718,811	(406,212)	(988,359)
Net cash flow used in operations	(2,250,871)	(9,357,242)	(5,968,327)
Investing activities			
Purchase of computer software	(192)	(28,582)	(24,892)
Purchase of mine assets, property, plant and equipment	(2,221,416)	(7,249,367)	(19,486,920)
Proceeds from sale of equipment	520,398	-	-
Interest received	31,612	110,315	219,601
Net cash used in investing activities	(1,669,598)	(7,167,634)	(19,292,211)
Net change in cash and cash equivalents	(3,920,469)	(16,524,876)	(25,260,538)
Cash and cash equivalents at beginning of the period	11,163,080	36,944,060	36,944,060
Effect of changes in foreign exchange rates	(120,388)	308,475	(520,443)
Cash and cash equivalents at end of the period	7,122,223	20,727,659	11,163,079

Notes to the financial statements

1 Loss per share

The loss per share is calculated by reference to the loss of USD 3,266,072 for the six months ended 30 June 2014 and the weighted average number of shares in issue of 250,477,868 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 half-yearly report does not constitute statutory accounts.

In the accounts for the year ended 31 December 2013 the payment of USD 5.4m made to the government of the Kyrgyz Republic in respect of the mining licence for the Chaarat Project was capitalised. Accordingly the accounts for the period to 30 June 2013 have been restated to reflect this change in treatment, which has reduced accumulated losses by USD 5,405,231, increased the translation reserve by USD 236,887 and increased non-current assets by USD 5,168,344.

The unaudited results for the period ended 30 June 2014 have been prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2013. The results for the period are derived from continuing activities. The figures for the period ended 31 December 2013 have been extracted from the statutory financial statements, prepared under IFRS, which are available on the Group's website www.chaarat.com. The auditor's report on those financial statements was unqualified.

As reported in the accounts for the year ended 31 December 2013, the original scope of the DFS has been increased to cover additional areas of work through further drilling and data collection. These additional areas of work were undertaken to support the assessment of the enlarged heap leach opportunity and collect data relating to the new location for the production facility. Whilst the results of this additional work will add value to the Chaarat Project (by increasing production, reducing operating costs and reducing the environmental impact) the costs of the DFS were increased. We also reported that further funds may be required to cover the shortfall between the original budget and revised budgets for completion of the DFS. This situation was addressed by signing a fixed price agreement for the DFS with NFC and NERIN. With the consequent reduction in the risk of a DFS budget overrun the Board is now confident that the costs of the DFS will not exceed its original budget.

The Board continues to monitor and reduce all expenditure of a discretionary nature, selling materials and equipment, which were purchased when early stage production was envisaged, and other assets of the Group. The sale of the equipment and materials will give the Board additional flexibility to elect as and when additional funds need to be raised after completion of the DFS. During the period USD 520,398 was raised from the sale of equipment.

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.