



**CHAARAT GOLD HOLDINGS LIMITED**

**ANNUAL REPORT & ACCOUNTS 2010**





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## Accounts 2010

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# Highlights

## TWO PROJECTS IDENTIFIED AT CHAARAT

The Chaarat Property has been divided into two projects each hosting a different mineralisation; the low sulphur clean **Tulkubash Project** and the refractory **Kiziltash Project**

## FAST TRACK TO PRODUCTION IDENTIFIED

The discovery of **free milling mineralisation** at the **Tulkubash Project** will accelerate Chaarat's production plans

## ENHANCED MANAGEMENT TEAM

A team of **experienced managers** has joined the existing management team ensuring Chaarat has both the capacity and expertise to explore, develop and operate its assets

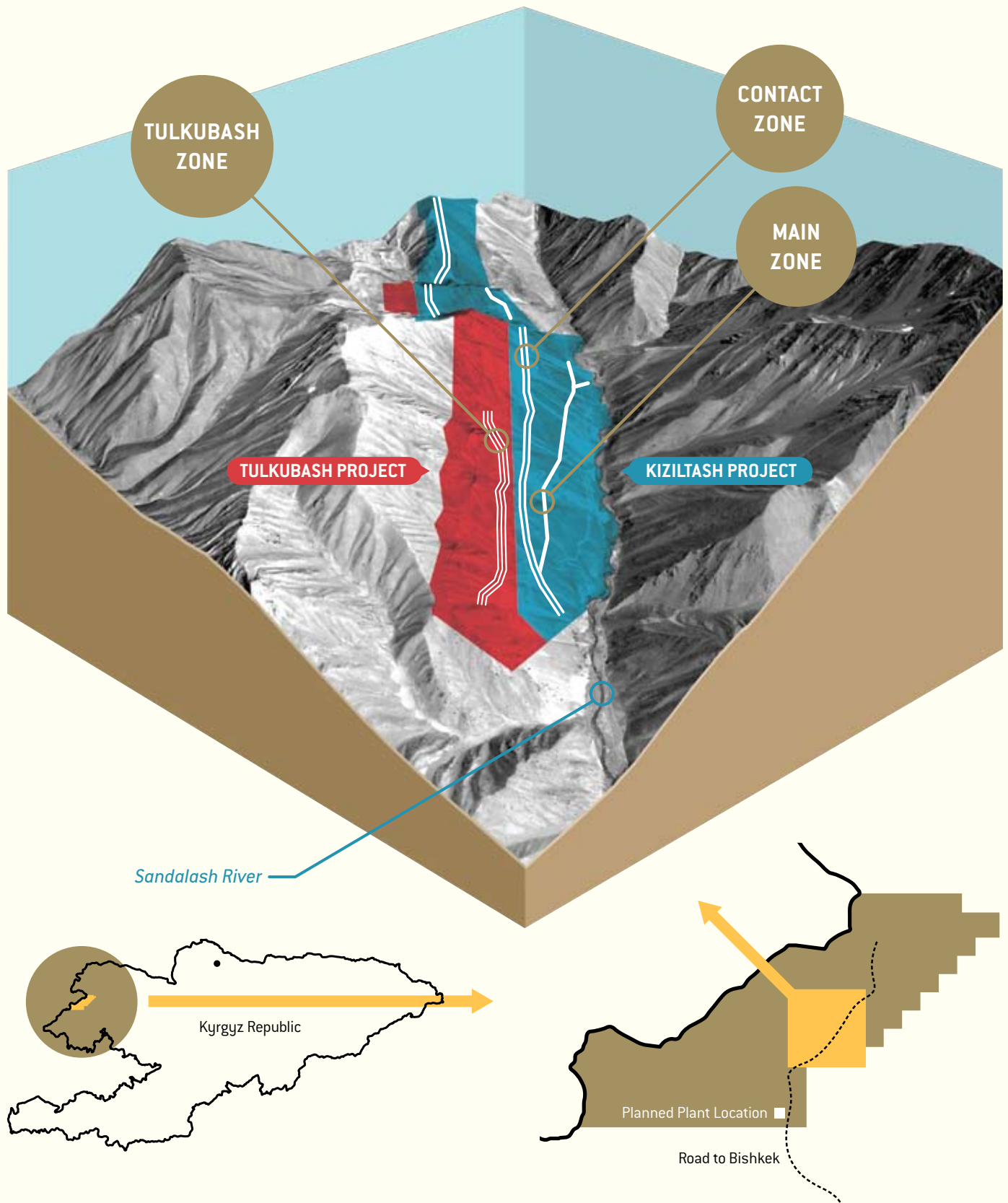
## FUND RAISING

**\$80 million** was raised early in 2011 from major institutional investors, to provide the finance for the construction of the first stage of the production facility (based on costs estimated by SNC Lavalin). During 2010 Chaarat raised over \$14m for ongoing exploration and development work

## NEW PROJECTS

The **Kyrex acquisition** has brought Chaarat new projects in the Kyrgyz Republic. Chontash, one of the projects acquired, is viewed by management as providing significant near term potential, with Kyzil Ompul an exciting prospect for the longer term

# Map Of Chaarat With Location Of Projects And Zones





*...the Tulkubash section of the Chaarat deposit benefits from simpler mineralogy, hence we can accelerate our move into gold production...*

## Chairman's Statement

During the last 12 months your company's development strategy has undergone a transformation. This has been brought about by the recognition that the Tulkubash section of the Chaarat deposit benefits from simpler mineralogy, hence we can accelerate our move into gold production.

In addition to this, we have managed to attract into the company an entire team of experienced operatives with a track record of bringing mineral projects from inception into production within the region of Central Asia. This enhances our regional operating expertise which will benefit Chaarat as we move towards gold production. Moreover, the capital required to fund this first stage development has also been raised from an \$80 million equity issue shortly after the year end.

It has been a year of political changes in our host country, the Kyrgyz Republic. An upheaval during April 2010, which dislodged the president weakened the central regime and allowed, later during the summer, ethnic tension to result in violence in the south of the country. Viewed more positively, it resulted in a new constitution and parliamentary elections under a new president, Mrs Otunbayeva.

From the perspective of our company, actual disruption to operations at Chaarat was minimal. Indeed a declaration by the interim administration that the status quo for foreign mining companies operating in the Kyrgyz Republic would be respected, was helpful.

Your company has always had a policy of assisting neighbouring communities and last year did much to help families affected by the events in the south. That assistance, in differing forms, is ongoing.

In terms of exploration, it has been a year of further good progress. Total resources at Chaarat have been expanded to 4.4 million ounces of gold and at an improved grade of 4.2 g/t. A component of our drilling in the Tulkubash section was devoted to confirmatory work, due to the potential of near term production, rather than purely focusing on further exploration.



The Contact and Main Zones at Chaarat are now included in the 'Kiziltash Project', which is the second and largest stage of the total project. Significant further work has been carried out on the Contact Zone, where work has been confined to 1,160 metres out of an identified 10kms of mineralised strike and more than 2 million ounces of gold have been classified as resource. The mineralisation is still open at depth as well as along strike. Recent results, the latest reported in March 2011, provide grounds for believing that this area is just the start of a much larger mineralised body where the gold grade improves at depth. We continue to be excited by the potential of this area.





Work has continued on the various studies required to bring Chaarat into production. Progress has been made on a number of fronts including the design of the access road, where tenders for construction are shortly to commence. The entire length of the power line has been designed for construction in two, or possibly three, stages, each with the capacity suitable for the projected production phases.

The metallurgy and process packages for both the free milling (a process for recovering gold without oxidation) and the refractory phases have been completed by SGS Lakefield and RDI.

Separate from exploration and development at Chaarat, your company during the middle of the year acquired the unlisted exploration company Kyrex for an issue of 11.9 million shares. Kyrex has three principal exploration targets, all within the Kyrgyz Republic. The most economically promising of these is the Chontash project where a modest amount of drilling work has been carried out this year. There have been intersections of good grade molybdenum as well as gold and copper in the skarn segment of the deposit but the "core" body, a porphyry system, is yet to be drilled. Interestingly enough rare earths were also found in the drill holes, potentially adding to the in-situ value of the deposit. Whilst the geological indications thus far are very encouraging, a great deal of drilling still needs to be carried out before we can assess the full potential of Chontash.

Our watchword from here on is execution. We believe that we have a management team in place with all the strength and experience required to deliver successfully our plans. Together with our broader team of dedicated staff and a strong and diversified shareholder base, we are positioned to view the future with confidence.

Sincerely

Christopher Palmer-Tomkinson

Chairman



# Mineral resource table for Kiziltash and Tulkubash Projects

At 2.0g/t Cut-off		Indicated Resources			Inferred Resources			Total Resources		
Zone	Sub-Zone	Mass kt	Gold Grade g/t	Gold Content koz	Mass kt	Gold Grade g/t	Gold Content koz	Mass kt	Gold Grade g/t	Gold Content koz
<b>KIZILTASH PROJECT</b>										
Contact Zone	Contact Project	7,585	4.30	1,050	7,080	4.20	951	14,665	4.20	2,001
	C4000	279	3.10	28	591	3.40	64	870	3.30	92
Contact Zone Totals / Averages		7,864	4.30	1,078	7,671	4.10	1,015	15,535	4.20	2,093
Main Zone	M2400	1,941	4.50	282	1,882	4.00	244	3,823	4.30	526
	M3000	2,548	4.50	371	2,979	4.10	395	5,527	4.30	766
	M3400	45	3.00	4	913	4.80	140	958	4.70	144
	M3900	621	3.70	74	1,804	3.90	224	2,425	3.80	298
	M4400				321	6.30	65	321	6.30	65
	M5000				413	5.70	76	413	5.70	76
	M6000				927	3.90	117	927	3.90	117
Main Zone Totals / Averages		5,155	4.40	731	9,239	4.20	1,261	14,394	4.30	1,992
<b>TULKUBASH PROJECT</b>										
Tulkubash	T0700	219	4.60	32	2,280	3.90	289	2,499	4.00	321
Grand Totals / Averages		13,238	4.30	1,841	19,190	4.20	2,565	32,428	4.20	4,406

Resource estimation by Wardell Armstrong International





*...Our aim is to delineate at least 6 million ounces of resource and to ensure a large proportion of that is recognised as reserves by the end of 2012...*

## Chief Executive Officer's Report

### Operational Review

Chaarat's focus during 2010 was on activities which will bring us closer to production. Our resource was enhanced and expanded during the year, with the ounces we added confirming our understanding of how this resource will be mined. In addition to the exploration effort, we have made significant progress in recruitment and team building. The company now has a full complement of operational expertise; their professional dedication and commitment will endeavour to turn Chaarat's promise into a reality.

The company has three main operational objectives:

- commence production in Chaarat in the near term
- increase and improve the Chaarat resource base
- develop Chontash into another major deposit


This report sets out what progress has been made to date and what needs to be done to achieve our objectives. We could not have come this far without the support of our shareholders and dedicated staff to whom I wish to express my appreciation.

Sincerely

Dekel Golan

Chief Executive Officer





*...The current programme is to target small scale production as soon as practical and then expand production gradually, by bringing the Kiziltash Project on stream, to reach production of about 200,000 ounces per annum...*





# Towards Production

Chaarat's operational strategy undertook a major shift during 2010 when it was decided to move towards production, albeit at a small scale, without delay. This positive change of strategy was caused by the discovery that the mineralisation of the Tulkubash Project is partially amenable to direct cyanidation and is cleaner with significantly lower levels of sulphur than the rest of the deposit.

The mineralisation in Chaarat is hosted in three structures: two of which host "refractory" mineralisation (in the Kiziltash Project) and the third, the Tulkubash Project, hosts mineralisation which is easier to process and can loosely be described as "free milling". Refractory ore requires oxidation, a capital and energy intensive process, but the free milling material is more amenable to simpler less capital intensive processing. Refractory process plants are usually large, in order to benefit from economies of scale, but financing large projects may prove difficult, especially in countries with limited relevant experience. The ability to commence production with the less challenging free milling Tulkubash Project is therefore a major breakthrough in the company's ability to realise the value of Chaarat without causing too much dilution for our existing shareholders. We believe that the commencement of production should "de-risk" the execution of the whole project and will improve our opportunities to raise funds for expansion.

The current programme is to target small scale production as soon as practical and then expand production gradually, by bringing the Kiziltash Project on stream, to reach production of about 200,000 ounces per annum.

The gradual process of increasing production will take place in two principal stages; the addition of an oxidation unit to allow the processing of the refractory Kiziltash ore and the installation of an additional "line" to support an increase in mining activity.

The following description as well as the diagram on pages 12-13 is an indicative outline of the production process assuming the stages are carried out consecutively:

**FIRST PRODUCTION STAGE:** The first production line will initially process only ore from the open pit section of the Tulkubash Project at a capacity of 1,000-2,500 tonnes per day (tpd). The actual processing rate from the Tulkubash open pit is likely to be about 1,000 tpd. The line capacity will be expanded to the full 2,500 tpd with an increase in the mining rate either from the Tulkubash Project or once mining has commenced in the Kiziltash Project.

The process flow sheet at this stage will involve crushing and milling of the ore. The milled material will be sent to a flotation circuit and separated into two streams. The process of flotation will capture the gold which is associated with sulphuric minerals, such as pyrite, to generate a "collective concentrate" whereas the "free gold" will be left in the tailings stream. Both the concentrate and the tailings from the flotation circuit will be leached in order to recover all the leachable gold.

Gold will be recovered from the loaded cyanide solution and will be cast as doré – bullion which is a mixture of gold and silver. The remaining concentrate will also be sold and the now gold-free tailings will be neutralised and treated before being sent to the tailings storage facility.

We expect that well over 90% of the gold will be recovered. The local sulphur grade will determine the proportion of gold poured as doré and how much gold will still be retained in concentrate. Overall we expect that about two thirds of the recovered gold will be produced as doré and the balance as concentrate.

Assuming a 1,000 tpd operation we expect annual gold production to be approximately 30-40,000 ounces of gold per annum.

**SECOND PRODUCTION STAGE:** The second stage will involve installing an oxidation unit which will enable the company to process all the ore from both the Tulkubash as well as from the Kiziltash Projects. Metallurgical work undertaken by RDI from Denver has shown that the process called pressure oxidation is the most suitable for the processing of the Chaarat ore.

Once the oxidation unit is installed there will be no need to continue with the separation of the sulphide associated gold from the "free milling" gold for which the flotation circuit had been used at the first stage. The whole ore will be sent directly for oxidation after it has been milled. The oxidised stream will be leached, gold will be recovered from the loaded solution and the tailings as before will be sent to the tailings facility.

At this stage the plant will be able to process both types of ore so it is expected to work at full capacity i.e. 2,500 tpd. Gold production could reach 100,000 ounces of gold per annum all in the form of doré, as concentrate will no longer be produced.

**THIRD PRODUCTION STAGE:** A second "line" identical to the original one will be installed to double production capacity to 5,000 tpd. Assuming a 5,000 tpd operation, we expect annual gold production to be approximately 180,000 ounces of gold per annum.



## Chaarat Deposit Development Schedule

### STAGE ONE

Mining from open pit section of the low-medium sulphide Tulkubash Zone

Most gold is produced as doré with a proportion as clean good grade concentrate

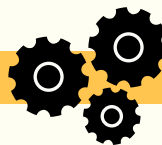
01

#### POWER



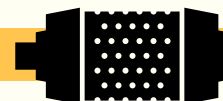
Combination of local grid and back-up generators.

#### CRUSHING



Primary crushing will take place at the mine site. A structure to hold the secondary and tertiary crushers for the final capacity of 5,000 tpd lines will be built and crushers of 2,500 tpd capacity will be installed.

#### MILLING



A 2,500 tpd unit (inclusive of cyclones) will be built.

### STAGE TWO

Operations expanded to include open pit sections of Kiziltash Project

Oxidation unit (autoclave) installed to prepare the ore for leaching

All gold is produced as doré, expected recovery 90%-92%

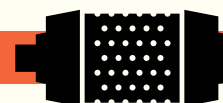
02

#### CRUSHING



The power line will be expanded from the Chatkal valley to the main network where the company has been allocated a 25 MW quota to support the larger power requirement.

#### MILLING



With the continuous oxidation unit in place and able to treat whole ore, no flotation will be required hence gold recovery rates will improve. Any stockpiled concentrate will be fed into the autoclave increasing doré production.

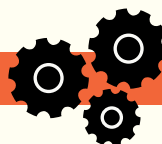
### STAGE THREE

Additional line installed doubling capacity to 5,000 tpd

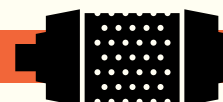
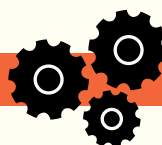
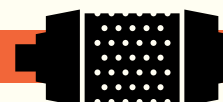
Underground operations adding to production and gradually replacing open pit

03

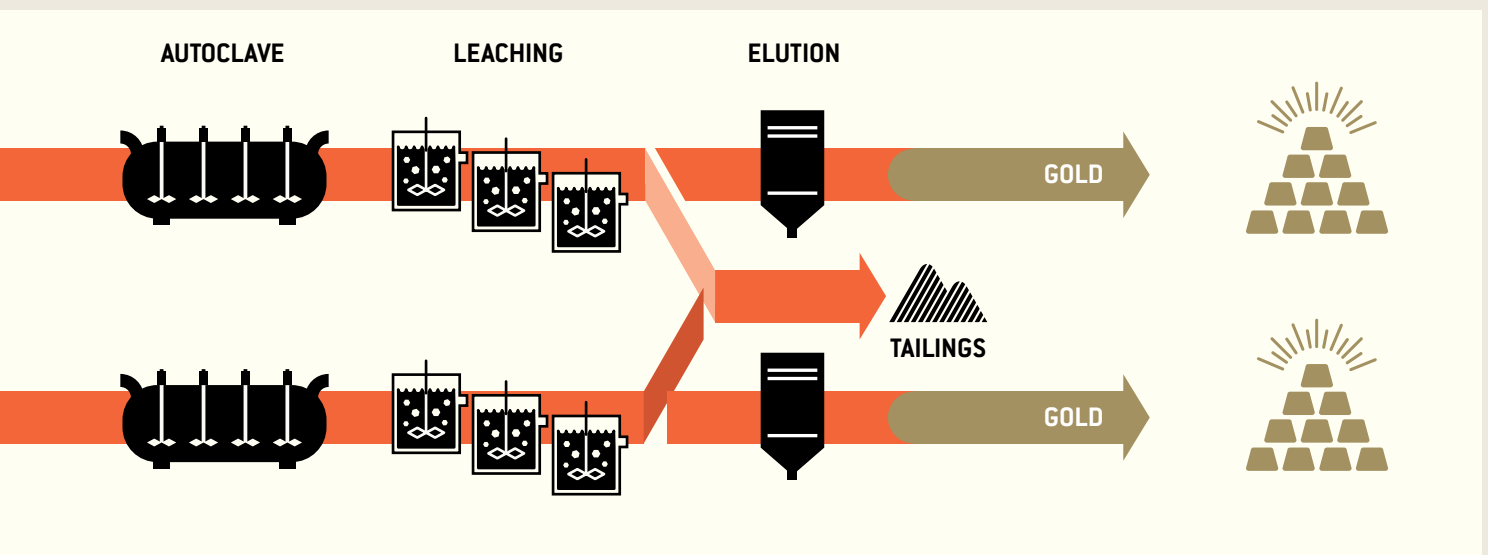
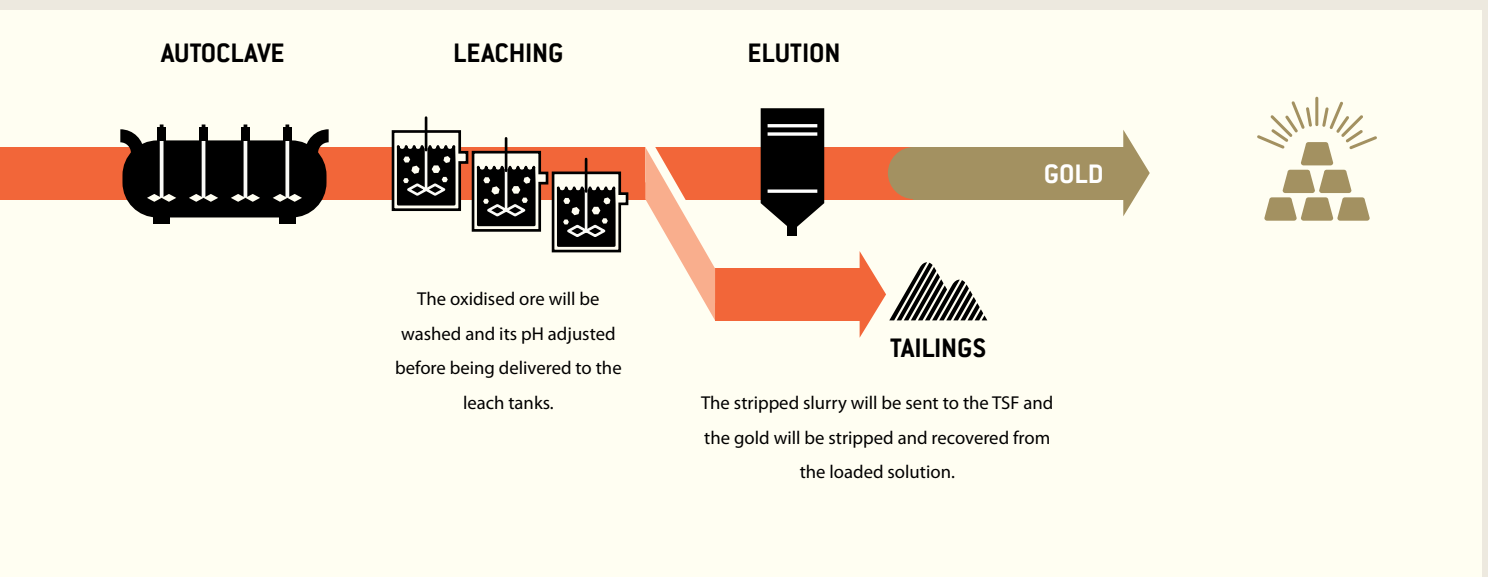
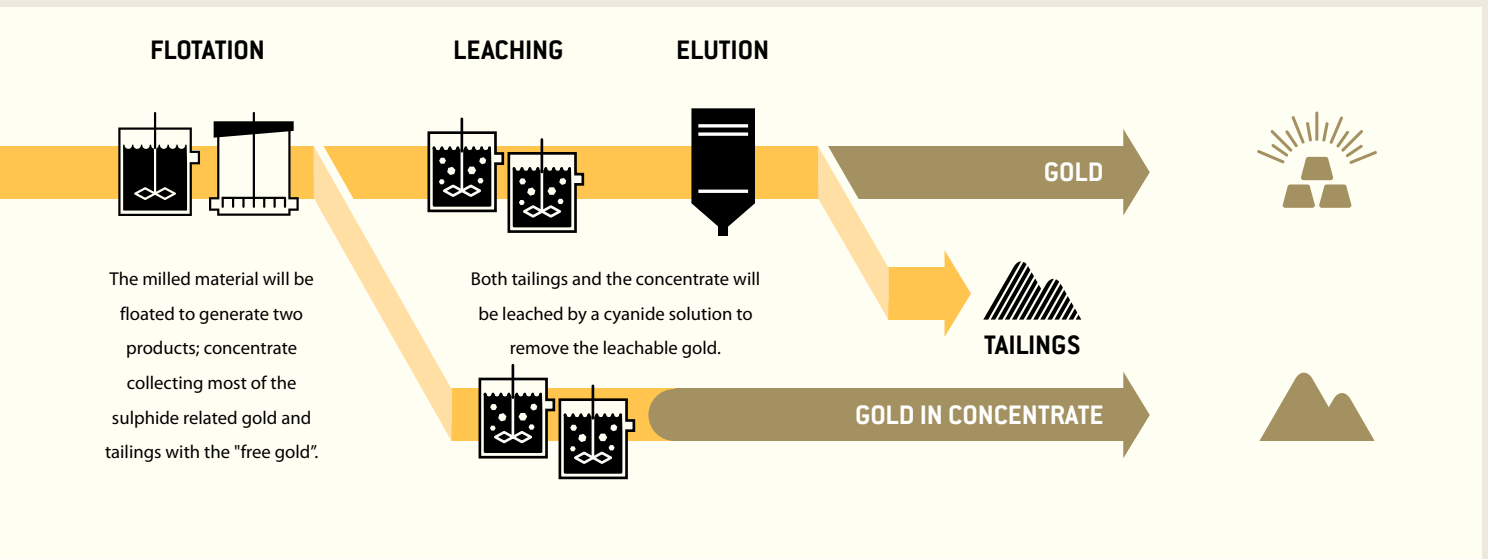
#### CRUSHING



#### MILLING









# Exploration

## Resource increase and improvement

The exploration activities of the company are focused on increasing the mineable resource which can be converted to reserves. Drilling has been planned in accordance with a specific mine design so that when additional resources are delineated they can immediately be converted into reserves on completion of the relevant economic modeling. Our aim is to delineate at least 6 million ounces of resource and to ensure a large proportion of that is recognised as reserves by the end of 2012.

## Objectives and activities during 2010

The primary objective of the exploration programme of 2010 was to delineate the open pit potential of the Tulkubash oxide zone. Accordingly, most of the surface drilling was carried out in the Tulkubash Project. This drilling will enable the company to comply with the local regulatory requirements for a mining permit application. Underground drilling continued in the Contact Zone from underground drill chambers, with very good results being reported. Drilling in the Main Zone comprised only a few surface drill holes but the excellent results received from some of these holes warrant further exploration work.

A total of 9,869 metres of drilling (65 drill holes), 100 metres of drifting and two drill chambers have been completed in addition to about 900 metres of trenching in the Main Zone and Tulkubash Zone.

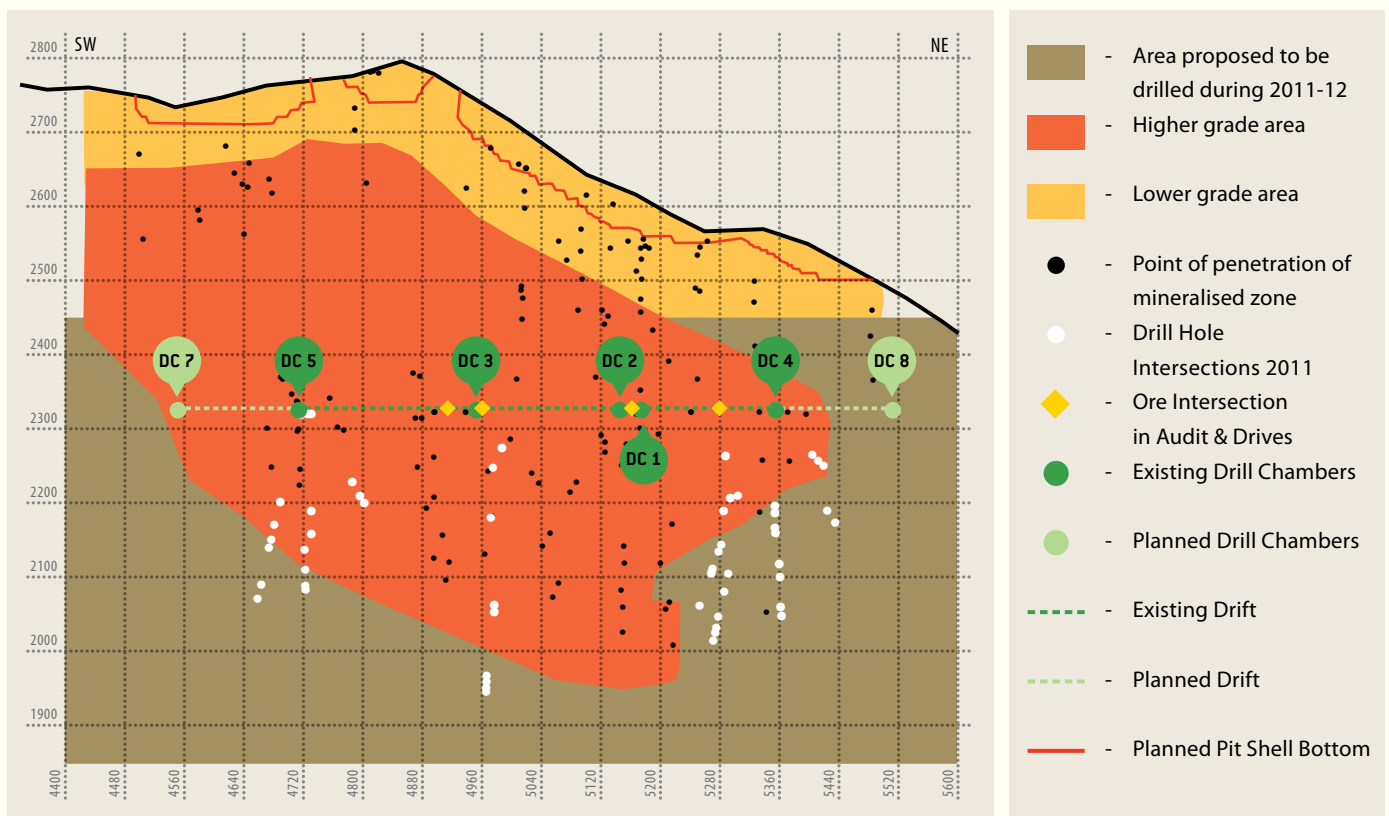
The mineral resource estimation prepared early in 2011, which includes the 2010 drilling results, concluded that thus far Chaarat has delineated 4.406 million ounces of gold at a grade of 4.20 g/t. Drilling underground has continued throughout the winter and management believes that when the next resource estimate is announced the resource of the Contact Zone will have increased further.

## Contact Zone

The two main sections of the Contact Zone, Project C4600 and Project C5300, have been consolidated by drilling into one large project, now referred to as the Contact Project. The mineral resource of the contiguous Contact Project Area has only been drilled along 1,160 metres of strike and is open for extension both to the north and south. The depth extension varies but in some places it reaches a vertical depth of 900 metres from the surface which translates to a down dip length of 1,400 metres. The mineralisation seems to continue deeper and we will be working both on extending the drilling sideways as well as down dip.

*A total of 2.001 Moz has already been delineated in the Contact Project at a grade of 4.20 g/t Au, drilling continues and very encouraging results are reported regularly. **The Contact Project** is proving to be a significant mineralised body, which can in itself support a major mining operation.*

### LONGITUDINAL PROJECTION - CONTACT ZONE







## Main Zone

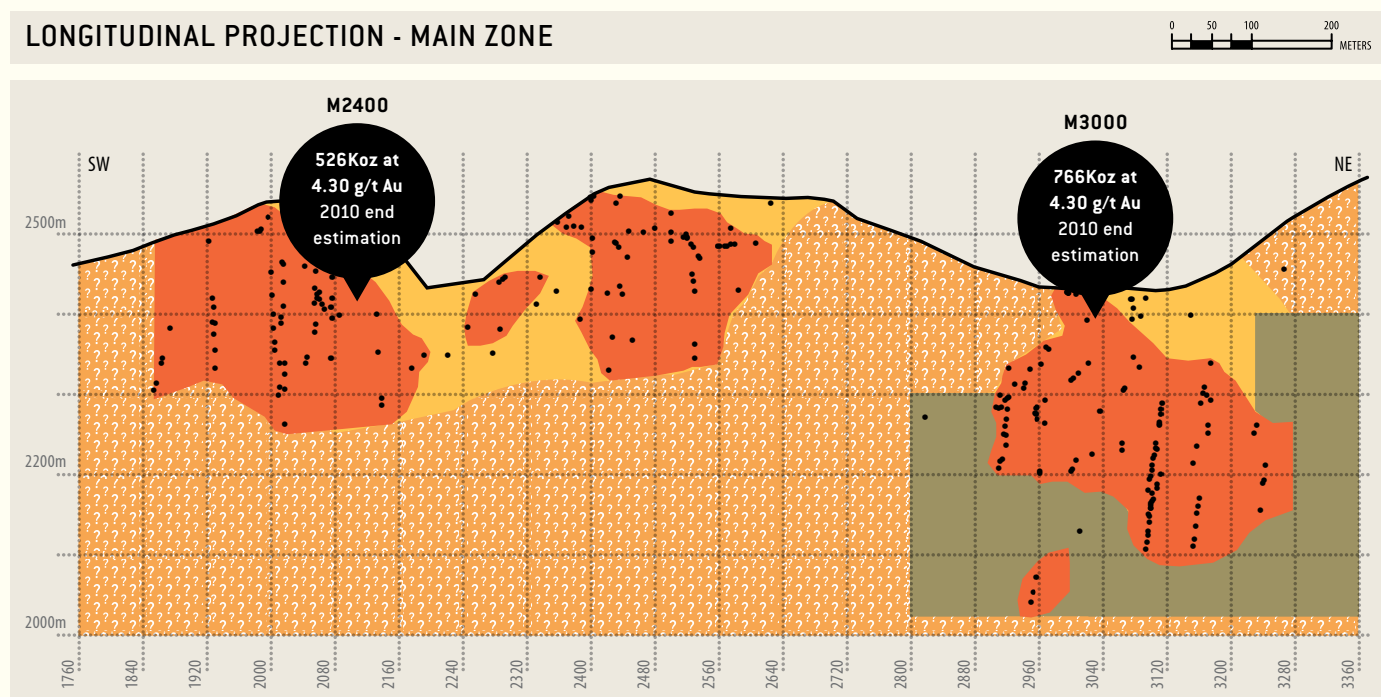
The Main Zone currently extends to over 4 km of strike and includes seven bodies with a total stated resource of 1.992 Moz at a grade of 4.30 g/t Au. This resource, which is open in all directions, has both open pit and underground potential, with particular promise in the southern section. The three projects (known as M2400, M3000 and M3400) appear to have the potential to support a robust mining rate of good grade rock.

The mineral resource of the three projects over a strike of about 1,500 metres currently totals 1.436 Moz with, in the opinion of the company, much more to be delineated.

Work is progressing on the conceptual mine design by the company and its advisers and will determine the best location for production and access adits. The exploration adit will be built in the appropriate location so that it can also be used for production thus shortening the time to production and reducing investment cost.

Although most of the resource is to be mined by underground methods, a significant amount is amenable to open pit mining. The company's advisers have generated a preliminary pit "shell" model which will make it easier to identify the locations where surface drilling will not only increase the overall resource but will also contribute to a low cost open pit resource.

The preliminary, conservative, calculation of the open pit mineable inventory geometry is just over 250,000 ounces at a grade of 4.16 g/t Au capping the strip ratio at 17.2:1. The company believes that this inventory can be increased with focused drilling.

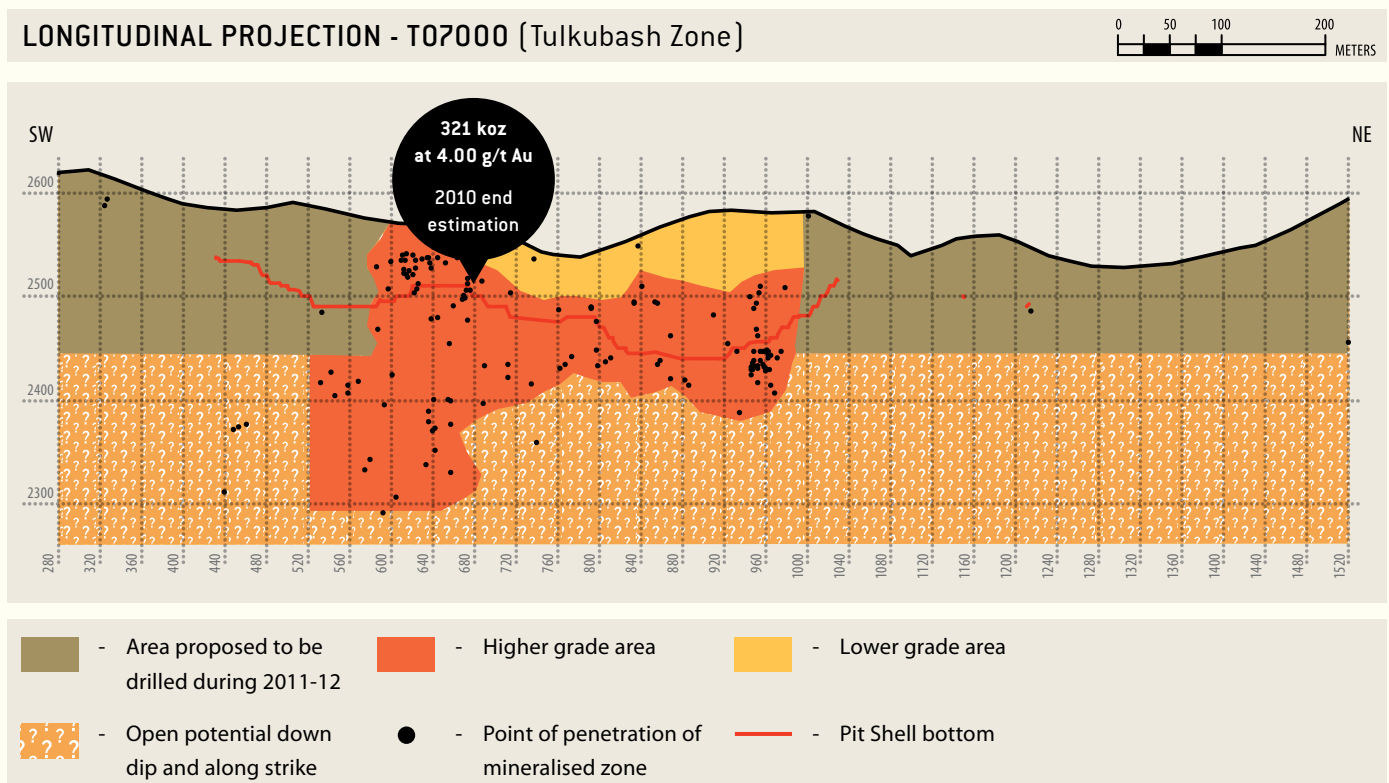


## Tulkubash Zone

The Tulkubash Project contains 321,000 ounces of gold at a grade of 4.00 g/t Au in mineralisation which is mostly free milling i.e. amenable to extraction by a relatively low cost metallurgical process. A significant portion of the resource in this Project can be extracted by the open pit method which significantly improves the economics of this Project. In addition the Tulkubash mineralisation contains very low levels of silver, arsenic, antimony and sulphur.

With those features in mind the company decided to fast track the Tulkubash Project to production. Drilling in 2010 has demonstrated the continuity of mineralisation, at varying widths, over a strike of 400m. During 2011 drilling will continue and will attempt to add to the resource by drilling along strike both towards south west and north east.

*The Tulkubash Project is an ideal first step for a large mining project. Production of lower cost gold can begin whilst the rest of the deposit is being developed; it is simpler to manage, production can be ramped up and it should contribute to the funds needed for the second phase of operation.*





## Chontash

### Resource Table for Chontash Project

Ore Type (Inferred Category)	Tonnes (Mt)	Mo (%)	Mo Metal (t)	Cu (%)	Cu Metal (t)	Total REE (%)	Total REE Metal (t)	Au (g/t)	Au Metal (Oz)
Skarn mineralisation	2.852	0.196	5,583	0.130	3,715	NM	NM	0.079	7,220
Porphyry mineralisation	0.380	NM	NM	0.883	3,355	NM	NM	0.430	5,256
REE mineralisation	0.365	NM	NM	NM	NM	0.232	848	NM	NM

NM = not meaningful

Resource estimation by Wardell Armstrong International



## Development of Chontash

Chontash is a very promising deposit which deserves further significant exploration. Drilling in 2010 identified a resource containing molybdenum, copper and gold and there are good geological and geophysical reasons to believe there is significant potential still to be found in Chontash.

The Chontash Project is located in the Akshirak range of mountains, which extend along the edge of the main fault in the region, the Talas Fergana. The range hosts a number of mineral deposits, the best known of which is the Makmal deposit which used to host the largest gold mine in the country. The now dormant Makmal mine is currently being brought back into production, which will result in Chontash being close to mining infrastructure.

Chontash is focused on two connected targets: a porphyry intrusive body, which has the potential to be developed into a copper, gold, molybdenum and rare earths (Cu-Au-Mo-REE) deposit, and a skarn deposit at its periphery. Skarn is metamorphic rock formed at the contact of an intrusive body (the porphyry) and carbonate rocks (the existing formation).

Fifteen holes have been drilled at Chontash. Targeted drilling of the skarn type mineralisation has delineated 2.852Mt of mineralisation with a Mo grade of 0.196%, with copper and gold credits of 0.13% and 0.08 g/t respectively.

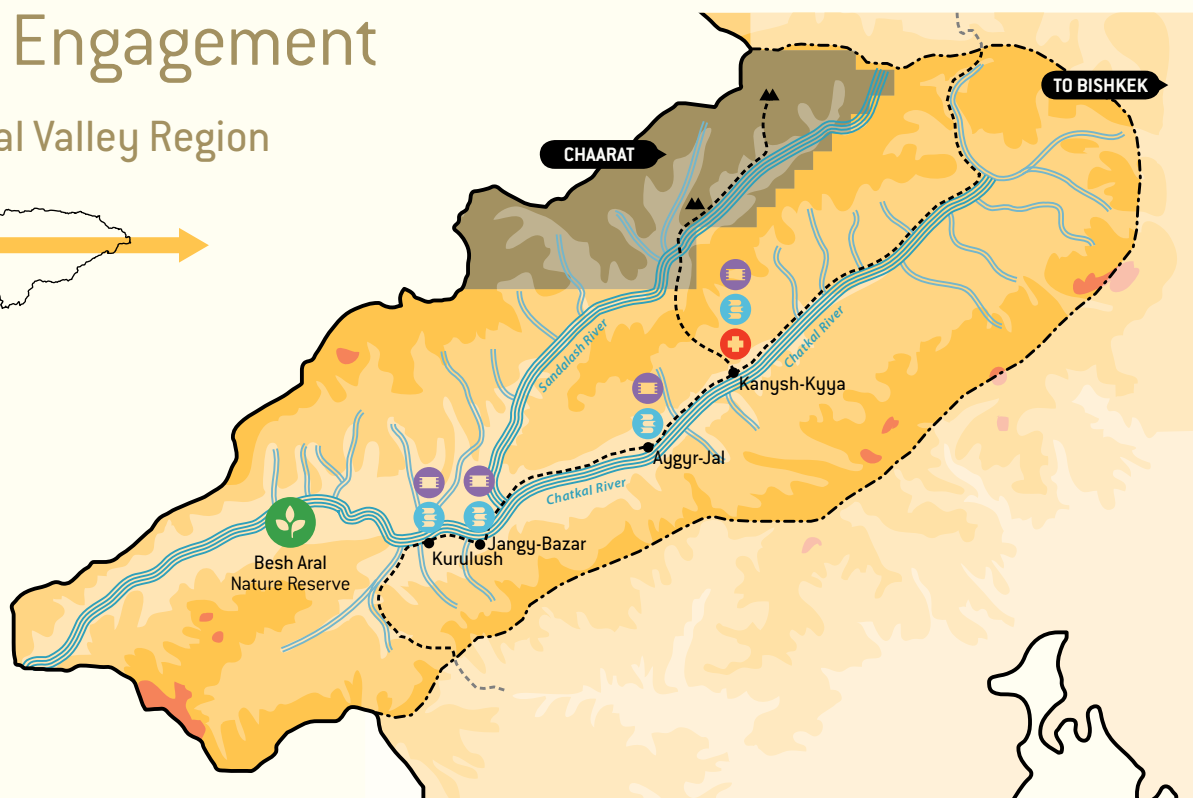
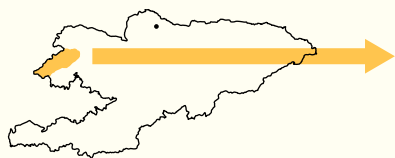
Three drill holes which seem to have penetrated the porphyry type mineralisation in the periphery of the skarn, delineated 380,000 tonnes of porphyry mineralisation with 0.9% Cu and 0.43 g/t of Au. In light of this high grade indicative result the company intends to undertake additional geophysical work in order to further delineate the presumed porphyry target which may have generated the skarn.

The results of four holes drilled in the intrusive rocks showed that another phase of mineralisation in the porphyry contains REE at a grade of 0.232%. Although the grade may not be economic on a standalone basis, this result may contribute considerably to the attractiveness of Chontash, by adding credit to the Mo-Cu-Au deposit. During 2011, the company will work to determine the development potential of an REE deposit, in both commercial grade and size.



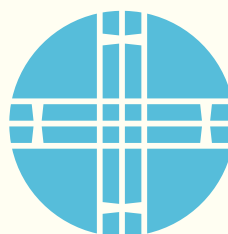
# Social Engagement

## The Chatkal Valley Region



Over the last few years our company has been active on various fronts in assisting both the local administration as well as liaising directly with the Chatkal communities. The company has and will continue to focus its involvement with the local communities in four main areas: health, education, employment creation and the environment. A survey commissioned in 2010 identified areas where intervention and support in those areas will have the greatest positive impact. The survey findings will be used to prioritise what the company can do to improve the quality of life of the residents of the Chatkal valley.

During the sad events of June, in the south of the country, local communities received assistance in bringing back home members of family, especially students, who were caught up in the situation.



ЧАТКАЛ  
ОРДО

### WORKING WITH THE LOCAL COMMUNITIES

An effective local administration is a vital element of functioning communities. It should ensure infrastructure maintenance and the provision of critical health and veterinary services in a community where most of the population is involved in animal husbandry. In order to augment the income of the local administration Chaarat has registered its subsidiaries locally and has reached an agreement that its land usage fees and other fees will be paid directly to the local administration, thereby becoming a significant local taxpayer.

In 2010 the company paid for improvements to the buildings housing the regional and local administration which were in a state of poor repair.

Kiyal, the local TV station, broadcasts the main source of regional information for the Chatkal residents. To ensure the continuation of a good quality service to residents we provided new video equipment.

In addition to state organised structures, the communities in the Chatkal valley have informal institutions which are very important in maintaining social order and support. Chaarat is working with some of these institutions, including the Ak-Sakals (wisemen) and Bai-Biche (wise women) to ensure relationships with the neighbouring communities are friendly and productive. We have established a tradition of providing the Uraza meal, which is an important part of the ceremonies marking the month of Ramadan, for the elders of each community. The warm relationship helps to prevent the negative sentiments often directed at mining companies due to a lack of communication and misinformation.

Chaarat has established an independent charity called Chatkal Ordo, which can be loosely translated as the Chatkal community or the Chatkal clan. As an independent entity, Chatkal Ordo will be able to co-ordinate assistance to local communities from Chaarat as well as encouraging other entities to participate in doing so.



*TOP: Two of 2010's "Back to School" primary school students with the new school kits they received to mark the occasion.*

*OPPOSITE: Map of Chatkal Valley Region and Chatkal Ordo logo.*



## HEALTH

The company has provided the local medical centre with a four wheel drive vehicle which ensures help can be provided to residents in all weathers and difficult off road locations can be accessed. Assistance was also provided to the district hospital and in particular to local veterans of the Second World War.



## EDUCATION

We are still assessing how we can provide sustainable assistance to the local schools. 2010's "Back to School" saw all 510 of the first year primary school students receive school kits to mark the occasion. Each kit included a school backpack complete with school supplies. This modest start will hopefully mark increasing involvement and support of local schools. At the request of the administration special assistance was given to single parent families in surrounding villages to ease the difficulty of sending children to school.

Chaarat has established scholarships for local students to attend higher education in the mining engineering or geology disciplines. Each year five students are selected and their tuition is fully paid by the company. The students, subject to achievements, are then offered work opportunities with Chaarat.



## EMPLOYMENT CREATION

Shyrdaks, a type of felt carpet, are one of the most admired aspects of Kyrgyz culture. A project aimed at reviving the craft amongst the Chatkal communities will hopefully start this spring following training and preparation by the staff of ChatkalOrdo, who will provide financial help with marketing and quality control to the local women.

A significant recruitment and training campaign has also been initiated and, by the end of 2011, the company expects to have created a meaningful number of jobs in the Chatkal valley as a direct consequence of its involvement in the area.



## ENVIRONMENT

The Besh Aral nature reserve just north of the Chaarat licence area is an area of outstanding natural beauty and ecological significance. The company has been working with the environmental protection committee and provided direct assistance both financially and in the provision of seedlings to the Besh Aral management.



## Directors' Biographies



### DEKEL GOLAN

CHIEF EXECUTIVE OFFICER

AGE 54

Dekel is a graduate of Tel Aviv University. Formerly president of Apex Asia LDC, a subsidiary of Apex Silver Mines Limited, he has extensive experience in promoting and developing businesses both in emerging economies as well as the developed world. Dekel was the founder and Executive Chairman of APC Limited, a coffee and tea producer in Africa. In addition, he has advised a number of international and Israeli companies on business development. Prior to those activities Dekel was Vice President of Business Development of Supersol, the largest retail operator in Israel and worked at Dead Sea Bromine Group, the world's largest bromine producer.



### CHRISTOPHER PALMER-TOMKINSON

NON-EXECUTIVE CHAIRMAN

AGE 69

Christopher graduated from Oxford University with a degree in jurisprudence and joined Cazenove in 1963. He served as a partner from 1972 until 2001 and as managing director of international corporate finance until May 2002. He was responsible at various times for Cazenove's African and Australian business which enabled him to focus on the resource sector. Christopher is also a former director of Highland Gold Mining Limited. He is the Chairman of Chaarat's Remuneration Committee and a member of the Audit Committee.



#### **LUO TAO**

**NON-EXECUTIVE DEPUTY CHAIRMAN**

AGE 57

Luo Tao is the Chairman of China Nonferrous Metals Int'l Mining Co.Ltd (CNMIM), and President of China Nonferrous Metal Mining (Group) Co.Ltd, the parent company of CNMIM. He is the Deputy Chairman of Chaarat and sits on the remuneration committee. Luo Tao is a senior economist with over 30 years experience in the nonferrous metals industry in China, and was a Vice Director of Beijing General Research Institute for Nonferrous Metals. He was also the Chairman of Committee of Supervisors and Vice President of Aluminium Corporation of China Ltd (CHALCO), a company listed on the New York Stock Exchange and Hong Kong Stock Exchange.



#### **LINDA NAYLOR**

**FINANCE DIRECTOR**

AGE 50

Linda is a graduate of the London School of Economics and a Fellow of the Institute of Chartered Accountants in England and Wales. A former partner in Grant Thornton UK LLP, her experience gained over more than twenty years included working as a nominated advisor in the Capital Markets team from 1996 and as an audit partner specialising in the natural resource sector.





### ALEXANDER (ALEX) NOVAK

EXECUTIVE DIRECTOR

AGE 55

Alex is a graduate of the Kazakh Polytechnic Institute (M.Sc). Alex has assisted several companies investing in Kyrgyzstan in various aspects of finance, administration and representation vis a vis the local authorities since 2000. Alex has more than 25 years experience in various aspects of business management in Central Asia including negotiations with governmental institutions, contractors, preparation of development plans, monitoring of operations and public relations. He was instrumental in drafting and signing investment agreements between the government of the Kyrgyz Republic and two extraction companies, Textonic and Kumushtak, a subsidiary of Apex Silver Mines Limited. From 1992 to 1995, Alex was a founding partner and a director of Maya Elev Diamond Limited, a diamond processing plant in Russia. From 1978 through to 1990, Alex held several positions at numerous construction companies in Kazakhstan, including Director of KazStroiMontajAvtomatika.

### DR ROBERT (ROB) WEINBERG

NON-EXECUTIVE DIRECTOR

AGE 63

Rob gained his doctorate in geology from Oxford University in 1973 and has more than 35 years of international mining industry experience. He is an independent mining research analyst and consultant, a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining.

Chairman of the Audit Committee of Chaarat, he brings a wealth of marketing and investment banking experience to the Company having held executive positions that include being Managing Director, Institutional Investment at the World Gold Council. Previously he was a Director of the Investment Banking Division of Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities and head of the mining team at James Capel & Co. He was formerly Marketing Manager of the Gold and Uranium Division of Anglo American Corporation of South Africa Ltd.

Rob is currently an independent non-executive Director of Kasbah Resources Ltd listed on the ASX, Medusa Mining Ltd which is listed on the ASX, LSE and TSX, AIM listed Solomon Gold plc and Metallon Corporation Plc, a private company.



### **DAVID TANG**

**NON-EXECUTIVE DIRECTOR**

AGE 44

David Tang is President of CNMIM. In the early 1990's, David pioneered the trading system for the first nonferrous metals futures commodity exchange in China and worked for several years in Canada in the investment management and consulting industry, before returning to China to take up office at CNMIM. He also holds a Master of Science degree and is a member of Chaarat's Audit Committee.



# Senior Management Biographies



**BENOÎT DE GALBERT**  
CHIEF OPERATING OFFICER

Benoît obtained a BSc in Science in Engineering from Ecole Central De Paris in 1984 and subsequently a Masters in Business Administration from The Georgia Institute of Technology, Atlanta. He is an experienced manager who began his career with Arthur Andersen & Co. in the early 1980s, before moving to roles with a number of French financial institutions; ELF Aquitaine between 1991 and 1998 and Legris Industries between 1998 and 2000.

In 2000 he joined COGEMA (which became AREVA in 2003 following its merger with FRAMATOME), and in 2003 was appointed as General Manager of KATCO, AREVA's uranium joint venture with Kazatomprom in Kazakhstan. He oversaw the design, construction and production ramp up of the world's largest greenfield ISL uranium project. The project involved the construction of two uranium processing plants and the mining programmes for in-situ leaching with a total output of some 3,500 tonnes per year and involved responsibility for over 1,200 employees in accordance with strict safety, environment and nuclear standards.

In October 2008, he was appointed Vice-President in charge of Areva Bioenergies Business Unit, an international network of engineering companies in North America, Brazil, Europe and India. With around 700 engineers, this Engineering Procurement and Construction (EPC) activity is mainly involved in electricity production. Benoît joined Chaarat in March 2011.



**AIDARKHAN JAXYBAYEV**  
PROJECT MANAGER

Aidarkhan is a graduate of The Mining Institute of National Academy of Sciences of Kazakhstan and The Paris School of Mines. He is an experienced project manager who began his career in 1994 at a mining research and engineering centre in Kazakhstan and was awarded a Ph.D. in 1999. From 2001 at the COGEMA (later AREVA) subsidiary KATCO in Kazakhstan he worked on the feasibility study for the Muyunkum deposit. After approval in April 2004 he moved to project execution as a deputy project director. He managed the permitting, engineering and construction supervision team, commissioned processing plants and infrastructure and supervised the operational team training. Uranium production began in May 2006 at the first site and in August 2007 on the second site.

From 2008 until he joined Chaarat, he worked as a plant project manager developing AREVA's Imouraren project, the biggest uranium mine in Niger, Africa, which had entered the detailed engineering phase involving considerable procurement activity.



**SUNIT PATEL**  
VICE PRESIDENT - GEOLOGY

Sunit holds a B.Sc. (Honours) degree in Geology from Sambalpur University, India and a M.Sc. (Geology) from Berhampur University, India. He is a Fellow of the Geological Society of India, the Geological Society of London and a Member of the Geological Society of South Africa and has more than 20 research publications to his credit. Sunit was a Senior Exploration Geologist with the Geological Survey of India.

He has more than 22 years experience in greenfield and brownfield exploration for mineral commodities such as gold, base metals, copper, cobalt and manganese and his significant projects include gold exploration in the NoaDihing valley in India, exploration and pre-feasibility studies of the Makala Cobalt Mine in DRC, discovery and detailed exploration for manganese in Lasarda-Pacheri area of Bonai-Keonjhar Belt, India and detailed exploration for base metals near Shergaon, Eastern Himalaya, India. Before joining Chaarat, he established and led a large exploration department for CHEMAF s.p.l. in the DRC.



**SURESH KALATHIL**  
MINE MANAGER

Suresh graduated from Bangalore University as a mining engineer in 1992. During his 17 years of operating experience he has held open pit and underground Mine and Operations Manager roles for Vedanta Resources plc and Mawarid Mining in India, Armenia, Zambia and Oman. His expertise is in all aspects of open pit and underground mine operations and management, mine development, equipment selection, technical assessments, feasibility studies, strategic planning, economic and financial evaluation of both underground and surface operations in copper, gold, lead and zinc.

Suresh is experienced in the start up, commissioning and operation of new greenfield and brownfield mine projects. Before joining Chaarat, he was responsible for fast tracking two new open pit mines in Oman to production.



**JOHN SCOTT**  
DEPUTY PROJECT MANAGER

John is a mechanical engineer by profession and is a Fellow of the Institute of Materials Handling and a member of the Project Management Institute.

John has over 35 years experience in project engineering and project management. He has extensive experience in the management of medium and large minerals and metals processing plant projects including the Venetia Diamond Mine, Hartley Platinum, Tubatse Ferrochrome and the Moma Mineral Sands projects.

He has been study manager on numerous feasibility studies, at all levels, for gold, diamond, platinum, mineral sands, cobalt and iron ore facilities mainly with Bateman Engineering and recently with SNC-Lavalin.



**TOORAT USUBALIEV**  
DEPUTY GENERAL MANAGER

Toorat graduated in Geological Prospecting from the Frunze Polytechnical Institute, (now the Kyrgyz Mining Metallurgical Institute) in 1989. He has over twenty years' geological experience in Kyrgyzstan and has been with Chaarat since 2007. He began his career in 1989 as the Jerooy Exploration Group's Senior Geologist and joined their expedition in the north of Kyrgyzstan. He went on to work as a geologist on the Jerooy Gold Project.

Following the completion of his MSc at the Matsue Institute in Japan, during which he carried out research into mineral compositions in the Jerooy region, Toorat continued his work in Kyrgyzstan with Kumtor Operating Company. During his five years with the company he progressed to the role of Chief Geologist, before accepting a new role, that of Senior Geologist, with Frontier Mining in 2004, managing their explorations in Kazakhstan. He returned to Kyrgyzstan in 2006 to work as Chief Geologist on the Jerooy Gold Mine.





## **ANDREW HOWSON**

**CHIEF FINANCIAL OFFICER – KYRGYZSTAN**

Andrew is a qualified cost and management accountant and after gaining experience at large multinationals including Cable & Wireless he worked for three years at the Andash Mining Company in Kyrgyzstan. He was responsible for the in country finance, purchasing and administration and assisted with negotiation of finance facilities and in corporate transactions.

In 2010 he moved to Kazakhstan to work for Ivanhoe Mining at the Bakyrchik project and was heavily involved in setting up the new systems to enable a significant increase in the size of the operation. He joined Chaarat in March 2011.



# Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is exploration for gold in the Kyrgyz Republic. The principal activities of the Company are those of a holding, management and finance company.

In common with many exploration groups, the Group raises finance for its exploration and appraisal activities in discrete tranches which finance its activities for limited periods. Further fundraising is undertaken as and when required.

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.

## DIVIDENDS AND PROFIT RETENTION

The results for the year are set out in the Consolidated Income Statement. No dividend is proposed in respect of the year (2009: nil). The loss for the year of USD 11,436,103 (2009: USD 7,428,909) has been taken to reserves.

## DIRECTORS

The Directors who served during the year were:

C Palmer-Tomkinson	
L Tao	
D Golan	
A Novak	
L Naylor	
D Tang	
O Greene	(resigned 10 January 2011)

Dr Robert Weinberg was appointed to the Board on 11 January 2011.

In accordance with the Company's Articles of Association at least one third of the directors must retire by rotation at each Annual General Meeting, and may stand for re-appointment at the Meeting. Accordingly, directors retiring by rotation, D Golan, C Palmer-Tomkinson and A Novak, being eligible, offer themselves for re-appointment.

## DIRECTORS' INTERESTS

### Share Interests

The directors of the Company who held office at 31 December 2010 held the following beneficial interests, either directly or indirectly, (including interests held by spouses, minor children or associated parties) in the ordinary shares of the Company at 30 April 2011:

	Number of Shares	Number of Options over Shares
C Palmer-Tomkinson	10,000,000	419,803
L Tao	-	81,567
D Golan	14,620,755	3,615,674
A Novak	10,975,358	2,265,874
L Naylor	628,000	686,188
O Greene	200,000	382,098
D Tang	-	81,567
	<b>36,424,113</b>	<b>7,532,771</b>

## SHARE CAPITAL AND SUBSTANTIAL SHARE INTERESTS

Details of the Company's share capital are disclosed in note 15 of the financial statements.

On 30 April 2011, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Number of Shares	%
China Nonferrous Metals Int'l Mining Co. Ltd	22,469,289	8.98
First State Investments International (UK) Ltd	18,776,152	7.50
Cazenove Capital Management Ltd	17,652,358	7.05
D Golan	14,620,755	5.84
TT International Investment Management Ltd	13,000,759	5.19
Richmond Capital LLP	11,446,300	4.57
A Novak	10,975,358	4.38
C Palmer-Tomkinson	10,000,000	3.99
Black Rock Investment Management Ltd	8,950,000	3.58
GIC Asset Management Pte Ltd	8,282,908	3.31

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations 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.

The financial statements are required to give a true and fair view of the state of affairs of the group and of its profit or loss for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping records that are sufficient to show and explain the company's transactions and will at any time, enable the financial position of the company and the group to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the British Virgin Islands governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the Combined 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 Combined Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Company. The board is assisted in this regard by the remuneration and audit committees:

## THE REMUNERATION COMMITTEE

The remuneration committee comprises Christopher Palmer-Tomkinson as Chairman, Luo Tao and Dekel Golan. The committee meets as required during each financial year. The committee met twice in 2010. 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 Board.

Directors' emoluments are disclosed in note 6 to the financial statements. Directors' share options are disclosed under 'Directors' Interests' above.

## THE AUDIT COMMITTEE

The audit committee comprises Dr Rob Weinberg as Chairman, David Tang and Christopher Palmer-Tomkinson. The committee meets 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 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.

## GOING CONCERN

At 31 December 2010, the Company had cash and cash equivalents of USD 10.1 million and no borrowings. A fund raising was completed in March 2011 which raised GBP 51.6 million before expenses (approximately USD 83 million). The funds will be used to fast track the Tulkubash Project to production including developing the required infrastructure. Based on a review of the Company's budgets and cash flow plans and the flexibility to alter these to suit prevailing circumstances, the Board considers this is sufficient to maintain the Company as a going concern for a period of over twelve months from the date of signing the annual report and accounts.

## 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 for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting. PKF (UK) LLP has expressed their willingness to continue as auditor of the company.

Linda Naylor  
Company Secretary  
24 May 2011



# Independent Auditor's Report To The Members Of Chaarat Gold Holdings Limited

We have audited the group financial statements ('the financial statements') of Chaarat Gold Holdings Limited for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 2010 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.



PKF (UK) LLP

London, UK

24 May 2011



# Consolidated Income Statement

For the years ended 31 December

	Note	2010 USD	2009 USD
Exploration expenses		(7,242,318)	(4,695,271)
Administrative expenses		(3,432,711)	(2,430,171)
Administrative expenses- Share options expense		(588,587)	(49,778)
Administrative expenses- Other		(18,514)	(32,205)
Administrative expenses- Foreign exchange loss		(168,336)	(240,532)
Operating loss		(11,450,466)	(7,447,957)
Financial income	7	14,363	19,048
Taxation	21	-	-
Loss for the year, attributable to equity shareholders of the parent		(11,436,103)	(7,428,909)
Loss per share (basic and diluted) – USD cents	17	(9.12)c	(8.22)c

# Consolidated Statement Of Comprehensive Income

For the years ended 31 December

	2010 USD	2009 USD
Loss for the year, attributable to shareholders of the parent	(11,436,103)	(7,428,909)
Other comprehensive income:		
Exchange differences on translating foreign operations	(143,478)	(343,968)
Other comprehensive income for the year, net of tax	(143,478)	(343,968)
Total comprehensive income for the year attributable to shareholders of the parent	(11,579,581)	(7,772,877)

# Consolidated Balance Sheet

At 31 December

	Note	2010 USD	2009 USD
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	20,082	60,558
Mining exploration assets	9	8,349,367	-
Property, plant and equipment	10	596,502	1,221,765
Other receivables	11	50,456	-
		9,016,407	1,282,323
<b>Current assets</b>			
Inventories	12	150,035	156,691
Trade and other receivables	13	1,619,590	418,239
Cash and cash equivalents	14	10,124,977	6,812,046
		11,894,602	7,386,976
<b>Total assets</b>		<b>20,911,009</b>	<b>8,669,299</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders</b>			
Share capital	15	1,470,339	1,129,110
Share premium	15	48,949,592	27,499,843
Other reserves		13,839,590	13,312,190
Translation reserve		(1,083,334)	(939,856)
Accumulated losses		(44,173,760)	(32,798,843)
		19,002,427	8,202,444
<b>Non-current liabilities</b>			
Deferred tax	20	487,000	-
		487,000	-
<b>Current liabilities</b>			
Trade payables	18	646,788	285,890
Accrued liabilities	19	774,794	180,965
		1,421,582	466,855
<b>Total liabilities</b>		<b>1,908,582</b>	<b>466,855</b>
<b>Total equity and liabilities</b>		<b>20,911,009</b>	<b>8,669,299</b>

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2011.



Dekel Golan  
Chief Executive Officer



# Consolidated Statement Of Changes In Equity

For The Years Ended 31 December

	Note	Share Capital USD	Share Premium USD	Accumulated Losses USD	Other Reserves USD	Translation Reserve USD	Total USD
<b>Balance at 31 December 2008</b>		<b>718,834</b>	<b>15,665,928</b>	<b>(25,510,680)</b>	<b>13,403,158</b>	<b>(595,888)</b>	<b>3,681,352</b>
Currency translation		-	-	-	-	(343,968)	(343,968)
Net income recognised directly in equity		-	-	-	-	(343,968)	(343,968)
Loss for the year ended							
31 December 2009		-	-	(7,428,909)	-	-	(7,428,909)
Total comprehensive income for the year		-	-	(7,428,909)	-	(343,968)	(7,772,877)
Share options lapsed		-	-	140,746	(140,746)	-	-
Share options expense		-	-	-	49,778	-	49,778
Issuance of shares for cash		410,276	12,351,904	-	-	-	12,762,180
Share issue costs		-	(517,989)	-	-	-	(517,989)
<b>Balance at 31 December 2009</b>		<b>1,129,110</b>	<b>27,499,843</b>	<b>(32,798,843)</b>	<b>13,312,190</b>	<b>(939,856)</b>	<b>8,202,444</b>
Currency translation		-	-	-	-	(143,478)	(143,478)
Net income recognised directly in equity		-	-	-	-	(143,478)	(143,478)
Loss for the year ended							
31 December 2010		-	-	(11,436,103)	-	-	(11,436,103)
Total comprehensive income for the year		-	-	(11,436,103)	-	(143,478)	(11,579,581)
Share options lapsed		-	-	61,186	(61,186)	-	-
Share options expense		-	-	-	588,586	-	588,586
Issuance of shares for acquisition		119,282	7,500,134	-	-	-	7,619,416
Issuance of shares for cash		221,947	14,386,364	-	-	-	14,608,311
Share issue costs		-	(436,749)	-	-	-	(436,749)
<b>Balance at 31 December 2010</b>	<b>15(b)</b>	<b>1,470,339</b>	<b>48,949,592</b>	<b>(44,173,760)</b>	<b>13,839,590</b>	<b>(1,083,334)</b>	<b>19,002,427</b>



# Consolidated Cash Flow Statement

For The Years Ended 31 December

	Note	2010 USD	2009 USD
<b>Operating activities</b>			
Loss for the year		(11,436,103)	(7,428,909)
Adjustments:			
Amortisation expense - intangible assets	8	25,520	33,929
Depreciation expense - property, plant and equipment	10	490,024	654,224
Loss on disposal of property, plant and equipment	3	5,094	37,546
Finance income	7	(14,363)	(19,048)
Share based payments		588,587	49,778
Foreign exchange income		(42,590)	(64,025)
Decrease/(Increase) in inventories		8,553	(106,800)
(Increase)in accounts receivable		(1,080,142)	(19,489)
Increase in accounts payable		688,041	117,116
<b>Net cash flow used in operations</b>		<b>(10,767,379)</b>	<b>(6,745,678)</b>
<b>Investing activities</b>			
Purchase of computer software	8	(3,664)	(117)
Purchase of property plant and equipment	10	(98,445)	(44,680)
Acquisition of subsidiary (net of cash acquired)		5,865	-
Proceeds from sale of equipment		-	42,500
Loans repaid		4,407	48,557
Interest received	7	14,363	6,600
<b>Net cash (used in)/generated from investing activities</b>		<b>(77,474)</b>	<b>52,860</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	15	14,608,310	12,762,180
Issue costs	15	(436,749)	(517,989)
<b>Net cash from financing activities</b>		<b>14,171,561</b>	<b>12,244,191</b>
<b>Net change in cash and cash equivalents</b>		<b>3,326,708</b>	<b>5,551,373</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>6,812,046</b>	<b>1,375,445</b>
Effect of changes in foreign exchange rates		(13,777)	(114,772)
<b>Cash and cash equivalents at end of the year</b>	<b>14</b>	<b>10,124,977</b>	<b>6,812,046</b>

## Significant non cash transactions

As disclosed in note 16, the purchase price for the acquisition of Kyrex Limited comprised of shares.

The fair value of the shares issued was USD 7,619,416.



# Notes To The Financial Statements

## 1 General information and group structure

Chaarat Gold Holdings Limited (the Company) (registration number 1420336) was incorporated in the British Virgin Islands (BVI), and acts as the ultimate holding company for the Group. The Company is listed on the Alternative Investment Market of the London Stock Exchange. 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 Razzakov 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 and Operating Company

\* Companies owned indirectly by Chaarat Gold Holdings Limited

Chaarat Operating Company GmbH has registered a branch office in the Kyrgyz Republic.

Chaarat Gold Limited, Kyrex Limited and Kyr Moly Limited, all registered in Guernsey, were dissolved on 28 December 2010.

## 2 Accounting Policies

### SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATION

The significant accounting policies, areas of judgement and significant estimates that have been used in the preparation of these consolidated financial statements are summarised below:

- During the exploration phase of operations, all exploration costs are expensed in the Income Statement as incurred. The Mining exploration and development costs accounting policy provides further detail. The key judgement implicit in this policy will be the determination of the future date upon which development of the property is judged to be commercially viable and development commenced. The Company is in the process of preparing a feasibility study for the Tulkubash Project which will support this judgement.
- A provision is made against VAT recoverable, in view of the uncertainty of the timing or ultimate recoverability of these amounts. Note 11 provides further detail. The key to any re-assessment of this policy would be the first successful claims for refund of VAT input taxes. This possibility is judged to be some years into the future.
- Depreciation rates detailed below are considered by management to fairly reflect the expected useful lives of the respective asset categories. The Property, plant and equipment accounting policy provides further detail.
- The expected life of share options used in the Black-Scholes model for calculating the fair value of those options is based on management's best estimate, adjusted for the effects of non-transferability, exercise restrictions, and behavioural considerations.
- No deferred tax assets are recognised in view of the uncertainty of the timing or ultimate recoverability of such amounts. Note 20 provides further detail. This is a key judgement in that the amounts potentially involved are not capable of reasonably accurate computation and are uncertain of recovery. The key point at which this policy is expected to be capable of review will be at the time when the project is proven to be commercially viable.
- The directors accounted for the Company's acquisition in the year ended 31 December 2007 as a reverse acquisition by way of a share exchange, by its operating subsidiary, Chaarat Gold Limited. At the time of the share exchange on 7 September 2007, the Company was recently incorporated, had no business and had nil net asset value. The Group's consolidated financial statements are presented as a continuation of the financial statements of its former subsidiary, Chaarat Gold Limited.
- The acquisition of the Kyrex group of companies on 27 July 2010 has been accounted for under the acquisition method of accounting which required the determination of the fair value of the consideration shares in the Company issued to the shareholders of Kyrex Limited and the fair value of the assets and liabilities acquired. An independent report providing a fair value range for the consideration of the exploration assets acquired was commissioned from SRK Consulting (UK) Limited and used by the Board in their determination of the final value.

### BASIS OF PREPARATION

The financial information has been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As detailed under the Basis of consolidation note, the acquisition of the Company in 2007 was treated as a reverse acquisition by its operating subsidiary, without the presence of goodwill. The principal accounting policies adopted in the preparation of the annual financial statements are set out below. The policies have been consistently applied.

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2010. The adoption of these new and revised Standards and Interpretations, including IFRS 3 Business Combinations, had no material effect on the profit or loss or financial position of the Group.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which



have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

## GOING CONCERN

At 31 December 2010, the Company had cash and cash equivalents of USD 10.125 million and no borrowings. A fund raising was completed in March 2011 which raised GBP 51.6 million before expenses (approximately USD 83 million). The funds will be used to fast track the Tulkubash Project to production including developing the required infrastructure. Based on a review of the Company's budgets, and given cash flow plans and the flexibility to alter these to suit prevailing circumstances, the Board considers this is sufficient to maintain the Company as a going concern for a period of over twelve months from the date of signing the annual report and accounts.

## BASIS OF CONSOLIDATION

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, that entity or business is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. As permitted by BVI law the Company has not presented its own financial information.

The consolidated income statement for the year ended 31 December 2009 consolidated the results of Chaarat Gold Holdings Limited, Chaarat Gold Limited and Chaarat Zaav CJSC for the whole year and Chaarat Operating Company GmbH since its registration on 16 March 2009.

The consolidated income statement for the year ended 31 December 2010 consolidated the results of Chaarat Gold Holdings Limited, Chaarat Gold Limited (until its dissolution on 28 December 2010), Chaarat Zaav CJSC and Chaarat Operating Company GmbH for the whole year. The results of Zaav Holdings Limited, Chon-tash Holdings Limited, At-Bashi Holdings Limited, Akshirak Holdings Limited, Naryn Holdings Limited and Goldex Asia Holdings Limited were included from incorporation on 26 October 2010 and the results of Chon-tash Mining LLC, At-Bashi Mining LLC, Akshirak Mining LLC, Naryn Gold LLC and Goldex Asia LLC were included from the date of acquisition on 27 July 2010. The results of Kyrex Limited and Kyr Moly Limited were included from the date of acquisition on 27 July 2010 until their dissolution on 28 December 2010.

## 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 CURRENCY OF THE PARENT

Management has concluded that the US dollar is the currency of the primary economic environment in which the entity operates because a significant portion of the transactions and settlements of the Company are influenced by the US Dollar. The Company's assets and liabilities are largely denominated and settled in US Dollars. The US Dollar is the currency in which business risks and exposures are managed and the business is measured.

## CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

## CASH AND CASH EQUIVALENTS

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



## INTEREST

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

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less any subsequent accumulated depreciation and impairment losses. The historical cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Cost includes professional fees but borrowing costs are not capitalised. 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, less residual value, over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement. Land is not depreciated. The estimated useful lives are as follows:

Buildings	5 years
Office equipment	2.5 to 3 years
Machinery and equipment	3 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 is expected to be long lasting, is capitalised as part of the appropriate asset.

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

## INTANGIBLE ASSETS - COMPUTER SOFTWARE

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

## INTANGIBLE ASSETS - ACQUIRED MINING EXPLORATION ASSETS

Mining exploration assets acquired on the acquisition of subsidiaries are carried in the balance sheet at their fair value at the date of acquisition less any impairment losses, pending determination of technical feasibility and commercial viability of those projects.

When such a project is deemed to no longer have technical or commercially viable prospects to the Group, acquired mining exploration costs in respect of that project are deemed to be impaired and written off to the income statement.

Subsequent mining exploration costs incurred on those projects are expensed in accordance with the Group's accounting policy.

## IMPAIRMENT TESTING

Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its fair value or value in use. Any such excess of carrying value over fair value or value in use is taken as a debit to the income statement.

## 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.

## 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 availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project are capitalised and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations over the relevant life of mine on a units of production basis. Expenditure is only capitalised provided it meets the following recognition requirements:

- completion of the project is technically feasible and the company has the ability to and intends to complete it;
- the project is expected to generate future economic benefits;
- there are adequate technical, financial and other resources to complete the project; and
- the expenditure attributable to the development can be measured reliably.

No depreciation is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programmes, which will be deferred and depreciated over the remaining life of the related assets.

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

## TAXATION

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities

and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity or where they relate to a business combination in which case the fair value of the related asset is adjusted.

## 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.
- "Other reserves" represent the issued share capital and share premium of former subsidiary Chaarat Gold Limited arising as a result of the reverse acquisition as explained above, 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 US dollar. This is also the functional currency of the Company and is considered by the Board also to be appropriate for the purposes of preparing the Group financial statements.

On consolidation, the results of overseas operations are translated into US dollars, the presentation currency, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at the actual rate are recognised directly in equity.

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

	2010	2009
Kyrgyz Som (KGS) to 1 US dollar (USD)	47.0992	44.0917
Kyrgyz Som (KGS) to 1 UK pound (GBP)	72.6077	70.4012
US dollar (USD) to 1 UK pound (GBP)	1.5416	1.5967

## SHARE-BASED EMPLOYEE REMUNERATION

The Company operates equity-settled share-based remuneration plans for remuneration of some of its employees. The Company awards share options to certain Company directors and employees to acquire shares of the Company.

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

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

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

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

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

## RETIREMENT AND OTHER BENEFIT OBLIGATIONS

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

## FINANCIAL INSTRUMENTS

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

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

### Trade receivables

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

### Trade payables

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



### 3 Operating Loss

The operating loss is stated after charging:

	2010 USD	2009 USD
Depreciation of property, plant and equipment	490,024	654,224
Amortisation of intangible assets	25,520	33,929
Operating lease expenses	78,967	66,800
Share based payment charges	588,587	49,778
Loss on sale of fixed assets	5,094	37,546
Loss on foreign exchange	168,336	240,532
Auditors' remuneration	56,357	43,323
Acquisition related costs	58,528	-

### 4 Segmental Analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker 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 segment, since all assets are currently at in the exploration stage of their development. The non-current assets in the Kyrgyz Republic are USD 9,016,407 (2009: USD 1,282,323).



## 5 Staff Numbers and Costs

	Number	Number
Management and administration	24	19
Operations	47	41
	<b>71</b>	<b>60</b>

The aggregate payroll costs of these persons were as follows:

	2010 USD	2009 USD
Staff wages and salaries	762,588	727,919
Social security and other pension costs	111,158	112,589
Employee share based payment charges	281,899	77,189
Directors' remuneration as detailed in note 6		
Wages and salaries	974,906	789,077
Share based payment charge	306,688	21,500
	<b>2,437,239</b>	<b>1,728,274</b>

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



## 6 Directors' Remuneration

The costs of certain directors' services were charged to the Company via consultancy companies, as separately detailed below and in related parties note 22, rather than directly as short-term employment costs. During 2011 bonuses were paid to the following directors in respect of their services in 2010: Dekel Golan USD 51,568 (2009: USD 79,640), Alex Novak USD 32,489 (2009: USD 40,616) and Linda Naylor USD 38,678 (2009: USD 13,804) who also received voluntary pension contributions in the year of USD 20,150 (2009: USD 6,212).

	2010 USD	2009 USD
<b>Wages and salaries (including bonus)</b>		
Paid directly	84,920	104,779
Paid via related party consultancy companies	889,986	684,297
Share based payment charge	306,688	21,500
	<b>1,281,594</b>	<b>810,576</b>

The highest paid director received emoluments totaling USD 359,130 (2009: USD 392,688) and share based payments of USD 108,817 (2009: USD 2,420).

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

Details of individual directors' remuneration are shown below:

	2010 USD	2009 USD
D Golan (paid via related party, Mada Consulting Pte Limited)	359,130	392,688
A Novak (paid via related party, Vetan Limited)	230,385	203,745
L Naylor (paid via related party, Central Asia Services Limited)	238,587	87,864
C Palmer-Tomkinson (paid directly)	42,460	46,401
O Greene (paid directly)	42,460	42,684
L Tao (paid to China Nonferrous Metals Int'l Mining Co Ltd)	30,942	-
D Tang (paid to China Nonferrous Metals Int'l Mining Co Ltd)	30,942	-
S Comline (director's and consulting fees, paid directly)	-	15,694
	<b>974,906</b>	<b>789,076</b>

## 7 Finance Income

	2010 USD	2009 USD
Interest on cash and cash equivalents	6,378	6,600
Unwinding of discount on loan	1,736	953
Loan interest receivable	1,292	5,864
Other income	4,957	5,631
	<b>14,363</b>	<b>19,048</b>

## 8 Intangible Assets - Computer Software

<b>Cost</b>	<b>USD</b>
At 31 December 2008	121,694
Additions	117
Exchange differences	(12,859)
<b>At 31 December 2009</b>	<b>108,952</b>
Additions	3,664
Reclassification as property, plant and equipment	(8,185)
Disposals	(20,397)
Exchange differences	(5,198)
<b>At 31 December 2010</b>	<b>78,836</b>
<b>Amortisation</b>	<b>USD</b>
At 31 December 2008	22,221
Charge for the year	33,929
Exchange differences	(7,756)
<b>At 31 December 2009</b>	<b>48,394</b>
Charge for the year	25,520
Reclassification as property, plant and equipment	(4,775)
Released on disposals	(7,418)
Exchange differences	(2,967)
<b>At 31 December 2010</b>	<b>58,754</b>
<b>Carrying amounts</b>	<b>USD</b>
<b>At 31 December 2010</b>	<b>20,082</b>
<b>At 31 December 2009</b>	<b>60,558</b>
<b>At 31 December 2008</b>	<b>99,473</b>

## 9 Intangible Assets - Mining Exploration Assets

	<b>Chontash USD</b>	<b>Mironovskoye USD</b>	<b>Kyzil Ompul USD</b>	<b>Total USD</b>
At 31 December 2009	-	-	-	-
On acquisition of subsidiaries (see note 16)	4,592,152	2,504,810	1,252,405	8,349,367
<b>At 31 December 2010</b>	<b>4,592,152</b>	<b>2,504,810</b>	<b>1,252,405</b>	<b>8,349,367</b>
<b>Carrying amounts</b>				
<b>At 31 December 2010</b>	<b>4,592,152</b>	<b>2,504,810</b>	<b>1,252,405</b>	<b>8,349,367</b>
<b>At 31 December 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 10 Tangible Assets - Property, Plant and Equipment

	Buildings USD	Machinery and equipment USD	Office equipment USD	Furniture and facilities USD	Motor vehicles USD	Leasehold improvements USD	Total USD
<b>Cost</b>							
At 31 December 2008	119,066	2,309,506	67,262	19,122	257,184	6,058	2,778,198
Additions	3,780	83,746	2,127	120	4,688	-	94,461
Disposals	-	(185,162)	(14,673)	(982)	(25,399)	(849)	(227,065)
Exchange differences	(12,668)	(209,722)	(6,781)	(1,999)	(26,174)	(618)	(257,962)
<b>At 31 December 2009</b>	<b>110,178</b>	<b>1,998,368</b>	<b>47,935</b>	<b>16,261</b>	<b>210,299</b>	<b>4,591</b>	<b>2,387,632</b>
Additions	9,861	35,792	25,612	11,384	13,771	2,025	98,445
On acquisition of subsidiary	-	18,055	27,297	15,194	12,983	-	73,529
Disposals	-	(768,667)	(1,653)	(263)	-	-	(770,583)
Exchange differences	(6,840)	(87,280)	(1,750)	(393)	(27,759)	(346)	(124,368)
<b>At 31 December 2010</b>	<b>113,199</b>	<b>1,196,268</b>	<b>97,441</b>	<b>42,183</b>	<b>209,294</b>	<b>6,270</b>	<b>1,664,655</b>
<b>Depreciation</b>							
At 31 December 2008	28,167	624,522	34,759	9,716	53,686	4,934	755,784
Charge for the year	21,844	566,753	16,277	4,415	44,072	863	654,224
Disposals	-	(128,850)	(12,398)	(982)	(8,397)	(716)	(151,343)
Exchange differences	(3,519)	(77,770)	(3,769)	(1,113)	(6,102)	(525)	(92,798)
<b>At 31 December 2009</b>	<b>46,492</b>	<b>984,655</b>	<b>34,869</b>	<b>12,036</b>	<b>83,259</b>	<b>4,556</b>	<b>1,165,867</b>
Charge for the year	53,892	372,067	19,742	5,412	38,746	165	490,024
On acquisition of subsidiaries	-	13,642	22,985	13,453	12,983	-	63,063
Disposals	-	(593,706)	(1,414)	(262)	-	-	(595,382)
Exchange differences	(2,226)	(42,328)	(586)	(686)	(9,294)	(299)	(55,419)
<b>At 31 December 2010</b>	<b>98,158</b>	<b>734,330</b>	<b>75,596</b>	<b>29,953</b>	<b>125,694</b>	<b>4,422</b>	<b>1,068,153</b>
<b>Net book value</b>							
<b>At 31 December 2010</b>	<b>15,041</b>	<b>461,938</b>	<b>21,845</b>	<b>12,230</b>	<b>83,600</b>	<b>1,848</b>	<b>596,502</b>
<b>At 31 December 2009</b>	<b>63,686</b>	<b>1,013,713</b>	<b>13,066</b>	<b>4,225</b>	<b>127,040</b>	<b>35</b>	<b>1,221,765</b>
<b>At 31 December 2008</b>	<b>90,899</b>	<b>1,684,984</b>	<b>32,503</b>	<b>9,406</b>	<b>203,498</b>	<b>1,124</b>	<b>2,022,414</b>

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



## 11 Other Receivables

Long term receivables

	2010 USD	2009 USD
VAT balance at 31 December	2,009,146	1,749,657
Less provision	(1,958,690)	(1,749,657)
<b>VAT recoverable amount</b>	<b>50,456</b>	<b>-</b>

Chaarat Zaav is a registered value added tax payer in the Kyrgyz Republic and therefore has a right to be reimbursed for value added tax paid on purchased goods and services. The Group's management has provided against this asset as at 31 December 2010 and 31 December 2009 due to uncertainty regarding the timing of recovery.

## 12 Inventories

	2010 USD	2009 USD
<b>Equipment spares and consumables</b>	<b>150,035</b>	<b>156,691</b>

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 transferred to profit and loss as and when used in the Company's exploration activities. No write-downs or reversals have occurred during the respective periods.

No inventories are pledged against payables or other obligations.

## 13 Trade And Other Receivables

	2010 USD	2009 USD
Advance payments to sub-contractors	1,339,668	344,793
Reserve for advance payments to sub-contractors	(2,992)	(2,870)
Loans to sub-contractors	119,612	45,932
Other receivables	163,302	30,384
	<b>1,619,590</b>	<b>418,239</b>

Advance payments to sub-contractors

The advance payments were made in relation to contracts entered into with service sub-contractors to provide working capital for those companies. The advance payments are to be repaid by way of deductions from works performed.

The short-term carrying values are considered to be a reasonable approximation of the fair value.

Loans to sub-contractors

The loans to sub-contractors were made in relation to contracts entered into with service sub-contractors to finance the acquisition of equipment for use in those contracts.



## 14 Cash And Cash Equivalents

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

	2010 USD	2009 USD
Short-term deposits held in Guernsey	9,686,833	6,726,419
Short-term deposits held in Switzerland	21,028	19,033
Short-term deposits held in the Kyrgyz Republic	375,934	58,503
Cash in hand	41,182	8,091
	<b>10,124,977</b>	<b>6,812,046</b>

## 15 Share Capital And Share Premium Accounts

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

### (a) Authorised share capital

Chaarat Gold Holdings Limited - ordinary shares of USD 0.01 each	Number of Shares	Nominal Value USD
Authorised at 31 December 2009 and 2010	500,000,000	5,000,000

### (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
1 January 2009	71,883,433	718,834	15,665,928	16,384,762
Shares issued 11 May 2009	18,558,281	185,583	3,207,465	3,393,048
Share issue costs charged to share premium	-	-	(118,216)	(118,216)
Shares issued 15 September 2009	22,469,289	224,693	9,144,439	9,369,132
Share issue costs charged to share premium	-	-	(399,773)	(399,773)
<b>31 December 2009</b>	<b>112,911,003</b>	<b>1,129,110</b>	<b>27,499,843</b>	<b>28,628,953</b>
Shares issued 5 July 2010	9,634,675	96,347	5,759,609	5,855,956
Share issue costs charged to share premium	-	-	(298,830)	(298,830)
Shares issued 28 July 2010	11,928,222	119,282	7,500,134	7,619,416
Shares issued 24 September 2010	6,860,000	68,600	4,450,274	4,518,874
Share issue costs charged to share premium	-	-	(137,919)	(137,919)
Shares issued 9 November 2010	5,700,000	57,000	4,176,481	4,233,481
<b>31 December 2010</b>	<b>147,033,900</b>	<b>1,470,339</b>	<b>48,949,592</b>	<b>50,419,931</b>

On 5 July 2010 the Company made a Private Placing of 9,634,675 shares to various parties at 40p per share.

On 28 July 2010 the Company completed the acquisition of 100% of the issued share capital of Kyrex Limited. The value of the shares allotted on the acquisition was USD 7,619,416.

On 24 September 2010 the Company made a Private Placing of 6,860,000 shares at 42p per share.

On 9 November 2010 the Company made a Private Placing of 5,700,000 shares at 46p per share.

### (c) Potential issue of ordinary shares

#### Share options

At 31 December 2010 the Company had options of 11,125,253 (2009: 7,813,823) outstanding for the issue of ordinary shares as follows:

Share Options held at 31 December 2010	Option Price	Exercise Period
300,000	US\$ 1.0633	16/10/07 to 16/10/15
180,000	£ 0.54	01/07/08 to 01/07/16
5,100,000	US\$ 0.9166	08/11/08 to 16/10/17
180,000	£ 0.54	30/06/09 to 30/06/16
300,000	US\$ 1.0633	01/09/09 to 02/11/15
274,250	£ 0.54	31/12/09 to 30/06/16
108,500	£ 0.54	01/06/10 to 09/06/17
469,301	£ 0.25	08/08/12 to 08/08/17
860,000	£ 0.25	01/09/12 to 01/09/17
2,033,822	£ 0.41	25/02/13 to 25/02/18
1,319,380	£ 0.61	22/12/13 to 22/12/18
<b>11,125,253</b>		

All options are share settled.

	Options	2010 Weighted average exercise price (USD)	Options	2009 Weighted average exercise price (USD)
Outstanding at 1 January	7,813,823	0.852	7,375,000	0.966
Granted during the year	3,399,112	0.791	2,236,073	0.603
Forfeited during the year	(87,682)	0.515	(1,797,250)	1.006
Outstanding at 31 December	<b>11,125,253</b>	<b>0.818</b>	<b>7,813,823</b>	<b>0.852</b>
Exercisable at 31 December	<b>6,442,750</b>	<b>0.921</b>	<b>6,334,250</b>	<b>0.920</b>

The share options outstanding at 31 December 2010 had a weighted average exercise price of USD 0.921 and a weighted average remaining contractual life of 6.8 years.

#### Fair value assumptions for share option charges

No options were exercised during the year. The fair value of options granted during the year has been assessed by using the Black-Scholes Option Valuation Model, using the following inputs:

	Issue date 25 February	Issue date 22 December
Share price when issued	USD 0.7205	USD 1.0469
Exercise prices	USD 0.6285	USD 0.9460
Expected volatility	96.34%	97.12%
Expected life	years 3.5	years 3.5
Risk free rate (US Federal Funds Rate)	0.13%	0.19%
Expected dividends	Nil	Nil
Average fair value per option	USD 0.4209	USD 0.6076

The expected volatility used in the Valuation Model has been derived from 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.

A total of USD 588,587 (2009: USD 49,778) of employee remuneration expense has been included in the consolidated income statement.



## 16 Acquisitions

On 28 July 2010 the Company completed the acquisition of 100% of the issued and to be issued share capital of Kyrex Limited, a holding company of a number of exploration companies with activities in the Kyrgyz Republic, in a share for share transaction comprising 54 fully paid Chaarat ordinary shares for each Kyrex share. The total consideration was 11,928,222 Chaarat shares. Based on the Volume Weighted Average Price per Chaarat share on 28 July 2010 of 41.13p and a GBP:USD exchange rate of 1.5532 this represents a total consideration of USD 7,619,416.

As the Chaarat project moves into development management wished to maximise the value of Chaarat's experienced exploration team on other prospective licences. Kyrex was a suitable target holding a number of promising licence areas in the Kyrgyz Republic.

The fair value of assets acquired was USD 7,619,416 being the net of USD 8,349,367 of exploration assets and USD 729,951 of net liabilities. The exploration assets were independently valued. Details of the net assets acquired and fair value adjustments are set out below.

	Book value USD'000	Fair value adjustment USD'000	Fair Value USD'000
Intangible fixed assets	-	8,349	8,349
Tangible fixed assets	10	-	10
Inventories	2	-	2
Receivable	1	-	1
Cash	6	-	6
Payables	(144)	-	(144)
Deferred tax liability		(487)	(487)
Loans payable	(118)	-	(118)
<b>Net assets acquired</b>	<b>(243)</b>	<b>7,862</b>	<b>7,619</b>
<b>Consideration</b>			<b>7,619</b>

The fair value adjustments in respect of intangible assets are due to the recognition of USD 8,349,000 in respect of exploration assets which were independently valued in June 2010.

The acquisition related costs totalled USD 58,528. These costs are recognised as an expense in the Administrative expenses line of the Income Statement. The contribution to the net loss of the group was USD 270,588. Had the business combination been effective for the full year, the loss for the year from continuing operations would have been USD 371,659.

## 17 Loss Per Share

Loss per share is calculated by reference to the loss for the year of USD 11,436,103 (2009: USD 7,428,909) and the weighted number of shares in issue during the year of 125,387,960 (2009: 90,367,958),

There is no dilutive effect of share options.

## 18 Trade Payables

Trade payables at 31 December consisted of the following:

	2010 USD	2009 USD
Trade payables	601,143	269,424
Social security and employee taxes	24,691	16,418
Other taxes	20,954	48
	<b>646,788</b>	<b>285,890</b>

The above listed payables were all unsecured.

Trade payables at 31 December 2010 included amounts owed to directors or companies controlled by directors of USD Nil (2009: USD 62,385).

## 19 Accrued Liabilities

Other current liabilities at 31 December consisted of the following:

	2010 USD	2009 USD
Accruals	774,794	180,965

## 20 Deferred Taxation

Due to the uncertainty surrounding taxation regulations and their implementation, as described in taxation note 21, there can be no accurate assessment of deferred tax assets and liabilities. The current legislation permits generally that the losses of the Kyrgyz subsidiaries and the Kyrgyz branch of Chaarat Operating Company GmbH can be carried forward and offset against future profits for a period of five years after the losses are incurred. However, the portion of the subsidiary's taxable losses disclosed in note 21 that qualify for carry-forward is subject to sufficient uncertainty such that no calculation of the potential deferred tax asset has been made.

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

	2010 USD 000's	2009 USD 000's
Deferred tax assets – unused tax losses	348	-
Deferred tax liabilities – fair value gains	(835)	-
<b>Net deferred tax liability</b>	<b>(487)</b>	<b>-</b>





## 21 Income Tax Expense

The income tax expense relates only to the Company's Kyrgyz subsidiaries and the Kyrgyz branch of Chaarat Operating Company GmbH, the Group not being subject to corporate income tax and withholding tax in the British Virgin Islands. The Company's Swiss subsidiary, Chaarat Operating Company GmbH, is subject to corporate income tax and withholding tax in Switzerland but did not incur any tax liabilities in the year.

The relationship between the expected tax expense based on the standard tax rate of 10% for the year to 31 December 2010 (2009: 10%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2010 USD 000's	2009 USD 000's
Result of Kyrgyz subsidiaries for the year before tax	(10,502)	(8,670)
<b>Tax rate</b>	<b>10%</b>	<b>10%</b>
Expected tax loss carried forward	(1,050)	(867)
Deferred tax asset not recognised	1,050	867
<b>Total tax expenses, net</b>	<b>-</b>	<b>-</b>

Legal entities of the Kyrgyz Republic must individually report taxable income and remit profit taxes to the appropriate authorities.

With effect from 1 January 2009 a new tax code was introduced by the Kyrgyz Republic intended to clarify the complicated tax system which has been difficult to interpret and contributed to commercial uncertainty. The lack of clarity and possibility of differing opinions regarding legal interpretation amongst Government bodies could result in severe fines, penalties and interest charges for companies. While the new tax code seeks to improve the situation it is still in the implementation phase and, as a result, there remain tax risks in the Kyrgyz Republic substantially more significant than typically found in countries with more developed tax systems.

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. In these circumstances no reliable estimate has been made of taxable losses accumulated to date which may be available for offset against future profits.

As the Group's operations are at a development stage, the Group has no income tax expense for the years ended 31 December 2010 or 2009.

## 22 Related Party Transactions

### *Key management personnel*

Key management personnel who were remunerated by the Group during the years under review were Dekel Golan, Alex Novak and Linda Naylor. 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.

	2010 USD	2009 USD
<b>Expenses charged:</b>		
Mada Consulting Pte Limited (in respect of D Golan)	359,130	392,688
Vetan Investments Limited (in respect of A Novak)	230,385	203,745
Central Asia Services Limited (in respect of L Naylor's salary)	238,587	87,864
Central Asia Services Limited (for other management services)	625,016	359,658
	<b>1,453,118</b>	<b>1,043,955</b>
<b>Amounts payable at 31 December</b>	<b>122,735</b>	<b>25,751</b>

Vetan Investments Limited charged a total of USD 243,585 (2009: USD 216,945) which includes the amounts detailed above relating to the remuneration of Alex Novak.

### *Transactions with other related parties*

During the year the Group received drilling, geological, and other sub-contracting services totalling USD 3,065,577 (2009: USD 2,060,156) from Geoservices KG LLC ("Geoservices"). Geoservices has been assisting the Group in geological consultancy works since 2005 and in 2008, following unsatisfactory performance by two mining contractors and a drilling contractor, Chaarat decided to support the development of Geoservices to a fully fledged exploration contractor company.

At 31 December 2010 the amount receivable from Geoservices as advanced against works to be performed in 2011 including the maintenance of the site during the winter period was USD 570,880 (2009: USD 270,071).

The acquisition of Kyrex Limited, details of which are given in note 16, was a related party transaction as Christopher Palmer-Tomkinson, Dekel Golan and Alex Novak, were also directors and shareholders of Kyrex.



## 23 Commitments And Contingencies

### *Capital expenditure commitment*

The Company had a commitment of USD 280,000 at 31 December 2010 (2009: 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.

### *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 Kyrgyzstan substantially more significant than typically found in countries with more developed tax systems.

### *Current economic and political environment*

The Kyrgyz Republic continues to undergo substantial political, economic and social changes. As an emerging market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy.

Furthermore, the Kyrgyz Government has not yet fully implemented the reforms necessary to create banking, judicial, taxation and regulatory systems that usually exist in more developed markets. As a result, operations in the Kyrgyz Republic involve risks that are not typically associated with those in developed markets. Although in recent years inflation has not been significant, certain risks persist in the current environment with results that include, but are not limited to, a currency that is not freely convertible outside of the country, certain currency controls and immature debt and equity markets.

The Group could be affected for the foreseeable future by these risks and their consequences. As a result, there are significant uncertainties that may affect future operations, the recoverability of the Group's assets and the ability of the Group to maintain or meet its obligations as they mature. The historical financial information does not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Company's financial statements in the period when they become known and estimable.

### *Licence agreements*

There are minimum expenditure commitments under all the licence agreements. These minimum levels of investment have always been achieved.

### *Site restoration liability*

According to Kyrgyz legislation and the licence agreements, the Kyrgyz subsidiaries are committed to restore working areas on the deposits. The restoration is only required to be made if exploration ceases on the deposit. At 31 December 2010, management did not make an estimate of restoration liability because there was no intention to cease operations and the cost of restoration was deemed immaterial.

## 24 Operating Leases

Non-cancellable operating lease liabilities of the Group relating to rental of property are as follows:

	2010 USD	2009 USD
Less than one year	70,906	-
Between one and two years	106,358	-
	177,264	-

## 25 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

2010	Loans and receivables USD	Financial Liabilities measured at amortised cost USD
Trade and other receivables	282,914	-
Cash and cash equivalents	10,124,977	-
Trade and other payables	-	1,396,891
	<b>10,407,891</b>	<b>1,396,891</b>

2009	USD	USD
Trade and other receivables	76,316	-
Cash and cash equivalents	6,812,046	-
Trade and other payables	-	450,437
	<b>6,888,362</b>	<b>450,437</b>

### Credit risk

The Group's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is USD 10,407,891 (2009: USD 6,888,362).

The Group's only significant credit risk is on cash at bank, 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 2010 and 2009 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 following tables show the illustrative effect on the income statement and equity that would result from possible changes in the foreign currency or interest rates which are considered reasonable given observed market volatility:

US\$000's	2010 Move [%]	Income statement Profit/(Loss)	Equity	2009 Move [%]	Income statement Profit/(Loss)	Equity
Fall in US interest rates	0.12	(5)	(5)	0.12	(7)	(7)
Fall in UK interest rates	0.5	(26)	(26)	0.5	(6)	(6)
Increase in US interest rates	2	91	91	3	167	167
Increase in UK interest rates	2	102	102	3	35	35
Fall in value of GBP vs USD	5	(246)	(246)	20	(230)	(230)
Increase in value of GBP vs USD	5	246	246	20	230	230
Fall in value of KGS vs USD	10	69	53	20	68	51
Increase in value of KGS vs USD	10	(41)	(53)	20	(40)	(51)



### Interest rate risk

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

### Foreign currency risk

The Group carries out expenditure transactions substantially in US dollars, with a lesser amount in GBP 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 subsidiaries' inter-company loan exposure and from the foreign currency translation risk arising on exposure to the local currency denominated net assets of the Kyrgyz operating subsidiaries.

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

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

Nominal amounts	2010			2009		
	GBP	USD'000's KGS	Other	GBP	USD'000's KGS	Other
Financial assets	5,164	976	144	1,206	292	51
Financial liabilities	(244)	(448)	(310)	(130)	(37)	(114)
<b>Short term exposure</b>	<b>4,920</b>	<b>528</b>	<b>(166)</b>	<b>1,076</b>	<b>255</b>	<b>(63)</b>

### Fair value of financial instruments

The fair value of the Group's financial instruments at 31 December 2010 and 2009 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. While the gold price has recently increased substantially, there can be no certainty as to the future price.

## 26 Post Balance Sheet Events

On 20 January 2011 Rontree Ventures Limited, a Cypriot company, was incorporated as a subsidiary of the Company.

On 7 February 2011 the Group announced that it had conditionally raised approximately USD 83.4 million (GBP 51.6 million) (gross) from a proposed issue of 103,290,468 ordinary shares of USD 0.01 each at a price of USD 0.808 each (GBP 0.50). Of these shares, 3,147,798 were issued on 4 February 2011 with the balance issued on 2 March 2011 following an Extraordinary General Meeting held on that date.

In March 2011, 8,500,000 share options were granted to certain employees with exercise prices between 70p and 150p. The options are exercisable between 1 and 8 years from the date of grant.



# Chaarat Gold Holdings Limited (the "Company")

[incorporated in the British Virgin Islands with registered number 1420336]

## Notice of Annual General Meeting

NOTICE IS GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY IN RELATION TO THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 WILL BE HELD AT 10.00A.M. ON 7 JULY 2011 AT THE OFFICES OF MACLAY, MURRAY & SPENS LLP AT 12TH FLOOR, ONE LONDON WALL, LONDON, EC2Y 5AB.

TO CONSIDER AND, IF THOUGHT FIT, PASS THE FOLLOWING RESOLUTIONS:

### ORDINARY RESOLUTIONS

1. To receive and consider the audited financial statements of the Company for the year ended 31 December 2010 (the "2010 Annual Report and Accounts").
2. To re-appoint PKF (UK) LLP, of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditors of the Company.
3. To authorise the directors of the Company (the "Directors") to determine the remuneration of the auditors.
4. To re-elect as a Director Dekel Golan who is retiring in accordance with the Company's Memorandum & Articles of Association (the "Articles") (Reg.12.7) and who, being eligible, offers himself for re-election.
5. To re-elect as a Director Christopher Palmer-Tomkinson who is retiring in accordance with the Articles (Reg.12.7) and who, being eligible, offers himself for re-election.
6. To re-elect as a Director Alexander Novak who is retiring in accordance with the Articles (Reg.12.7) and who, being eligible, offers himself for re-election.

### BY ORDER OF THE BOARD



Linda Naylor  
Company Secretary  
24 May 2011

### REGISTERED OFFICE:

Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands, VG1110

### NOTES:

Copies of the 2010 Annual Report and Accounts are posted on the Company's website ([www.chaarat.com](http://www.chaarat.com)) and will also be available for inspection at the offices of Central Asia Services Limited, 4th Floor, 6 Conduit Street, London W1S 2XE during normal business hours on any day (except Saturdays, Sundays and public holidays) and at the registered office of the Company from the date of this notice until the conclusion of the Annual General Meeting.

### NOTES FOR SHAREHOLDERS

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company 48 hours before the Annual General Meeting (i.e. by 10.00 a.m. on 5 July 2011) (or if the meeting is adjourned, in the register of members of the Company 48 hours before the day of the adjourned meeting) (the "Meeting") shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.
2. Registered members of the Company may vote at the Meeting (whether by show of hands or poll) in person or by proxy or corporate representative. A member may appoint one or more persons as his proxy to attend and vote at the Meeting on his behalf. A proxy need not be a member. Where more than one proxy is appointed the instrument of proxy must specify the number of shares each proxy is entitled to vote. The instrument appointing the proxy must be executed in substantially the same form as the Form of Proxy accompanying this Notice by the member or, in the case of a corporation, by the officer or other person duly authorised so to do. The instrument of proxy must be delivered to the Company's registrar no later than 48 hours before the time fixed for the Meeting (i.e. by 10.00 a.m. on 5 July 2011) or any adjourned meeting or alternatively may be produced at the place designated for the Meeting at any time prior to 10.00 a.m. on the date of the Meeting. The appointment of a proxy will not affect the right of a member to attend and vote in person at the Meeting or adjourned meeting. A member that is a corporation may appoint a representative to attend



and vote on its behalf at the Meeting by delivering evidence of such appointment to the Company's registrar no later than 48 hours before the time fixed for the Meeting (i.e. by 10.00 a.m. on 5 July 2011) or any adjourned meeting or alternatively may produce such evidence at the place designated for the Meeting at any time prior to 10.00 a.m. on the date of the Meeting.

3. Members (and any proxies or representatives they appoint) agree, by attending the meeting, that they are expressly requesting and that they are willing to receive any communications (including any communications relating to the Company's securities) made at the meeting.
4. A form of proxy is enclosed with this document. The form of proxy (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that authority) should be sent to Capita Registrars Limited at Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

#### NOTES FOR DEPOSITARY INTEREST HOLDERS:

In the case of Depositary Interest Holders, a form of direction must be completed in order to instruct Capita IRG Trustees Limited, the depositary, to vote on the holder's behalf at the meeting by proxy or, if the meeting is adjourned, at the adjourned meeting.

To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 72 hours before the time fixed for the Meeting (i.e. by 10.00 a.m. on 4 July 2011) or 72 hours before any adjourned Meeting. You must be registered as holder of the Depositary Interests as at 10.00 a.m. on 4 July 2011 for your form of direction to be valid.



# Chaarat Gold Holdings Limited [the "Company"]

[incorporated in the British Virgin Islands with registered number 1420336]

## Form Of Proxy

Form of proxy for use at the Annual General Meeting of the Company in relation to the financial year ended 31 December 2010 to be held at 10.00 a.m. on 7 July 2011 at the offices of Maclay Murray & Spens LLP at 12th Floor, One London Wall, London, EC2Y 5AB.

I/We ..... of .....  
Please insert full name(s) and address(es) in BLOCK CAPITALS

being a member of Chaarat Gold Holdings Limited hereby appoint the Chairman of the Meeting (note 5 below), or

Name of Proxy ..... Number of Shares over which Proxy is appointed

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB on 7 July 2011 (and at any adjournment thereof) as directed by an X in the spaces below.

☐ Please mark this box to indicate that this proxy appointment is one of multiple appointments being made.

Ordinary resolutions	For	Against	Vote withheld
1 To receive and consider the audited financial statements for the period ended 31 December 2010			
2 To re-appoint PKF (UK) LLP as auditors of the Company			
3 To authorise the Directors to determine the remuneration of the auditors			
4 To re-appoint Dekel Golan as a Director			
5 To re-appoint Christopher Palmer-Tomkinson as a Director			
6 To re-appoint Alexander Novak as a Director			

### NOTES:

- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company 48 hours before the Annual General Meeting (i.e. 10.00 a.m. on 5 July 2011) (or if the meeting is adjourned, in the register of members of the Company as at 6.00 p.m. 48 hours before the day of the adjourned meeting) (the "Meeting") shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.
- Registered members of the Company may vote at the Meeting (whether by show of hands or poll) in person or by proxy or corporate representative. A member may appoint one or more persons as his proxy to attend and vote at the Meeting on his behalf. A proxy need not be a member. Where more than one proxy is appointed the instrument of proxy must specify the number of shares each proxy is entitled to vote.
- The instrument appointing the proxy must be executed in substantially the same form as the Form of Proxy set out above set out above by the member or, in the case of a corporation, by the officer or other person duly authorised so to do. The instrument of proxy must be delivered to the Company's registrar no later than 48 hours before the time fixed for the Meeting (i.e. by 10.00 a.m. on 5 July 2011) or the adjourned meeting or alternatively may be produced at the place designated for the Meeting at any time prior to 10.00 a.m. on the date thereof. The appointment of a proxy will not affect the right of a member to attend and vote in person at the Meeting or adjourned meeting.
- A member that is a corporation may appoint a representative to attend and vote on its behalf at the Meeting by delivering no later than 48 hours before the time fixed for the Meeting (i.e. by 10.00 a.m. on 5 July 2011) or the adjourned meeting or alternatively may be produced at the place designated for the Meeting at any time prior to 10.00 a.m. on the date thereof.
- If any other proxy is preferred, strike out the words Chairman of the Meeting and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member of the Company.
- The signature of any one of the joint holders will be sufficient but the names of all the joint holders should be stated.
- Any alteration of this form must be initialled.
- In the case of a corporation this Form of Proxy should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
- Instruments of proxy or proof of appointment of representative should be delivered to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- If you prefer you may return the proxy form to Capita Registrars in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

Signed

Dated





# Chaarat Gold Holdings Limited (the "Company")

[incorporated in the British Virgin Islands with registered number 1420336]

## Form Of Direction

Form of Direction for completion by holders of Depositary Interests representing shares on a one for one basis in the Company in respect of the Annual General Meeting of the Company in relation to the financial year ended 31 December 2010 be held at 10.00 a.m. on 7 July 2011 at the offices of Maclay Murray & Spens LLP at 12th Floor, One London Wall, London EC2Y 5AB.

I/We ..... of .....

Please insert full name(s) and address(es) in BLOCK CAPITALS

being a holder of Depositary Interests representing shares in the Company direct Capita IRG Trustees Limited, the Depositary, to vote for me/us and on my/our behalf in person or by proxy at the Annual General Meeting of the Company to be held at 10.00 a.m. at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London, EC2Y 5AB on 7 July 2011 (and at any adjournment thereof) as directed by an X in the spaces below.

Ordinary resolutions		For	Against	Vote withheld
1	To receive and consider the audited financial statements for the period ended 31 December 2010			
2	To re-appoint PKF (UK) LLP as auditors of the Company			
3	To authorise the Directors to determine the remuneration of the auditors			
4	To re-appoint Dekel Golan as a Director			
5	To re-appoint Christopher Palmer-Tomkinson as a Director			
6	To re-appoint Alexander Novak as a Director			

### NOTES:

- To be effective, this Form of Direction and the power of attorney (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority must be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 72 hours before the time appointed for holding the meeting (i.e. by 10.00 a.m. on 4 July 2011).
- If you prefer you may return the Form of Direction to Capita Registrars in an envelope addressed to FREEPOST RSBH-UXXS-LRBC, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.
- Any alterations made to this Form of Direction should be initialled.
- In the case of a corporation this Form of Direction should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
- Please indicate how you wish your votes to be cast by placing "X" in the box provided. If no indication is given, you will be deemed as instructing the Depositary to abstain from voting on the specified resolution. On receipt of this Form of Direction duly signed, you will be deemed to have authorised Capita IRG Trustees Limited to vote, or to abstain from voting, as per your instructions.
- The Depositary will appoint the Chairman of the meeting as its proxy to cast your votes. The person appointed proxy may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the meeting.

Signed

Dated





# Directors And Advisers

## DIRECTORS

<b>C Palmer-Tomkinson</b>	Non-Executive Chairman
<b>L Tao</b>	Non-Executive Deputy Chairman
<b>D Golan</b>	Chief Executive Officer
<b>A Novak</b>	Executive Director
<b>L Naylor</b>	Finance Director
<b>D Tang</b>	Non-Executive
<b>Dr R Weinberg</b>	Non-Executive

### Company Secretary

Linda Naylor  
c/o Central Asia Services Limited  
6 Conduit Street  
London W1S 2XE  
T. +44 20 7499 2612  
E. admin@caserve.co.uk

### 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, 19 Razzakova Street,  
720040, Bishkek  
Kyrgyz Republic

### Web Site

[www.chaarat.com](http://www.chaarat.com)

### Financial Public Relations

Pelham Bell Pottinger  
5th Floor, Holborn Gate  
330 High Holborn  
London WC1V 7QD

### Auditors

PKF UK LLP  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP

### Registrars

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

### Depository

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

### Principal Bankers

Royal Bank of Scotland International  
Royal Bank Place  
1 Glatigny Esplanade  
St Peter Port  
Guernsey GY1 4BQ

### Nominated Advisor and Broker

Westhouse Securities Ltd  
One Angel Court  
London EC2R 7HJ

### Solicitors (UK)

Maclay Murray & Spens LLP  
One London Wall  
London EC2Y 5AB

### Solicitors (Kyrgyz Republic)

Kalikova & Associates  
71 Erkindik Boulevard  
Bishkek, 720040  
Kyrgyz Republic

### Solicitors (Switzerland)

Pestalozzi LachenalPatry Zurich AG  
Lowenstrasse 1  
CH-8001 Zurich  
Switzerland



