ANNUAL REPORT & ACCOUNTS 2013

CHAARAT GOLD HOLDINGS LTD

MAP OF THE KYRGYZ REPUBLIC SHOWING THE LOCATION OF THE CHAARAT PROJECT (IN YELLOW)

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Chairman's Report

Dear shareholder

Last year saw a dramatic change in the price of gold and more generally in the market's sentiment towards gold companies. Investors dumped their shares in gold companies which sent share prices plunging to levels not seen for years, and in some cases decades. Chaarat was not spared and although we did better than many of our peers, by the end of 2013, our share price had dropped by 10p from 19.5p at the beginning of the year. The general trend was exacerbated for Kyrgyz based companies due to the eruption in tension between Centerra (the largest gold producer in the country) and the Government. Many shareholders have recognized the undisputed advantage of Chaarat as a large high grade deposit with considerable upside for growth. It is at the end the grade which makes the difference. We appreciate the support of all our shareholders and in 2013 we welcomed a couple of new significant entrants to our register.

Having identified the change in market sentiment early in 2013, and conscious of the need to raise more money to reach production, which would have been possible but highly dilutive, your Board decided to change direction. We stopped the push towards production and commissioned a comprehensive Definitive Feasibility Study (DFS) for the whole Project. We believe this will allow the company to demonstrate the true potential of the Chaarat Deposit rather than investing all its efforts into establishing a small scale production unit which, due to its size, would generate minimal cash.

The DFS is coordinated by our recent appointee to the Board, Marcel (Mac) DeGuire, who joined the Board in May 2013. Mac brings with him a wealth of experience and knowledge which will result in a high quality and reliable DFS.

During the year we therefore focused on collecting the information which is required for a robust DFS. Extensive drilling increased our oxide (low cost to produce) resource and ensured we have a good understanding of the parameters underpinning the work.

We are often asked "what is it like to work in the Kyrgyz Republic"? Throughout the last year, countries which used to be considered as "traditional mining jurisdictions" have seen an increase in the tensions between mining companies, governments, local residents, the environment and its protectors, employees and other stakeholders. We have seen strikes, strife and shareholders' feuds. The mining industry in terms of rules and regulation and indeed in its actual practice in the Kyrgyz Republic is still in its earlier stages of evolution. Legislation is updated regularly; stakeholders are engaged in significant, sometimes vocal, debates. The availability of trained experienced public servants is limited and delays are not uncommon. But a general positive trend is crystallising. The process does work and rules, regulations and permits are issued. Engagement with both community level and national level representatives is taking place.

We are very proud of our stakeholders' engagement program. We have been working with the local communities for years to establish trust and mutual respect.

Having released the results of the DFS we will work towards financing the Project as well as securing the necessary construction permits to build the Project. There has been interest from other parties to participate in the Project and once we have a clearer understanding of the potential returns from the Project we can take a view on the best way to move forward. You will be kept posted.

I wish to record my thanks for the contribution of Rob Weinberg to the Board over the last three years and to welcome Mac DeGuire and Richard Rae who are both making a significant impact in their respective areas of expertise.

It just remains for me to thank our shareholders and employees for their support and invaluable contribution to Chaarat's success to date.

Christopher Palmer Tomkinson
Chairman

Summary of Estimated Resources

Chaarat Project - March 2014

Chaarat Deposit (Tulkubash Main and Contact Zones)

Cut-off g/t	Measured & Indicated			Inferred			Total Measured, Indicated, Inferred		
	Tonnes (Mt)	Grade (g/t)	Content (koz)	Tonnes (Mt)	Grade (g/t)	Content (koz)	Tonnes (Mt)	Grade (g/t)	Content (koz)
0.5	138.3	1.62	7,207	55.4	1.56	2,782	193.7	1.50	9,988
1.0	82.3	2.16	5,982	31.6	2.18	2,222	113.9	2.16	8,205
1.5	53.6	2.72	4,691	19.0	2.81	1,725	72.6	2.75	6,416
2.0	33.8	3.30	3,591	12.0	3.46	1,333	45.8	3.35	4,924
2.5	21.8	3.90	2,731	7.6	4.16	1,024	29.4	3.97	3,756

Tulkubash Zone (predominantly oxide and open pit)

Cut-off g/t Au	Measured & Indicated			Inferred			Total Measured & Indicated and Inferred		
	Tonnes (Mt)	Grade (g/t)	Content (koz)	Tonnes (Mt)	Grade (g/t)	Content (koz)	Tonnes (Mt)	Grade (g/t)	Content (koz)
0.5	21.4	1.31	901	4.4	1.21	173	25.8	1.29	1073
1.0	10.0	1.98	639	1.9	1.9	116	11.9	1.97	755
1.5	5.5	2.63	461	1.0	2.44	83	6.5	2.59	544
2.0	3.2	3.28	333	0.6	2.89	59	3.8	3.21	392
2.5	1.9	3.92	247	0.4	3.35	40	2.3	3.83	288

Main and Contact Zones combined (predominantly sulphide and underground)

Cut-off g/t Au	Measured& Indicated			Inferred			Total Measured & Indicated and Inferred		
	Tonnes (Mt)	Grade (g/t)	Content (koz)	Tonnes (Mt)	Grade (g/t)	Content (koz)	Tonnes (Mt)	Grade (g/t)	Content (koz)
0.5	116.9	1.657	6,306	51.0	1.59	2,609	167.9	1.65	8,915
1.0	72.3	2.18	5,343	29.7	2.20	2,106	102.0	2.19	7,450
1.5	48.1	2.73	4,230	18.0	2.84	1,642	66.1	2.76	5,872
2.0	30.6	3.30	3,258	11.4	3.49	1,274	42.0	3.36	4,532
2.5	19.9	3.89	2,484	7.2	4.20	984	27.1	3.98	3,468

Mt = thousand tonnes
g/t = grammes of gold per tonne
koz = thousand troy ounces of gold

Chief Executive Officer's Report

A comprehensive DFS will devise the optimal way forward for the whole Project

OPENING THE SPORTS HALL

The achievements of your company in 2013 were underpinned by two major events; one global and the other corporate. Globally, the markets, reacting both to the fall in the price of gold as well as to the understanding that the sector was ill prepared for the fall, lost faith with gold and gold companies and dumped their shares. Any company, with cash in hand and plans to raise more capital, would have been wise to seriously review its expenditure plans to avoid raising money at punitive prices and causing major dilution to existing shareholders.

In 2014 the two licences were consolidated to one and we now have full rights to exploit the deposit subject only to the submission of a development plan for approval by the Government within three years. The contents of the development plan are very similar to a Definitive Feasibility Study (DFS) which we have now started to compile.

Development strategy

As a junior company with a large deposit which is capable of supporting a significant production base, the development strategy of the company had attempted to strike a balance between raising funds to achieve the appropriate pace of development and shareholders' resulting dilution. Chaarat's management initially intended to seek to unlock the value of the Chaarat deposit in stages by constructing a production facility; a first stage of limited capacity, which would be expanded as additional funding opportunities become available; such as by way of cash from operations, project finance or the introduction of a partner. Once in production, the execution risk profile of the project would have been decreased and the Board believes that the next stages of development would be easier to implement as raising funds, or finding the partners to increase production capacity would be more straightforward and reflect a higher value for the company.

We raised money in 2011 to reach early small scale production during 2013. It was clear from the outset that we would need an additional amount, probably $20 million, to reach production and we assumed this money would be raised as a working capital facility. However, the change in sentiment by the markets towards gold producers combined with the periodic tension between Centerra and the Kyrgyz Parliament meant that the cost of this facility would be punitive. These facts combined with a sliding gold price made it clear that we were unlikely to generate significant free cash flow from such a small production capacity.

The Board, having secured the mining licence for the whole Chaarat deposit, decided therefore to conduct a comprehensive DFS so that we could devise the optimal way forward for the whole Project. The DFS will also satisfy the regulatory requirement to submit a development plan to the Government. The DFS team led by Mac DeGuire includes specialists from GBM, Gustavson Associates, Golder Associates and RDI.

Initial conclusions from work associated with the DFS

The DFS will establish a development strategy which keeps our options open. There will be two options: one which focuses on minimizing upfront capital investment whilst maintaining acceptable returns and the second focused on a large production base which

ROAD CONSTRUCTION SURVEY

ROAD CONSTRUCTION AT SITE

ACCESS ROAD CONSTRUCTION

CORE DOCUMENTING

generates the maximum return from the development of the whole Project from the outset. This can be achieved by designing the Project in two stages which can be developed simultaneously or sequentially. Simultaneous development of the Project will produce much more gold but require larger upfront investment.

The Chaarat deposit is located in a narrow valley which could limit development options for the Project. A trade-off study determined that economically, environmentally and operationally the process plant and associated infrastructure should be located in the adjacent valley and a 10 km tunnel constructed to connect the plant to the mine site. The initial significant capital investment in building the tunnel will be more than justified by the significant reduction in haulage costs and environmental benefits. We have revised the first stage Project to ensure it generates the returns to cope with the capital outlay of the tunnel and power line.

In view of the required initial capital investment, production of about 120koz of gold per year will be required to justify the heap leach project as a standalone. In order to achieve that level of production the available open pittable, low strip-ratio, heap leachable resource base needs to be increased. Drilling during the 2013 season increased the resource of the shallow open pittable section of the Tulkubash to 6.37 million tonnes of resource at a grade of 1.95 g/t (from 2.7 million tonnes in 2012). Although this is a significant increase over the previously delineated volume, we need to drill further along strike both to increase the quantity of material available for lower cost processing as well as the projected annual throughput of the mine. The necessary drilling has commenced already and, to allow sufficient time to analyse the results of the drilling, we now expect the DFS to be completed in early 2015.

The low sulphide clean ore of the Tulkubash zone will be processed by heap leach which is less capital intensive than the alternative Carbon in Leach (CIL) method. The low cost of processing by the heap leach method will enable us to add already mined lower grade material to the pad; material which would otherwise be sub-economic to process. The gold generated from this material will have a significant positive impact on the project returns.

Achievements in 2013

Work in 2013 focused on four major areas of activity:

1. The preparation of the DFS including identifying the land requirements of the project
2. Securing land for the project layout (including the power line)
3. Developing the power scheme design
4. Engagement with the community, consultation, support and development

DFS

The priority during 2013 was data collection for the feasibility study. A total of 16,500 metres of drilling provided data for the geotechnical studies, the hydrological investigations and increased the delineated resource.

The geological database has undergone a careful audit by Gustavson in order to produce the latest resource estimate. Drilling in the shallower, more weathered and therefore more oxidized layer of the deposit was designed to increase the Measured and Indicated resource which will be mined by the open pit method. More material was delineated in the near surface oxide open pittable sections but at a slightly lower grade than the deeper material. The grade of the predominantly underground non-oxide material section of the deposit has been reduced from 4.03 g/t to 3.36 g/t using a 2 g/t cut-off grade. The grade of the shallow oxide and open pittable section of the deposit is currently 1.97 g/t using 1 g/t cut off. The change of grade was also a result of the more conservative approach adopted in the construction of the solid model. As a result of the additional drilling a larger part of the resource can be categorised as Measured and Indicated. At the same time stricter criteria for inclusion of material in the Inferred category reduced the proportion of Inferred resource from 48% to 27% of the total resource.

Considerable metallurgical work has been conducted by RDI to enable the Company to differentiate the optimal metallurgy of the different types of mineralisation.

Having concluded that the best site for the plant is outside the Sandalash valley in the adjacent Chatkal valley, we secured permission to carry out investigation work in this area. Initial environmental work to establish the "base-line" status of the location has commenced and will be completed during the spring and autumn of 2014.

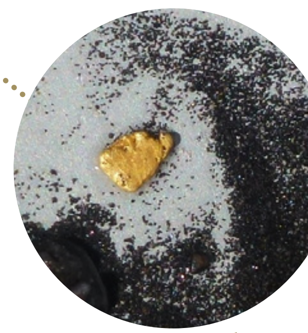
Consultants have been appointed for all aspects of the DFS work: Gustavson Associates are appointed to execute the mine and tunnel design, GBM commissioned for the engineering work and Golder Associates are responsible for the geotechnical and environmental work as well as the tailings design.

Land

The land laws in the Kyrgyz Republic relating to mining projects have been revised to be more investor friendly but implementation is likely to take time until the new procedures are well embedded. The law states that land for mining projects once recognised as such reverts to the state and is then allocated to the mining company. We decided to approach the existing owners of the land plots we require and negotiate leases with them directly to facilitate the process. Whilst this

GEOLOGIST STUDYING CORE SAMPLES

WIRING INSTALLATION



GOLD NUGGET

procedure may be slightly more expensive we will at least have "ownership" and access to the land we need and can start the planning process. We are pleased to report that the required land has been delineated and that progress has been made in negotiations with land owners.

Power

Chaarat has designed the power line and signed a quota agreement with the national electricity company (NESK). We are now in the process of securing land for the pylons (as outlined above) and the right of way from four provinces. We have been given three years to complete the design and construction of the line. The line will have the capacity to transmit 70MW of low cost hydropower generated electricity to the Chaarat Project.

Stakeholders' engagement

The activities in relation to our engagement with the communities around us and other stakeholders are described in detail in the Corporate Social Responsibility (CSR) Report.

Finance

As part of the revised strategy to prepare a DFS before production we have as a Board reviewed all expenditure to date on the small scale Tulkubash Project. All investment on infrastructure, such as access roads and power lines, will benefit the enlarged Project. However certain design and engineering costs incurred when small scale production was envisaged have been written off. We continue to focus on minimising discretionary expenditure and reducing headcount where it does not compromise safety at site or impede the progress of the DFS. We are actively seeking additional funding from the sale of plant and equipment not immediately required as well as the sale of exploration assets which are not our priority to develop.

Exploration assets

We are pursuing petrographical work on our Chontash asset to improve understanding of the intrusive body in the porphyry. We are in discussions about the sale of the other two assets. Mironovskoye is a fully permitted gold mine and a number of entities have expressed an interest. We relinquished one of the licences relating to the Kyzil Ompul project and have decided to impair this greenfield prospect to the indicative offer we received to buy the remaining licences.

Looking forward

We are very encouraged by the early results of the DFS which supports our view that Chaarat is one of the largest and best undeveloped deposits in the world. The DFS will demonstrate both the economic merit of the Project and establish a clear route for its development.

As always I would like to thank our shareholders and staff who never give less than their total commitment to the development of the Chaarat Project.

Dekel Golan
Chief Executive Officer

All investment on infrastructure, such as access roads and power lines, will benefit the enlarged Project

SETTING UP THE COMMUNICATION UNIT

Corporate Social Responsibility Report

SANDALASH RIVER

CUTTING OF THE RIBBON TO OPEN THE NEW SPORTS HALL

HAVING FUN

2013 marked a significant achievement in Chaarat's ongoing engagement and consultation with local stakeholders. A Community Consultation Group (CCG) was formally established with participation from all sections of the communities near the Chaarat deposit, including the heads of the two local "Keneshes" (councils).

Chaarat has also demonstrated its partnership with the region by moving its taxpayer location from Bishkek (the capital) to Kanysh Kya (the village nearest the mine site). This means that Chaarat is now paying its taxes regionally and is the largest independent contributor to the local coffers. The local authorities are pleased with Chaarat's move and are trying to encourage other companies to follow our example.

Chaarat makes investment decisions based on the following principles:

- The number of people who benefit from the project
- The potential to operate independently of the company and to continue when support ends
- The potential to increase professional and employment skills within the community
- The availability of contributions from the initiators of the project either in monetary or work
- The ability to monitor and report on the impact of the investment

The objectives of the CCG based on these principles are:

- To establish that the local population understand the process and concept of development of the Chaarat deposit and any concerns are addressed
- To ensure that the support provided by the Company to the local community is invested according to the priorities of the local communities and for their general benefit

Projects are selected through a transparent process and in cooperation with community representatives. The results of the decision-making process are documented and made publicly available.

The first formal round of financing for local projects was conducted in May 2013. Chaarat strongly encourages projects that fit with existing socio-economic development strategies and that build on initiatives which are already underway. The projects we support must become self-sustaining.

In 2013 the following three major social projects were selected by agreement with the local government, the community and Chaarat: infrastructure, education and skills building and recreational activities.

Infrastructure

Chaarat has continued to be the leading member of a group of exploration and mining companies who commit resources to the

upgrade of the main road in the Chatkal valley to improve the ability of the local population to trade the goods they produce and buy the products they need.

The road from Kurulush through the Chatkal valley to Chakmak-Suu is 90 km long and upgrading is completed at the rate of about 4km per year. The upgrade of a single kilometre of road costs approximately $120,000 and half the cost is paid by Chaarat. When the Chaarat Project is in production the Company will allocate 2% of its revenue to a local development fund which will also be used in part to upgrade the road.

The design of a new power line from Kristal sub-station to the Chatkal valley (a total of 128 km) has been approved by the authorities. The design was carried out and paid for by Chaarat. The new power line will improve significantly both the availability and reliability of power supply to the valley.

Education and skills building

Since 2008 Chaarat has supported qualifying students through higher education in mining sector related skills (principally geology and mine engineering). We pay for students' tuition and provide a modest living allowance. The students work as trainees on site during the summer holidays on full pay. There are currently 12 students in the programme of whom four are women. In 2013 four students graduated.

In 2014 at the request of the Kanysh-Kiya Ayil Okmotu (Rural Council) we have offered placement opportunities to drill helpers trained at the local vocational schools. As a result of the placements, they will gain the necessary experience to seek employment with exploration companies.

Recreational activities

The construction of a sports hall was a top priority for the local population. After two years of design, tendering, permitting and construction, the Bashky-Terek sports hall was inaugurated in 2013 with the local wrestling aficionados demonstrating their skills during the opening ceremony.

Winter support

Winter has always presented a challenge for the mountain communities. Poor infrastructure and lack of transport increase the cost of supply of flour (for bread) and hay (animal feed) to exorbitant levels during the long winter months. Buying sufficient supplies in the summer is not an option so personal savings would be used to buy supplies during winter. For the last four years Chaarat has supported the local population by buying supplies in Bishkek, transporting them to the mountains and selling them on at cost. This support is much appreciated by the community.

FIRST MATCH IN THE NEW SPORTS HALL

STUDENT ON SITE

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

FRESHLY BAKED BREAD

Directors' Biographies

Christopher Palmer-Tomkinson
(Non-Executive Chairman)

Christopher has continued to lead the Chaarat Board with the same focus on corporate governance and the interests of shareholders he has demonstrated since Chaarat became a public company in 2007.

A partner in Cazenove from 1972 until 2001, he was managing director of international corporate finance until May 2002. He was responsible at various times for Cazenove's African and Australian businesses focusing on the resource sector. Christopher is a former director of Highland Gold Mining Limited. He is a member of Chaarat's Remuneration and Audit Committees.

Dekel Golan
(Chief Executive Officer)

Dekel brings his proven entrepreneurial skills to the development of the Chaarat Project.

Formerly president of Apex Asia LDC, a subsidiary of Apex Silver Mines Limited, he has extensive experience in developing businesses, in emerging economies as well as the developed world and was the founder and Executive Chairman of APC Limited, a coffee and tea producer in Africa.

Alexander Novak
(Executive Director)

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

Linda Naylor
(Finance Director)

Linda is responsible for the finance and treasury functions as well as fulfilling the role of Company Secretary. She is the primary point of contact for all shareholders.

A former partner in Grant Thornton UK LLP, her experience gained over more than twenty years included working as a nominated adviser in the Capital Markets team from 1996 and as an audit partner specialising in the natural resource sector.

Marcel DeGuire
(Non-Executive Director)

Mac is currently acting as Project Manager for the Definitive Feasibility Study and will revert to a non-executive director upon its completion.

Mac's career in the international mining industry spans more than 40 years. In 2006 as senior vice president of Apex Silver Mines he initiated the sale of a share of the San Cristobal project to Sumitomo Corporation of Japan for $500m, having managed the pre-feasibility and definitive feasibility studies and the development plan for the project.

During his twenty years at Newmont Mining he managed the project development and initial operations of Newmont's $225m Zarafshan gold heap leach project in Uzbekistan. His responsibilities included negotiation of the joint venture agreement, development of the process flow sheet and commissioning and start-up of mining operations.

Richard Rae
(Non-Executive Director)

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

As a managing director of ABN AMRO, Richard was responsible for the team engaged in research, sales and trading of Mid and SmallCap equities. In this role and before that as Head of UK Smaller Companies Research & Sales, he managed the liaison with the corporate broking and financial advisory departments.

He is a non-executive Director and member of the Audit Committee of Aberforth Smaller Companies Investment Trust plc, the largest investment trust within the UK Smaller Company sector.

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

ACCOUNTS 2013

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2013.

Principal Activities

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

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

Business Review

Reviews of operations and business developments are reported on in the Chairman's Statement, the Chief Executive Officer's Report and within the details of the Financial Statements. The Financial Statements set out the financial position of the Group.

Results and Dividends

The results for the year are set out in the Consolidated Income Statement. No dividend is proposed in respect of the year (2012: nil). The loss for the year of USD 14,376,210 (2012: USD 11,489,788) has been taken to reserves.

Directors

The Directors who served during the year were:

- **Christopher Palmer- Tomkinson**
- **Dekel Golan**
- **Alexander Novak**
- **Linda Naylor**
- **Rob Weinberg**
- **Marcel DeGuire (appointed 8 May 2013)**
- **Richard Rae (appointed 10 December 2013)**

Rob Weinberg retired from the Board on 4 May 2014.

In accordance with the Company's Articles of Association the directors who have been longest in office since their last election must retire by rotation at the Annual General Meeting, and may stand for re-appointment at the Meeting. Accordingly, the directors retiring by rotation, Christopher Palmer-Tomkinson and Alexander Novak, being eligible, offer themselves for re-appointment.

Share Capital and Substantial Share Interests

Details of the Company's share capital are disclosed in note 18 of the financial statements.

On 23 May 2014, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Number of Shares	%
Wilshire-Fasanara Credit Strategies SP Fund	29,057,436	11.60
China Nonferrous Metals Int'l Mining Co. Ltd	22,469,289	8.97
First State Investments International (UK) Ltd	20,409,162	8.15
Dekel Golan via Mada Limited	14,620,755	5.84
Alexander Novak via Vetan Investments Limited	12,368,198	4.94
BlackRock	11,928,699	4.76
Baker Steel Capital Managers	9,091,950	3.63
Gary Mellon	7,869,397	3.14

Going concern and project funding requirements

In May 2013 the Board announced a revised development strategy for the Chaarat Project which now involves the completion of a Definitive Feasibility Study (DFS) for the whole Project rather than pursuing production from the Tulkubash Project alone. Early small stage production as originally envisaged would have required funds to be raised for working capital.

In light of the decision not to pursue production before completion of the DFS, the Board has reviewed the revised budgets and cash flow forecasts for the period to 31 December 2015, which include an element of discretionary expenditure. At 31 December 2013, the Group had cash and cash equivalents of USD 11.2 million and no borrowings. Since the original budget for the DFS was completed, additional areas of work have been identified which if undertaken will add value to the Chaarat Project by increasing production, reducing operating costs and reducing the environmental impact. Accordingly the Board decided to commission the DFS consultants to undertake the additional work with a consequent increase in the costs of the DFS. The additional work also requires further drilling and data collection during the 2014 season which is now underway. As a result further funds may be required to cover the shortfall between the original budget and revised budgets for completion of the DFS, which due to enlargement of scope is now scheduled for completion in 2015.

The Board has a reasonable expectation that these funds will be made available by selling certain equipment and other assets of the Group, cutting discretionary expenditure, reviewing the timing of other expenditure and pursuing other fund raising options. Subject to the successful realisation of these expectations, the Board is satisfied that it has sufficient funds to complete the DFS and to maintain the Group as a going concern for a period of over twelve months from the date of signing the annual report and accounts. However, in the absence of such arrangements being in place these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

After completion of the DFS in 2015, further funding will be required to complete the Chaarat Project, which has been in progress since 2011, and bring it to production. If this funding cannot be secured the Group may not be able to fully develop the Project and the carrying values of the mine properties, related plant and equipment and assets in construction, which at 31 December 2013 amounted to approximately $44 million, may become impaired.

Directors' Responsibilities

The directors are responsible for preparing the financial statements and have, as required by the AIM rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the state of affairs of the group and of its profit or loss for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and accounting 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 the 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 to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the British Virgin Islands governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditor

In the case of each of the directors who are directors of the company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the company's auditor is unaware; and

- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of the information.

Auditor

A resolution to appoint BDO LLP as auditors of the company will be put to the next Annual General Meeting.

Corporate Governance

The key objective of corporate governance is to enhance and protect shareholder value. The Board is committed to maintaining high standards of corporate governance by applying good corporate governance principles pragmatically, having regard to the business profile and size of the Group. The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the UK Corporate Governance Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Corporate Governance Code in relation to the size and the stage of development of the Company. Guidance from the Quoted

Companies Alliance is also provided by the Corporate Governance Code for small and mid-size quoted companies 2013. The Board is assisted in this regard by the committees described below.

Independence
The Board considers it essential, notwithstanding the small size of the company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre as non-executive directors. Consequently they believe that it is in the interests of shareholders that non-executive directors should be provided with share options in addition to the level of fees considered affordable. The company sought advice from its advisers on this policy, which does depart from best practice. The number of such options currently amounts to 1,432,015 in total, or just under 0.57% of the current issued share capital, and in the opinion of the executive directors is not of sufficient magnitude as to affect the independence of the non-executive directors.

Our priority as a Board is to enhance and protect shareholder value by appointing directors with the requisite technical and personal skills to achieve the strategy. Our Chairman considers his role of building an effective Board as his principal contribution to Chaarat. All our directors bring independence of character and judgement to their roles and this is demonstrated in their engagement with shareholders.

The non-executive directors are usually free from any material business or other relationship with the Group. Since his appointment to the Board Mac DeGuire has taken a project manager role to ensure delivery of a robust Definitive Feasibility Study and he will then revert to a non-executive role.

Richard Rae is the senior non-executive director and is considered independent by the rest of the Board.

Board meetings
The members of the Board meet regularly to review progress. Board meetings at which formal decisions are made are held offshore as required to approve strategy and budgets, major capital expenditure and the financial statements.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the company's expense in the furtherance of their duties.

Remuneration committee
The remuneration committee comprises Richard Rae as Chairman and Christopher Palmer-Tomkinson. The committee meets as required during each financial year. It is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration, having due regard to the interests of shareholders as a whole and the performance of the Group. The remuneration committee also administers the company's share option arrangements. The remuneration of the non-executive directors is reviewed by the whole Board. The executive directors were not awarded an increase in salary, bonuses or share options in 2013.

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

Audit committee
The audit committee comprises Richard Rae as Chairman and Christopher Palmer-Tomkinson. The committee meets on at least three occasions each financial year. It reviews the Company's interim and annual financial statements before submission to the Board for approval, as well as regular reports from management and the external auditors on audit, accounting and internal control matters. Where appropriate, the audit committee monitors the progress of action taken in relation to such matters. The audit committee also recommends the appointment of, and reviews the fees of, the external auditors. It also reviews the independence of the external auditors and any non-audit services provided.

Nominations committee
The nominations committee is comprised of the whole Board of Directors. The Chairman reviews all proposed changes to the Board with regard to the balance of skills necessary to achieve Chaarat's strategic objectives. Recommendations for nomination to the Board have been based to date on the personal contacts of the existing Board, for example Mac DeGuire had worked with Dekel Golan at Apex Silver on the San Cristobal project.

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

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

Remuneration Report

Policy

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

Details of individual directors' remuneration are shown below:

	Salary USD	Fees USD	Pension USD	Share based payment USD	2013 Total USD	2012 Total USD
Dekel Golan	427,394	-	-	164,131	591,525	537,234
Alex Novak	255,503	-	-	102,520	358,023	340,503
Linda Naylor	246,456	-	24,646	100,912	372,014	346,570
Christopher Palmer- Tomkinson	-	46,960	-	19,481	66,441	61,234
Mac DeGuire	-	98,200	-	4,252	102,452	-
Rob Weinberg	-	46,960	-	17,644	64,604	54,509
Richard Rae	-	3,246	-	-	3,246	-
Retired directors	-	-	-	2,456	2,456	4,164
Total	**929,353**	**195,366**	**24,646**	**411,396**	**1,560,761**	**1,344,214**

Directors' Interests

Share Interests

The directors of the Company who held office at 31 December 2013 held the following beneficial interests, either directly or indirectly, (including interests held by spouses, minor children or associated parties) in the ordinary shares and options of the Company at 31 May 2014:

	Number of Shares	Number of Options over Shares
Christopher Palmer-Tomkinson	6,100,000	680,914
Dekel Golan	14,620,755	5,809,331
Alexander Novak	12,386,198	3,632,124
Linda Naylor	1,000,000	2,029,244
Rob Weinberg	60,000	253,704
Richard Rae	200,000	200,000
Marcel DeGuire	-	297,397
	34,366,953	**12,902,714**

The following executive Directors have options to subscribe for ordinary shares in the Company as follows:
At 31 December 2013 and 31 December 2012

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

The non-executive Directors have options to subscribe for ordinary shares in the Company as follows:

		At 31 December 2013			At 31 December 2012	
Price	Exercise period	Christopher Palmer-Tomkinson	Rob Weinberg	Mac DeGuire	Christopher Palmer-Tomkinson	Rob Weinberg
USD 0.9166	08/11/07 – 16/10/17	300,000	-	-	300,000	-
25p	01/09/12 – 31/08/17	26,000	-	-	26,000	-
41p	25/02/11 – 24/02/18	18,699	-	-	18,699	-
41p	25/02/12 – 24/02/18	18,699	-	-	18,699	-
41p	25/02/13 – 24/02/18	18,699	-	-	18,699	-
61p	22/12/11 – 21/12/18	12,569	-	-	12,569	-
61p	22/12/12 – 21/12/18	12,569	-	-	12,569	-
61p	22/12/13 – 21/12/18	12,568	-	-	12,568	-
27p	22/12/12 – 21/12/19	37,037	34,568	-	37,037	34,568
27p	22/12/13 – 21/12/19	37,037	34,568	-	37,037	34,568
27p	22/12/14 – 21/12/19	37,037	34,568	-	37,037	34,568
25p	31/12/13 – 30/12/20	50,000	50,000	-	50,000	50,000
25p	31/12/14 – 30/12/20	50,000	50,000	-	50,000	50,000
25p	31/12/15 – 30/12/20	50,000	50,000	-	50,000	50,000
25p	08/05/14 – 07/05/21	-	-	32,466	-	-
25p	08/05/15 – 07/05/21	-	-	32,466	-	-
25p	08/05/16 – 07/05/21	-	-	32,465	-	-
Total		**680,914**	**253,704**	**97,397**	**680,914**	**253,704**

On 3 March 2014, 200,000 options were issued to Mac DeGuire and 200,000 options to Richard Rae with an exercise price of 25p.

By Order of the Board

L Naylor

Linda Naylor
Company Secretary
23 June 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHAARAT GOLD HOLDINGS LIMITED

We have audited the financial statements of Chaarat Gold Holdings Limited for the year ended 31 December 2013 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 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 auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2013 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Emphasis of matter – going concern, the carrying value of mine development assets and adequacy of project funding

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2 and 3 to the financial statements regarding going concern, the carrying value of the mine development assets and the requirement for the Group to raise further funding to enable the mine project to be brought into production.

The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2015 and believe that further funds may be required for completion of the Definitive Feasibility Study (DFS) due to the enlargement in scope of the DFS and additional data collection as well as for general going concern purposes. The Board has a reasonable expectation that these funds will be made available by selling certain equipment and other assets of the Group, cutting discretionary expenditure, reviewing the timing of other expenditure and pursuing other fund raising options. However, these conditions, along with the other matters explained in the going concern disclosures in note 2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

The note on significant areas of judgement and estimation explains the assessment that the Board has made of the carrying value of the mine project. The DFS is currently in progress and therefore the evaluation is at an early stage and no detailed economic model is currently available. During the course of the completion of the DFS, current views on key estimates and assumptions may change and if these changes are adverse then an impairment of the carrying value of the mine properties, related plant and equipment and assets in construction, which amounted to approximately $44 million at 31 December 2013, may arise.

The note on project funding requirements explains that further funding is required to complete the mine project and if the Group is unable to secure the additional funding it may not be able to fully develop the project and this may lead to the carrying value of the mine properties, related plant and equipment and assets in construction becoming impaired.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom

23 June 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

For the years ended 31 December

	Note	2013 USD	2012 USD
Exploration expenses		(4,780,317)	(6,301,714)
Impairment of assets	4	(4,061,949)	-
Administrative expenses		(4,962,471)	(5,905,089)
Administrative expenses- Share options expense		(756,356)	(588,514)
Administrative expenses- Foreign exchange gain		8,309	229,581
Total administrative expenses		(5,710,518)	(6,264,022)
Other operating (expense)/income		(43,027)	345,862
Operating loss	4	(14,595,811)	(12,219,874)
Finance income	8	219,601	730,086
Taxation	23	-	-
Loss for the year, attributable to equity shareholders of the parent		(14,376,210)	(11,489,788)
Loss per share (basic and diluted) – USD cents	19	(5.74)	(4.59)

Consolidated Statement of Comprehensive Income

For the years ended 31 December

	2013 USD	2012 USD
Loss for the year, attributable to equity shareholders of the parent	(14,376,210)	(11,489,788)
Other comprehensive income:		
Exchange differences on translating foreign operations and investments	(528,755)	(918,873)
Other comprehensive income for the year, net of tax	(528,755)	(918,873)
Total comprehensive income for the year attributable to equity shareholders of the parent	**(14,904,965)**	**(12,408,661)**

Consolidated Balance Sheet

At 31 December

	Note	2013 USD	2012 USD
Assets			
Non-current assets			
Intangible assets	9	103,718	129,740
Mining exploration assets	10	7,192,913	8,349,367
Mine properties	11	21,657,042	8,400,984
Property, plant and equipment	12	7,691,266	4,685,330
Assets in construction	13	14,477,613	15,598,101
Other receivables	14	-	-
		51,122,552	**37,163,522**
Current assets			
Inventories	15	1,753,802	2,783,323
Trade and other receivables	16	857,903	3,143,397
Cash and cash equivalents	17	11,163,079	36,944,060
		13,774,784	42,870,780
Total assets		**64,897,336**	**80,034,302**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	18 (b)	2,504,778	2,504,778
Share premium	18 (b)	128,551,662	128,551,662
Other reserves		15,013,806	14,618,604
Translation reserve		(2,517,808)	(1,989,053)
Accumulated losses		(80,646,255)	(66,631,199)
Total equity		**62,906,183**	**77,054,792**
Non-current liabilities			
Deferred tax	22	475,772	472,620
		475,772	**472,620**
Current liabilities			
Trade and other payables	20	617,181	754,951
Accrued liabilities	21	898,200	1,751,939
		1,515,381	2,506,890
Total liabilities		**1,991,153**	**2,979,510**
Total liabilities and equity		**64,897,336**	**80,034,302**

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2014.

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
Balance at 31 December 2011	**18 (b)**	**2,504,778**	**128,551,662**	**(55,420,195)**	**14,308,874**	**(1,070,180)**	**88,874,939**
Currency translation		-	-	-	-	(918,873)	(918,873)
Other comprehensive income		**-**	**-**	**-**	**-**	**(918,873)**	**(918,873)**
Loss for the year ended 31 December 2012		-	-	(11,489,788)	-	-	(11,489,788)
Total comprehensive income for the year			**-**	**(11,489,788)**		**(918,873)**	**(12,408,661)**
Share options lapsed		-	-	278,784	(278,784)	-	-
Share options expense		-	-	-	588,514	-	588,514
Balance at 31 December 2012	**18 (b)**	**2,504,778**	**128,551,662**	**(66,631,199)**	**14,618,604**	**(1,989,053)**	**77,054,792**
Currency translation						(528,755)	(528,755)
Other comprehensive income						**(528,755)**	**(528,755)**
Loss for the year ended 31 December 2013				(14,376,210)			(14,376,210)
Total comprehensive income for the year				**(14,376,210)**		**(528,755)**	**(14,904,965)**
Share options lapsed				361,154	(361,154)		-
Share options expense					756,356		756,356
Balance at 31 December 2013	**18 (b)**	**2,504,778**	**128,551,662**	**(80,646,255)**	**15,013,806**	**(2,517,808)**	**62,906,183**

Consolidated Cash Flow Statement

For the Years Ended 31 December

	Note	2013 USD	2012 USD
Operating activities			
Loss for the year		**(14,376,210)**	**(11,489,788)**
Adjustments:			
Amortisation expense - intangible assets	9	50,914	53,372
Depreciation expense - property, plant and equipment	12	1,076,025	902,531
Profit/(loss) on disposal of property, plant and equipment	4	9,439	(359,991)
Impairment of assets	4/10/(13)	4,416,403	-
Finance income	8	(219,601)	(730,086)
Share based payments	4	756,356	588,514
(Gains) on foreign exchange	4	(8,309)	(229,581)
Decrease/(increase) in inventories		1,029,521	(1,454,957)
Decrease in accounts receivable		2,285,494	4,920,850
(Decrease)/increase in accounts payable		(988,359)	299,059
Net cash flow used in operations		**(5,968,327)**	**(7,500,077)**
Investing activities			
Purchase of computer software	9	(24,892)	(138,354)
Purchase of tangible fixed assets	11/12/13	(19,486,920)	(17,060,389)
Interest received	8	219,601	730,086
Net cash used in investing activities		**(19,292,211)**	**(16,468,657)**
Financing activities			
Net cash from financing activities		**-**	**-**
Net change in cash and cash equivalents		**(25,260,538)**	**(23,968,734)**
Cash and cash equivalents at beginning of the year		**36,944,060**	**61,184,915**
Effect of changes in foreign exchange rates		(520,443)	(272,121)
Cash and cash equivalents at end of the year	17	**11,163,079**	**36,944,060**

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 with ticker symbol CGH.

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

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

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

* Companies owned indirectly by Chaarat Gold Holdings Limited
Chaarat Operating Company GmbH has registered a branch office in the Kyrgyz Republic.

2 ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in the preparation of these consolidated financial statements are summarised below:

BASIS OF PREPARATION

The financial information has been prepared in accordance with IFRS as adopted by the European Union. As detailed under the basis of consolidation note, the acquisition of the Company in 2007 was treated as a reverse acquisition by its then operating subsidiary, without the presence of goodwill.

There are no 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 2013.

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.

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 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 then 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.

- The acquisition of Geoservices KG on 28 December 2011 was accounted for under the acquisition method of accounting which required the determination of the fair value of the assets and liabilities acquired.

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 the income statement as incurred.

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

FUNCTIONAL AND PRESENTATION CURRENCY OF THE PARENT

These consolidated financial statements are presented in United States dollars, rounded to the nearest dollar as the Company believes it to be the most appropriate and meaningful currency for investors. 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 which is also 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. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

Residual values, remaining useful lives and deprecation 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 improvement expenditure, where the benefit enhances the capabilities or extends the useful life of an asset, is capitalised as part of the appropriate asset.

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

INTANGIBLE ASSETS – COMPUTER SOFTWARE

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

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 for 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 below.

MINING EXPLORATION AND DEVELOPMENT COSTS

During the exploration phase of operations, all costs are expensed in the Income Statement as incurred.

A subsequent decision to develop a mine property within an area of interest is based on the exploration results, an assessment of the commercial viability of the property, the likely availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project are capitalised and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations over the relevant life of mine on a units of production basis. Expenditure is only capitalised provided it meets the following recognition requirements:

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

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

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.

IMPAIRMENT TESTING

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

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

- unexpected geological occurrences that render the resource uneconomic;
- title to the asset is compromised;
- variations in metal prices that render the project uneconomic; and
- variations in the currency of operation.

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

LEASED ASSETS

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date the asset is initially recognised or the date of entering into the lease agreement.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

TAXATION

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 in other comprehensive income, in which case the related deferred tax is also charged or credited to other comprehensive income.

INVENTORIES

Inventories consist of equipment spares and consumables which are stated at the lower of cost or net realizable value. Cost is calculated using the average cost method. Net realizable 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 difference between the issued share capital and share premium of Chaarat Gold Holdings Limited and its former subsidiary Chaarat Gold Limited arising as a result of the reverse acquisition 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:

	2013	2012	2011
Kyrgyz Som (KGS) to 1 US dollar (USD)	49.2470	47.4012	46.4847
Kyrgyz Som (KGS) to 1 UK pound (GBP)	81.3383	76.2998	71.6585
US dollar (USD) to 1 UK pound (GBP)	1.6516	1.6097	1.5416

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 period is not considered to be material.

GOING CONCERN AND PROJECT FUNDING REQUIREMENTS

In May 2013 the Board announced a revised development strategy for the Chaarat Project which now involves the completion of a Definitive Feasibility Study (DFS) for the whole Project rather than pursuing production from the Tulkubash Project alone. Early small stage production as originally envisaged would have required funds to be raised for working capital.

In light of the decision not to pursue production before completion of the DFS, the Board has reviewed the revised budgets and cash flow forecasts for the period to 31 December 2015, which include an element of discretionary expenditure. At 31 December 2013, the Group had cash and cash equivalents of USD 11.2 million and no borrowings. Since the original budget for the DFS was completed, additional areas of work have been identified which if undertaken will add value to the Chaarat Project by increasing production, reducing operating costs and reducing the environmental impact. Accordingly the Board decided to commission the DFS consultants to undertake the additional work with a consequent increase in the costs of the DFS. The additional work also requires further drilling and data collection during the 2014 season which is now underway. As a result further funds may be required to cover the shortfall between the original budget and revised budgets for completion of the DFS, which due to enlargement of scope is now scheduled for completion in 2015.

The Board has a reasonable expectation that these funds will be made available by selling certain equipment and other assets of the Group, cutting discretionary expenditure, reviewing the timing of other expenditure and pursuing other fund raising options. Subject to the successful realisation of these expectations, the Board is satisfied that it has sufficient funds to complete the DFS and to maintain the Group as a going concern for a period of over twelve months from the date of signing the annual report and accounts. However, in the absence of such arrangements being in place these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

After completion of the DFS in 2015, further funding will be required to complete the Chaarat Project, which has been in progress since 2011, and bring it to production. If this funding cannot be secured the Group may not be able to fully develop the Project and the carrying values of the mine properties, related plant and equipment and assets in construction, which at 31 December 2013 amounted to approximately $44 million, may become impaired.

3 SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATION

The application of the accounting policies described in note 2 require the directors to make judgements, estimates and assumptions which affect the carrying amounts of assets and liabilities in the financial statements. The estimates and associated assumptions are based on experience and knowledge of the relevant facts and circumstances which the directors consider to be relevant and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if actual results may differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below.

Carrying value of the mine development assets

During 2013 the Board decided to revise its development strategy, moving from the small scale Tulkubash production project to a Definitive Feasibility Study (DFS) for the whole Chaarat Deposit, which includes the Tulkubash area. The DFS is currently in progress and is expected to be completed in 2015.

At 31 December 2013 the costs of the mine properties, related plant and equipment and assets in construction amounted to approximately $44 million. Further details of these assets can be found in notes 10, 11 and 12. As required by IAS 36 – "Impairment of Assets", the Board has reviewed these assets to determine whether any will not be required for the enlarged mine project and whether the information so far arising from the DFS is indicative of any financial impairment of the overall mine project asset. As a result of this review the Board has written off $3.7m in respect of costs relating to the design of the small scale process plant and related engineering for the Tulkubash Project. Following a review of the information arising to date from the DFS the directors have concluded that there are no impairment indicators for the Project. However, the evaluation is at an early stage and no detailed economic model is currently available. During the course of completion of the DFS, current views on key estimates and assumptions may change and if these changes are adverse then an impairment of the current carrying value of the mine properties, related plant and equipment and assets in construction may arise.

Capitalisation of development expenditure

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 is the determination of the date upon which development of the property is judged to be commercially viable and development commenced.

The carrying value of development expenditure is reviewed periodically for impairment based on internal and external indicators. The recoverability of development expenditure is assessed based on a judgement about the feasibility of the Project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and production are sources of estimation uncertainty.

Carrying values of property, plant and equipment and computer software

Depreciation and amortisation rates detailed in the accounting policies are considered by management to fairly reflect the expected useful lives of the respective asset categories.

Carrying values of acquired mining exploration assets

The recoverability of the expenditure capitalised as intangible assets is assessed based on judgement about the feasibility of the Project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and likely production levels are sources of estimation uncertainty. Internal and external indicators are taken into account when making judgements about impairment. Any impairment is based on estimates of future cash flows. In particular the directors recognise that any decision to withdraw from exploration activity on an asset, whether caused by the expiry of a licence or a decision not to budget for exploration expenditure on that asset would mean that that they would need to assess whether an impairment is necessary based on the likely sale value of the asset.

Share based payments

The expected life of share options used in the Black Scholes model for calculating the fair value of those options is based on management's best estimate, adjusted for the effects of non-transferability, exercise restrictions, and behavioural considerations.

4 OPERATING LOSS

The operating loss is stated after charging:

		2013 USD	2012 USD
Depreciation of property, plant and equipment		1,076,025	902,531
Amortisation of intangible assets		50,914	53,372
Operating lease expenses		558,479	471,623
Share based payment charges		756,356	588,514
Loss/(Profit) on sale of fixed assets		9,439	(359,991)
(Gain) on foreign exchange		(8,309)	(229,581)
Audit – remuneration for audit of Chaarat Gold Holdings Limited		45,498	45,498
Audit – remuneration for audit of subsidiary companies		27,500	27,500
Other assurance services provided by the auditor		3,000	2,500
Impairment of assets in construction	3,259,949		-
Impairment of aquired exploration assets	802,000		
Impairment of assets		4,061,949	-

Other assurance services relate to the review of the interim accounts at 30 June 2013 and 2012.

5 SEGMENTAL ANALYSIS

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

The Group's operations relate to the exploration for, and development of mineral deposits in the Kyrgyz Republic with support provided from the British Virgin Islands and as such the Group has only one reportable segment. The non-current assets in the Kyrgyz Republic are USD 51,122,552 (2012: USD 37,163,522).

6 STAFF NUMBERS AND COSTS

	Number	Number
Management and administration	111	136
Operations	256	335
	367	**471**

The aggregate payroll costs of these persons were as follows:

	2013 USD	2012 USD
Staff wages and salaries	5,105,513	4,977,645
Social security and other pension costs	678,892	609,148
Employee share based payment charges	344,960	305,907
Directors remuneration as detailed in the Remuneration Report		
Wages and salaries	1,149,364	1,061,607
Share based payment charge	411,396	282,607
	7,690,125	**7,236,914**

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

The staff wages and salaries and social security and other pension costs includes amounts capitalised to Mine Properties and Assets in construction for 2013 of USD 2,427,134 and USD 531,029 respectively (2012: USD 1,950,099 and USD 833,095 respectively).

7 DIRECTORS' REMUNERATION

The costs of certain directors' services were charged to the Company via consultancy companies, as separately detailed below and in the related party transactions note 24, rather than directly as short-term employment costs. These arrangements are in place purely for administrative convenience and are not methods to mitigate, reduce or remove liabilities to taxation in the respective director's country of residence. Details of directors' remuneration are provided in the Remuneration Report. No bonuses were paid in 2013 or 2012.

Dekel Golan (paid via related party, Mada Consulting Pte Limited)
Alexander Novak (paid via related party, Vetan Limited)
Linda Naylor (paid via related party, Central Asia Services Limited)
Christopher Palmer-Tomkinson (paid directly)
Dr Rob Weinberg (paid directly)
Mac DeGuire (paid directly in respect of director's fees and via related party, Eagle's Nest Mining Consultants Ltd in respect of consulting services relating to the Definitive Feasibility Study)
Richard Rae (paid directly)

Wages and salaries	**2013 USD**	**2012 USD**
Paid directly	172,805	141,529
Paid via related party consultancy companies	976,559	920,078
Share based payment charge	411,396	282,607
Total	**1,560,760**	**1,344,214**

The highest paid director received emoluments totaling USD 427,394 (2012: USD 420,551) and share based payments of USD 164,131 (2012: USD 116,683).

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

8 FINANCE INCOME

	2013 USD	**2012 USD**
Interest on cash and cash equivalents	150,049	705,955
Other income	69,552	24,131
	219,601	**730,086**

9 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Cost	USD
At 31 December 2011	**112,207**
Additions	138,354
Exchange differences	-
At 31 December 2012	**250,561**
Additions	28,970
Exchange differences	(4,847)
At 31 December 2013	**274,684**

Amortisation	USD
At 31 December 2011	**77,910**
Charge for the year	53,372
Exchange differences	(10,461)
At 31 December 2012	**120,821**
Charge for the year	50,914
Exchange differences	(769)
At 31 December 2013	**170,966**

Carrying amounts	USD
At 31 December 2013	**103,718**
At 31 December 2012	**129,740**
At 31 December 2011	**34,297**

10 INTANGIBLE ASSETS - ACQUIRED MINING EXPLORATION ASSETS

	Chontash USD	Mironovskoye USD	Kyzil Ompul USD	Total USD
At 31 December 2011	**4,592,152**	**2,504,810**	**1,252,405**	**8,349,367**
At 31 December 2012	**4,592,152**	**2,504,810**	**1,252,405**	**8,349,367**
Impairment	-	-	(802,000)	(802,000)
Foreign exchange	(194,950)	(106,336)	(53,168)	(354,454)
At 31 December 2013	**4,397,202**	**2,398,474**	**397,237**	**7,192,913**
Carrying amounts				
At 31 December 2013	**4,397,202**	**2,398,474**	**397,237**	**7,192,913**
At 31 December 2012	**4,592,152**	**2,504,810**	**1,252,405**	**8,349,367**
At 31 December 2011	**4,592,152**	**2,504,810**	**1,252,405**	**8,349,367**

The directors have reviewed their strategy in connection with certain prospecting licences at Kyzil Ompul. They have concluded that they do not wish to retain these licences or undertake drilling in 2013. As a result an impairment in respect of this asset has been recognised to reduce its carrying value to estimated disposal proceeds.

11 MINE PROPERTIES

	Mine Properties USD	Definitive Feasibility Study USD	Total USD
At 31 December 2011	**3,949,756**	**-**	**3,949,756**
Development cost capitalised	4,554,043	-	4,554,043
Exchange differences	(102,815)	-	(102,815)
At 31 December 2012	**8,400,984**	**-**	**8,400,984**
Development cost capitalised	12,828,519	-	12,828,519
Definitive Feasibility Study		731,680	731,680
Exchange differences	(304,773)	632	(304,141)
At 31 December 2013	**20,924,730**	**732,312**	**21,657,042**
Carrying amounts			
At 31 December 2013	**20,924,730**	**732,312**	**21,657,042**
At 31 December 2012	**8,400,984**	**-**	**8,400,984**
At 31 December 2011	**3,949,756**	**-**	**3,949,756**

12 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
Cost							
At 31 December 2011	**374,592**	**2,354,325**	**191,777**	**61,960**	**434,370**	**59,756**	**3,476,780**
Additions	180,513	1,720,785	99,561	55,523	1,460,624	4,073	3,521,079
Disposals	-	-	(1,237)	-	(5,279)	-	(6,516)
Exchange differences	(8,038)	(48,543)	(3,687)	(1,541)	(16,583)	(1,133)	(79,525)
At 31 December 2012	**547,067**	**4,026,567**	**286,414**	**115,942**	**1,873,132**	**62,696**	**6,911,818**
Additions	509,637	3,413,130	28,735	19,434	521,116	-	4,492,052
Disposals	(221,259)	(31,722)	(22,510)	(6,144)	(8,758)	-	(290,393)
Exchange differences	(14,357)	(136,173)	(4,876)	(2,264)	(36,644)	(996)	(195,310)
At 31 December 2013	**821,088**	**7,271,802**	**287,763**	**126,968**	**2,348,846**	**61,700**	**10,918,167**
Depreciation							
At 31 December 2011	**129,567**	**908,651**	**105,398**	**26,863**	**159,818**	**12,064**	**1,342,361**
Charge for the year	85,430	617,139	54,861	25,451	97,134	22,516	902,531
Disposals	-	-	(912)	-	(1,981)	-	(2,893)
Exchange differences	(1,604)	(9,307)	(1,557)	(632)	(1,975)	(436)	(15,511)
At 31 December 2012	**213,393**	**1,516,483**	**157,790**	**51,682**	**252,996**	**34,144**	**2,226,488**
Charge for the year	80,310	714,413	50,520	23,762	193,029	13,991	1,076,025
Disposals	-	(6,609)	(21,829)	(6,144)	(872)	-	(35,454)
Exchange differences	(3,005)	(28,438)	(2,599)	(1,085)	(4,329)	(702)	(40,158)
At 31 December 2013	**290,698**	**2,195,849**	**183,882**	**68,215**	**440,824**	**47,433**	**3,226,901**
Net book value							
At 31 December 2013	**530,390**	**5,075,953**	**103,881**	**58,753**	**1,908,022**	**14,267**	**7,691,266**
At 31 December 2012	**333,674**	**2,510,084**	**128,624**	**64,260**	**1,620,136**	**28,552**	**4,685,330**
At 31 December 2011	**245,025**	**1,445,674**	**86,379**	**35,097**	**274,552**	**47,692**	**2,134,419**

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

13 TANGIBLE ASSETS - ASSETS IN CONSTRUCTION

	USD
At 31 December 2011	**6,510,020**
Additions	9,171,435
Exchange differences	(83,354)
At 31 December 2012	**15,598,101**
Additions	2,574,799
Impairment	(3,259,949)
Exchange differences	(435,338)
At 31 December 2013	**14,477,613**

Carrying amounts	
At 31 December 2013	**14,477,613**
At 31 December 2012	**15,598,101**
At 31 December 2011	**6,510,020**

In accordance with IAS 36 Impairment of Assets, the directors have reviewed the assets in construction for indicators of impairment. As a result of the decision not to move to small scale production, but to prepare a Definitive Feasibility Study, the directors have made an impairment charge in respect of design costs and related engineering costs for a small scale production unit and the design of other facilities which will require adaptation for the Project which is the subject of the Study.

14 OTHER RECEIVABLES

Long term receivables - VAT

	2013 USD	2012 USD
Balance at 31 December	3,728,750	4,611,833
Less provision	(1,695,507)	(1,943,740)
Capitalised VAT	(2,033,243)	(2,668,093)
VAT recoverable amount	-	-

Chaarat Zaav is a registered value added tax payer in the Kyrgyz Republic and therefore has a right to recover value added tax paid on purchased goods and services.The Group's management has provided against this asset as at 31 December 2013 and 31 December 2012 due to uncertainty regarding the timing of recovery. Chaarat Operating Company GmbH (Kyrgyz branch) has capitalised the VAT which is no longer regarded as recoverable.

15 INVENTORIES

	2013 USD	2012 USD
Equipment spares and consumables	1,753,802	2,783,323

Inventories of spare parts and consumables are recorded at the lower of cost price or estimated value in future use. They are not held for re-sale but are utilised in the Company's exploration and development activities. No write-downs or reversals have occurred during the respective periods.

No inventories are pledged against payables or other obligations.

16 TRADE AND OTHER RECEIVABLES

	2013 USD	2012 USD
Advance payments to sub-contractors	755,059	2,824,260
Loans to sub-contractors	-	192,650
Other receivables	102,844	126,487
	857,903	**3,143,397**

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.

17 CASH AND CASH EQUIVALENTS

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

	2013 USD	2012 USD
Cash		
Cash in hand	45,301	40,863
Cash Equivalents		
Short-term deposits held in Guernsey	10,318,411	33,611,752
Short-term deposits held in Switzerland	2,575	11,728
Short-term deposits held in the Kyrgyz Republic	796,792	3,279,717
	11,163,079	**36,944,060**

18 CAPITAL AND RESERVES

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 2012 and 2013	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
31 December 2011, 2012 and 2013	**250,477,868**	**2,504,778**	**128,551,662**	**131,056,440**

(c) Potential issue of ordinary shares

Share options

At 31 December 2013 the Company had options of 16,375,163 (2012: 17,798,785) outstanding for the issue of ordinary shares as follows:

Share Options held at 31 December 2013	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
100,000	US$ 1.0633	01/09/09 to 02/11/16
200,000	US$ 1.0633	01/09/09 to 01/07/17
231,250	£ 0.54	08/08/12 to 08/08/17
112,047	£ 0.25	08/08/12 to 08/08/17
935,227	£ 0.25	01/09/12 to 01/09/17
1,528,839	£0.41	25/02/11 to 25/02/18
941,609	£0.61	22/12/11 to 22/12/18
2,740,664	£0.27	22/12/12 to 22/12/19
3,728,130	£0.25	31/12/13 to 31/12/20
97,397	£0.25	08/05/14 to 08/05/21
16,375,163		

All options are share settled.

	Options	2013 Weighted average exercise price (US$)	Options	2012 Weighted average exercise price (US$)
Outstanding at 1 January	17,798,785	0.682	14,368,711	0.732
Granted during the year	681,120	0.412	4,970,309	0.404
Exercised during the year	-	-	-	-
Forfeited during the year	(2,104,742)	0.468	(1,540,235)	0.810
Outstanding at 31 December	16,375,163	0.674	17,798,785	0.682
Exercisable at 31 December	13,142,128	0.737	10,088,826	0.803

The share options outstanding at 31 December 2013 had a weighted average exercise price of USD 0.674 and a weighted average remaining contractual life of 4.3 years.

Fair value assumptions for share option charges

The fair value of options granted on 8 May 2013 has been assessed by using the Black-Scholes Option Valuation Model, using the following inputs:

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

The expected volatility used in the Valuation Model has been derived from the weighted average volatility of the Company's share price since Initial Public Offering (IPO) 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 756,356 (2012: USD 588,514) of employee remuneration expense has been included in the consolidated income statement.

19 LOSS PER SHARE

Loss per share is calculated by reference to the loss for the year of USD 14,376,210 (2012: USD 11,489,788) and the weighted number of shares in issue during the year of 250,477,868 (2012: 250,477,868)
There is no dilutive effect of share options.

20 TRADE AND OTHER PAYABLES

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

	2013 USD	2012 USD
Trade payables	514,278	650,657
Social security and employee taxes	102,329	93,251
Other taxes	574	11,043
	617,181	**754,951**

The above listed payables were all unsecured.
Trade payables at 31 December 2013 included amounts owed to directors or companies controlled by directors of USD 15,000 (2012: USD 21,692).

21 ACCRUED LIABILITIES

Other current liabilities at 31 December consisted of the following:

	2013 USD	2012 USD
Accruals	**898,200**	**1,751,939**

Accruals at 31 December 2013 did not include any amounts owed to directors or companies controlled by directors (2012: USD 21,692).

22 DEFERRED TAXATION

As described in note 23, with effect from 1 January 2013 there has been a move to a revenue based tax system for gold production in the Kyrgyz Republic. Management therefore consider that the accumulated income tax losses arising from operations in the Kyrgyz Republic will only be able to be utilised in limited circumstances such as the offset against certain fixed asset related profits.

The deferred tax relating to the acquired mining exploration assets and acquired with Geoservices KG LLC is set out below:

	2013 USD 000	2012 USD 000
Deferred tax assets – unused tax losses	359	362
Deferred tax liabilities – fair value gains	(835)	(835)
Net deferred tax liability	**(476)**	**(473)**

23 INCOME TAX EXPENSE

The income tax expense relates only to the Company's 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 for the subsidiaries of 10% for the year to 31 December 2013 (2012:10%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2013 USD	2012 USD
Loss per accounts	(14,376)	(11,490)
Income tax using the BVI tax rate	-	-
Effect of tax rates in foreign jurisdictions	-	(1,547)
Deferred tax not recognised	-	1,547
Total tax expense, net	**-**	**-**

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

With effect from 1 January 2013 the tax code for the Kyrgyz Republic has been amended for gold mining companies engaged in the production and sale of gold. Under these revised arrangements the Group's Kyrgyz gold mining operations will pay a revenue based tax on the sales of gold. A fixed royalty of 9% will be payable on the sales of gold and a further percentage rate of tax will be based on the average monthly international gold price, being 1% if the gold price is below $1,300 per ounce and up to 20% when the gold price exceeds $2,501 per ounce. The maximum royalty payable when the gold price is above $2,501 per ounce is therefore 29%.

Because of this change in the tax regime management consider that the opportunities to utilise income tax losses accumulated by the Group in the Kyrgyz Republic will in future periods be limited to circumstances such as the offset against certain fixed asset profits that may arise in the country.

At the balance sheet date the Group has received no tax claims and the management believes that the Group is in compliance with the tax laws affecting its operations; however the risk remains that the relevant authorities could take differing positions with regard to interpretive issues.

As the Group's operations are at a development stage, the Group has no income or revenue tax expense for the years ended 31 December 2013 or 2012.

24 RELATED PARTY TRANSACTIONS

Key management personnel who were remunerated by the Group during the periods 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. Remuneration for key management personnel was USD 909,060 (2012: USD 1,048,409).

Expenses charged:	2013 USD	2012 USD
Mada Consulting Pte Limited (in respect of D Golan)	416,755	408,781
Vetan Investments Limited (in respect of A Novak)	221,203	236,678
Central Asia Services Limited (in respect of L Naylor's salary)	271,102	274,619
Central Asia Services Limited (for other management services)	207,507	687,337
Eagle`s Nest Mining Consultants Ltd (in respect of Mac DeGuire`s consultancy fees)	67,500	-
	1,184,067	**1,607,415**
Amounts payable at 31 December	**15,000**	**21,692**

Vetan Investments Limited charged a total of USD 246,146 (2012: USD 378,209) which includes the amounts detailed above relating to the remuneration of Alex Novak.

25 COMMITMENTS AND CONTINGENCIES

Capital expenditure commitment

The Company had no commitments at 31 December 2013 (2012: USD 3,241,916) 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 26.

Licence retention fee commitments

The Company has calculated a commitment of USD 40,782 at 31 December 2013 (2012: USD 126,395) in respect of licence retention fees but not provided in these financial statements. The amount to be paid will be determined by the Kyrgyz authorities and is not payable until a demand for payment is received by the Company. No demand had been received at the date of these financial statements.

Tax issues

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

Licence agreements

There are minimum expenditure commitments under all the 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 once development has commenced. The amounts to be set aside for the site restoration liability are determined by the Kyrgyz authorities on approval of the DFS as adapted for local requirements. There is no requirement to make provision for site restoration for areas subject to exploration and prospecting licences. At 31 December 2013, management deemed the cost of restoration to be immaterial.

26 OPERATING LEASES

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

	2013 USD	2012 USD
Less than one year	388,911	445,458
Between one and two years	220,882	388,911
Between two and three years	507,056	586,387
	1,116,849	**1,420,756**

27 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

2013	Loans and receivables USD	Financial Liabilities measured at amortised cost USD
Trade and other receivables	102,844	-
Cash and cash equivalents	11,163,079	-
Trade and other payables	-	514,278
Accrued liabilities	-	898,200
	11,265,923	**1,412,478**

2012	USD	USD
Trade and other receivables	319,137	-
Cash and cash equivalents	36,944,060	-
Trade and other payables	-	650,657
Accrued liabilities	-	1,751,939
	37,263,197	**2,402,596**

Credit risk
The Group’s maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is USD 11,265,923 (2012: USD 37,263,197).

The Group's significant credit risks relate to cash at bank and advance payments to sub-contractors. Cash at bank is held principally at an independently ‘A’ rated bank. No significant cash amounts are held at banks rated less than ‘B’. Cash is held either on current account or on short-term deposit at floating rates of interest determined by the relevant prevailing base rate. At 31 December 2013 none of the deposits were subject to cap and collar interest arrangements (2012: USD 14m). The fair value of cash and cash equivalents at 31 December 2013 and 2012 did not differ materially from its carrying value. The credit risk arising from advance payments to sub-contractors is managed by close monitoring of their work and provisions have been made where appropriate.

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.

Foreign currency

USD000's	2013 Move (%)	Income statement Profit/(loss)	Equity	2012 Move (%)	Income statement Profit/(loss)	Equity
Fall in value of GBP vs USD	5	(21)	(21)	5	(38)	(38)
Increase in value of GBP vs USD	5	(20)	(20)	5	(36)	(36)
Fall in value of KGS vs USD	10	(619)	(540)	10	(1,088)	(1,009)
Increase in value of KGS vs USD	10	442	600	10	914	1,122

Interest rates

USD000's	2013 Move (%)	Income statement Profit/(loss)	Equity	2012 Move (%)	Income statement Profit/(loss)	Equity
Fall in US interest rates	0.12	(12)	(12)	12	(40)	(40)
Fall in UK interest rates	0.5	(1)	(1)	5	(2)	(2)
Increase in US interest rates	2	201	201	20	664	664
Increase in UK interest rates	2	6	6	20	8	8

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 subsidiary's inter-company loan exposure and from the foreign currency translation risk arising on exposure to the local currency denominated net assets of the Kyrgyz operating subsidiaries.

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

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

		2013 USD000			2012 USD000	
Nominal amounts	GBP	KGS	Other	GBP	KGS	Other
Financial assets	366	4,195	10	619	8,153	1,025
Financial liabilities	(47)	(1,201)	(7)	(138)	(1,942)	(87)
Short term exposure	**319**	**2,994**	**3**	**481**	**6,211**	**938**

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 discreet tranches to finance activities for limited periods. Funds surplus to immediate requirements are placed in liquid, low risk investments.

The Group's ability to raise finance is partially subject to the price of gold, from which eventual sales revenues are to be derived. There can be no certainty as to the future gold price.

Fair value of financial instruments

The fair value of the Group's financial instruments at 31 December 2013 and 2012 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.

27 POST BALANCE SHEET EVENTS

On 3 March 2014, 200,000 options were issued to Mac DeGuire and 200,000 options to Richard Rae with an exercise price of 25p.

Corporate Information

DIRECTORS

Christopher Palmer-Tomkinson	Non-Executive Chairman
Dekel Golan	Chief Executive Officer
Alexander Novak	Executive Director
Linda Naylor	Finance Director
Marcel DeGuire	Non-Executive
Richard Rae	Non-Executive

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