Chaarat Gold Holdings Limited

("Chaarat" or "the Company")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Road Town, Tortola, British Virgin Islands (27 September 2012)

HIGHLIGHTS

- Legal and taxation regime in the Kyrgyz Republic simplified and clarified for the mining industry
- Mining licence for Tulkubash Project awarded during the period
- Land allocation for development of Chaarat deposit completed
- Development progress – on course and on budget
- Tulkubash reserve – potential to improve grade, open pit low cost highly oxidized reserve identified and pursued

Dekel Golan, Chief Executive Officer of Chaarat, commented:

"Your Company continues to make steady progress towards production, earth is being moved, roads developed, orders placed and permits approved.

The replacement of one coalition government with a new one was seamless for the industry. Difficulties must always be expected in a young democracy such as the Kyrgyz Republic but these are small both in comparison with many other emerging mining jurisdictions and the outstanding potential of the Chaarat deposit.

All in all Chaarat believes that building the project and establishing long term relationships with the various local stakeholders is progressing well and on target for production in the second half of 2013.

In terms of size, colloquially, the deposit is clearly an elephant and whilst I am not sure if we hold its tail or an ear we are far from having exposed its belly."

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About Chaarat Gold

Chaarat Gold is an exploration and development company operating in the Kyrgyz Republic. The Company's main activity is the development of the Chaarat Gold Project situated within the Middle Tien Shan Mountains, which form part of the Tien Shan gold belt. A JORC compliant mineral resource of 5.59Moz at a grade of 4.08g/t gold has been delineated at the Chaarat Gold Project. Chaarat's key objective is to become a low cost gold producer; with initial production from the Tulkubash project, targeting increased combined annual production of over 200,000 ounces as the full project comes on stream.

In addition to the Chaarat Gold Project, the Company has initiated an exploration programme at Chontash, located in the Akshirak range of mountains of the Kyrgyz Republic. A maiden resource for Chontash was compiled by Wardell Armstrong International and announced in April 2011.

Further information is available at www.chaarat.com

Country Update

The political climate for the mining industry in the Kyrgyz Republic has significantly improved in the last six months. Following the election of the Prime Minister as President, the coalition government was reshuffled by the new Prime Minister and new members appointed to the National Resource Committee and the State Agency on Geology and Mineral Resources (SAGMR). The reformed committees immediately started to clear the backlog of unprocessed licence applications. In Chaarat's case this meant that, as announced on 27 June 2012, its application for registering the resource of the Tulkubash section of the Chaarat Deposit was approved and the subsequent application for a mining licence was confirmed.

The coalition was reformed again earlier this month following the resignation of the Prime Minister, as a result of a failure to agree on economic policy. There is now agreement from both the government and Parliament that the only viable strategy for the Kyrgyz Republic is the quick and effective development of its mineral wealth. The Kumtor mine contributed 12% of the country's GDP and more than half its exports in 2011. A decline in production, announced by Centerra as a result of ice movement in its high altitude pit, reduced the country's GDP by 4.6% between January and August 2012.

There is an inevitable tension between the populist pressures to maximize the returns from the mining industry and the need to offer stability, transparency, a clear legal regime and a reasonable return on capital to the companies who have the knowledge and capital to develop the industry.

The President has pursued reforms to unlock the economic benefits of the country's mineral deposits by bringing them into production. He has refused to endorse a series of populist laws and has encouraged Parliament to pass legislation designed to make investment in the mineral sector simpler and more transparent for companies.

The laws improve the rights of companies who register a "discovery" by giving them exclusive title and the right to mine. The new laws further provide rights to transfer ownership and form joint ventures. In addition the process of land allocation for mining has become less complicated. The taxation regime has been clarified and, although the rate has increased, the country is in the lower quartile of mining jurisdictions.

The laws on concessions have been updated and it is now possible to convert a licence into a concession by direct negotiation with the government. This route will permit large scale projects to benefit from a special regime which is not only stable and protected by law but also permits international dispute resolution at the discretion of the investor.

These measures have their detractors and the first ever public tender for gold assets was interrupted. However we cannot be surprised that the transition to a more transparent regime met opposition.

Although the strategic focus of the government is to encourage foreign companies to invest, there have been instances of opposition and resentment in more remote areas, representing an open challenge to the government's direction. This opposition has been evidenced by some local communities trying to push mining companies to undertake activities which are normally the responsibility of the government. The neglect of rural areas combined with agitation against the government and foreign interests has led to instances of roads being blocked and demands for foreign companies to provide improvements to roads and water supplies and to recruit locally.

The mining industry has to adopt an effective community engagement programme to ensure relationships and agreements between the industry and rural communities are both mutually beneficial and enforceable. Chaarat has adopted a long term approach to negotiating a social contract with the residents of the Chatkal region through its public fund, Chatkal Ordo. The fund, besides providing emergency support, focuses on employment creation, education and health management.

Company update

Chaarat Project update

Progress continues as planned on the Tulkubash Project and further announcements will be made in due course as milestones are reached.

A major milestone was achieved in June 2012 when the mining licence for the Tulkubash Project was issued by the SAGMR. The formal allocation of land at the Chaarat deposit has also been approved. With the clarity established by the favourable changes to the mining regime, the Company has continued its capital investment with the aim of commencing production in the second half of 2013. Progress should continue to accelerate, particularly if the start of the winter season is later than usual.

Resource reserves and exploration

As previously announced in April 2012, exploration work has been conducted during the current season in the northern flank of the Tulkubash deposit with the view of increasing the free milling open pittable resource and reserve base. A total of 36 holes were drilled which all intersected mineralisation. An announcement will be made upon completion of the analysis of the results. A new block model for the Tulkubash Project is being prepared to calculate the new resource and reserve base. The mining plan will be updated with the objective of reducing the strip ratio during the first years of operation, which will reduce the mining costs of the Project.

Results from drilling in sections of the Contact Zone indicate the presence of non-refractory ore in lower levels of the ore body. If the results are found to be consistent, and significant volumes of non refractory ore can be delineated, the economics of the Chaarat Project will be further improved as the complexity and capital cost of increased production will be considerably reduced.

Tulkubash Project development update

Development of the infrastructure elements of the Tulkubash Project has continued throughout the period.

Road – the planned work for the year will be completed if progress achieved to date continues. The temporary overnight removal of our contractors' equipment by local villagers, who were expressing their frustration with the local authorities over the neglect of their community, has left our operations unaffected.

Power supply – our original plan, before the identification of a third phase, was to connect to the national grid in two phases; in the first phase a power generating station will be constructed at 30 km from site and a line will connect the power station to site. The second stage will comprise the design and construction of a power line to the national grid at Karavan. In the early stages of the project the power requirement will be provided by diesel generators.

The power generating station will be located in the Chatkal valley close to a national road and will be accessible throughout the year. Construction will begin as soon as the design of the station is completed. Procurement of the generators and fuel depot is underway.

The power line between the power station and site, including an internal distribution network for the camps and adit, is under construction and is expected to be ready for connection by the end of 2012.

Terms and technical specifications for connection to the grid have been agreed. A commitment from the national electricity company has been secured for both the right to connect and the allocation of supply. A tender for the design is underway and it is expected that the surveying work will commence prior to the winter which can make access to certain areas troublesome.

We have now identified a possible third stage which will include the extension of the power line to another substation in Kristal and ensure sufficient power will be available for the final phase plant capacity. We will continue to investigate this option.

Camps – we expect to complete the preparation of the area for the permanent camp (earthworks, sewage, water and electricity supply, fencing etc.) as well as part of the accommodation quarters in 2012, with the balance being completed next spring or summer. All operatives are currently accommodated in the temporary camp.

Mining operations – the roads from the pit to the stockpile area and the waste dump are under construction. The majority of the mining fleet has been shipped and is due to arrive at site soon when mining and stockpiling can begin before the end of the season.

Process plant – the tender for the process plant was completed during August and two contractors have been shortlisted. The prices are within our expected and budgeted price range. It should be noted that the plant is currently planned for 1,200tonnes per day (tpd) (30,000 – 35,000 ounces of gold per annum) rather than 700-1000tpd as originally considered.

The earthworks are underway following the completion of the design and preparation. The plan is to complete earthworks this season so that the civil works (foundations, structures etc.) can commence early next year once the weather allows. This will permit the commissioning of the plant and production to begin in the second half of 2013.

Tailings Management Facility (TMF) – in line with Chaarat's strategy of adopting best practice in environmental management and being, to the greatest possible extent, a zero discharge operation, the Company has decided to change its TMF strategy and use the dry stacking method. The benefits of dry stacking compared to wet tailings is that there are no dams or storage of loose liquid so there is virtually no risk of leakage or spillage from a tailings dam. In addition the dry stacking method enables the storage volume in a given location to be increased significantly. The dry stacking method is slightly more expensive than wet tailings but the environmental advantages outweigh the financial considerations. The Company has sought design proposals from a number of parties with relevant experience and will soon commission the design.

We have capitalized USD 2.7m of expenditure on the Tulkubash Project and equipment to support the development in the period and retained USD 52.6m in cash at 30 June.

Other exploration projects

Exploration has continued on both the Chontash and Mironovskoye projects.

Drilling in Chontash is ongoing and the Company intends to announce the results and an updated resource calculation as soon as these are available.

Dekel Golan
Chief Executive Officer

Consolidated income statement
For the six months ended 30 June

	Note	6 months to 30 June 2012 (unaudited)	6 months to 30 June 2011 (unaudited)	12 months to 31 December 2011 (audited)
		USD	**USD**	**USD**
Exploration expenses		(2,819,809)	(5,158,736)	(5,984,284)
Administrative expenses		(2,441,901)	(2,606,435)	(5,278,133)
Administrative expenses - Share options expense		(275,583)	(488,062)	(1,590,898)
Administrative expenses – Foreign exchange loss		(11,998)	(219,044)	(331,856)
Total administrative expenses		2,729,482	3,313,541	7,200,887
Other operating income		364,097	-	97,254
Operating loss		**(5,185,194)**	**(8,472,277)**	**(13,087,917)**
Financial income		347,275	806,895	719,868
Loss for the period, attributable to equity shareholders of the parent		**(4,837,919)**	**(7,665,382)**	**(12,368,049)**
Loss per share (basic and diluted) – USD cents		(1.93)c	(3.38)c	(5.31)c

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

	6 months to 30 June 2012 (unaudited) USD	6 months to 30 June 2011 (unaudited USD	12 months to 31 December 2011 (audited) USD
Loss for the period, attributable to equity shareholders of the parent	**(4,837,919)**	**(7,665,382)**	**(12,368,049)**
Other comprehensive income:			
Exchange differences on translating foreign operations and investments	(519,814)	(22,869)	13,154
Other comprehensive income for the period, net of tax	**(519,814)**	**(22,869)**	**13,154**
Total comprehensive loss for the period attributable to equity shareholders of the parent	**(5,357,733)**	**(7,688,251)**	**(12,354,895)**

Consolidated balance sheet
At 30 June

	30 June 2012 (unaudited)	30 June 2011 (unaudited)	31 December 2011 (audited)
	USD	USD	USD
Assets			
Non-current assets			
Intangible assets	156,231	11,658	34,297
Mining exploration assets	8,349,367	8,349,367	8,349,367
Mine properties	4,913,369	-	3,949,756
Property, plant and equipment	2,030,354	1,291,003	2,134,419
Assets in construction	7,821,718	-	6,510,020
Other receivables	1,878,355	359,989	1,543,050
	25,149,394	10,012,017	22,520,909
Current assets			
Inventories	1,291,950	594,102	1,328,367
Trade and other receivables	6,853,233	2,088,481	6,521,197
Cash and cash equivalents	52,611,254	82,432,362	61,184,915
	60,756,437	85,114,945	69,034,479
Total assets	**85,905,831**	**95,126,962**	**91,555,388**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	2,504,778	2,503,562	2,504,778
Share premium	128,551,662	128,501,973	128,551,662
Other reserves	14,437,527	14,196,746	14,308,874
Translation reserve	(1,589,994)	(1,106,203)	(1,070,180)
Accumulated losses	(60,111,184)	(51,708,236)	(55,420,195)
	83,792,789	**92,387,842**	**88,874,939**
Non- current liabilities			
Deferred tax	460,579	487,000	460,189
	460,579	487,000	460,189
Current liabilities			
Trade payables	828,166	1,431,876	1,096,066
Accrued liabilities	824,297	820,244	1,124,194
	1,652,463	2,252,120	2,220,260
Total liabilities	2,113,042	2,739,120	2,680,449
Total liabilities and equity	**85,905,831**	**95,126,962**	**91,555,388**

Consolidated statement of changes in equity

For the six months ended 30 June

	Share capital USD	Share premium USD	Accumulated losses USD	Other reserves USD	Translation reserve USD	Total USD
Balance at 31 December 2010	**1,470,339**	**48,949,592**	**(44,173,760)**	**13,839,590**	**(1,083,334)**	**19,002,427**
Currency translation	-	-	-	-	(22,869)	**(22,869)**
Other comprehensive income	-	-	-	-	(22,869)	**(22,869)**
Loss for the six months ended 30 June 2011	-	-	(7,665,382)	-	-	**(7,665,382)**
Total comprehensive income for the six months ended 30 June 2011	-	-	(7,665,382)	-	(22,869)	**(7,688,251)**
Share options lapsed	-	-	130,906	(130,906)	-	-
Share options expense	-	-	-	488,062	-	**488,062**
Issuance of shares for cash	1,033,223	82,986,647	-	-	-	**84,019,870**
Share issue costs	-	(3,434,266)	-	-	-	**(3,434,266)**
Balance at 30 June 2011	**2,503,562**	**128,501,973**	**(51,708,236)**	**14,196,746**	**(1,106,203)**	**92,387,842**
Currency translation	-	-	-	-	36,023	36,023
Other comprehensive income	-	-	-	-	36,023	36,023
Loss for the six months ended 31 December 2011	-	-	(4,702,667)	-	-	**(4,702,667)**
Total comprehensive income for the six months ended 31 December 2011	-	-	(4,702,667)	-	36,023	**(4,666,644)**
Share options lapsed	-	-	990,708	(990,708)	-	-
Share options expense	-	-	-	1,102,836	-	**1,102,836**
Issuance of shares for cash	1,216	49,689	-	-	-	**50,905**
Balance at 31 December 2011	**2,504,778**	**128,551,662**	**(55,420,195)**	**14,308,874**	**(1,070,180)**	**88,874,939**
Currency translation	-	-	-	-	(519,814)	**(519,814)**
Other comprehensive income	-	-	-	-	(519,814)	**(519,814)**
Loss for the six months ended 30 June 2012	-	-	(4,837,919)	-	-	**(4,837,919)**
Total comprehensive income for the six months ended 30 June 2012	-	-	(4,837,919)	-	(519,814)	**(5,357,733)**
Share options lapsed	-	-	146,930	(146,930)	-	-
Share options expense	-	-	-	275,583	-	**275,583**
Balance at 30 June 2012	**2,504,778**	**128,551,662**	**(60,111,184)**	**14,437,527**	**(1,589,994)**	**83,792,789**

Consolidated cash flow statement
For the 6 months ended 30 June

	6 months to 30 June 2012 (unaudited) USD	6 months to 30 June 2011 (unaudited) USD	12 months to 31 December 2011 (audited) USD
Operating activities			
Loss for the period	**(4,837,919)**	**(7,665,382)**	**(12,368,049)**
Adjustments:			
Amortisation expense - intangible assets	14,273	12,292	18,545
Depreciation expense – property, plant and equipment	379,853	227,399	576,871
(Profit)/loss on disposal of property, plant and equipment	(364,097)	(218,606)	(97,254)
Finance income	(347,275)	(20,050)	(719,868)
Share based payments	275,583	488,062	1,590,898
Foreign exchange (gains)/losses	16,751	(219,044)	329,805
(Increase)/Decrease in inventories	36,417	(444,067)	(942,364)
(Increase)/Decrease in accounts receivable	3,269	(468,891)	(6,359,430)
(Decrease)/Increase in accounts payable	(567,799)	343,538	24,337
Net cash flow used in operations	**(5,390,944)**	**(7,964,749)**	**(17,946,509)**
Investing activities			
Purchase of computer software	(138,138)	(8,953)	(34,086)
Purchase of mine assets, property, plant and equipment	(2,719,417)	(1,099,976)	(12,156,715)
Acquisition of subsidiary (net of cash acquired)	-	-	(143,847)
Proceeds from sale of equipment	-	389,090	293,263
Loans repaid	-	-	-
Interest received	347,275	276,710	719,868
Net cash used in investing activities	**(2,510,280)**	**(443,129)**	**(11,321,517)**
Financing activities			
Proceeds from issue of share capital	-	84,019,870	84,070,775
Issue costs	-	(3,434,266)	(3,434,266)
Net cash from financing activities	**-**	**80,585,604**	**80,636,509**
Net change in cash and cash equivalents	**(7,901,224)**	**72,177,726**	**51,368,483**
Cash and cash equivalents at beginning of the period	**61,184,915**	**10,124,977**	**10,124,977**
Effect of changes in foreign exchange rates	(672,437)	129,659	(308,545)
Cash and cash equivalents at end of the period	**52,611,254**	**82,432,362**	**61,184,915**

Notes to the financial statements

1 Loss per share

The loss per share is calculated by reference to the loss of USD 4,837,919 for the six months ended 30 June 2012 and the weighted average number of shares in issue of 250,477,868 during the period. There is no dilutive effect of share options.

2 Basis of preparation of financial statements

The unaudited results have been prepared on a going concern basis and on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2011. The results for the period are derived from continuing activities.

The financial information set out in this half-yearly report does not constitute statutory accounts. The figures for the period ended 31 December 2011 have been extracted from the statutory financial statements, prepared under IFRS, which are available on the Group's website www.chaarat.com. The auditor's report on those financial statements was unqualified.

3 Intangible assets – acquired mining exploration assets

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

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

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

4 Mining exploration and development costs

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

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

Expenditure is only capitalised provided it meets the following recognition requirements:

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

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

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

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