THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document drawn up in accordance with the rules of the alternative investment market of London Stock Exchange plc ("AIM") and has been issued in connection with the application for admission to trading on AIM of the Ordinary Shares of Chaarat Gold Holdings Ltd ("the Company" or "Chaarat Holdings"). This document does not constitute, and the Company is not making, an offer to the public within the meaning of Section 85 and 102B of FSMA. This document is therefore not an approved admission document for the purposes of Section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and as such has not been approved by the Financial Services Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The Company and the Directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document and, in the case of the Directors, including individual and collective responsibility for compliance with the AIM Rules published by London Stock Exchange plc. To the best of the knowledge and belief of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. AIM is a market designed primarily for emerging or small companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks involved in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. It is expected that Admission will occur and trading in the Ordinary Shares will commence on AIM on 8 November 2007.

THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ. IN PARTICULAR, YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

CHAARAT GOLD HOLDINGS LTD

(incorporated in the British Virgin Islands under the laws of the British Virgin Islands with Registered Number 1420336)

PLACING OF UP TO 20,500,000 ORDINARY SHARES OF US$0.01 EACH AT A PRICE OF 60 PENCE PER SHARE AND ADMISSION TO TRADING ON AIM

NOMINATED ADVISER AND BROKER

Canaccord Adams Limited

Ordinary Share Capital immediately following the Placing

(assuming the Minimum Subscription under the Placing)

Authorised		Issued and fully paid	
Amount	**Number**	**Amount**	**Number**
US$5,000,000	500,000,000	US$718,834	71,883,433

The Placing Shares will, on issue, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the issue of the Placing Shares.

Canaccord Adams Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company (for the purposes of the AIM Rules) and no one else in connection with the proposed Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Canaccord Adams Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued), and Canaccord Adams Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

The Placing described in this document is only being made in the United Kingdom to (a) persons who have professional experience in matters relating to investments falling within Article 19(1)(a) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order") or (b) high net worth entities and other persons to whom it may lawfully be communicated falling within Article 49(1) of the Financial Promotion Order or (c) persons to whom it would otherwise be lawful to distribute this document.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy Ordinary Shares, to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful to make such offer or solicitation in such jurisdiction. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to Admission has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to Admission or the Ordinary Shares. Subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or offered or sold to a person within the United States or a resident of Canada, Australia, Japan, the Republic or Ireland or the Republic of South Africa or any other territory in which an offer or sale of the Ordinary Shares would be prohibited.

CONTENTS

KEY INFORMATION

This summary highlights information contained elsewhere in this document. This summary does not contain all of the information investors should consider before investing in the Ordinary Shares. The following information is extracted from, and should be read in conjunction with, the full text of this document. Investors should read the whole document and not rely solely on the information in this "Key Information" section or any other information summarised in this document.

Information on Chaarat

Chaarat Holdings was incorporated in the BVI on 20 July 2007 and became the holding company of the Group. The Chaarat Group was founded for the purposes of exploring and developing the Licence currently held by Chaarat K in the western part of the Kyrgyz Republic.

The Licence grants Chaarat K the exclusive rights to conduct geological prospecting and exploration for gold and other metals, in the Licence Area, as well as the exclusive right to apply for a mining licence for the same metals.

The Licence Area is 604.6 km^2 in extent and hosts many highly prospective gold occurrences over a strike length of some 28 kilometres. To date, extensive prospecting has only been conducted on a small number of higher priority targets. The Company has focused its exploration on an area that the Directors considered to be the most prospective and readily accessible part of the Licence Area, based on historical information. Advanced stage prospecting, including the ongoing resource drilling programme, on seven priority targets, has delineated wide zones of gold mineralisation. By the end of the 2006 exploration season, an Indicated and Inferred Resource of 1.9 million ounces at a gold grade of 4.1g/t had been delineated on these targets. Subsidiary amounts of silver and antimony occur within the mineralised zones. Additional targets are being explored but have not been drilled during the 2006 season.

The Licence has been granted to 31 December 2008 and the terms of the Licence allow for the Company to extend the period of licence up to 10 years for successive periods of, generally, two years until 2012.

Growth Strategy

The Directors' intention for the Group is to continue the intensive exploration programme to test the priority targets which were identified in its recent work programmes and to increase the mineral resource base within the Licence Area. At the same time, the Group intends to undertake a series of studies which are expected to lead to the completion of a feasibility study conducted to bankable standards, on the most advanced part of the Mineral Resource, which, it is intended, will allow for the design, finance, construction and commissioning of a mine within the next five years. It is further intended to establish a Mineral Resource on the priority targets which will support a mining operation with a production rate of 200,000 oz of gold a year in a proposed 10-year first phase of mining.

The Licence Area hosts many highly prospective gold occurrences and gold soil sample anomalies which may prove to represent economically viable gold deposits. The Directors believe the Mineral Resources in the Licence Area may be extended, through further exploration, and thereby allow for an expansion of the anticipated first phase mining operation.

Furthermore it is the intention to expand the exploration programme to other parts of the Licence Area.

The Company also intends to work actively to identify other gold occurrences with potential, in the vicinity of the Licence Area, where it will seek to acquire the rights to prospect in order to expand the gold resource base of the Company.

Key strengths

The Directors believe there are a number of reasons why the Company represents an attractive investment proposition:

- the Licence Area is within the highly prospective Tien Shan gold belt, which hosts numerous large gold deposits and mining operations, which have a similar geological setting to that encountered within the Licence Area;
- the Kyrgyz Republic has a well established mining industry and infrastructure and the Directors believe that the government is supportive of the mining industry;

- exploration results, particularly those received by the Company during the 2005 and 2006 exploration seasons, have extended the zones of mineralisation in the known gold occurrences, and have discovered new gold occurrences. These results also have increased the probability that the Licence Area may host significant gold mineralisation, which has the potential to be developed into economically viable gold deposits and mining operations;
- exploration results to date have confirmed significant additional gold occurrences and soil geochemical anomalies within the Licence Area;
- within the Company's Board of Directors and Senior Management there is appropriate expertise and experience to develop the Company's operations; and
- the Company's future prospects offer further attractive growth potential in the expansion of Mineral Resources on its current priority targets, as well as in advancing prospecting on the gold occurrences within the Licence Area that have not yet been intensively prospected. In addition, further growth may be realised if the Company is able to acquire any other gold occurrences with potential within the area surrounding the Licence Area.

Current trading and projects

The Company does not currently trade and is solely focused on exploration and development.

Reasons for Admission and Placing and use of proceeds

The Directors consider that Admission will, among other things, assist the Group in its development by providing a strong platform for the exploration and development of the Prospect Area. The Company intends to use the net proceeds of the Placing to finance the evaluation, exploration and development of the Company's projects in the Prospect Area and to provide funds for general corporate purposes and working capital, further details of which are set out in paragraph 7 of Part I of this document.

Placing details

The Placing comprises the issue of up to 20,500,000 new Ordinary Shares by the Company at the Placing Price to raise up to £12.3 million before commissions and expenses, subject to the Minimum Subscription being raised. On Admission, the Company will have 71,883,433 Ordinary Shares, assuming the Minimum Subscription being raised. The Ordinary Shares have not previously been listed, traded or quoted on any regulated or recognized stock market, but application will be made for the admission of the whole of the issued and to be issued share capital of the Company to trading on AIM and such Admission is expected to occur on 8 November 2007.

Working capital

The Company believes, taking account of the net proceeds of the offering of the Placing Shares and assuming the Minimum Subscription is raised, that the working capital available to the Group is sufficient for the Group's current requirements, that is for at least the next 12 months from Admission.

Lock in agreements

Upon Admission, the Directors, their related parties and applicable employees have undertaken that they will not sell or dispose of any of their respective interests in Ordinary Shares for a period of 12 months immediately following Admission. They have further undertaken that, after the expiry of such 12 month period, they will not make any such sale or disposal except in certain limited circumstances so as to maintain an orderly market in the Ordinary Shares.

Risk factors

Investors are specifically referred to the risk factors in Part II of this document.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Dekel Golan *(Chief Executive Officer)* Terence Arthur Cross *(Finance Director)* Alexander Novak *(Executive Director)* Christopher David Palmer-Tomkinson *(Non-Executive Chairman)* Stuart Robert Comline *(Non-Executive Director)* Oliver Raymond Greene *(Non-Executive Director)*
Secretary	Chateau Management Limited PO Box 693 Hamilton Estate Charlestown Nevis
Registered Office	Palm Grove House PO Box 438 Road Town, Tortola British Virgin Islands, VG1110
Nominated Adviser and Broker	Canaccord Adams Limited Cardinal Place 7th Floor 80 Victoria Street London, SW1E 5JL
Solicitors to the Company As to English law	Watson, Farley & Williams LLP 15 Appold Street London, EC2A 2HB
Solicitors to the Company As to Kyrgyz law	Kalikova & Associates 71 Erkindik Boulevard, Bishkek 720040 Kyrgyz Republic
Solicitors to the Company As to BVI law	Ogier Qwomar Complex, 4th Floor PO Box 3170, Road Town Tortola, British Virgin Islands, VG 1110
Solicitors to the Company As to Guernsey law	Ogier Ogier House, St. Julien's Avenue St. Peter Port, Guernsey, GY1 1WA
Solicitors to the Nominated Adviser and Broker	McCarthy Tétrault Registered Foreign Lawyers and Solicitors 5 Old Bailey London, EC4M 7BA
Auditors for Chaarat Gold and Chaarat K	BDO Stoy Hayward LLP 8 Baker Street London, W1U 3LL
Reporting Accountants	Grant Thornton UK LLP Grant Thornton House Melton Street London, NW1 2EP

Competent Person	SRK Consulting (UK) Limited 5th Floor, Churchill House 17 Churchill Way Cardiff, CF10 2HH
Principal Bankers	Royal Bank of Scotland International Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey
Registrars	Capita Registrars (Guernsey) Limited 2nd Floor, No 1 Le Truchot St Peter Port Guernsey
Depositary	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Financial PR Advisers	Fin Public Relations 90-92 St John Street London EC1M 4EH
Web Site	www.chaarat.com

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	2 November 2007
Admission effective and dealings in the Ordinary Shares to commence on AIM	8 November 2007
CREST accounts credited (as applicable)	8 November 2007
Share certificates in respect of the Ordinary Shares expected to be dispatched (as applicable)	14 November 2007

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

PLACING STATISTICS*

Placing Price	60p
Number of Ordinary Shares being issued pursuant to the Placing	14,669,833
Number of Ordinary Shares in issue following Admission	71,883,433
Number of Options in issue following Admission	8,160,000
Number of Existing Shares	57,213,600
Existing Shares as a percentage of Enlarged Share Capital	79.6 per cent.
Placing Shares as a percentage of Enlarged Share Capital	20.4 per cent.
Estimated gross proceeds of the Placing receivable by the Company	£8,801,900
Estimated net proceeds of the Placing receivable by the Company (exclusive of applicable VAT)	£7,673,533
Market capitalisation of the Company at the Placing Price on Admission (assuming that no Options are exercised)	£43,130,059
AIM symbol	CGH
ISIN Number	VGG203461055

* *Assuming the Minimum Subscription being raised.*

DEFINITIONS

In this document, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings:

"Admission"	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the Company Rules and Nomad Rules
"Articles"	the articles of association of the Company
"BCA"	the BVI Business Companies Act, 2004 including any modification, extension, re-enactment, or renewal thereof and any regulations made thereunder
"Board"	the board of directors of the Company from time to time
"BVI"	the British Virgin Islands
"Canaccord Adams"	Canaccord Adams Limited, Nominated Adviser and Broker (as defined in the AIM Rules) to the Company, a company incorporated in England with company number 2814897 and whose registered office is at Cardinal Place, 7th Floor, 80 Victoria Street, London SW1E 5JL
"Canaccord International"	Canaccord International Limited, a company incorporated in Barbados and with company number 18382 and whose registered office is at 26 Cassia Heights, Royal Westmoreland St James, Barbados
"CAS"	Central Asia Services Limited, a company incorporated in England with company number 6121117, whose registered office is at 1 Hay Hill, London W1J 6DH and which is wholly owned by Dekel Golan
"CAS Services Agreement"	the agreement described in paragraph 5.2(c) of Part V of this document
"Central Scientific Research Laboratory" or "CSRL"	Central Scientific Research Laboratory of the Joint Stock Company "Kyrgyzskii gornorudnyi combinate" (KGRS)
"CGP"	the Chaarat gold project
"Chaarat Gold"	Chaarat Gold Limited, a company incorporated in Guernsey with registered number 41654, and whose registered office is at Suite C3, Hirzel Court, St Peter Port, Guernsey, GY1 2NL
"Chaarat Group", "Chaarat Gold Group" or "Group"	Chaarat Holdings and its subsidiaries, Chaarat Gold and Chaarat K
"Chaarat K"	Chaarat Zaav CJSC, a company registered under the laws of the Kyrgyz Republic with registered number 18675-3300-AO (ИУ) and whose registered office is at 2, Erkindik Boulevard, Bishkek, 720739, Kyrgyz Republic

"City Code"	the UK City Code on Takeovers and Mergers
"Combined Code"	the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council
"Company" or "Chaarat Holdings"	Chaarat Gold Holdings Ltd, a company registered under the laws of the BVI with registered number 1420336 and whose registered office is at Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands, VG1110
"Company Rules"	the AIM Rules for companies together with the Guidance Note published by the London Stock Exchange as amended from time to time
"Competent Person"	SRK Consulting (UK) Limited, a company incorporated in England and with company number 1676403, and whose registered office is at 21 Gold Tops, Newport, NP9 4PG, Wales, United Kingdom
"Contact Zone"	a mineralised zone within the Prospect Area comprising the C40, C46 and C53 sub-zones
"Control"	as defined in Section 840 of the UK Income and Corporation Taxes Act 1988 (as amended from time to time)
"CPR"	the Competent Person's Report as set out in Part III of this document
"CREST"	the relevant system (as defined in the CREST Regulations) to facilitate the transfer of title of shares in uncertificated form, in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001, as amended
"Depositary"	Capita IRG Trustees Limited, a company incorporated in England with company number 2729260 whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, acting in its capacity as Depositary pursuant to the terms of the Depositary Agreement
"Depositary Agreement"	the agreement for depositary services to be provided to the Company by the Depositary, as described in paragraph 7.23 of Part V of this document
"Depositary Interests"	the interests representing one Ordinary Share of the Company in uncertificated form issued by the Depository as described in paragraph 16 of Part I, and paragraphs 7.22 to 7.24 and 14 of Part V of this document
"Directors"	the directors of the Company at the date of this document, whose names are set out on page 4 of this document
"English Companies Act 2006"	the Companies Act 2006 of England and Wales, including any modifications, extensions, re-enactments or renewals and any regulations made thereunder

"Enlarged Share Capital"	the issued share capital of the Company immediately following the Placing comprising the Existing Shares and the Placing Shares
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated in England, and the operator of CREST
"Existing Shares"	the existing 57,213,600 Ordinary Shares in issue as at the date of this document
"FSA"	the Financial Services Authority
"FSMA"	the Financial Services and Markets Act 2000
"FSU"	the former Soviet Union
"Genalysis"	Genalysis Laboratory Services Pte Ltd
"Guidance Note"	the guidance note dated 16 March 2006 entitled "Guidance for Mining and Oil & Gas Companies" as published by the London Stock Exchange by way of AIM note 16 and as may be amended from time to time
"Income Tax Ordinance"	British Virgin Islands Income Tax Ordinance (Cap 206) (as revised)
"Karator Area"	a mineralised area within the Prospect Area
"Kyrgyz Investments Law"	the Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" dated 27 March 2003
"Kyrgyz Mining Law"	Law No. 42 "On Subsoil" dated 2 July 1997 of the Kyrgyz Republic (as amended on 21 July 1999, 4 February 2002 and 29 December 2006)
"Licence"	the exploration licence dated 10 December 2002 no. AU-174-02 in respect of the Licence Area held by Chaarat K and the Licence Agreement (as described further in detail in paragraph 7.1 of Part V of this document)
"Licence Agreement"	licence agreement no. 5 dated 20 November 2006 entered into between the SAGMR and Chaarat K in relation to the Licence, which sets out the terms and conditions of the Licence
"Licence Area"	the area of the Kyrgyz Republic covering 604.6 km^2 in which Chaarat K has the exclusive rights to conduct geological prospecting and exploration for gold and other metals as more particularly described under the heading "The Licence Area" in paragraph 3 of Part I of this document
"Lock-in Deeds"	lock-in deeds entered into between certain existing Shareholders, the Company and Canaccord Adams as detailed in paragraph 7.5 of Part V of this document
"London Stock Exchange"	London Stock Exchange plc

"Mada"	Mada Consulting (Pte) Limited, a company incorporated in Singapore with company number 200413739W, whose registered office is at 137 Cecil Street hex 06-01, Singapore 069537 and which is owned by Dekel Golan and his wife equally
"Mada Limited"	Mada Limited, a company incorporated in the British Virgin Islands with company number 190057, whose registered office is at PO Box 438, Main Street, Road Town Tortola and which is owned by Dekel Golan and his wife equally
"Mada Services Agreement"	the agreement described in paragraph 5.1(a) of Part V of this document
"Memorandum"	the memorandum of association of the Company
"Minimum Subscription"	the minimum subscription under the Placing being the subscription of 14,669,833 Placing Shares at the Placing Price to raise £8,801,900 before expenses
"NKGE"	North Kyrgyz Geological Expedition
"Nomad Rules"	the AIM Rules for nominated advisers published by the London Stock Exchange as amended from time to time
"Official List"	the Official List of the United Kingdom Listing Authority
"Option holders"	a holder of an Option from time to time
"Option"	an option to subscribe for one Ordinary Share
"Ordinary Resolution"	a resolution of the Company in a general meeting carried by a majority of at least half of the Shareholders entitled to vote who were present at the meeting and voted or consented to in writing by such a majority
"Ordinary Shares"	the ordinary shares of US$0.01 per share in the capital of the Company, including (where the context requires) Depositary Interests
"Panel"	the Panel on Takeovers and Mergers
"Placing"	the conditional placing by Canaccord Adams on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
"Placing Agreement"	the conditional placing agreement dated 2 November 2007 between the Company, the Directors, Canaccord International and Canaccord Adams, relating, inter alia, to the Placing and Admission, further details of which are set out in paragraph 7.3 of Part V of this document
"Placing Price"	60 pence per Placing Share
"Placing Shares"	up to 20,500,000 Ordinary Shares to be issued pursuant to the terms of the Placing Agreement

"Prospect Area"	the area (28km by 6km) which is currently the focus of the CGP located within the Licence Area
"Registrars Agreement"	the agreement for registry services to be provided to the Company by the Registrars, as described in paragraph 7.24 of Part V of this document
"Registrars"	Capita Registrars (Guernsey) Limited, a company incorporated in Guernsey with company number 38018 whose registered office is at 2nd Floor, No 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD acting in its capacity as share registrar pursuant to the Registrars Agreement
"SAGMR"	the State Agency of Geology and Mineral Resources (Gosgeologoagentstvo) under the Government of the Kyrgyz Republic
"Securities Act"	the United States Securities Act of 1933, as amended
"Service Providers"	CAS, Vetan and Mada
"Share Exchange Arrangement"	the share for share exchange arrangement described in paragraph 7.9 of Part V of this document
"Shareholders"	holders of Ordinary Shares from time to time
"Soms" or "Som"	the lawful currency of the Kyrgyz Republic equal to a rate of exchange of US$ 1/34.98 Soms as at 20 October 2007
"Special Resolution"	a resolution of the Company in a general meeting carried by a majority of at least three-quarters of the Shareholders entitled to vote who were present at the meeting and voted or consented to in writing by such a majority
"United Kingdom Listing Authority"	a division of the FSA acting in its capacity as the competent authority for the purpose of Part V of FSMA
"Vetan"	Vetan Investments Limited, a company incorporated in Nevis with company number 26185, whose registered office is at PO Box 693, Hamilton Estate, Charleston, Nevis, and which is wholly owned by Alexander Novak
"Vetan Services Agreement"	the agreement described in paragraph 5.3(a) of Part V of this document
"UK Companies Act"	the Companies Act 1985 of England and Wales
"UK"	the United Kingdom
"US$" or "US dollars" or "USD"	currency of the United States of America
"£" or "pound"	currency of the UK

Please refer to the CPR in Part III of this document for a glossary of technical terms, abbreviations and units.

PART I

INFORMATION ON THE GROUP

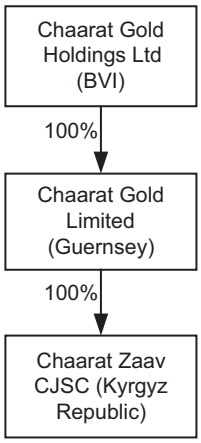
1. INTRODUCTION

The Chaarat Gold Group was founded for the purposes of exploring and developing the Licence currently held by Chaarat K, the local subsidiary, in the western part of the Kyrgyz Republic. Chaarat K, was established in 2002 by Alexander Novak who was formally joined by his business partner, Dekel Golan, through Chaarat Gold which was founded in 2004.

Chaarat Holdings was incorporated in the BVI on 20 July 2007 and became the holding company of the Group pursuant to a share for share exchange arrangement between the shareholders of Chaarat Gold and the Company (the Share Exchange Arrangement). The Share Exchange Arrangement was completed on 7 September 2007 and is further described in paragraph 7.9 of Part V of this document. The Company currently has two 100 per cent.* beneficially owned subsidiary companies, being Chaarat Gold (incorporated in Guernsey) and Chaarat K (incorporated in the Kyrgyz Republic).

Pursuant to two share sale and purchase agreements dated 17 March 2004 described further in paragraph 7.4 of Part V of this document, Chaarat Gold purchased the entire issued share capital of Chaarat K from Alexander Novak and a minority shareholder.

The Chaarat Group structure is summarised in the following diagram of beneficial shareholdings:



* One share in Chaarat Gold is held by Mada Limited, a related party.

2. THE GROUP'S ASSET, HISTORY OF EXPLORATION AND CURRENT RESOURCES

Licence and Licence Area

The Group currently has one project in the Kyrgyz Republic, details of which are as follows:

Asset	Holder	Interest (%)	Status	Licence Expiry Date	Licence Area
Licence no. Au-174-02 in the Kyrgyz Republic	Chaarat K	100	Geological prospecting and exploration	31 December 2008	604.6 km^2

The Licence Area is 604.6 km^2 and to date, extensive prospecting has only been conducted on high priority targets within an area of approximately 168 km^2 referred to as the Prospect Area, which hosts a variety of highly prospective gold occurrences. Based on historical information (both formal and informal), the Company has selected for exploration what the Directors consider to be the most prospective and readily accessible part of the Licence Area.

The Licence Area is located in the mountainous area of the Chatkal region of Jalal-Abad Oblast in the western part of the Kyrgyz Republic on the northern slope of the Sandalash river and southern slope of the Pskemsk mountain ranges.

The Licence was granted on 10 December 2002 (replacing an earlier exploration licence over the Licence Area) and has been extended to 31 December 2008 with possible additional extensions until 2012. On 17 July 2007, the SAGMR issued a letter which confirmed that the Licence is valid and its term will expire on 31 December 2008. To date, Chaarat K has complied with all of the terms of the Licence and the Licence Agreement and, in particular, its expenditure obligations have been met. During 2008, Chaarat K will be required to expend US$500,000 under the Licence and to fulfill certain obligations set out in the Licence work programme. Further details of the Licence and the Kyrgyz mining licensing regime are set out in paragraphs 4 and 5.3 of this Part I and paragraph 7.1 of Part V of this document.

History

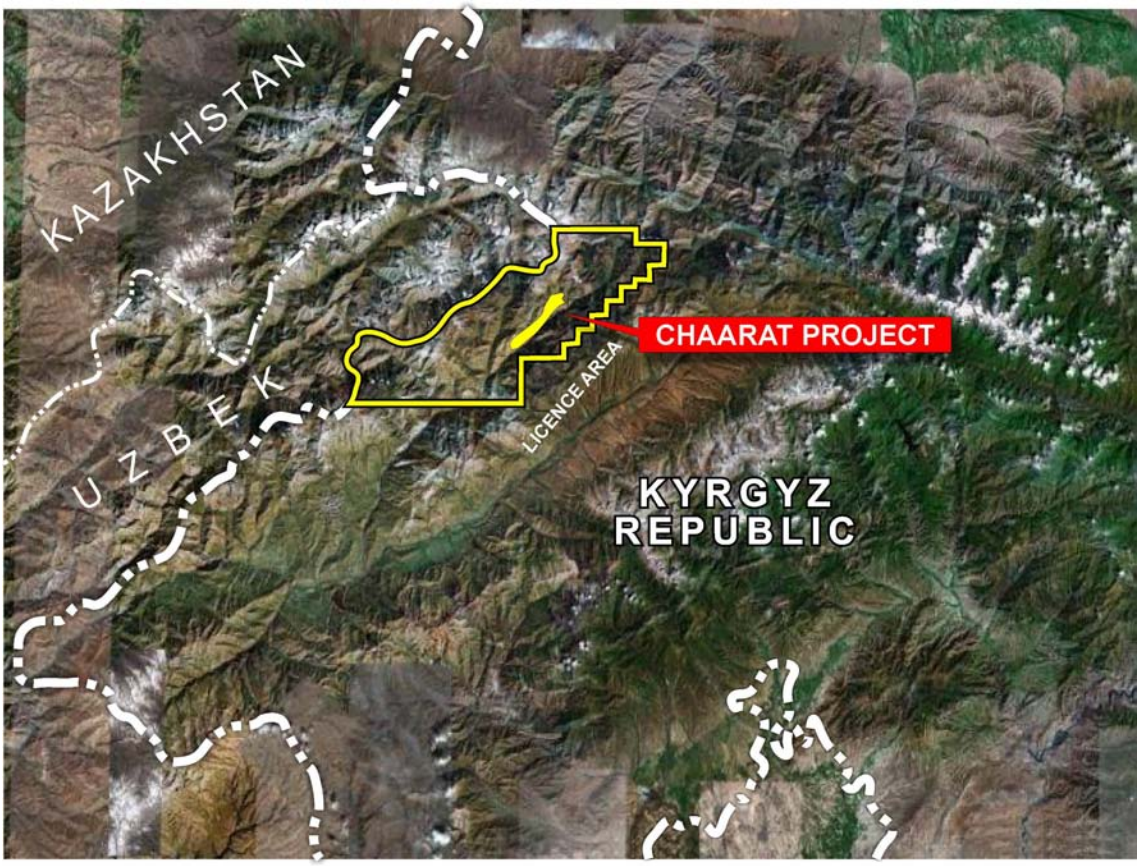
During the late 1980s and early 1990s, the North Kyrgyz Geological Expedition ("NKGE") explored the Prospect Area primarily for antimony. NKGE completed both surface and underground exploration work, including soil and rock sampling, geophysical surveys, trenching, drilling and the excavation of several adits. They identified a series of north-east trending gold anomalies along a 24 km strike length within the Prospect Area.

NKGE identified 5 targets; Contact Zone (4 km strike length), Karator Area (immediately northeast of the Contact Zone), Ishakuldy, Kashkasu and Minteke, all of which are included in the Prospect Area.

The results of the NKGE work indicated a restricted occurrence of antimony mineralisation with more widespread gold mineralisation and a coincidence of gold and arsenic anomalies in results from the soil and rock sampling surveys.

In 1996, a western consortium (Apex Silver Mines Limited and later in joint venture with Newmont Mining Corporation) acquired the licensing rights to the Prospect Area and re-sampled the old Soviet trenches as well as sampling new ones and assaying over 5,000 samples for gold. The western consortium confirmed the presence of several mineralised zones and peripheral samples indicated strike extensions. An IP survey carried out in 1999 confirmed earlier Soviet data and defined several north-east trending anomalies. The western consortium concluded that the anomalies constituted good targets for drilling and based on this work, drilled a number of core holes. The western consortium ended its activity in the region in 2001 due to poor commodity prices and a shortage of cash.

(See CPR Section 2.3.1)



(See CPR Figures 2.3 and 2.4)

During 2003, Chaarat K compiled all of the relevant historic data, digitised the NKGE maps, incorporated the results into its database and conducted a number of visits to the Prospect Area, examining the mineralised gold targets and conducting regional mapping. This led to a reinterpretation of the mineralisation and gold targets in the Licence Area and a realisation that the potential of the gold mineralisation could exceed the potential indicated by earlier interpretations.

(See CPR Section 2.3.2)

Exploration to date

During the 2004 exploration season, the existing trenches over the mineralised zones were resampled, a number of new trenches and bulldozer cuts were excavated and sampled and five core boreholes were drilled.

The results of the 2005 and 2006 exploration programmes enhanced the geological understanding of the Prospect Area and increased the level of indicated potential. This indicated potential has been further confirmed by the results from the limited drilling and sampling of bulldozer cuts undertaken during the initial part of the current 2007 exploration programme. The work undertaken in the 2007 exploration programme includes drilling, cleaning and sampling of old trenches, sampling of mineralised exposures in new road cuts and core sampling of recently drilled boreholes, including those drilled on strike extensions of previously known mineralised zones. In addition, an underground exploration adit is being excavated in the C53 sub zone. This underground access will provide underground drilling platforms from which to drill infill boreholes, specifically targeting strike and down-dip extensions to the C53 sub zone. The underground access will facilitate the sampling of the mineralised zone for representative bulk samples for further metallurgical test work.

(See CPR Section 2.3.2)

Current Resource base

Advanced stage prospecting, including the ongoing resource drilling programme, on seven priority targets, has delineated wide zones of gold mineralisation. By the end of the 2006 exploration season, an Indicated and Inferred Resource of 1.9 million ounces at a gold grade of 4.1g/t had been

delineated on these targets. Subsidiary amounts of silver and antimony occur within the mineralised zones. Additional targets are being explored but have not been drilled during the 2006 season.

The Company's current Resource base has been delineated quickly and cheaply and the Directors believe this to be a testimony both to the potential of the Prospect Area as well as to the Company's execution abilities.

The delineated resource, which is mostly developed only to a depth of about 200 metres subsurface is indicated by drilling to extend to 400 m below surface. Further, the 7 ore bodies are contained within a stretch of 6 km within a strike length of 28 km.

Classification	Zone	Tonnage (kt)	Grade (g/t Au)	Content (koz)
Indicated	Main	3,897	4.0	500
	Contact	4,049	3.9	504
Subtotal		7,945	3.9	1,004
Inferred	Main	2,800	4.7	424
	Contact	1,983	3.6	228
	T7	1,178	4.9	185
	Other	174	4.3	24
Subtotal		6,135	4.4	861
Indicated + Inferred	Main	6,697	4.3	924
	Contact	6,031	3.8	733
	T7	1,178	4.9	185
	Other	174	4.3	24
Total Mineral Resources		14,080	4.1	1,865

(1) The total Mineral Resources comprise 3.7Mt grading 4.0g/t Au containing 0.5Moz Au derived from manual estimates (C40 sub-zone, C46 sub-zone, T7 Zone and Other Zones) and 10.4Mt grading 4.2g/t Au containing 1.4Moz derived from computerised point interpolation (Main Zone and C53 sub-zone). In addition the Mineral Resource on average grades 11.5g/t Ag.

(2) Grade estimates of antimony (0.28% Sb) have been estimated, however these are low and are not amenable to economic metallurgical recovery at this stage and are therefore excluded from the JORC Code compliant Mineral Resource statement.

(See CPR Section 2.3.8, Table 2.5)

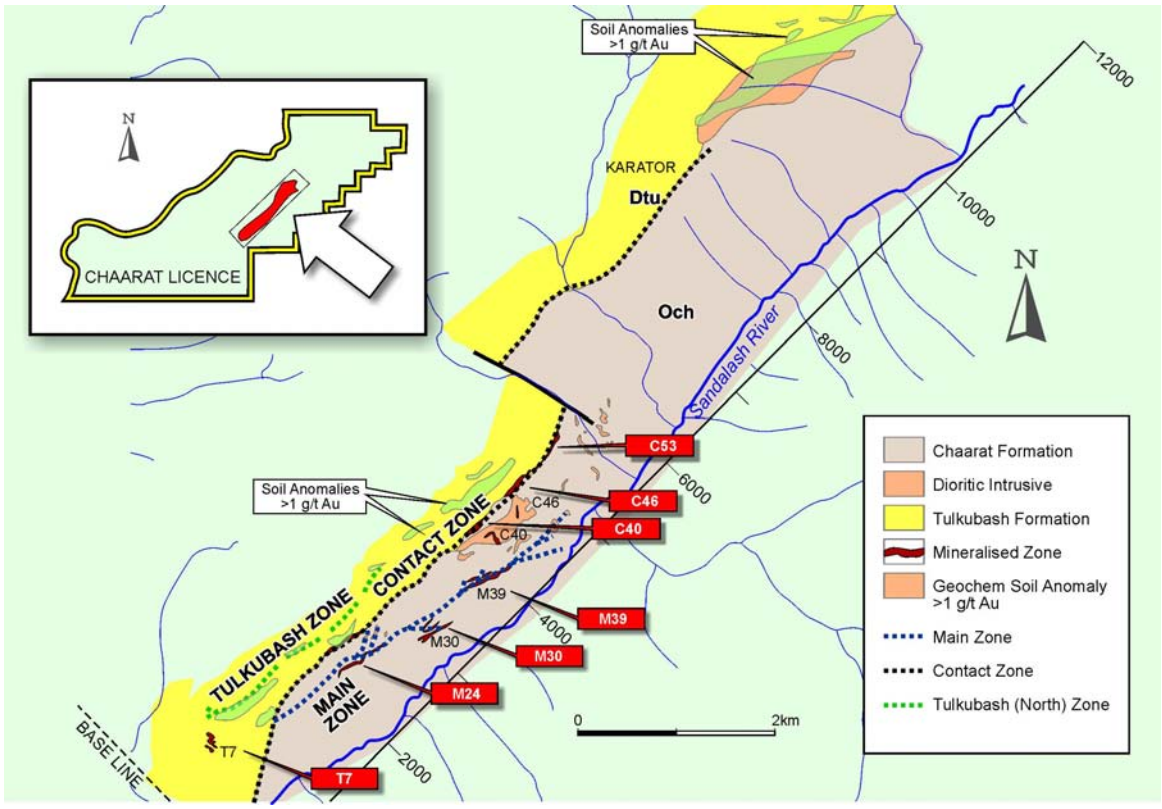
Proposed exploration programme and Metallurgical studies

Further work in progress during the 2007 exploration programme includes:

- surface mapping, trenching and sampling of regional exploration targets within the Licence Area;
- increasing road access with bulldozers to strike extensions of existing targets and on regional targets;
- deployment of additional diamond drilling rigs increasing the number on site to 8;
- further structural mapping to confirm the mineralisation controls;
- upgrading of the survey base through ground surveying and remote and satellite based imagery;
- additional geophysical surveys;
- additional metallurgical test work; and
- mining infrastructure, environmental and financial studies, leading to completion of a scoping study.

(See CPR Section 2.3.10)

Chaarat Prospect Area and the location of various ore bodies in it



3. THE GROUP'S EXPLORATION PROGRAMME AND STRATEGY

The Company's strategic objective is to develop, as quickly as practicable, sufficient resource to allow the design, finance, construction and commissioning of a large scale mine within the next five years, producing not less than 200,000 oz/y of Au. After defining such resource, which the Company expects to complete by the end of the 2008 exploration season, and whilst the technical studies would be underway, the Company intends to continue and develop the resource base to allow either an increase in forecast production rate or the extension of the "life of mine", or both.

Work proposed on the Prospect Area is expected to include some extensive drilling using the diamond core and possibly Reverse Circulation drilling. Such drilling will be done from the surface as well as from adits and drifts developed especially for that. Adits will be developed both with the view of allowing underground drilling as well as to enable the Company to extract bulk samples for metallurgical testing and for understanding better aspects of mining conditions and other engineering aspects.

The Directors have focussed the exploration programme to achieve the following key objectives.

1. Significantly increase the overall Mineral Resource base of the Company via the existing known gold mineralisation
2. Establish and extend higher grade zones within the current Mineral Resource inventory which would form the focus of initial high grade shoot mining.
3. Develop a Mineral Resource that is consistent with the long term plan for producing gold by forming views on metallurgical process and mining method.

The Directors believe that these 3 objectives can be met given the detailed analytic work carried out by the Company's geological team in conjunction with the Competent Person. The key aspect of the strategy to meet the 3 objectives is to focus drilling the C5300, C4600 and C4000 targets from an underground adit to establish and define the mineralisation which extends below what is currently known from the surface drilling.

This further drilling will help to guide the Company towards defining the most efficient mining method, particularly if it can be established that the known mineralisation extends to greater depth.

In addition, the Company proposes to undertake significant further metallurgical studies to establish the most economical and efficient process route for treating the potential run-of-mine ore. Given the Refractory nature of the ore these studies will use a bulk sample to examine fine ground and pre-oxidation treatment to optimise the metallurgical process.

Works towards a feasibility study is expected to include:

- scoping study already commissioned to Behre Dolbear. This will include but not be limited to the following scope:
  - review of the Mineral Resource estimate as completed by the Competent Person;
  - provide conceptual mining method based on geological and geotechnical information;
  - provide conceptual level process route based on previous and planned metallurgical testwork;
  - comment on infrastructure requirements of the project;
  - provide conceptual level (+/– 35%) estimate of capital expenditure, operating expenditure and cashflow;
  - comment and review the Company's environmental baseline programme being supervised by Knight Piésold;
  - provide relevant recommendations and conclusions as to best route forward to prefeasibility level study;
- continued metallurgical studies to be conducted by Resource Development Inc.;
- material characterization tests – bond work index and abrasivity index;
- grinding studies to determine effect of particle size and grind time;
- leach testing to determine gold occurrence and recovery by cyanidation;
- ultrafine grinding tests followed by leaching;
- flotation tests to optimise gold recovery;
- based on flotation tests programme of pressure oxidation, BIOX and leaching will be determined;
- nitric acid leach to simulate bio-oxidation;
- recommendations and conclusions as to the next phase of testwork at pilot plant levels; and
- baseline study to be conducted by local environmental bodies under the supervision of Knight Piésold Consulting.

The directors of Chaarat Gold have produced and submitted a work programme detailing the expected works to be carried during the 2007-2009 exploration seasons. Similar programmes were prepared for the project development in general. Further details of the exploration programme can be found in Section 5.3 of the CPR.

Furthermore, it is the intention to expand the exploration programme to other parts of the Licence Area.

The Company also intends to work actively to identify other gold occurrences with potential, in the vicinity of the Licence Area, where it will seek to acquire the rights to prospect in order to expand the gold resource base of the Company.

4. THE LICENCE AREA

The Licence Area is 604.6 km^2 in size and falls within 1:50,000 scale, topocadastral map sheet K-42-71-BVG. In administrative terms, the Licence Area is situated within the Chatkal region of Jalal-Abad Oblast.

The Licence Area lies approximately 300 km south-west of Bishkek. The distance by road from Bishkek to the Licence Area is some 520 km of which around 335 km is on all weather paved roads. Around 185 km of road is gravel surfaced and runs through high mountain areas which currently restricts activity in the Licence Area to between May and December. The Company intends to

ameliorate this situation by improving the quality of its road access to the Licence Area. The nearest railway line is 180 km from the Licence Area and the nearest international airports are at Bishkek and at Almaty in Kazakhstan (although there is a local airport approximately 50 km from the Licence Area). The nearest power lines are some 30 km from the Licence Area. A supply of water is available in the Sandalash river which flows through the Licence Area. This represents a potential source of hydroelectric power for any future mining project. These infrastructure elements are currently being evaluated by the Company.

On 24 April 2006, the Kyrgyz government issued a resolution of the government "On Creation of Sandalash Preserve within Besharal State Preserve in Chatkal region of Jalal-Abad region of the Kyrgyz Republic" whereby a portion of about 20% of the Licence Area was included in the Sandalash Preserve. Upon investigation by the Company, it was found that this part of the Licence Area, an area in which no geological works are being carried out (or planned to be carried out), had been mistakenly included in the area declared as Sandalash Preserve. The SAGMR has since confirmed in a letter that this part of the Licence Area was included in the territory of the Sandalash Preserve in error, although this remains to be formally corrected. Further information on this is set out in Part II, Risk Factors (see paragraph entitled "Licence Area").

5. KYRGYZ REPUBLIC AND MINING IN THE KYRGYZ REPUBLIC

5.1 The Kyrgyz Republic

Introduction

The Kyrgyz Republic is a landlocked mountainous country in Central Asia covering some 199,900 km^2 and was formerly part of the USSR. The country borders Kazakhstan to the north, China to the east, Uzbekistan to the west and Tajikistan to the south. The Kyrgyz Republic is also known as Kyrgyzstan. Over 90 per cent. of the country is at an elevation of 1,500 m or higher giving an average elevation of 2,750 m above sea level. Bishkek is the capital city and is situated in the northern part of the country with Osh, the second largest city, located in the south.

Geography and population

The estimated population of the Kyrgyz Republic is 5.2 million and is predominantly Muslim. It is a multi-ethnic state comprising Kyrgyz, Uzbeks, Tajiks, Russians, Ukrainians and Germans, and a small number of Uighurs, Dungans (Chinese Muslims) and Koreans. There is tension between the Kyrgyz and Uzbek communities over access to land and housing, and inter-ethnic relations were generally aggravated by what was perceived to be official discrimination in favour of the Kyrgyz speaking population. In 2000, the Kyrgyz authorities tried to stem a steady exodus of skilled Russians by making Russian an official language and by promising the Russian minority dual citizenship.

Government and politics

The Kyrgyz Republic became independent in August 1991 after the disintegration of the USSR. The country is a republic with a constitution which was adopted in May 1993 and has been amended a number of times since, most recently in December 2006. The head of state is the President who is elected through nationwide elections for a 5 year term. The President appoints a Prime Minister, who forms a government.

The supreme legislative body is the Jogorku Kenesh (Parliament) consisting of one chamber of 90 members, who are elected for a 5 year term. The supreme body of judicial power in the sphere of civil, criminal and administrative proceedings is the Supreme Court. Kyrgyz is spoken although Russian has the status as an official language of the Kyrgyz Republic.

Recent Political history

Constitutional issues have afflicted the Kyrgyz Republic since 2005, when former president Askar Akayev left the Kyrgyz Republic and efforts to resolve them are ongoing.

On 14 September 2007 the Constitutional Court repealed the law enacting the existing Constitution and on 19 September 2007 the President announced that a referendum on the Constitution would be held on 21 October 2007. Although the official results have not yet been published the press indicates

that a majority of voters approved the changes to the Constitution. Parliament was dissolved on Monday 22 October with elections expected to be held under the new Constitution in mid-December. The Government of the Kyrgyz Republic was dismissed by the President on 24 October 2007 but they will continue their work as an acting Government until the new Government is approved.

It should be noted that, whilst the Directors believe the efforts to restore constitutional issues to be a positive signal, continued popular discontent in the Kyrgyz Republic remains an underlying threat to stability.

Economic overview

Initial indications show a growth in real GDP from 2.7% in 2006 to 9.2% in the first half of 2007. This is primarily due to increases in private consumption and fixed investment. The growth rate is forecast to be 6.5% for the 2007 full year and 5% in 2008.

As the economy stabilises, inflation, although higher than in 2002 to 2005, is predicted to remain manageable with an average inflation forecast of 5.5% in 2007.

The Som continues to appreciate, strengthening year on year, with foreign exchange reserves rising from US$570m to US$764m. The continued strength of the currency is, however, dependent on the political stability of the country.

The government has pledged to make foreign direct investment a priority, proposing regulatory and tax reforms. However, there is uncertainty associated with the government's ability to undertake this given the potential domestic opposition to such action. Additional uncertainty in the gold sector has also been created by the government's recent efforts to revise the terms of an agreement with Cameco Corporation, the leading foreign investor in the Kyrgyz Republic. This has raised concerns about possible nationalisation of the gold sector in the Kyrgyz Republic. A draft bill approved by parliament in a first reading in March 2007 would, if passed, allow the consolidation of existing licences in the gold sector into a single state-owned company, which could threaten private projects. So far, the proposed legislation has not progressed further, although there is no assurance that it will not be passed in the future.

5.2 Mining Industry in the Kyrgyz Republic

The Kyrgyz Republic covers a portion of the Tien Shan mountain range, an orogenic belt stretching from northwest China through the Kyrgyz Republic and into Uzbekistan and Kazakhstan. This belt is the location of several gold occurrences notably Kumtor (the Kyrgyz Republic's largest gold mine) and Murauntau in Uzbekistan (one of the largest gold deposits in the world).

The Kyrgyz Republic has a long tradition of mining preceding the Soviet era and, at present, mining is one of the mainstays of the local economy. In 2003, the Kyrgyz Republic was the third largest gold producer in the Commonwealth of Independent States. The Directors believe that mining infrastructure in the Kyrgyz Republic is well established, with a readily available skilled mining labour force. Gold mining is acknowledged to be crucial to the country's development.

The Kumtor Gold Company is one of the largest gold mines operated in Central Asia by a western based company and was established in 1992 as a joint venture between Cameco Corporation and the Kyrgyz Government. It produced more than 5.8 million ounces of gold between 1997 and the end of 2006.

5.3 Kyrgyz Mining Licensing Regime

Under Kyrgyz law, mining rights may be granted by way of exploration or mining licences (both of which are issued by the SAGMR), by a concession from the Kyrgyz Government or by entering into a production sharing agreement with the Kyrgyz Government.

A brief summary of the key provisions of the Kyrgyz Mining Law

The Kyrgyz Mining Law allows local and foreign companies to explore, develop and mine properties in the Kyrgyz Republic. It contains sections which provide for restrictions on subsoil use in instances where there is a threat to the lives and health of people or which may cause damage to property or the environment. The Kyrgyz Government sets the minimum expenditure to be spent per unit of any

licensed area and the maximum size of the licensed area for exploration. Each licensee must submit semi-annual and annual reports to the SAGMR including a statement of the total expenditure incurred on the licence. The licencee must also submit the proposed work programme under the licence to the SAGMR.

Exploration licences are granted for a period of two years and may be extended up to a maximum of 10 years. A new licence agreement generally is issued for each two year extension and an extension will only be granted if the conditions of the previous licence agreement are complied with. The execution of a new licence agreement terminates the previous licence agreement.

Should a deposit be discovered, the licence holder has an exclusive right to obtain a mining licence for the same metals as were subject of the exploration licence. The mining licence to develop mineral deposits grants the licence holder the exclusive right, within the boundaries of the mining allotment, to conduct geological study and develop and mine for a period established by a technical project not longer than 20 years (but with a potential subsequent extension pending the depletion of mineral stocks).

In order to conduct prospecting, exploration and development of deposits of mineral resources, the licence holder must obtain an "entrepreneurial licence". The licence holder may choose not to conduct prospecting, exploration and development works itself but instead enter into a contractual relationship with any other person holding the "entrepreneurial licence".

Exploration licences can be extended by the SAGMR subject to fulfilment of the licensing terms. The SAGMR will either extend the term of the licence or issue a new licence for two years from that date. Current practice suggests that the SAGMR is flexible in negotiating the conditions and the term of the licence. The conditions attached to an exploration licence are contained in the accompanying licence agreement.

A licence may be suspended for three months if the subsoil is used for purposes other than the licence allows, the licensee is in breach of the terms of the licence agreement or any force majeure event occurs. A licence may be terminated without the licensee's consent in the following circumstances:

- if the exploration work is completed, the mineral stock is depleted and/or the licensee company is liquidated;
- if technologies are used in a manner which creates a health and safety risk for employees and the general population or threaten to cause irreparable environmental damage and loss of mineral stock;
- if the licensee does not start the development at the rate prescribed in the licence within 1 year of the date of grant; and
- if the licensee fails to provide a work schedule duly approved by the relevant authorities within a certain period of time as prescribed in the licence agreement.

On 15 August 2007 the Kyrgyz government approved a new Regulation on subsoil use licensing. The Regulation entered into force on 9 September 2007. Under Kyrgyz law the Regulation shall not be applied retrospectively.

The SAGMR may grant exploration licences in respect of the same area but for different ores or minerals. There are no legal or regulatory provisions or precedents as to which licensee enjoys priority if two licensees' activities are in conflict. At the same time no publicly accessible register of mining licences exists, therefore it is not possible to assess how many licences are granted, and in respect of what minerals, in any given area.

Relinquishment

Where the relevant licence agreement so requires, the licensee of an exploration licence must relinquish its licence in respect of a certain proportion of the licensed area at the end of each year of the licence period. The licensee may choose (subject to the written agreement of the SAGMR) which part of the Licence Area it will relinquish.

Tax and financial considerations

Joint stock companies incorporated in the Kyrgyz Republic are subject to usual corporate taxes which are briefly summarised in section 2.4.4 of the CPR.

The Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" dated 27 March 2003 ("Kyrgyz Investments Law") grants to foreign investors certain guarantees and protections of their rights and interests. Article 6 of the Kyrgyz Investments Law provides that investments shall be guaranteed against expropriation (nationalization, requisition, or other equivalent measures, including acts or failure to act by the authorised government agencies of the Kyrgyz Republic, which result in coercive taking of the investor's property or depriving him of the possibility to use the results of the investments) except for the cases provided by legislation of the Kyrgyz Republic when such expropriation is undertaken in the interests of the public on a non-discriminatory basis with the observance of the proper legitimate procedure and shall be made with payment of timely, proper and real compensation of damage including lost profit. Further, under the Kyrgyz Investments Law foreign entities are guaranteed the right to repatriation of capital and profits received pursuant to investments in the Kyrgyz Republic in freely convertible currency.

Environmental

A summary of applicable environmental legislation in the Kyrgyz Republic is contained in section 2.4.2 of the CPR.

5.4 The Licence

A summary of the key terms of the Licence is set out in paragraph 7.1 of Part V of this document.

6. PAST FUNDRAISINGS AND REASONS FOR ADMISSION AND PLACING

To date, the Chaarat Group has raised approximately US$ 11,800,000 to fund its exploration programme in the Licence Area. The dates of all such previous fundraisings together with the gross amounts raised are as follows:

Date	Amount Raised
March 2007	*US$4,999,049*
March 2006	*US$3,304,125*
March 2005	*US$3,000,120*
April 2004	*US$532,280*
Total	*US$11,835,574*

The Directors believe that Admission to AIM and the Placing will further assist the Group in its development by:

- providing a strong platform for the exploration and development of the Licence Area;
- allowing the Company to seek further investments;
- helping to raise the profile of the Group;
- enabling the Company to achieve a broader shareholder base by attracting institutional investors; and
- providing the Company with access to international capital markets.

7. THE PLACING AND ADMISSION TO AIM

The Company is proposing to raise up to £12.3 million (before commissions and expenses) under the Placing which is expected to yield £7,673,533 net of fund raising expenses, assuming the Minimum Subscription being raised.

Assuming the Minimum Subscription is raised, it is intended that approximately £4,990,000 will be allocated to exploration, £1,750,000 will be allocated to overheads and office costs, £210,000 will be allocated to capital expenditure and £720,000 will be allocated to working capital in the period ending 31 December 2008.

Under the terms of the Placing Agreement, further details of which are set out in paragraph 7.3 of Part V of this document, Canaccord Adams agrees as agent for the Company to use its reasonable endeavours to procure placees for up to 20,500,000 new Ordinary Shares at the Placing Price to raise up to £12.3 million before commissions and expenses. On Admission, assuming the Minimum Subscription is raised, the Company will have 71,883,433 Ordinary Shares in issue and a market

capitalisation of £43,130,059 at the Placing Price. The Placing Shares will be issued credited as having been paid up in full and will, when issued, rank pari passu in all respects with the Existing Shares, including the rights to receive all dividends and other distributions declared, paid or made after the date of issue. The Placing Shares have not previously been listed, traded or quoted on any regulated or recognised stock market, but application will be made to the London Stock Exchange for the admission of the whole of the issued and to be issued share capital of the Company to trading on AIM and such Admission is expected to occur on 8 November 2007. The Placing has not been underwritten.

8. BOARD OF DIRECTORS

Mr Dekel Golan (Chief Executive Officer) (Age 51)

Mr Golan is a graduate of Tel Aviv University. Mr Golan, formerly president of Apex Asia LDC, a subsidiary of Apex Silver Mines Limited, has extensive experience in promoting and developing businesses both in emerging economies as well as the developed world. Mr Golan was the founder and Executive Chairman of African Plantations Corporation Limited. In addition, Mr Golan has advised a number of international and Israeli companies on business development and competitive intelligence. Prior to those activities Mr Golan was Vice President of Business Development of Supersol, the largest retail operator in Israel and established and managed the unit for competitive intelligence for Dead Sea Bromine Group, the world's largest bromine producer. Mr Golan is an Israeli national.

Mr Terence Arthur Cross (Finance Director) (Age 59)

Mr Cross is an MBA graduate of the University of the Witwatersrand, Johannesburg and is a member of the South African Institute of Professional Accountants. His working experience has been gained primarily in mining and related industries.

Since immigrating to the UK in 1996, Mr Cross worked for eighteen months as an independent consultant then for four years as a Projects and Financial Control Manager for Barclays Bank. During the most recent six years he has worked as Group Financial Controller for a number of AIM listed mining exploration companies. Prior to moving to the UK he was, for six years, General Manager of a specialist equipment and consumables supplier to the mining industry in South Africa.

Mr Cross was a director of Johannesburg Stock Exchange listed companies, Consolidated Modderfontein Mines Ltd and South Roodepoort Main Reef Areas Ltd, from 1988 to 1992 and was Group Financial Controller and subsequently a director of the mining management company, Golden Dumps (Pty) Ltd, through the period from 1986 until 1989.

Mr Cross was previously employed in financial management positions for eleven years with Celanese Corporation of New York and for seven years with the Barlow Rand Group, of South Africa. Mr Cross holds dual British and South African nationality.

Mr Alexander Novak (Executive Director) (Age 51)

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

Mr Christopher David Palmer-Tomkinson (Non-Executive Chairman) (Age 65)

Mr Palmer-Tomkinson graduated from Oxford University with a degree in jurisprudence and joined Cazenove in 1963. He served as a partner from 1972 until 2001 and as managing director international corporate finance until May 2002. He was responsible at various times for Cazenove's African and

Australian business which enabled him to focus on the resource sector. Mr Palmer-Tomkinson is a director of Highland Gold Mining Limited. Mr Palmer-Tomkinson is a British national.

Mr Stuart Robert Comline (Non-Executive Director) (Age 58)

Mr Comline is a graduate of the University of Natal South Africa (B.Sc Hons.Geology) and University of Western Ontario (M.Sc Geology). Mr Comline was Chairman, and formerly President and Chief Operating Officer, of AfriOre Limited, a TSX and AIM listed company until January 2007, when the company was purchased by Lonmin Plc. Mr Comline has 35 years of experience in the international exploration and mining industry mostly in Africa and Canada. He spent 20 years with JCI Limited, in a number of senior management positions including General Manager of Exploration. In the mid-nineties he was an independent consultant and worked with merchant banks and major and junior exploration companies within the mining and exploration field until joining AfriOre Limited in 1997. Mr Comline has experience in various commodities including gold, platinum, base metals, diamonds and coal. Mr Comline is currently an independent advisor to several mineral exploration companies and serves Talon Metals Corporation, a TSX listed mining and mineral exploration company, as a non-executive director. Mr Comline is a British national.

Mr Oliver Raymond Greene (Non-Executive Director) (Age 64)
Oliver Greene is a graduate in Politics, Philosophy and Economics from Oxford University. A career banker, he has over thirty five years experience as a practitioner in international corporate finance, credit and corporate recovery in the US and Europe.

Mr Greene joined Citibank in 1965 holding various assignments in New York and London with experience in Petroleum and Chemicals financing, leasing and structured finance, and exposure to Scandinavian and Eastern European markets. In 1980 Mr Greene moved to Bankers Trust Company to head their UK World Corporate Department in London. He joined Chase Manhattan Bank in 1988 as Managing Director, Head of UK Corporate Finance followed in 1990 by the management of impaired assets in the UK. In 1996 Mr Greene moved to UBS as a Managing Director in Corporate Finance before accepting an invitation to join the European Bank for Reconstruction & Development in 1998 as Director of Corporate Recovery.

On Mr Greene's retirement from the EBRD in 2003 he became a consultant to the bank, an appointment that continues. Mr Greene served as a member of the Supervisory Board and Chairman of the Remuneration Committee of Banca Comerciala Romana S. A in Bucharest from 2004 to 2006. Since 2004 Mr Greene has been a member of the Supervisory Board and Chairman of the Audit Committee of Bank Pekao S.A Warsaw (a publicly listed Unicredito Group subsidiary) and, since 2006, a member of the Supervisory Board of Korado AS in the Czech Republic. Mr Greene is a US/UK dual national.

Details of the Directors' service arrangements with Chaarat Group are set out in paragraph 5 of Part V of this document.

Key Management

Mr Matthew Dorman (Project Manager)

Mr Dorman is a graduate of Robert Gordon University (M.Sc Eng.). Mr Dorman is a project manager with 20 years international experience in the mining and metals sector. His experience covers a full range of projects from technical due diligence studies on behalf of financial institutions, through to plant construction, operations and upgrades. Having world-wide experience, Mr Dorman has an excellent understanding of the particular challenges associated with bringing mineral projects through to completion. Most recently, Mr Dorman headed the bankable feasibility study team on the Rio Blanco copper project in northern Peru, a 1 billion tonne porphyry copper-molybdenum project with a capital expenditure of in excess of US $1 billion. Prior to Rio Blanco, Mr Dorman was CEO of Minco plc, an AIM listed company into which he successfully reversed his private resource company, adding several valuable silver assets to the company's portfolio.

During his career, Mr Dorman has also managed the design and construction of heap leach and CIL gold projects in Uzbekistan, Tajikistan, Saudi Arabia, Uruguay and Honduras; acted as client representative on the design and construction of gold projects in Niger and Morocco; and has managed and operated gold and base metals operations in Uruguay, Ecuador, Saudi Arabia and Mauretania. Mr Dorman is a British national.

Mr Yehuda (Jed) Diner (Vice president of Geology of Chaarat Gold)

Mr Diner has a B.Sc. in geology from the Hebrew University, Jerusalem and an M.Sc. in Applied Earth Science from Stanford University. He has worked for more than 21 years in the mining business as senior geologist and exploration manager for the Westley Group, as exploration manager for Canmex minerals, as Vice President of Exploration for Odyssey Resources and as consultant for several major mining companies, including Teck and Bateman.

Most of Mr Diner's work has been in gold exploration and mine development in the western hemisphere particularly in the USA, Canada and Mexico, and includes a pre-feasibility study of the Santa Fe Mine in Nevada, discovery of gold ore bodies for Teck in the Nukay district and discovery of the El Limon gold ore body for Canmex group Mexico. He has also worked on international projects in Turkey, Morocco, Yemen, Jordan, Israel, Bulgaria, Greece, Ghana, Cote d'Ivoire, Cameroon, Australia and Fiji. In the last three years he has been working as a consultant in the former Soviet Union, providing computerised reserve models and mine valuations and pre-feasibility studies. Mr Diner is an Israeli national.

9. COMPETENT PERSONS' REPORT

The attention of readers of this document is drawn to the Competent Persons' Report set out in Part III of this document.

10. CURRENT TRADING AND PROSPECTS

On Admission, the Company will have cash resources of approximately £7,720,000. The Company does not generate operating revenue and the prospects of the Company will be determined solely by the success of its exploration programme at the Licence Area. The Directors believe that the Company will be well placed to enhance the value of the Group through development of the Licence Area.

11. LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

Upon Admission, assuming the Minimum Subscription being raised, the Directors, their related parties and applicable employees (each as defined in the AIM Rules) will have an aggregate of 22,566,300 Ordinary Shares representing 31.39 per cent. of the Enlarged Share Capital and have undertaken to the Company and Canaccord Adams that they will not, except in certain limited circumstances, sell or dispose of any of their respective interests in Ordinary Shares (other than any Placing Shares) for a period of 12 months immediately following Admission. They have further undertaken that, after the expiry of such 12 month period, they will not, except in certain limited circumstances, make any such sale or disposal save through the broker of the Company for the time being and in such manner as the broker may reasonably require so as to maintain an orderly market in the Ordinary Shares.

Upon Admission, the Directors, their related parties and applicable employees will have options over an aggregate of 7,860,000 Ordinary Shares and have undertaken to the Company and Canaccord Adams that they will not, except in certain limited circumstances, sell or dispose of any of their respective interests in such Ordinary Shares for a period of 12 months immediately following Admission. They have further undertaken that after the expiry of such 12 month period, they will not, except in certain limited circumstances, make any such sale or disposal save through the broker of the Company for the time being and in such manner as the broker may reasonably require so as to maintain an orderly market in the Ordinary Shares.

12. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and interests of the Shareholders. The Combined Code does not apply to companies quoted on AIM and there is no formal alternative for AIM companies. The Quoted Companies Alliance has published a set of corporate governance guidelines for AIM companies, which include a code of best practice for AIM companies, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters (the "QCA Guidelines"). However, the Directors intend to implement steps to comply with the Combined Code, so far as it is practicable having regard to the size and current stage of development of the Company.

While there is no equivalent to the Combined Code in the BVI, the BVI Business Companies Act, 2004, which came into force on 1 January 2005, has updated and enhanced the company law statute

in the BVI, including codifying various directors' duties and liabilities and shareholder rights which will apply to all BVI companies. See "Protection of Minorities" and "Management" at paragraph 3 of Part V of this document for further details.

The Board

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Board will meet regularly throughout the year. To enable the Board to perform its duties, each Director will have full access to all relevant information and to the services of the Company Secretary. If necessary, the non-executive Directors may take independent professional advice at the Company's expense. The Board includes three non-executive Directors. The Board has delegated specific responsibilities to the committees below.

The remuneration committee

The remuneration committee, which comprises one executive (Dekel Golan) and two non-executive Directors (Christopher Palmer-Tomkinson and Stuart Comline), and is to be chaired by Stuart Comline, will meet 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 will also administer the Company's share option arrangements. The remuneration of the non-executive Directors will be reviewed by the Board.

The audit committee

The audit committee, which comprises one executive (Terence Cross) and two non-executive Directors (Christopher Palmer-Tomkinson and Oliver Greene), and is to be chaired by Oliver Greene, will meet on at least two occasions each financial year. It will review the Company's interim and annual financial statements before submission to the Board for approval, as well as regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the audit committee will monitor the progress of action taken in relation to such matters. The audit committee will also recommend the appointment of, and will review the fees of, the external auditors.

The share dealing code

The Company has adopted a share dealing code for the Directors and its employees, which is appropriate for a company whose shares are admitted to trading on AIM (in order to, among other things, ensure compliance with Rule 21 of the AIM Rules). The Company will take all reasonable steps to ensure compliance with the terms of the share dealing code by the Directors and their connected persons and employees.

13. TAXATION

Your attention is drawn to the information relating to the UK and BVI tax implications applicable to investors holding Ordinary Shares as an investment contained in paragraph 12 of Part V of this document.

14. DIVIDEND POLICY

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits and creation of sufficient reserves, when it becomes commercially prudent to do so.

15. SHARE OPTIONS

To date, the Company has granted 8,160,000 Options (in aggregate). Details of such Options are included in paragraph 2 of Part V of this Document. The Directors intend to implement an incentive scheme to reward Directors and certain employees. It is intended that a total of no more than 15 per cent of the issued share capital of the Company from time to time will be available under share option arrangements (including the Options) and that options will be made available on substantially similar terms to those described in paragraph 2 of Part V of this document.

16. DEALING ARRANGEMENTS AND CREST

The Company, through the Depositary, has established a depositary arrangement whereby Depositary Interests established pursuant to a deed of trust executed by the Depositary and representing Ordinary Shares, will be issued to investors who wish to hold their Ordinary Shares in electronic form within the CREST system. The Company will apply for the Depositary Interests to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares, represented by Depositary Interests, following Admission may take place within the CREST system if the relevant investors so wish. CREST is a UK electronic paperless share transfer and settlement system, which allows shares and other securities (including Depositary Interests) to be held in electronic rather than paper form. The Ordinary Shares may be traded using this system. Please note that CREST is a voluntary system and holders of shares who wish to receive and retain share certificates will also be able to do so.

Further details of the depositary arrangements are set out in paragraphs 7.22, 7.23, 7.24 and 14 of Part V of this document.

Further information regarding the depositary arrangement and the holding of Ordinary Shares in the form of Depositary Interests is available from the Depositary located at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

17. TAKEOVERS AND MERGERS

As a BVI incorporated company, Chaarat Holdings is not directly subject to any restrictions on takeover offers such as those which exist in the UK pursuant to the City Code. However, the Company has included in its Articles provisions dealing with takeover bids, squeeze-out and sell-out, a summary of which is contained in "Takeover Provisions" and "Sellout/Squeeze Out Provisions" at paragraph 3 of Part V of this document.

There has been no takeover offer by any third parties in respect of the Ordinary Shares of the Company since the date of its incorporation.

18. BORROWING POWERS

The Directors intend that a resolution to consider limiting the Company's borrowing powers will be put to a vote of the Shareholders at the first annual general meeting of the Company.

19. ADDITIONAL INFORMATION

Your attention is drawn to the information included in the rest of this document. In particular, you are advised to consider carefully the risk factors set out in Part II of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk, should be considered speculative because of the nature of the Group's business and should only be made by those with the necessary expertise to appraise the investment. Prospective investors should carefully consider the risks described below (which are considered by the Directors to be the risks specific to the Group and its industry and which are material to taking an investment decision in the Ordinary Shares and does not purport to be an exhaustive summary of the risks affecting the Group) in conjunction with all other information contained in this document (including, in particular, the Competent Person's Report in Part III and the Accountant's Report in Part IV) and their own personal investment objectives and financial circumstances before deciding whether to invest in the Ordinary Shares. If in doubt as to whether to invest in the Ordinary Shares, investors should consult with an independent financial adviser who specialises in advising on the acquisition of shares and other securities.

The following risks have the potential to materially and adversely affect the Group's business, financial condition and results of operations and/or the Company's share price. In such case, an investor may lose all or part of his or her investment. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently believe to be immaterial, may also have an adverse effect on the Group. An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. Neither the Company nor the Directors provide any assurances or guarantees of future profitability, distributions, payment of dividends, return of capital or the performance of the Company or its Ordinary Shares and there can be no assurance that the Company will achieve its objectives.

1. Specific risk factors

Specific risks which may affect the Group include the following:

The Group

The Group has limited operating history upon which prospective investors may base an evaluation of its likely performance.

Licence

The Licence is only valid until 31 December 2008 and can only be extended until 10 December 2012 accordingly the Licence Area will need to be explored in a relatively short time frame following which either the Licence will need to be extended or renewed or, if any deposits are found, application will need to be made for a mining licence on the relevant parts of the Licence Area. An extension or renewal of any licence, as well as application for any mining licence, will require application to the SAGMR, Kyrgyz Mining Law provides that if the licence owner is in compliance with the terms of the relevant licence agreement the SAGMR shall prolong the licence. However, there is no guarantee that the relevant application will be successful on the terms requested or at all.

Title to property

Licences to explore gold and other metals in the Licence Area were previously granted to Kumushtak JSC in 1997 (subsequently annulled) and to Kichi Chaarat JSC in 1999 (in 2002 Kichi Chaarat JSC transferred this licence to Kumushtak JSC). The SAGMR annulled these previous licences in its Protocol No 202-N-02 on 10 December 2002 when the Licence was granted to Chaarat K. There can be no assurance that the legal and/or contractual rights granted by the Licence will be respected at any time or during the contemplated period of land usage by Chaarat K, thereby potentially reducing the present value of the Group's investments and operations. The Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" dated 27 March 2003 grants to foreign investors certain guarantees and protections of their rights and interests. However, there can be no assurance that such investment guarantees will be met in full or at all.

The SAGMR may grant exploration licences in respect of the same area but for different ores or minerals. There are no legal or regulatory provisions or precedents as to which licensee enjoys priority if two

licensees' activities are in conflict. At the same time no publicly accessible register of mining licences exists, therefore it is not possible to assess how many licences are granted, and in respect of what minerals, in any given area.

Licence Area

On April, 24, 2006, the Kyrgyz government issued a resolution of the government "On Creation of Sandalash Preserve within Besharal State Preserve in Chatkal region of Jalal-Abad region of the Kyrgyz Republic" (the "Resolution on Preserve"), whereby the Licence Area was included in the Sandalash Preserve. On June 10, 2007, Chaarat K received the Report of the State Agency for Environmental Protection and Forestry on the examination of environmental protection activities, stating that Chaarat K was operating in violation of the requirements of the Resolution on Preserve.

Upon investigation it was found that about 20 per cent. of the Licence Area, an area in which no geological works are being carried out (or planned to be carried out at any time in the future), has mistakenly been included in the area declared as Sandalash Preserve. The part of the Licence Area included in the Sandalash Preserve includes the area where the summer camp of Chaarat K is located. As the road to the Licence Area also passes through the Sandalash Preserve, until this matter is finally resolved access to the summer camp and Licence Area could be restricted.

The SAGMR has confirmed in a letter that the area covered by the Licence has been included in the territory of the Sandalash Preserve in error and the SAGMR intends to initiate amendments to the Resolution on Preserve to verify the borders of the Sandalash Preserve and exclude the area covered by the Licence from the Sandalash Preserve. The Resolution on Preserve has not been amended as at the date of this document and, as a consequence, Chaarat K may not conduct exploration works within the part of the Licence Area in the Sandalash Preserve.

Land use consents and approvals

Chaarat K must obtain written consent from the local state administration or enter into an agreement with the landowner or competent government authority in respect of the Licence to acquire land use rights for subsoil exploration, if Chaarat K performs exploration works involving surface disturbance, and also obtain temporary land use rights to the licenced area. Chaarat K has obtained the relevant consent from the local state administration to acquire land use rights for subsoil exploration under the Licence. With regard to the temporary land use rights, by resolution of the Chatkal state administration, Chaarat K has obtained a temporary land use right certificate, however, as Chaarat K is a foreign owned entity such land use rights should have been granted by way of a governmental Decree rather than resolution. Chaarat K has not obtained the governmental Decree and accordingly the resolution and certificate may be found to be invalid and works under the Licence may be required to be suspended until the governmental Decree is obtained for that part of the Licence Area for which Chaarat K is required to obtain the certificate of temporary use.

Chaarat K is also required to enter into land use consent agreements with private landowners within the area covered by the Licence and the absence of any relevant consents may result in suspension of the Licence. Chaarat K is not aware of any such private landowners.

Chaarat K's rights relating to the Licence Area under the Licence may be subject to further governmental approvals or third party consents. There can be no assurance that such approvals or consents will be obtained or, if obtained, that they will not require certain modifications to existing contractual or other arrangements which may adversely affect the Group's operations.

Environmental Impact

The CPR notes (at Section 2.3.11) that the likely adverse environmental impacts associated with any further mining developments are:

- the Sandalash river drains into the Chatkal river, which then leaves the Kyrgyz Republic and enters Uzbekistan, and accordingly may have potential transboundary implications if water is not well managed;
- water management due to snow melt associated with the mountainous topography and steep slopes;
- the likelihood of acid rock drainage ("ARD") and also the presence of arsenopyrite;
- current land use for grazing by local inhabitants and associated rights; and

- the location of infrastructure, specifically the process facilities, tailings storage facilities and waste rock dumps given the limited availability of suitable land in the Sandalash river valley.

The Group has undertaken certain metallurgical testwork which indicates that likely process routes will necessitate the establishment of a lined storage facility given the proximity to the Sandalash river. Whilst the Group intends to assess these impacts as part of an environmental impact assessment, there can be no assurance that the results of such environmental impact assessment will not adversely affect the Group's operations.

Other Interests/conflicts

Dekel Golan, Alexander Novak and Christopher Palmer-Tomkinson are directors and shareholders of Kyrex Limited. Kyrex Limited has, through its Kyrgyz subsidiaries, Naryn Gold Limited Liability Company and Goldex Asia Limited Liability Company, an interest in four exploration licences in the Kyrgyz Republic. However, these are in different regions of the Kyrgyz Republic and the Directors are therefore of the view that, currently, no conflict arises as a result of these directorships and shareholdings. Whilst they intend to review this situation regularly, there can be no guarantee that conflicts will not arise in the future whether in relation to Kyrex Limited or otherwise.

Speculative business of mineral exploration

Mineral exploration is highly speculative, involves many risks and may be unproductive. The CPR notes (at section 4.3 ES) that the principal risks associated with the Group's exploration programmes and associated activities are:

- That neither the extensional or infill drilling identifies significant higher grade zones within the Prospect Area; and
- that the scoping study and/or pre-feasibility study process identifies a potential fatal flaw in respect of the technical feasibility or economic viability of the CGP.

There can be no guarantee that the estimates of quantities and grades of minerals disclosed will be proven or available to extract. This may result in unprofitable efforts and may not result in profitable commercial mining operations.

Major expenses may be required to establish ore reserves and/or to develop metallurgical processes.

The commercial viability of a mineral deposit is dependent upon a number of factors. These include attributes such as size, grade and proximity to infrastructure, current and future mineral prices (which are volatile) and government regulations, including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors either alone or in combination cannot be predicted and their impact may adversely affect the Group's return on invested capital.

Natural risks

The business of mineral exploration is subject to a number of risks and hazards including adverse weather conditions, environmental hazards, industrial accidents, mechanical factors, labour disputes, unexpected geological formations, rock falls, flooding and other conditions involved in the drilling and removal of material. Such risks could result in damage to, or destruction of production/processing facilities, personal injury, environmental damage, delays and monetary losses.

Resource estimate

The Mineral Resource estimates for the Exploration Assets have been estimated by SRK and reported in accordance with the JORC standards in the Competent Person's Report set out in Part III of this document. The estimating of ore reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. The CPR identifies (at section 4.1 ES) that the principal risks associated with the geological interpretation as relied upon in the CPR are:

- the risks associated with geological/structural interpretations based on the current drill spacing in certain areas; and;
- the risk that continuous high grade zones of sufficient tonnage are not delineated.

The CPR also identifies (at section 4.2 ES) that the principal risk associated with Mineral Resource statements as reported in the CPR is ensuring "potential economic viability" given the refractory nature of the ore, the necessary application of relatively complex metallurgical process routes, likely impact of the higher operating expenditures of mining in remote operating conditions, and infrastructural constraints with regard to access, power and location in mountainous terrain with limited valley floor space.

Commodity price volatility

The profitability of the Licence Area and its long-term viability are dependent to a large extent on the market price of the commodities it will produce (in particular gold). Market prices of commodities fluctuate widely and are affected by various factors beyond the Group's control, including inflation, interest rates, speculative activities, currency exchange fluctuations, supply and demand, political and economic conditions and production costs in the relevant mining regions. The aggregate effect of these factors on the price of commodities is impossible for the Group to predict. The price of gold has fluctuated in recent years and future significant price falls could cause commercial production to be uneconomic and have a material adverse impact on the business, operations and financial performance of the Group.

When gold is sold in or exported from the Kyrgyz Republic, a vendor must first offer the National Bank and the Department of Precious Metals of the Ministry of Finance of the Kyrgyz Republic the right to buy a part or all of the gold at the world price at the time less future transportation and realization costs. Any failure by the National Bank or the Ministry of Finance to purchase gold at prevailing world price might have a material adverse impact on the business, operations and financial performance of the Group where the gold could have been sold at a better price or on terms more beneficial to the Group or where the decision of the offeree authority is delayed for whatever reason.

Kyrgyz Republic laws and regulations

The laws and regulations of the Kyrgyz Republic relating to foreign investment, subsoil use, licensing, companies, tax, customs, currency, capital markets, pensions, insurance, banking and competition are still developing. Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system in the Kyrgyz Republic may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and the Group's best efforts to comply with applicable law may not always result in compliance. Furthermore, because the statutes on subsoil use do not define the course of action available to the government by reference to the gravity of a breach, a minor breach could conceivably lead to harsh consequences, such as suspension or termination of the subsoil user rights. Because of the relative lack of clarity of the subsoil use legislation, there are few precedents that would make the consequences of a breach more predictable.

Article 6 of the Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" dated 27 March 2003 provides that investments shall be guaranteed against expropriation (nationalization, requisition, or other equivalent measures, including acts or failure to act by the authorised government agencies of the Kyrgyz Republic, which resulted in coercive taking of the investor's property or depriving him of the possibility to use the results of the investments) except for the cases provided by legislation of the Kyrgyz Republic when such expropriation is undertaken in the interests of the public on a non-discriminatory basis with the observance of the proper legitimate procedure and shall be made with payment of timely, proper and real compensation of damage including lost profit. However, there can be no assurance that such investment guarantees will be met in full or at all.

Further, a draft bill approved by parliament in a first reading in March 2007 would, if passed, allow the consolidation of existing licences in the gold sector into a single state-owned company, which would threaten private projects. So far, the proposed legislation has not progressed further although there is no assurance that it will not be passed.

No assurance can be given that the uncertainties associated with the existing and future laws and regulations in the Kyrgyz Republic will not have a material adverse effect on Chaarat Holdings' investments or operations.

Kyrgyz Republic infrastructure

The area of the Kyrgyz Republic which is the subject of the Licence is remote and rugged with limited infrastructure. There can be no assurance that such remoteness will not create unforeseen difficulties and

expenses presently not contemplated by the Group. Adequate road access, access to the rail network and access to a power supply will require expenditure of significant resources to facilitate transition to an operational phase. Furthermore, general access to the Licence Area is precluded by snowfalls for several months of the year. There can be no guarantee that the requisite consents (national, regional or local) will be forthcoming when the process of transition to operation is embarked on.

Kyrgyz Republic country risk

The Kyrgyz Republic's existence as an independent state resulted from the break-up of the Soviet Union. As such, it has a relatively short history as an independent nation and there remains potential for social, political, economic, legal and fiscal instability. These risks include, among other things, the fact that the Kyrgyz government has not yet fully implemented the reforms necessary to create banking, judicial, taxation and regulatory systems that usually exist in more developed markets, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, constitutional changes, changes in energy prices, changes to tariffs applicable to the Group and its products, changes with respect to taxes, royalty rates, or withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, interruption or blockage of hydrocarbons or other strategic materials exports, and, in particular, nationalisation or expropriation of property. The occurrence of any of the above factors could have a material adverse effect on the business, financial condition, results of operations of the Group, the recoverability of the Group's assets and the ability of the Group to maintain or meet its obligations as they mature.

Regional instability

The operations and investments of the Group may be sensitive to political change. The current President of the Kyrgyz Republic, Kurmanbek Bakiyev, assumed power when the former President, Askar Akayev, left the country in 2005 after protesters in Bishkek stormed government buildings. Further political turmoil and mass demonstrations took place in April 2007. Resurgence in late 2007 of political turmoil and mass demonstrations last seen in April 2007 is a real possibility if constitutional issues remain unresolved and could have a material adverse effect on the business, financial condition and results of operations of the Group.

Future financing

The Group's budget shows that there is sufficient working capital for the current expenditure programme. However, the CPR notes (at section 2.3.10) that total anticipated expenditure from 1 July 2007 to 31 March 2010 is US$32.9 million resulting in additional financing being required in the future. There can be no assurance that additional financing will be available, or, if available, that it will be on terms acceptable or favourable to the Group or the Shareholders. The failure to obtain such additional financing on reasonable terms or at all may have a material adverse effect on the Group. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations.

Uninsured risks

The insurance industry is not yet well developed in the Kyrgyz Republic and many forms of insurance protection employed in economically developed countries are unavailable on the terms common in such countries or at all. Furthermore, the Group, as a participant in exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other unfavourable terms.

Economic risks

The Kyrgyz Mining Law provides for a system of payments for subsoil use including payment of bonuses and/or royalties. Furthermore, subsoil users may have to make other payments as provided for from time to time under the laws of the Kyrgyz Republic. At present, the government of the Kyrgyz Republic has not determined the quantum or collection procedure for any such other payments. Kyrgyz Mining Law is not clear as to whether bonus or royalty payments apply to companies at exploration stage. There is no guarantee that bonus and/or royalty and/or other payments, of whatever nature, may not become payable at some future date.

Key personnel and external contractors

The success of the Group depends to a significant extent upon its management and a limited number of key employees. The Group has a small management team and few employees and the loss of a key management member or one or more key employees could have a material adverse effect on the Group. The retention of management and key employees cannot be guaranteed.

The success of the Group's operations is also dependent to a significant extent on the efforts and abilities of outside contractors, experts and other advisers. Investors must be willing to rely to a significant extent on management's discretion and judgement as well as the expertise and competence of outside contractors, experts and other advisers.

Currency and exchange rate risks

Some of the Group's operational expenses are denominated in currencies other than the US dollar and therefore changes in currency exchange rates may affect the value of the Group's investments and cash flow.

Environmental regulation

The Group's operations are subject to existing and possible future environmental and health and safety legislation, regulations and actions which could impose significant costs and burdens on the Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation. Breach of any environmental obligations could result in penalties and civil liabilities and/or suspension of operations, any of which could adversely affect the Group.

Tax in the Kyrgyz Republic

The Kyrgyz Republic currently has a number of laws related to various taxes imposed. Applicable taxes include value added tax, profit tax, a number of turnover based taxes, and retail sales tax, together with others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within Government ministries and organisations (for example, Ministry of Finance and its various inspectorates); thus creating uncertainties and conflicts. Tax declarations, together with other legal compliance areas (for example, customs matters) are subject to review and investigation by authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in the Kyrgyz Republic more significant than typically found in countries with more developed tax systems.

Accordingly, it is possible that the Group or a disproportionate portion of its income could become subject to taxation (directly or through Chaarat K) in the Kyrgyz Republic that is not anticipated either at the date of this document, when investments are made or if and when the Group generates any income or profits.

Dividends

The Company does not anticipate paying dividends or making any other distributions to any Shareholders for the foreseeable future. Any determination in the future to pay dividends or make other distributions will be dependent upon the Company's consolidated results of its operations, financial condition, cash requirements, future prospects, compliance with all applicable law and such other factors as the Company deems appropriate at the time.

2. General Risk Factors

AIM

The Ordinary Shares will be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Absence of certain statutory regulation

The Company is not an entity subject to any regulatory supervision by the BVI Financial Services Commission and there is no securities legislation in the BVI to which the Company may be subject. As a result, shareholders of the Company are not protected by any regulatory supervision or inspections by any BVI regulatory authorities or agencies.

Group Taxation

The Company and Chaarat Gold are intended to be managed so as to be treated as resident outside the United Kingdom for tax purposes. Such treatment may be subject to challenge and, if challenged, there can be no assurance that it would be upheld.

Shareholder taxation

The tax consequences to each Shareholder of owning Ordinary Shares will depend, inter alia, on tax laws in the jurisdiction in which that Shareholder is resident or domiciled. Potential investors should consult their professional advisers on the possible tax consequences of subscribing for, buying, holding, selling, transferring or redeeming Ordinary Shares under the laws of their country of citizenship, residence or domicile.

Liquidity of Ordinary Shares

A subscription for Ordinary Shares should be considered only by sophisticated investors who are financially able to maintain their investment and who can afford a total loss of such investment. Potential investors should be aware that the value of Ordinary Shares may be volatile and may go down as well as up. Shareholders may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment.

Litigation

Legal proceedings may arise from time to time in the course of the Group's business. The Directors cannot preclude that such litigation may be brought against any member of the Group in future from time to time or that it may be subject to any other form of litigation.

No Takeover Protection

The City Code will not apply to the Company (as the Company is incorporated in the BVI) and BVI law does not contain provisions similar to those contained in the City Code. As a result, any takeover offer for the Company or consolidation of control in the Company will not be regulated by the City Code or any other takeover regime. The Articles contain certain limited takeover protections but do not provide the full protections afforded by the City Code.

Economic Conditions

Market conditions, particularly those affecting resource companies, may affect the ultimate value of the Company's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including natural disasters, war, terrorist attacks and political/civil unrest and/or Government legislation or policy. Market perception of resource companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by an issue of further shares in the Company. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Group's cost of raising and maintaining debt financing.

Forward-looking statements

Any forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this document to reflect future events or developments.

PART III

COMPETENT PERSON'S REPORT

AN INDEPENDENT COMPETENT PERSONS REPORT ON THE EXPLORATION ASSETS OF CHAARAT GOLD HOLDINGS LTD

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September, 2007

SRK Consulting

Engineers and Scientists

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AN INDEPENDENT COMPETENT PERSONS REPORT ON THE EXPLORATION ASSETS OF CHAARAT GOLD HOLDINGS LTD - EXECUTIVE SUMMARY

1.0ES INTRODUCTION

1.1ES Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Global Limited (the "SRK Group"). SRK has been commissioned by the board of Chaarat Gold Holdings Ltd ("Chaarat", hereinafter referred to as the "Company") to prepare an independent Competent Persons' Report ("CPR") on the exploration assets (the "Exploration Assets") currently owned by the Company. The Exploration Assets reviewed by SRK comprise the Chaarat Zaav exploration licence covering an area of 604.6km^2 situated in the north-westernmost section of Jalal-Abad Province, Kyrgyz Republic ("Kyrgyzstan") which incorporates the Chaarat Gold Project ("CGP").

This CPR presents SRK's opinion on the Company's Mineral Resource statement dated 1 July 2007 and the projected expenditures necessary to execute the Company's proposed three phased exploration programme including a scoping study, pre-feasibility study and a feasibility study (the "Exploration Programme"). As at 1 July 2007 the Company has Mineral Resources totalling 14.1Mt grading 4.1g/t Au and containing 1.9Moz of gold. The Company has outlined expenditures totalling US$32.9m to be expended from 1 July 2007 through 30 March 2010 inclusive.

The CPR has been prepared by SRK and will be included in the Admission Document (the "Admission Document") to be published by the Company. The Admission Document is published in connection with and to be issued the Company's application to the London Stock Exchange ("LSE") for the whole of the issued and to be issued ordinary share capital of the Company to be admitted (the "Admission") to the Alternative Investment Market ("AIM"), a market operated by London Stock Exchange plc.

This CPR has been prepared in accordance with the Rules; specifically the "Guidance note for Mining, Oil and Gas Companies, March 2006" and the content requirements of Appendix 2 and the summaries set out in Appendices 1 and 3. Furthermore, SRK accepts responsibility for the CPR and confirms that, to the best of its knowledge and belief having taken all reasonable care to ensure that such is the case, the information contained in the CPR is in accordance with the facts and contains no omission likely to affect its import for the purpose of paragraphs 1.1 and 1.2 of Annex I and paragraph 1.1 and 1.2 of Annex III of the AIM Rules.

In accordance with the Rules, the standard adopted for the reporting of the Mineral Resource statements for the Exploration Assets is that defined by the terms and definitions given in The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

The effective date (the "Effective Date") of this CPR is deemed to be 1 July 2007, and is co-incident with future cashflow projections as they relate to the Exploration Programme incorporated herein. To the knowledge of SRK, as informed by the Company, there has been no material change in respect of the Exploration Assets since 1 July 2007.

The Mineral Resource statements as reported herein have been generated by SRK using geological data supplied by the Company.

2.0ES THE EXPLORATION ASSETS

2.1ES Location

The CGP is situated in the Jalal-Abad Province, Kyrgyzstan approximately 300km southwest of Bishkek, the capital of Kyrgyzstan. Located at latitude 42°28'N and longitude 71°9'E, at an elevation of approximately 2,000m above sea level, the site lies adjacent to the Sandalash River valley some 30km upstream and northeast of the town of Korgontëbë, and 18km northwest of the town of Ortoterek situated within the Sandalash range of the Alatau Mountains.

From Bishkek the site is accessible by a combination of paved and unpaved roads, a travelled distance of 520km of which 185km is gravel. These pass through the Chui Province, Talas Province to the Jalal-Abad Province along the M39 westwards to Kara-Balta, the M41 south through the Too Ashu pass and westwards to Otmok, northwest along the A361 (gravelled section) to Taldi Bulak and westwards (metalled section) to Talas and eventually to the village of Kyzyl Adyr (Kirovskoye). The remainder of the journey is entirely by gravelled roads through two significant mountain passes, the Kara Bura and the Kumbel, over the Sandalash Range, with flatter areas through the Kara Bura and the Chatkal River valleys.

2.2ES Title

The exploration licence (Licence # Au-174-02) was granted on 10 December 2002 and is currently held by a wholly owned subsidiary, Chaarat K. In accordance with various licence agreements and conditions stipulated therein, the exploration licence can be extended up to 10 years from the date granted (10 December 2002) and under Licence Agreement # 5 is currently valid until 31 December 2008.

The Exploration Assets comprise the Licence which, associated with the Licence Agreement governs the exploration of the entire licence area (the "Licence Area") which contains the current prospect area (the "Prospect Area") comprising the CGP.

The Prospect Area has been subdivided into four exploration areas and zones. These are:

- Karator Area;
- Contact Zone subdivided into
  - C40 sub-zone,
  - C46 sub-zone,
  - C53 sub-zone;
- Main Zone subdivided into:
  - M24 sub-zone,
  - M30 sub-zone,
  - M34 sub-zone,
  - M39 sub-zone; and
- T7 Zone.

Within the overall Prospect Area, further targets include the Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish showings where mineralisation has been confirmed by preliminary sampling. The Kashkasu-Perevalny area contains soil anomalies and some encouraging rock chip and trench results which lie 8km to 10km in a northeasterly direction from the Main Zone

whereas Minteke and Tayalmish are 14km and 17km northeast of the Main Zone. The Ishakuldy anomaly is situated 10m due west of the Main Zone with a further large gold soil anomaly in between (5km) this and the Main Zone.

2.3ES Geology

Kyrgyzstan covers a portion of the Tien Shan mountain range, an orogenic belt stretching from northwest China through Kyrgyzstan and westwards into Uzbekistan and Kazakhstan. This belt is the location of several gold occurrences, notably Kumtor and Jerooy in Kyrgyzstan and Murantau and Zarmitan in Uzbekistan. Within Kyrgyzstan the Tien Shan has been separated into three main tectonic domains, the Northern, Middle and Southern Tien Shan, with a limited development of a fourth domain, the Northern Pamirs.

Primary gold mineralisation in Kyrgyzstan occurs as vein deposits, stockworks, associated with copper porphyries and in skarns. All of these are situated within the Middle Tien Shan and appear to be associated with the Hercynian orogeny.

The Sandalash River occupies a north-easterly trending sequence of Upper Proterozoic or Cambro-Ordovician sedimentary rocks dipping around 40º northwest. This package is cut by several strike to oblique faults and younger intrusions. The lower sequence of meta-siltstone and argillite has been termed the Chaarat Formation and above it lies the Tulkubash Formation, predominantly of quartzites.

Mineralisation at the Prospect Area is part of a very extensive hydrothermal system which has exploited structural breaks within both the Chaarat Formation and Tulkubash Formation and a major shear along the contact between the two. These shears intersect the stratigraphy at low angles and have been traced intermittently on surface from the T7 Zone to beyond Shir Canyon and into the Karator Area over a distance of almost 10km. The mineralised parts of the shear zones vary in thickness from 1m to over 20m.

Mineralisation consists of gold-arsenopyrite-stibnite-tetrahedrite with minor quartz-vein stockworks and sericitic alteration. The gold mineralisation is to some extent correlated with arsenic which occurs mostly as arsenopyrite.

The polymetallic mineralogy and the topography suggest that these deposits can be classified as deep epithermal and as such are likely to persist to depths in excess of 1km.

The gold mineralisation, within the Prospect Area extends from the T7 Zone in the south west to Tayalmish some 17km northwest of the Main Zone, and as indicated by numerous gold soil anomalies. The exploration programme conducted by the Company to date has focused mainly on the Prospect Area (28km by 6km), and specifically the 9km of strike represented by the T7 Zone, the Main Zone, the Contact Zone and the Karator Area. External to the Prospect Area, no substantive exploration has been undertaken by the Company and no evidence of historical exploration has been reported to SRK.

The gold mineralisation is refractory and not amenable to processing via conventional cyanide leaching. Consequently, likely metallurgical process routes will necessitate some form of oxidation (pressure oxidation — "POX" or biological oxidation — "BiOX") prior to leaching with cyanide or alternatively flotation-fine grinding followed by CIL ("FFG-CIL").

Mineralisation is not constrained within hard geological/lithological contacts and accordingly the current Mineral Resources estimates are based on a grade envelope.

3.0ES SRK SUMMARY COMMENTS

3.1ES Geology

The significant geological potential of the Prospect Area is reflected by the following:

- the strike and dip extent of known mineralised zones which have not been closed off by drilling; and
- the numerous surface gold occurrences extending over a total strike extent of 28km, specifically some extensive soil anomalies, trenches and dozer cuts which warrant further exploration.

3.2ES Mineral Resources

The Company has succeeded in establishing the presence of a significant Mineral Resources totalling some 14.1Mt grading 4.1g/t Au and containing 1.9Moz of gold (Table 3.1ES). Of this some 7.9Mt grading 3.9g/t Au and containing 1.0Moz of gold is classified as an Indicated Mineral Resource and 6.1Mt grading 4.4g/t Au containing 0.9Moz of gold is classified as an Inferred Mineral Resource. Some 75% of the Mineral Resource tonnage and gold content has been estimated by development of a block model and the remaining 25% is supported by a manual estimate.

Table 3.1ES CGP detailed Mineral Resource sensitivity (1 July 2007)[(1),(2)]

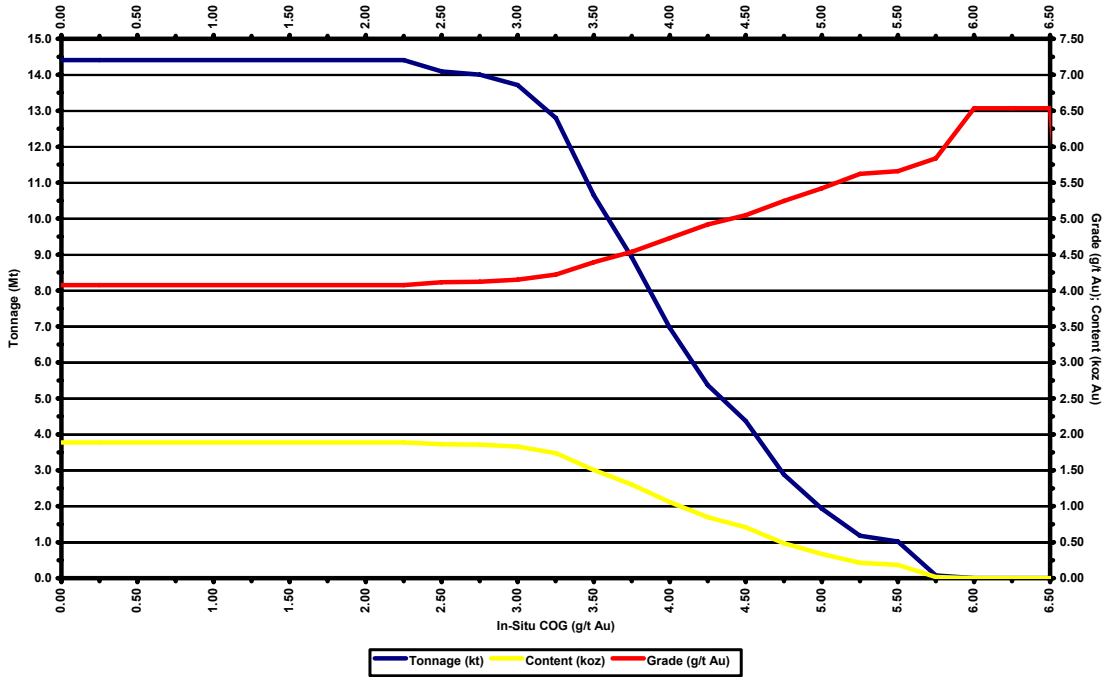
Classification	Zone	Tonnage (kt)	Grade (g/t Au)	Content (koz)
Indicated				
– Main	M30	2,288	4.0	291
– Main	M39	709	3.9	90
– Main	M24	899	4.1	119
– Contact	C53	2,785	4.0	359
– Contact	C46	1,067	3.6	122
– Contact	C40	197	3.7	23
Subtotal		**7,945**	**3.9**	**1,004**
Inferred				
– Main	M30	59	4.1	8
– Main	M34	975	5.0	157
– Main	M39	551	4.1	73
– Main	M24	1,216	4.8	186
– Contact	C53	936	3.6	109
– Contact	C46	993	3.6	115
– T7	T7	1,178	4.9	185
– Other	Other Areas	174	4.3	24
Subtotal		**6,135**	**4.4**	**861**
Indicated + Inferred				
– Main	M30	2,347	4.0	299
– Main	M34	975	5.0	157
– Main	M39	1,261	4.0	162
– Main	M24	2,115	4.5	305
– Contact	C53	3,720	3.9	467
– Contact	C46	2,060	3.6	237
– Contact	C40	251	3.5	28
– Tulkubush	T7	1,178	4.9	185
– Other	Other Areas	174	4.3	24
Total Mineral Resources		**14,080**	**4.1**	**1,865**

(1) The total Mineral Resources comprises 3.7Mt grading 4.0g/t Au containing 0.5Moz derived from manual estimates (C40 sub-zone, C46 sub-zone, T7 Zone) and 10.4Mt grading 4.2g/t Au containing 1.4Moz derived from block model estimates (Main Zone and C53 sub-zone). In addition the Mineral Resource on average grades 11.5g/t Ag.

(2) Grades for antimony (0.28% Sb) have been estimated, however these grades are low and antimony is not amenable to economic metallurgical recovery at this stage and is therefore excluded from the JORC Code compliant Mineral Resource statement.

Potential exists to significantly increase the overall tonnage and to upgrade the currently defined Mineral Resources. SRK notes however that the refractory nature of the mineralisation and the necessity for underground mining will likely require delineation of higher grade ore zones.

Figure 3.1 CGP grade-tonnage curve for the total resource estimate



3.3ES Exploration Programme

The forecasted exploration expenditures for 2007H2 and 2008, amount to US$18.2m, US$16.9m of which is categorised as operating expenditures and the remainder as capital expenditure. Additional expenditures forecasted for 2009 and 2010Q1 total US$14.7m giving an overall total from 1 July 2007 of US$32.9m (Table 3.2ES). Of these totals, some US$19.8m is expended on direct geological investigations on site, with overheads contributing 16.1% of total expenditures in 2007H2 and 2008.

Table 3.2ES CGP Exploration Expenditure Programme

Expenditure Item	Units	2007H2	2008	2009	2010	Total
Operating Expenditure	**(US$k)**	**5,511**	**11,436**	**12,117**	**2,434**	**31,498**
– Geology	(US$k)	3,575	7,204	7,376	1,685	19,841
– Bishkek Office	(US$k)	405	955	967	241	2,569
– Project Technical Studies	(US$k)	648	1,232	1,639	0	3,518
– Overheads	(US$k)	883	2,045	2,135	508	5,571
Capital Expenditure	**(US$k)**	**821**	**424**	**132**	**0**	**1,376**
– Bishkek Office	(US$k)	38	44	32	0	114
– Geology – site	(US$k)	721	350	70	0	1,141
– Project Studies	(US$k)	62	30	30	0	122
Total	**(US$k)**	**6,332**	**11,860**	**12,249**	**2,434**	**32,874**

4.0ES RISKS AND OPPORTUNITIES

4.1ES Geology

The principal risks associated with the geological interpretation as relied upon herein are:

- the risks associated with geological/structural interpretations based on the current drill spacing in certain areas; and
- the risk that continuous high grade zones of sufficient tonnage are not delineated.

The principal opportunities associated with the geological interpretation as relied upon herein are:

- the opportunity to increase the Mineral Resources both on strike and down dip on the 8 mineralised zones/sub-zones on which drilling has focused to date, specifically given the currently demonstrated presence of mineralisation 400m below surface and the deep epithermal characteristics of the mineralisation;
- the opportunity to advance exploration activity in the Karator Area and the T7 Zone within the Prospect Area;
- the opportunity to delineate further mineral resources through proposed exploration in the Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish areas, which to date have only been exposed to preliminary sampling; and
- the opportunity to discover further mineral resources following further exploration in the wider Licence Area.

4.2ES Mineral Resources

The principal risk associated with the Mineral Resource statements as reported herein is:

- the risk to ensuring "potential economic viability" given:
  - the refractory nature of the ore,
  - the necessary application of more complex metallurgical process routes,
  - likely impact of the higher operating expenditures of mining in remote operating conditions, and
  - infrastructural constraints with regard to access, power and location in mountainous terrain with limited valley floor space.

The principal opportunities associated with the Mineral Resource statements as reported herein are:

- the opportunity to identify higher grade payshoots within the individual orebodies;
- the opportunity to extend the currently defined Mineral Resources by extension drilling down dip and along strike (see 4.1ES above);
- the opportunity to incorporate the low grade halo to partly offset the potential impact of mining dilution;
- the opportunity to add by-product credits from silver and antimony. SRK notes, however, that the grades estimated to date are relatively low for silver (11.5g/t Ag — 0.1g/t Au equivalent), and low for antimony (<0.5%), and that no economically viable process route for its recovery has been identified for antimony; and
- the opportunity to add new mineral resources specifically in the Karator Area, the T7 Zone, and areas external to the current Prospect Area within the Licence Area.

4.3ES Exploration Programme

The principal risks associated with the exploration programmes and associated activities are:

- that neither the extensional or infill drilling identifies significant higher grade zones within the Prospect Area; and
- that the scoping study and/or pre-feasibility study process identifies a potential fatal flaw in respect of the technical feasibility or economic viability of the CGP.

The principal opportunities associated with the exploration programmes are:

- the opportunity to extend the resource base by drilling below the currently defined Mineral Resource blocks on the 8 mineralised zones on which drilling has focused to date and along strike on some of these;
- the opportunity to obtain bulk samples in 2008 for metallurgical analysis when the C53 and other proposed underground adits intersect the currently delineated mineralised zones;

- the opportunity to extend the drilling programme to new areas, specifically in respect of the Karator Area and the T7 Zone; and
- the opportunity to expand exploration activities external to the currently delineated Prospect Area and the wider Licence Area.

5.0ES CONCLUDING REMARKS

5.1ES Exploration Potential

Mineralisation at the Prospect Area is part of a very extensive hydrothermal system where the depth of the system during mineralisation is probably in excess of 1km. The shear zones vary in thickness from 1m to over 20m.

The gold mineralisation, within the Prospect Area extends is known to extend for 17km from the T7 Zone to the Karator Area and extends beyond this, as indicated by gold soil anomalies, for a further 11km to Tayalmish (northeast) and Kashkasu (west) giving a total strike of 28km. The exploration programme conducted by the Company to date has focused mainly on the 28km by 6km Prospect Area and specifically the 9km of strike represented by the T7 Zone, the Main Zone, the Contact Zone and the western Karator Area. External to the Prospect Area, no substantive exploration has been undertaken by the Company and no evidence of historical exploration has been reported to SRK.

The significant geological potential of the Prospect Area is reflected by the following:

- the strike and dip extent of mineralized zones which have not been closed off by drilling, specifically given the currently demonstrated presence of mineralisation 400m below surface and the deep epithermal characteristics of the mineralisation; and
- the numerous surface gold occurrences extending over a total strike extent of 28km (only 9km of which supports the current Mineral Resources), specifically some extensive soil anomalies, trenches and dozer cuts which warrant further exploration, specifically drilling.

5.2ES Mineral Resources

As at 1 July 2007 the Company has JORC Code compliant Mineral Resources containing 1.9Moz of gold contained within 14.1Mt grading 4.1g/t Au. Of this some 8.1Mt grading 3.9g/t and containing 1.0Moz of gold is classified as an Indicated Mineral Resource and 6.0Mt grading 4.4g.t Au containing 0.8Moz is classified as an Inferred Mineral Resource. Some 75% of the Mineral Resource tonnage and gold content has been estimated by development of a block model and the remaining 25% is supported by a manual estimate.

Potential exists to significantly increase the overall tonnage and to upgrade the currently defined Mineral Resources. SRK notes however that the refractory nature of the mineralisation and the necessity for underground mining will likely require delineation of higher grade ore zones.

5.3ES Exploration Strategy and Programme

The Company's longer term objectives include:

- increasing the total resource base to in excess of 4Moz of gold at the end of the 2008 drilling season;
- completing the following technical studies:
  - in 2007H2 a scoping study including environmental base line data collection,
  - in 2008Q4 a multidisciplinary pre-feasibility study including a preliminary Environmental Impact Study demonstrating the technical and economic viability of the CGP to an overall accuracy of 25%,
  - in 2009Q4 a multidisciplinary feasibility study including bulk metallurgical testwork and an Environmental Impact Study demonstrating the technical and economic viability of the CGP to an overall accuracy of 15%; and

- following financing, engineering construction and project management, establishing by 2011Q4 an operating mine based on underground mining, followed by oxidation (POX or BioX) and CIL or flotation-fine grinding and CIL processing ore at a rate of 1.5Mtpa (4,500tpd).

The forecasted exploration expenditures for 2007H2 and 2008, amount to US$18.2m, US$16.9m of which is categorised as operating expenditures and the remainder as capital expenditure. Additional expenditures forecasted for 2009 and 2010Q1 total US$14.7m, giving an overall total from 1 July 2007 of US$32.9m.

The Company has developed a detailed exploration programme for 2007H2 and 2008 and that proposed for 2009 and 2010Q1 has not yet developed similar levels of detailed activities and expenditures are forecasted based on factors and the assumption of success of the 2007 and 2008 campaigns. The principal exploration activities planned for 2007H2 and 2008 are as follows:

- direct Exploration Activities comprising:
  - 31,500m of core drilling (27,000m surface drilling),
  - 3,000m of underground development,
  - 23km of road development to access drilling sites, and
  - 28,500 laboratory samples for assaying; and
- technical studies addressing mining, metallurgical processing and environmental aspects to enable completion of a scoping study.

The exploration programme as developed by the Company includes three successive phases of work (scoping study, pre-feasibility study, and feasibility study) with each phase culminating in a decision point. Advancing to each subsequent phase is contingent upon positive results in the previous phase.

SRK considers the exploration programme as developed for the 2007H2 and the 2008 seasons to be appropriately defined and warranted given the Mineral Resources delineated to date and the potential in the immediate areas of the orebodies defined and the other targets situated within the immediate prospect area.

Consequently, SRK concludes that the character of the property is of sufficient merit to justify the exploration programme for the 2007H2 and 2008 seasons.

In respect of expenditures post this period, SRK considers that addressing the potential metallurgical issues is paramount prior to consideration of further exploration and project technical study commitments, unless the outcome of the 2007H2-2008 campaigns warrant continuation. In this regard SRK note that significant metallurgical expenditure is currently planned for 2009 and consideration should be given for bringing this forward to 2008, at least in respect of C53 sub-zone adit samples.

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AN INDEPENDENT COMPETENT PERSONS REPORT ON THE EXPLORATION ASSETS OF CHAARAT GOLD HOLDINGS LTD

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Global Limited (the "SRK Group"). SRK has been commissioned by the board of Chaarat Gold Holdings Ltd ("Chaarat", hereinafter referred to as the "Company") to prepare an independent Competent Persons' Report ("CPR") on the exploration assets (the "Exploration Assets") currently owned by the Company. The Exploration Assets reviewed by SRK comprise the Chaarat Zaav exploration licence covering an area of 604.6km^2 situated in the north-westernmost section of Jalal-Abad Province, Kyrgyz Republic ("Kyrgyzstan").

The exploration licence (Licence # Au-174-02 — the "Licence") was granted on 10 December 2002 and is currently held by a wholly owned subsidiary of the Company, Closed Joint Stock Company Chaarat Zaav ("Chaarat K"). In accordance with various licence agreements and conditions stipulated therein, the exploration licence can be extended up to 10 years from the date granted (10 December 2002) and under Licence Agreement # 5 (The "Licence Agreement") is currently valid until 31 December 2008 (see Section 2.0 for further details).

This CPR presents SRK's opinion on the Company's Mineral Resource statement dated 1 July 2007 and the projected expenditures necessary to execute the Company's proposed three phased exploration programme including a scoping study, pre-feasibility study and a feasibility study (the "Exploration Programme"). As at 1 July 2007, the Company has Mineral Resources totalling 14.1Mt grading 4.1g/t Au and containing 1.9Moz of gold. The Company has outlined expenditures totalling US$32.9m to be expended from 1 July 2007 through 30 March 2010 inclusive.

Save for the Exploration Licence, SRK has been informed that the Company has no other material Exploration Assets held through holdings in Direct Subsidiaries, Indirect Subsidiaries, Joint Ventures (Direct and Indirect) and Associate Companies (Direct and Indirect). Further, this CPR assumes that the corporate structure as well as the equity participation is effective as at 1 July 2007.

For the purpose of the reliance statements in Section 1.4 of this CPR, reliance was sought from the Company, as appropriate for the Exploration Assets, and reference to the Company should be construed as such.

SRK notes that the Exploration Assets have not been valued by SRK and accordingly no such valuation is presented in this CPR.

1.2 Requirement, Structure and Compliance

1.2.1 Requirement

The CPR has been prepared by SRK and will be included in the Admission Document (the "Admission Document") to be published by the Company. The Admission Document is published in connection with the Company's application to the London Stock Exchange ("LSE") for the whole of the issued and to be issued ordinary share capital of the Company to be admitted (the "Admission") to the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange plc.

The CPR has been prepared in accordance with the following rules and recommendations (hereinafter referred to as the "Rules"):

- the "Guidance note for Mining, Oil and Gas Companies, March 2006" (the "Guidance Note"): specifically and without limitation the CPR complies with the content requirements of Appendix 2 and includes the relevant summaries set out in Appendices 1 and 3, and SRK accepts responsibility for the CPR in accordance with Schedule 2(a) and paragraphs 1.1 and 1.2 of Annex 1 and paragraphs 1.1 and 1.2 of Annex III of the AIM Rules and consent to its inclusion in the Admission Document;
- the rules for AIM companies, February 2007 (the "AIM Rules"): specifically Rule 3 relating to Admission Documents;
- the rules for trading AIM securities as set out in the "Rules of the London Stock Exchange"; and
- the "Prospectus Rules" published by the Financial Services Authority ("FSA") from time to time and governed by the United Kingdom Listing Authority ("UKLA").

1.2.2 Structure

The Exploration Assets comprise a single Exploration Licence which encompasses the Chaarat Gold Project ("CGP"). This CPR has accordingly been structured on a discipline basis with key technical sections covering: the Exploration Assets, Geology, Mineral Resources, and the Exploration Programme. All entries, including text, tables and other data, are quoted assuming 100% ownership by the Company.

1.2.3 Compliance

This CPR has been prepared in accordance with the Rules; specifically the "Guidance Note for Mining, Oil and Gas Companies, March 2006" and the content requirements at Appendix 2 and the summaries set out in Appendices 1 and 3. Furthermore, SRK accepts responsibility for the CPR and confirms that, to the best of its knowledge and belief having taken all reasonable care to ensure that such is the case, the information contained in the CPR is in accordance with the facts and contains no omission likely to affect its import for the purpose of paragraphs 1.1 and 1.2 of Annex I and paragraph 1.1 and 1.2 of Annex III of the AIM Rules.

In accordance with the Rules, the standard adopted for the reporting of the Mineral Resource statements for the Exploration Assets is that defined by the terms and definitions given in "*The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia*".

This CPR has been prepared under the direction of the Competent Persons (the "CPs", see Section 1.6) as defined by the JORC Code, who assume overall professional responsibility for the Mineral Resource statements as presented herein. The CPR however is published by SRK, the commissioned entity, and accordingly SRK assumes responsibility for the CPR. The JORC Code is an internationally recognised reporting code and is acceptable to the FSA.

Notwithstanding the above, SRK notes the following:

- a detailed statement of all legal proceedings relevant to the Exploration Assets or an appropriate negative statement has been included in the Admission Document;
- brief summaries of the Company's existing and proposed directors are included in the Admission Document and details relating to qualifications of key technical and managerial staff have been excluded from this CPR for practical purposes of volume;
- presentation of information contained elsewhere in the Admission Document which relates to information in the CPR is accurate, balanced and complete and not inconsistent with the CPR;
- where any information in the CPR has been sourced from a third party, such information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading;
- based on information supplied by the Company coincident with the Base Information Date (1 July 2007), there has been no material change to the subject matter of the CPR between the Base Information Date, the publication date of the CPR and the date of the Admission Document;
- drafts of the CPR were provided to the Company, but only for the purpose of confirming both the accuracy of factual information and the reasonableness of assumptions relied upon in this CPR; and
- this CPR has not undergone regulatory review. SRK understands that the Nominated Advisor has conducted an internal review of this CPR in accordance with the Rules.

This CPR is addressed to the Company, the Nominated Advisor ("Nomad") and Broker, Canaccord Adams Limited ("Canaccord").

1.3 Effective date and Base Technical Information date

The effective date (the "Effective Date") of this CPR is deemed to be 1 July 2007, and is co-incident with future cashflow projections as they relate to the Exploration Programme incorporated herein. To the knowledge of SRK, as informed by the Company, there has been no material change in respect of the Exploration Assets since 1 July 2007. The Mineral Resources and the Exploration Programmes are dependent upon the following:

- technical information as generated by the Company in accordance with its annual planning process defined as the Base Information Date ("BID"), which is 1 July 2007; and
- appropriate adjustments made by SRK to technical information provided by the Company.

1.4 Verification, Validation and Reliance

This CPR is dependent upon technical, financial and legal input. In respect of the technical information as provided to and taken in good faith by SRK, and other than where expressly stated, this has not been independently verified by means of re-calculation. SRK has, however, conducted a review and assessment of all material technical issues likely to influence the Exploration Assets, which included the following:

- inspection visits to the Exploration Assets during September 2004, August 2005, June 2006, October 2006, and June 2007. These culminated in various internal Exploration Review reports published in December 2004, January 2006 and April 2007;
- discussion and enquiry following access to key project and head office personnel between January 2007 and June 2007;
- an examination of historical information (2004, 2005, 2006 and 2007H1) and results made available by the Company in respect of the Exploration Assets;
- generation and reporting of a JORC Code compliant Mineral Resource statement; and
- a review, and where considered appropriate by SRK, modification of the Company's Exploration Programme.

SRK has also assumed certain macro-economic parameters and commodity prices and relied on these as inputs to determine the potential economic viability of the stated Mineral Resources.

Where fundamental base data have been provided (geological information, assay information, exploration programmes) for the purposes of review, SRK has performed all necessary validation and verification procedures deemed appropriate in order to place an appropriate level of reliance on such information.

To the knowledge of SRK, as informed by the Company, there has been no material change in respect of the Exploration Assets since 1 July 2007.

1.4.1 Technical Reliance

SRK places reliance on the Company and its technical representatives that all technical information provided to SRK, as at 1 July 2007, is accurate. The technical representative for the Company's Mineral Resources is Mr Jed Diner, MSc. He is the Vice President of Exploration for the Company and is responsible for all technical matters in respect of Mineral Resources at the Company and has 21 years experience in the exploration and mining industry.

1.4.2 Financial Reliance

In consideration of all financial aspects relating to the Exploration Assets, SRK has placed reliance on the Company that the following information for the Exploration Assets is appropriate as at 1 July 2007:

- operating expenditures as included in the Company's Exploration Programme;
- capital expenditures as included in the Company's Exploration Programme; and
- all statutory and regulatory payments as may be necessary to execute the Exploration Programme.

The financial information referred to above has been prepared under the direction of Mr Terence Cross, MBA and Grant Thornton (the "Auditors") on behalf of the Board of Directors of the Company. Mr Terence Cross is the Chief Financial Officer of the Company and has 38 years experience in financial management.

1.4.3 Legal Reliance

In consideration of all legal aspects relating to the Exploration Assets, SRK has placed reliance on the representations by the Company that the following are correct as at 1 July 2007 and remain correct until the date of the Admission Document:

- that, save as disclosed in the Admission Document, the Directors of the Company are not aware of any legal proceedings that may have an influence on the rights to explore for minerals;
- that the legal owners of all mineral and surface rights have been verified; and
- that save as expressly mentioned in the Risk Factors of the main body of the Admission Document, no significant legal issue exists which would affect the likely viability of the Exploration Assets and/or on the estimation and classification of the Mineral Resources as reported herein.

The legal representatives of the Company in Kyrgyzstan are Kalikova & Associates.

1.5 Limitations, Reliance on Information, Declaration, Consent and Copyright

1.5.1 Limitations

SRK is responsible for this CPR as part of the Admission Document and declares that SRK has taken all reasonable care to ensure that the information contained in this report, is to the best of SRK's knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in accordance with the requirements of Schedule Two of the AIM Rules.

Save for the responsibility arising under Paragraph (a) Schedule Two of the AIM Rules and the guidance to Schedule Two set out in Part Two — Guidance Notes to the AIM Rules, to the fullest extent permitted by law, SRK does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this CPR or statements contained therein, required by and given solely for the purpose of complying with the Rules and consenting to inclusion of the CPR in the Admission Document.

The Company has confirmed in writing to SRK that to its knowledge the information provided by it (when provided) was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld and the Company has confirmed in writing to SRK that it believes it has provided all material information.

The achievability of the Exploration Programme is neither warranted nor guaranteed by SRK. The Exploration Programme as presented and discussed herein has been proposed by the Company's management, and adjusted where appropriate by SRK, and cannot be assured; it is necessarily based on economic assumptions, many of which are beyond the control of the Company. Future cash flows derived from such forecasts are inherently uncertain as they are dependent on the outcome of the success of previous reporting periods, accordingly actual results may be significantly more or less favourable.

1.5.2 Reliance on Information

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in the CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

SRK's opinion in respect of the Mineral Resources declared and the Exploration Programme is effective at 1 July 2007 and is based on information provided by the Company throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of this report. Further, SRK has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this CPR or to review, revise or update the CPR or opinion.

1.5.3 Declaration

SRK will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not contingent on the outcome of the Admission and SRK will receive no other benefit for the preparation of this report. SRK does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Mineral Resources.

Neither SRK, the Competent Persons, nor any directors of SRK have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Exploration Assets or advisors of the Company. Consequently, SRK, the Competent Persons and the directors of SRK consider themselves to be independent of the Company.

In this CPR, SRK provides assurances to the Board of Directors of the Company that the Mineral Resources and Exploration Programme for the Exploration Assets as provided to SRK by the Company, and reviewed and, where appropriate, modified by SRK, are reasonable, given the information currently available.

This CPR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

1.5.4 Consent

SRK has given and has not withdrawn its written consent to the inclusion of the CPR set out in "Part III: Competent Persons' Report" of the Admission Document and references to its report and its name in the form and context in which they are respectively included in the Admission Document. SRK has authorised the contents of its report and context in which they are respectively included and has authorised the contents of its report for the purposes of paragraph 23.1 of Annex I to the AIM Rules.

Subject to the foregoing, neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of SRK as to the form and context in which it appears.

1.5.5 Copyright

1.5.6 Disclaimers and Cautionary Statements for US Investors

The United States Securities and Exchange Commission (the "SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce from. Certain terms are used in this report, such as "resources", that the SEC guidelines strictly prohibit companies from including in filings.

The Exploration Programme includes forward-looking statements. These forward-looking statements are necessarily estimates and involve a number of risks and uncertainties that could cause actual results to differ materially.

1.6 Qualifications of Consultants

The SRK Group comprises 680 staff, offering expertise in a wide range of resource engineering disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgment issues. The SRK Group has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, CPRs, Mineral Experts Reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. The SRK Group has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

This CPR has been prepared based on a technical and economic review by a team of 5 consultants sourced from the SRK Group's offices in the Australia, Zimbabwe and the United Kingdom over a three-month period. These consultants are specialists in the fields of geology, resource and reserve estimation and classification, underground and open pit mining, geotechnical engineering, metallurgical processing, hydrogeology and hydrology, tailings management, infrastructure, environmental management and mineral economics.

The individuals who have provided input to this CPR, who are listed below, have extensive experience in the mining and smelting industry and are members in good standing of appropriate professional institutions.

- Anthony Martin, PrSciNat, MGSZ, MAuS IMM, PhD;
- Danny Kentwell, MAuS IMM, MSc;
- Dave Pattinson, CEng, MIMMM, PhD;
- Fiona Cessford, CBio (UK), PrSciNat, MSc; and
- Iestyn Humphreys, MIMMM, AIME, PhD.

The Competent Person with overall responsibility for reporting of Mineral Resources (Geology, Data Quality and Quantity), the manual estimates of Mineral Resources and the Exploration Programme is Anthony Martin, PrSciNat, MGSZ, MAuS IMM, PhD who is an employee of SRK (Zimbabwe) (Pty) Limited. Dr Anthony Martin is an exploration geologist with 35 years experience in the resource industry and has been responsible for the reviewing of exploration programmes on various properties internationally during the past five years.

The Competent Person with overall responsibility for reporting of Mineral Resources (Block Model resource estimation) is Danny Kentwell, MAuS IMM, MSc who is an employee of SRK (Australasia) (Pty) Limited. Mr Danny Kentwell is a resource specialist with 17 years experience in the mining industry and has been responsible for the reporting of mineral resources on various properties internationally during the past five years.

2 THE EXPLORATION ASSETS

2.1 Introduction

This section gives an overview of the Company and its Exploration Assets including historical development, location, property description and historical (2004, 2005, 2006, 2007H1) and forecast (2007H2) expenditure statistics. Specifically, where reference is made to legal compliance (in respect of title) within the regulatory environments in which the Company operates, SRK has placed reliance on the Company.

Certain country information has been sourced from various internet sources, including the World Bank and IMF databases, and is duly acknowledged by SRK.

2.2 Chaarat Gold Holdings Ltd

The Company was incorporated in the British Virgin Islands ("BVI") on 20 July 2007 and intends to become a public listed company on AIM. The registered offices of the Company are located at Palm Grove House, PO Box 438, Road Town, Tortola VG1110, British Virgin Islands. The Exploration Assets represented by the CGP are held through its two 100% beneficially owned subsidiary companies, Chaarat Gold Limited incorporated in Guernsey and Chaarat K incorporated in Kyrgyzstan (Figure 2.1). The representative offices of Chaarat Gold are located at Suite C3, Hirzel Court, St. Peter Port, Guernsey, GY7 9BZ, United Kingdom. The representative offices of Chaarat K are located in Chokmorova Street, 127, 720040, Bishkek, Kyrgyzstan.

Chaarat Gold Limited and Chaarat K (collectively together with the Company, the "Group") were founded for the purposes of exploring and developing the Licence currently held by Chaarat K in the western part of the Kyrgyz Republic (Figure 2.2, Figure 2.3). Chaarat K was founded in 2002 by Alexander Novak who was formally joined by his business partner, Dekel Golan, through Chaarat Gold Limited which was founded in 2004. The current interests of the directors in the Company are set out in paragraph 4 of Part V of the Admission Document.

The Company currently has 49 employees and consultants, of which 8 are engaged in management activities, 7 in logistics and support, 33 in research and exploration, and 1 in security. In calendar 2004, 2005 and 2006 the Company had 15, 22 and 49 employees and consultants.

To date, the Company has raised approximately US$11.8m to fund its exploration programme at the CGP of which a total of US$4.5m has been expended on direct exploration activities. Total historical expenditures incurred by the Company to date are noted as follows (Table 2.1): 2004 (US$0.5m); 2005 (US$1.9m); 2006 (US$3.2m); and 2007H1 (US$1.0m).

Table 2.1 Company historical expenditures[(1),(2)]

Area	2004 (US$k)	2005 (US$k)	2006 (US$k)	2007H1 (US$k)
Exploration	291	1,304	2,368	613
Administration	217	555	841	415
Other	1	2	–21	–1
Total	**510**	**1,861**	**3,188**	**1,027**

(1) Exploration expenditures associated with activities undertaken by the Chaarat K in 2003 are not available.

(2) Most of the exploration work is conducted during the second half of the calendar year hence the lower expenditure levels noted in 2007H1 (See table 2.8 for expenditures planned in 2007H2 onwards).

The Company's development strategy is currently focused on completion of three drilling campaigns during 2007H2, 2008 through 2009 inclusive, and in parallel completion of multidisciplinary technical studies which demonstrate the technical and economic viability of the CGP, specifically: a scoping study in 2007H2; a pre-feasibility in 2008, and a feasibility study in 2009. Assuming successful outcomes of the technical studies and the exploration campaigns, the Company has also stated its aim to establish a mining operation by end 2011Q4.

The Admission is therefore intended to secure the necessary funds for the completion of exploration campaigns and the associated technical studies, currently estimated at a total of US$32.9m (See Section 2.3.10 for further details).

2.3 Exploration Assets

The Exploration Assets comprise the Licence which, associated with the Licence Agreement governs the exploration of the entire licence area (the "Licence Area" Figure 2.4) which contains the current prospect area (the "Prospect Area") comprising the CGP (see Section 2.3.6 for further detail).

Asset	Holder	Interest (%)	Status	Licence Expiry Date	Licence Area
Licence no. Au-174-02 in the Kyrgyz Republic	Chaarat K	100	Geological prospecting and exploration	31 December 2008	604.6 km^2

Exploration of the Prospect Area is hampered by moderate to poor exposure and the mountainous topography. The steep slopes of the Sandalash River valley contain ridges of outcrop interspersed with scree-covered areas. Surface exploration is restricted to the ridges, where trenching across the strike is usually possible, but dozer cuts on roads accessing drill pads are normally sampled oblique to strike.

The Prospect Area (Figure 2.5) has been subdivided into four exploration areas and zones (Figure 2.6):

- Karator Area;
- Contact Zone subdivided into
  - C40 sub-zone,
  - C46 sub-zone,
  - C53 sub-zone;
- Main Zone subdivided into:
  - M24 sub-zone,
  - M30 sub-zone,
  - M34 sub-zone,
  - M39 sub-zone; and
- T7 Zone.

Within the overall Prospect Area, further targets include the Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish showings where mineralisation has been confirmed by preliminary sampling. The Kashkasu-Perevalny area contains soil anomalies and some encouraging rock chip and trench results which lie 8km to 10km in a northeasterly direction from the Main Zone whereas Minteke and Tayalmish are 14km and 17km northeast of the Karator Area. The Ishakuldy anomaly is situated 10km due west of the Main Zone with a further large gold soil anomaly in between (5km) this and the Main Zone.

2.3.1 Historical activity pre 2003

During the late 1980s and early 1990s, the North Kyrgyz Geological Expedition ("NKGE") explored the Prospect Area primarily for antimony. NGKE completed both surface and underground exploration work including soil and rock sampling, geophysical surveys, trenching, drilling and the excavation of several adits. They identified a series of northeast trending gold anomalies along a 24km strike length within the Prospect Area.

NKGE identified five targets; Contact Zone (4km strike length), Karator Area (immediately northeast of the Contact Zone), Ishakuldy, Kashkasu-Perevalny (10km to the west of the Main Zone) and Minteke, all of which are included in the Prospect Area.

The results of the NKGE work indicated a restricted occurrence of antimony mineralisation with more widespread gold mineralisation and a coincidence of gold and arsenic anomalies in results from the soil and rock sampling surveys.

In 1996, Apex Silver Mines Limited ("Apex") acquired the Prospect Area and after further exploration joint ventured the project in 1998 to Newmont Mining Corporation ("Newmont"), hereinafter referred to as the "western consortium". The western consortium re-sampled the old Soviet trenches as well as sampling new ones and assaying over 5,000 samples for gold. The western consortium confirmed the presence of several mineralised zones and peripheral samples indicated strike extensions. An IP survey carried out in 1999 confirmed earlier Soviet data and defined several northeast-trending anomalies. The western consortium concluded that the anomalies constituted good targets for drilling, and based on this work, drilled seven core holes. The western consortium ended its activity in the region in 2001 due to poor commodity prices and shortage of cash.

Table 2.2 gives the historic exploration activities noted in the Prospect Area prior to acquisition by the Company.

Table 2.2 Historic exploration activities in the Prospect Area — pre 2003(1)

Exploration Activity	Exploring Entity	Period	Details
Rock regional sampling	Soviet Survey	pre 1992	few hundred samples
Stream sediment sampling	Soviet Survey	pre 1992	few hundred samples
Rock chip sampling	Soviet Survey	pre 1992	few hundred samples
Regional mapping	Soviet Survey	pre 1992	1:50,000 scale maps
Aeromagnetic survey	Soviet Survey	pre 1992	1:50,000 scale maps
Radiometric survey	Soviet Survey	pre 1992	1:50,000 scale map overlays
Trenching	Soviet Survey	pre 1992	few hundred samples
Detailed mapping	Soviet Survey	pre 1992	4 km^2 scale 1:2000 scale
Underground work	Soviet Survey	pre 1992	660 metres, 3 adits
Drilling	Soviet Survey	pre 1992	7 angle, 5 vertical core holes
Trenching	Apex	1997-98	5634 samples, close to 10,000 m
Metallurgical Testwork	Apex	1998	15 bottle roll tests on partially oxidised material, 40% to 96% recoveries
Stream sediment sampling	Newmont	1999	424 samples
Rock chip sampling	Newmont	1999	291 samples
Trenching	Newmont	1999	148 samples
Detailed mapping	Newmont	1999	6.5 km^2 1:2,000 scale
IP survey	Newmont	1999	14.7 line km, 4.2 km^2
Magnetic survey	Newmont	1999	7.3 km^2
Drilling	Newmont	1999	7 core holes, 1,800m

(1) Details in respect of historical expenditures prior to 2003 are not available.

2.3.2 Historical activity post acquisition by the Company

Historical exploration activity completed by the Company to date includes 15,014m of drilling in 70 drill holes, 8,832m of surface sampling in trenches and dozer cuts, and 2,054 soil samples. Combined with previous work by Newmont and Apex, this totals 16,814m of drilling, close to 20,000m of surface sampling in trenches, dozer cuts and outcrops, as well as geochemical (soils and stream sediments), geophysical (IP and Magnetics), remote-sensing, petrography and metallurgical work.

During 2003, the Company compiled all of the relevant historic data, digitised the NKGE maps, incorporated the results into its database and conducted a number of visits to the Prospect Area, examining the mineralised gold targets and conducting regional mapping. This led to a reinterpretation of the mineralisation and gold targets in the Prospect Area and a realisation that the potential of the gold mineralisation could exceed the potential indicated by earlier interpretations.

During the 2004 exploration season, the existing trenches over the mineralised zones were re-sampled, a number of new trenches and bulldozer cuts were excavated and sampled and five core boreholes were drilled.

The results of the 2005 and 2006 exploration programmes enhanced the geological understanding of the Prospect Area and increased the level of indicated potential. This indicated potential has been further confirmed by the results from the limited drilling and sampling of bulldozer cuts undertaken during the initial part of the current 2007 exploration programme. The work undertaken in the 2007 exploration programme includes drilling, cleaning and sampling of old trenches, sampling of mineralised exposures in new road cuts, core sampling of recently drilled boreholes, including those drilled on strike extensions of previously known mineralised zones. In addition, an underground exploration adit is being excavated in the C53 sub-zone. This underground access will provide underground drilling platforms from which to drill infill boreholes, specifically targeting strike and down-dip extensions to the C53 sub-zone. The underground access will facilitate the sampling of the mineralised zone for representative bulk samples for further metallurgical test work.

In addition to the above, SRK notes that historical work to date also includes metallurgical testwork undertaken in 2005 and 2006:

- **2005:** Resource Development Inc ("RDI") tested two samples from the CH03 zone, a low antimony sample (gold at 3.16g/t Au, silver at 2.57g/t Ag, arsenic at 1.72% As, antimony at 0.48% Sb) and a higher antimony sample (gold at 3.43g/t Au, arsenic at 1.08% As, antimony at 1.17%Sb and sulphur at 1.29% S).

  The principal results of the low antimony sample were:

  – mineralogical studies did not identify any free gold, however minor gold was alloyed with silver, and quartz was the dominant gangue mineral,

  – indication that, following a relatively fine grind and flotation, a gold concentrate (20g/t Au, 1.76% Sb) could be produced with an overall gold recovery of 88%, antimony recovery of 66% and a mass pull of 15% for one of the samples,

  – low (3%) recovery of gold from direct cyanidation, giving further indication of the limited presence of free gold and confirmation that most of the gold is intimately associated with sulphides,

  – gold recovery of 39% from direct whole ore roasting followed by 48 hours of cyanide leaching,

  – gold recovery of 48% from pressure oxidation of the flotation concentrates followed by Carbon-in-Leach ("CIL"),

  – gold recovery of 88% from pressure oxidation ("POX") of whole ore followed by CIL,

  – poor arsenic/antimony separation suggesting that the two elements are chemically combined as gold/antimony sulphides with mineralogical work indicating fine-grained arsenopyrite enclosed within late stage coarse stibnite.

  The principal results of the high antimony sample were:

  – 91.4% of the antimony, 57.9% of the arsenic and 54% of the gold reporting into gravity tails,

  – it may not be possible to produce a saleable arsenic-free antimony concentrate by physical processes which indicates the need to explore either hydrometallurgical and/or pyrometallurgical processes,

  – low gold recovery from cyanidation of the concentrate tailings; and

- **2006:** RDI tested a further two samples, Sample 1 with head grades of 6.24g/t Au (0.13% Sb) and Sample 2 with head grades of 4.32g/t Au (0.25% Sb). The principal results were as follows:
  - the limited presence of free gold following mineralogical studies,
  - from sample 2 the potential to preferentially float stibnite, however 50% of the antimony was contained in sulfosalts which are not amenable to concentration by flotation,
  - gold recovery of 72% and 80% into a gold concentrate following flotation,
  - gold recovery of 6.3% to 15.2% from cyanidation of whole ore, and
  - gold recovery of 91% to 96% from pressure oxidation of whole ore after 100% oxidation of the sulphides, followed by CIL.

In summary, RDI concluded that the gold at the CGP is refractory (not recoverable economically by direct cyanide leaching technology) in nature, and consequently will require a metallurgical process which includes some method of oxidation. RDI will however be undertaking further tests which include flotation-fine grinding-CIL ("FFG-CIL") as an alternative to oxidation. Further the tests were not successful in recovering antimony from any of the samples primarily due to the relatively low content of stibnite. Whilst there may be zones in the CGP with higher concentrations of antimony, further testwork should only be planned for samples grading a minimum of 2.0% Sb. Consequently, future work for gold recovery is largely focused on whole ore or pre-concentration via flotation followed by POX or BiOX followed by leaching or FFG-CIL.

Table 2.3 gives details of historic exploration activities undertaken by the Company in the Prospect Area from 2004 onwards. Table 2.4 gives details of the historical direct exploration related expenditures as incurred from 2004 onwards.

All rock, geochemical soil and drilling samples are routinely assayed by Central Scientific Research Laboratory ("CSRL") in the Kyrgyz Republic to provide the preliminary determinations of gold, silver, antimony and arsenic contents. All higher grade gold samples, which are to be utilised in the mineral resource calculations, are submitted to Genalysis Laboratory Services (Pty) Limited's ("Genalysis") laboratory in Australia for assay (ISO9001 accredited).

Table 2.3 Historic Exploration activities in the Prospect Area — post 2003

Activity	2004	2005	2006	2007H1
Regional mapping	5km^2	0km^2	0km^2	0km^2
Aeromagnetic survey	none	none	none	none
Radiometric survey	none	none	none	none
Detailed mapping	2,100m	3,733m	6,561	none
IP survey	none	none	none	none
Magnetic survey	none	none	none	none
Soil sampling	310	596	1,144	260
Stream sediment sampling	none	none	none	none
Rock chip sampling	145	146	140	none
Dozer Cuts	8 cuts; 589m; 356 samples	38 cuts; 1,173m; 938 samples	79 cuts; 4,180m; 3,680 samples	18 cuts; 755m; 610 samples
Trenching	17 trenches; 1,120m; 982 samples	45 trenches; 2,481m; 2110 samples	38 trenches; 1,148m; 994 samples	30 trenches; 1,309m; 1,084 samples
Profile on outcrops	14; 389m; 198 samples	3; 79m; 51 samples	35; 851m; 475 samples	16; 395m; 302 samples
Underground work	none	none	382m; 382 samples	121m; 508 samples
Drilling	5 core holes; 857m; 735 samples	34 core holes; 6,072m; [xxx] samples	32 core holes; 6,170m; [xxx] samples	12 core holes; 2,286m; [xxx] samples
Total Samples	8,952 CSRL; 36 Genalysis	9,074 CSRL; 1,187 Genalysis	8,680 CSRL; 748 Genalysis	n/a

Table 2.4 Historical expenditures — post 2003[1]

Area	2004 (US$k)	2005 (US$k)	2006 (US$k)	2007[H1] (US$k)
Mine prospecting work	77	515	919	
Geological consulting provided by third parties	7	436	444	
Staff costs	29	120	211	
Drifting works	0	0	209	
Geological specimen tests	42	118	170	
Geological consulting provided by related parties	113	58	215	
Hydroelectrical Power option assessment	0	0	53	
Fuel expenses	7	22	29	
Rent of bulldozer	0	14	29	
Spare parts and supplies	2	8	27	
Low value items	2	7	7	
Machinery and equipment depreciation expenses	0	1	15	
Expedition and transport services	0	1	10	
Satellite imaging	6	0	10	
Vehicle repair and maintenance	0	2	6	
Other	7	4	13	
Total	**291**	**1,304**	**2,368**	**613**

(1) Breakdowns for expenditures in 2007H1 are not available in this format.

2.3.3 Location, Access and Infrastructure

The CGP is situated in the Jalal-Abad Province, Kyrgyzstan approximately 300km southwest of Bishkek, the capital of Kyrgyzstan. Located at latitude 42°28'N and longitude 71°9'E, at an elevation of approximately 2,000m above sea level, the site (Figure 2.7) lies adjacent to the Sandalash River valley some 30km upstream and northeast of the town of Korgontëbë, and 18km northwest of the town of Ortoterek within the Sandalash range of the Alatau Mountains.

From Bishkek the site is accessible by a combination of paved and unpaved roads a travelled distance of 520km (185km of which is gravel). These pass through the Chui Province, Talas Province to the Jalal-Abad Province along the M39 westwards from Bishkek to Kara-Balta, the M41 south through the Too Ashu pass and westwards to Otmok. A short gravelled section, northwest along the A361 leads to Taldi Bulak and then westwards (metalled section) to Talas and eventually to the village of Kyzyl Adyr (Kirovskoye). The remainder of the journey is entirely by gravelled roads southwards through two significant mountain passes, the Kara Bura and the Kumbel, over the Sandalash Range, with flatter areas through the Kara Bura and the Chatkal River valleys.

The surfaces of the roads are generally good and the poorer gravel sections along the main roads are currently being upgraded. The roads over the mountains are impassable through the winter and spring unless kept clear of snow, and in any event are unsuitable for heavy vehicles greater than 10t. Seasonal access is between June and October and travel time from the capital city of Bishkek to the CGP camp is of the order of ten hours.

There is an alternative access into the Chatkal valley through the town of Yangybazar at the intersection of the Chatkal River and the Sandalash River which avoids the Kara Bura Pass but incurs further four hours of travelling southwest through the town of Korogontëbë. An all-weather route up the Sandalash valley which also bypasses the Kara Bura pass was reconnoitred in 2006 but much of this would require bulldozing with approximately 5km of blasting.

The nearest railway stations are at Namangan 120km to the south in neighbouring Uzbekistan and Maymak 80km northwards on the international border with Kazakhstan's Zhambyl Province.

The nearest airports are in Bishkek (300km northeast), Osh (215km southeast), Dzhalal-Abad (195km southeast), Talas (105km northeast) and Yangybazar (45km southwest) with alternatives in Namangan (Uzbekistan) and Taraz (95km north-northeast) in Kazakhstan.

The nearest power lines are some 30km distant running through the Chatkal River valley with a capacity of 100kV. As the Sandalash River runs through the Prospect Area, a study is in progress by the Company to review the potential for hydro-electric generation of power from the Sandalash River.

2.3.4 Terrain

The immediate area is characterised by extreme topography ranging from the Sandalash River valley at an elevation of 2,200m to the mountain ranges which peak at an elevation of 3,400m above sea level. Vehicle access to the gold occurrences has to be developed with a bulldozer and thereafter access is only possible on foot or horseback.

The Sandalash Valley is between 100m and 300m wide between steep slopes on either side. The Sandalash River follows a linear southwesterly trend with a moderate gradient in the Prospect Area with intermittent rapids between swiftly flowing segments. The Sandalash River flows into the Chatkal River south of the Licence Area at Yangybazar. These rivers normally flood in spring with snow-melt and are intermittently impassable.

One of the key aspects relating to successful completion of a pre-feasibility study is the identification of appropriate sites for supporting infrastructure, specifically processing plants, waste rock dumps and tailings storage facilities. A potential site has been identified at the intersection of the Sandalash Valley and the Shir Canyon, located 6km upstream of the CGP camp site on the western side of the valley.

The Licence Area is located in a seismically active area of Kyrgyzstan with seismic hazard maps indicating peak ground acceleration with 10% probability of exceedance in 50 years in excess of 4.8m/s^2. Historic seismicity from 1990 onwards indicates typical magnitudes of between 3 and 5 on the Richter scale. Notwithstanding this, SRK notes that gold mines continue to operate within Kyrgyzstan.

2.3.5 Climate

The steep slopes and specifically the alpine zones are subject to severe arctic climates, long winters with snow storms and avalanches.

The climate is classified as moderate and semiarid to temperate humid in the southwestern section of the licence area. Temperatures in the Jalal-Abad Province range from +33°C in the hot summer months to -25°C in the winter months. Further, daily and seasonal temperatures are highly variable.

At lower elevations, the snow-free period lasts from March to December and in the higher parts from June to October, although mountain peaks are covered by snow throughout the year. The average annual precipitation is 1,000mm with most of the snow falling between October and February and rain between March and May followed by a dry season from June to September. The prevailing winds are north westerly.

2.3.6 Title and Rights

The Exploration Assets reviewed by SRK comprise the Chaarat K exploration licence covering an area of 604.6km^2 situated in the north westernmost section of Jalal-Abad Province, Kyrgyzstan.

The exploration licence (Licence # Au-174-02) was granted on 10 December 2002 and is currently held by a wholly owned subsidiary of the Company, Chaarat K. In accordance with various licence agreements and conditions stipulated therein, the exploration licence can be extended up to 10 years from the date granted (10 December 2002) and under Licence Agreement # 5 is currently valid until 31 December 2008.

As confirmed by the Company's Kyrgyz legal advisors, Chaarat K has complied with the terms of the Licence and the Licence Agreement and, in particular, its expenditure obligations. During 2008, Chaarat K will be required to expend a minimum of US$500k under the Licence and to fulfil certain obligations set out in the work programme. The Kyrgyz legal advisors have confirmed that Chaarat K has not been in breach of the terms of the Licence or the Licence Agreement or any previous licence agreements.

The historical evolution of the licence and licence agreements is as follows:

- granting of the exploration licence to Chaarat K on 10 December 2002 with the consent of the State Agency of Geology and Mineral Resources under the Government of the Kyrgyz Republic ("SAGMR" also referred to as "Gosgeologoagenstvo") as provided by the Subsoil Law and supported by Protocol No 202-N-02 dated 10 December 2002;
- on 10 December 2002, the SAGMR also entered into licence agreement no.1 with Chaarat K to explore the Prospect Area for gold and other metals for a term of two years which expired on 10 December 2004;
- on 22 November 2004, the SAGMR extended and reissued this licence and entered into licence agreement no. 2 with Chaarat K in respect of the Prospect Area thereby effectively extending the term by another two years until 31 December 2006;
- on 28 March 2005, the SAGMR and Chaarat K entered into a new licence agreement no. 3 pursuant to which the Prospect Area was extended from 438.7km^2 to 604.6km^2;
- on 12 September 2005, licence agreement no. 4 was entered into between the SAGMR and Chaarat K for the commencement of geological works;
- on 20 November 2006, this licence was extended and reissued and the current licence agreement no. 5 has been entered into by the SAGMR and Chaarat K; and
- on 17 July 2007, the SAGMR issued a letter under registered number 3/1346 (the "Confirmation Letter 1") in which it is confirmed that the Licence is valid and its term would expire on 31 December 2008. The Confirmation Letter 1, also states that Chaarat K has not been in breach of the terms of the Licence and all previous licence agreements.

The Licence is wholly owned by Chaarat K and gives the exclusive right to utilise the subsurface within the Prospect Area for geological exploration of commodities including gold and other metals, subject to the satisfaction of the conditions in the Licence, until 31 December 2008 or any other date up to which the Licence is extended. If the results of further geological exploration satisfy the Company that there are commercially viable deposits it intends to apply for one or more extensions of the Licence at the relevant time and/or, when justified, applying for one or more mining licences in respect of any such deposits.

The Licence conditions can be further summarised as follows:

- work may only be carried out within the relevant licenced area;
- Chaarat K shall submit semi-annual and annual reports on operations implemented;
- geological information in relation to the operations implemented in 2005 and a report on operations implemented during the period between 1997 and 2008 (in accordance with industry standards) must be transferred to the Kyrgyz State Geological Fund;
- the exploration work completed in 2003 and 2004 must exceed the minimum expenditure of KGS1m, in 2005 and 2006 must exceed the minimum expenditure of US$250K in each year and in 2007 and 2008 must exceed the minimum expediture of US$500K in each year;
- a minimum of 33% of the Prospect Area (calculated in proportion to the original Prospect Area) must be relinquished in each of the years 2003 and 2004, 10% of the Prospect Area must be relinquished in 2005 and a further 10% in 2006; pursuant to a letter issued by the SAGMR, it has accepted the non-relinquishment of the licensed area in 2003, 2004 and 2005 and SRK has been informed that no other relinquishment requirements now exist; and
- the land affected by the exploration works must be rehabilitated at the end of the licence period.

Additional consents in respect of land use require that pursuant to the regulation "On Allocation of Land Plots to Subsoil Users" approved by the Kyrgyz Government Resolution No. 261 dated 12 April 2006, Chaarat K must obtain written consent from the local state administration or enter into an agreement with the landowner in respect of the Licence to acquire land use rights for subsoil exploration. Chaarat K has obtained the relevant consent from the local state administration under the Licence.

Furthermore, SRK has been informed by the Company that no private landowners exist on the Prospect Area, accordingly Chaarat K does not need to enter into land use consent agreements with private landowners as required by the applicable legislation.

On 24 April 2006, the Government of Kyrgyzstan ("GoK") issued a resolution of the government "On Preserve" whereby a portion of approximately 20% of the Licence Area was included in the Sandalash Preserve formed on government territory. Upon investigation by the Company, it was found that this part of the Licence Area, an area in which no geological works are being carried out (or planned to be carried out), had been mistakenly included in the area declared as Sandalash Preserve. The SAGMR has since confirmed in a letter that this part of the Licence Area has been included in the territory of the Sandalash Preserve in error.

2.3.7 Geology

Kyrgyzstan covers a portion of the Tien Shan orogenic belt stretching from northwest China through Kyrgyzstan and into Uzbekistan and Kazakhstan. Within Kyrgyzstan there are three main tectonic domains, the Northern, Middle and Southern Tien Shan, with a limited development of the Northern Pamirs.

Primary gold mineralisation in Kyrgyzstan occurs as vein deposits, stockworks, associated with copper porphyries and in skarns. All of these are situated within the Middle Tien Shan and appear to be associated with the Hercynian orogeny.

The Sandalash River occupies the north-easterly trending hinge zone of an anticline, the north-western limb of which consists of a sequence of Upper Proterozoic or Cambro-Ordovician sedimentary rocks dipping around 40º northwest. This package is cut by several strike to oblique faults and younger intrusions. The lower sequence of meta-siltstone and argillite has been termed the Chaarat Formation and above it lies the Tulkubash Formation, predominantly of quartzites.

The known mineralisation forms part of a large hydrothermal system which extends on strike for 10km with multiple sub-parallel zones. While not all of these systems are gold bearing, there is evidence of intermittent but extensive mineralisation all along this strike. In some areas, gold mineralisation is accompanied by antimony. The mineralised zones exhibit pervasive argillic alteration and local silicification. There is little oxidation near surface and arsenopyrite and stibnite are visible in trenches. The distribution of the mineralised zones and the multiple intersections encountered in trenches and cores suggest a complex structural pattern controlling the deposition of gold.

The gold mineralisation is refractory in nature and is not amenable to processing via conventional cyanide leaching. Consequently, likely metallurgical process routes will necessitate some form of oxidation incurring relatively high operating expenditures as in the case of POX, although BiOX and FFG-CIL as a potential process has not yet been tested.

Mineralisation is not constrained within hard geological/lithological contacts and accordingly the current Mineral Resources estimates are based on the delineation of a grade boundary. Notwithstanding this aspect, the mineralisation does display sharp drop-offs in gold grade and in such areas has been used to constrain the interpolation for the computerised estimates.

The mineralisation occurs in four zones/areas, the Main Zone and the Contact Zone which extends northeast into the Karator Area, and the T7 Zone. The Main Zone and the Contact Zones are better explored, however the Karator Area contains significant soil and rock anomalies and some ore grade trenches and dozer cuts.

The Main Zone within the Chaarat Formation contains several discrete mineralised bodies along a 4km strike which are concentrated in four areas, the M24, M30, M34 and M39 sub-zones. Exposure between ridges of outcrop is poor and precludes a confident outline of these bodies on surface and recent drilling has shown that they are not continuous along this whole strike, but perhaps 1km does contain viable mineralisation with some areas yet to be explored and some open-ended at depth and along strike.

The Contact Zone lies along the contact between the Chaarat Formation and the Tulkubash Formation and is subdivided into three sub-zones: C40 sub-zone, C46 sub-zone and C53

sub-zone. The Contact Zone is at least 4.5km long and contains a 1km strike of significant mineralisation. C53 is robust and continues to below 400m from surface while the C46 is similar but has yet to be proved at depth. C40 is of lower grade but, like the other two, still has resource potential. The Contact Zone extends into the Karator Area with anomalous soil values obtained 5km away along strike to the northeast.

The T7 Zone is hosted by the Tulkubash quartzites and also includes a few additional soil anomalies which extend for 3km on strike, with widths ranging from 100m to 300m. The zone is currently not well understood and requires further exploration to further geological understanding in the area.

Within the Prospect Area further targets include the Minteke, Tayalmish and Kashkasu-Perevalny showings which have only been exposed to soil sampling and trenching.

2.3.8 Mineral Resources

The current Mineral Resource for the Exploration Assets have been estimated by SRK during the course of this mandate and are dated 1 July 2007 and reported in accordance with the JORC Code. As at 1 July 2007, the total Mineral Resources for the CGP are estimated at 14.1Mt grading 4.1g/t Au and containing 1.9Moz of gold, as shown in Table 2.5 below. Table 2.6 presents the sensitivity of the Mineral Resources at various gold prices and also presents the corresponding in-situ cut-off grades. SRK notes that the sensitivity assumes infinite selectivity and accordingly is overly smoothed. Application on an orebody by orebody basis within each zone with a minimum content criteria would most likely lead to a steeper reduction in content at gold prices lower than the base case of US$600/oz as presented.

Table 2.5 CGP Mineral Resource Statement (1 July 2007)[1],[2]

Classification	Zone	Tonnage (kt)	Grade (g/t Au)	Content (koz)
Indicated	Main	3,897	4.0	500
	Contact	4,049	3.9	504
Subtotal		**7,945**	**3.9**	**1,004**
Inferred	Main	2,800	4.7	424
	Contact	1,983	3.6	228
	T7	1,178	4.9	185
	Other	174	4.3	24
Subtotal		**6,135**	**4.4**	**861**
Indicated + Inferred	Main	6,697	4.3	924
	Contact	6,031	3.8	733
	T7	1,178	4.9	185
	Other	174	4.3	24
Total Mineral Resources		**14,080**	**4.1**	**1,865**

(1) The total Mineral Resources comprise 3.7Mt grading 4.0g/t Au containing 0.5Moz Au derived from manual estimates (C40 sub-zone, C46 sub-zone, T7 Zone and Other Zones) and 10.4Mt grading 4.2g/t Au containing 1.4Moz derived from computerised point interpolation (Main Zone and C53 sub-zone). In addition the Mineral Resource on average grades 11.5g/t Ag.

(2) Grade estimates for antimony (0.28% Sb) have been estimated, however these are low and are not amenable to economic metallurgical recovery at this stage and are therefore excluded from the JORC Code compliant Mineral Resource statement.

Table 2.6 CGP Mineral Resource sensitivity[1]

Statistics	Area	Units (US$/oz)	Gold Price 400	500	600	700	800
ISCOG		**(g/t Au)**	4.24	3.39	2.82	2.42	2.12
Tonnage	Main	(kt)	3,134	6,325	6,696	6,704	6,704
	Contact	(kt)	972	4,182	6,031	6,117	6,427
	T7	(kt)	1,087	1,087	1,178	1,178	1,178
	Other	(kt)	174	174	174	174	174
Subtotal		**(kt)**	**5,367**	**11,768**	**14,080**	**14,173**	**14,483**
Grade	Main	(g/t Au)	4.9	4.4	4.3	4.3	4.3
	Contact	(g/t Au)	5.0	4.0	3.8	3.8	3.7
	T7	(g/t Au)	5.0	5.0	4.9	4.9	4.9
	Other	(g/t Au)	4.3	4.3	4.3	4.3	4.3
Subtotal		**(g/t Au)**	**4.9**	**4.3**	**4.1**	**4.1**	**4.1**
Content	Main	(koz Au)	494	885	924	924	924
	Contact	(koz Au)	156	543	733	740	763
	T7	(koz Au)	175	175	185	185	185
	Other	(koz Au)	24	24	24	24	24
Subtotal		**(koz Au)**	**849**	**1,627**	**1,865**	**1,873**	**1,896**

(1) As there is no gradation available for the manual estimates the Mineral Resource sensitivity as presented is somewhat smoothed.

- Mineral Resources are quoted at an appropriate in-situ economic cut-off grade which satisfies the requirement of 'potentially economically mineable' for underground mining operations; furthermore, the commodity price incorporated into the cut-off grade calculations is US$600/oz for gold;
- unless otherwise stated, all Mineral Resources are quoted on an equity attributable basis assuming 100% ownership as at 1 July 2007;
- Mineral Resource sensitivities, where reasonable to estimate, have been derived from application of the relevant in-situ cut off grades and application of modifying factors at a range commodity prices for gold (US$400/oz; US$500/oz; US$600/oz; US$700/oz; and US$800/oz); and
- all references to Mineral Resources are stated in accordance with the JORC Code.

2.3.9 Exploration and development strategy

The overall exploration and development strategy comprises:

- technical studies and parallel exploration campaigns which at each stage demonstrate the technical and economic viability of the CGP:
  - a scoping study (+/– 35% accuracy) including environmental base line data collection by 2007H2,
  - a pre-feasibility study (+/– 25% accuracy) including a preliminary Environmental Impact Study by 2008Q4,
  - a feasibility study (+/– 15% accuracy) including an Environmental Impact Study by 2009Q4; and
- following completion of financing, engineering, construction and project management, the establishment by 2011Q4 of an operating mine based on underground mining, followed by oxidation (POX or BiOX) and CIL or FFG-CIL processing ore at a rate of 1.5Mtpa (4,500tpd).

The Company to date has successfully delineated a JORC Code compliant Mineral Resource and is currently focusing on completion of the following specific tasks in 2007H2:

- resource definition through further exploration activity, specifically infill and extension drilling and construction of an adit within the Contact Zone;
- further metallurgical testwork to establish a technically feasible and economically viable process route;
- commissioning of an environmental baseline study (currently underway) as part of an overall environmental impact assessment; and
- commissioning of a multi-disciplinary scoping study to:
  - identify and address any technical fatal flaws, and
  - establish the strategic benchmarks (specifically scope and scale) for developing a technically feasible and commercially viable underground mining operation.

2.3.10 Exploration Programme

The Company has developed a detailed exploration programme for 2007 (principally focused in H2) and 2008, the physical activities for which are detailed in Table 2.7. In summary this comprises:

- 31,500m of core drilling (27,000m surface drilling);
- 3,000m of underground development;
- 23km of road development to access drilling sites; and
- 28,500 laboratory samples for assaying.

The majority of the above work is undertaken during the summer season and only a limited portion has been completed so far in 2007H1. The work currently in progress (2007) includes:

- surface mapping, trenching and sampling of regional exploration targets within the Licence Area;
- increasing road access with bulldozers to strike extensions of existing targets and on regional targets;
- deployment of additional diamond drilling rigs increasing the number on site to 8;
- further structural mapping to confirm the mineralisation controls;
- upgrading of the survey base through ground surveying and remote and satellite based imagery;
- additional geophysical surveys;
- additional metallurgical test work; and
- mining infrastructure, environmental and financial studies, leading to completion of a scoping study.

For 2009 and 2010Q1, the Company has not yet developed similar levels of detailed exploration and development activities and such expenditures are forecasted based on factors and the assumption of inherent success of the 2007 and 2008 campaigns. The Company has however incorporated expenditures as lump sum items to complete the pre-feasibility study and a preliminary Environmental Impact Study (totalling US$1.2m) and a feasibility study, including bulk sampling and finalisation of the Environmental Impact Study (totalling US$1.6m).

Table 2.7 CGP Exploration Activities

Activity	Units	2007H2	2008	Total
Surface Drilling	**(m)**	**8,900**	**18,100**	**27,000**
– Main Zone	(m)	2,400	8,200	10,600
– Contact Zone	(m)	2,900	4,400	7,300
– Tulkubash Zone	(m)	1,500	1,600	3,100
– Other	(m)	2,100	3,900	6,000
Underground Drilling	**(m)**	**600**	**3,900**	**4,500**
– Main Zone	(m)	600	2,400	3,000
– Contact Zone	(m)	0	1,500	1,500
Total Drilling	**(m)**	**9,500**	**22,000**	**31,500**
– Main Zone	(m)	3,000	10,600	13,600
– Contact Zone	(m)	2,900	5,900	8,800
– Tulkubash Zone	(m)	1,500	1,600	3,100
– Other	(m)	2,100	3,900	6,000
Underground Development	**(m)**	**750**	**2,250**	**3,000**
– Main Zone	(m)	0	2,100	2,100
– Contact Zone	(m)	750	150	900
Road Development	**(m)**	**8,000**	**15,000**	**23,000**
Geology Input	**(mandays)**	**1,840**	**3,360**	**5,200**
Samples	**(No)**	**10,500**	**18,000**	**28,500**

The forecasted exploration expenditures for 2007H2 and 2008, amount to US$18.2m, US$16.9m of which is categorised as operating expenditures and the remainder as capital expenditure. Additional expenditures forecasted for 2009 and 2010Q1 total US$14.7m giving an overall total from 1 July 2007 of US$32.9m (Table 2.8).

Table 2.8 CGP Exploration Expenditure Programme

Expenditure Item	Units	2007H2	2008	2009	2010	Total
Operating Expenditure	**(US$k)**	**5,511**	**11,436**	**12,117**	**2,434**	**31,498**
– Geology	(US$k)	3,575	7,204	7,376	1,685	19,841
– Bishkek Office	(US$k)	405	955	967	241	2,569
– Project Technical Studies	(US$k)	648	1,232	1,639	0	3,518
– Overheads	(US$k)	883	2,045	2,135	508	5,571
Capital Expenditure	**(US$k)**	**821**	**424**	**132**	**0**	**1,376**
– Bishkek Office	(US$k)	38	44	32	0	114
– Geology — site	(US$k)	721	350	70	0	1,141
– Project Studies	(US$k)	62	30	30	0	122
Total	**(US$k)**	**6,332**	**11,860**	**12,249**	**2,434**	**32,874**

2.3.11 Environmental and Social Aspects

To date, no substantive environmental and social investigations have been undertaken in respect of the CGP. The Company as part of its scoping study process has commissioned international consultants to oversee a preliminary environmental baseline data collection exercise. The data collated will at a later stage be inter alia used to establish an Environmental Impact Assessment undertaken in conjunction with the Pre-feasibility study and the Feasibility Study. In order to ensure that the local requirements are addressed, the Company has retained the services of a locally recognised environmental agency.

The likely environmental impacts associated with any future mining developments are:

- the Sandalash River drains into the Chatkal River, which then leaves Kyrgyzstan and enters Uzbekistan, and accordingly may have potential transboundary implications if water is not well managed;
- water management due to snow melt associated with the mountainous topography and steep slopes;
- the likelihood of acid rock drainage ("ARD") and also the presence of arsenopyrite;
- current land use for grazing by local inhabitants and associated rights;
- the likely positive economic impact on the immediate environment as well as the likely influx of people and increased demand for provision of public services and infrastructure; and
- the location of infrastructure, specifically the process facilities, tailings storage facilities and waste rock dumps given the limited availability of suitable land in the Sandalash River valley.

SRK has been informed that these impacts will be assessed as part of the Environmental Impact Assessment and this has been catered for in the forecasted expenditures from 2008 onwards as stated herein. Furthermore, the Company has also stated its intention to complete the EIA taking cognisance of both local regulatory requirements and those embodied by the World Bank/IFC Guidelines and Equator Principles.

The Company has undertaken certain metallurgical testwork which indicates that likely process routes will necessitate the establishment of a lined storage facility given the proximity to the Sandalash River.

2.4 Kyrgyzstan Country Descriptions

Kyrgyzstan, officially the Kyrgyz Republic, is a landlocked country in Central Asia. Formerly, the Kyrgyz Soviet Socialist Republic, a republic of the Union of Soviet Socialist Republics ("USSR"), Kyrgyzstan gained independence in August 1991.

Nationwide demonstrations in the spring of 2005 resulted in the ousting of the then President elect (President Askar Akayev) who had run the country since 1990. Subsequent presidential elections in July 2005 were won overwhelmingly by the former Prime Minister Kurmanbek Bakiyev. In 2006, opposition-led demonstrations resulted in the adoption of a new constitution that transferred some of the President's powers to parliament and the government. In December 2006, the Kyrgyz parliament voted to adopt new amendments, restoring some of the presidential powers lost in the November 2006 constitutional change.

Current challenges include: privatisation of state owned enterprises, expansion of democracy and political freedoms, reduction of corruption, improving interethnic relations and combating terrorism.

Kyrgyzstan's status is marked by membership of: Commonwealth of Independent States ("CIS"); the International Finance Corporation (the "IFC"); the International Monetary Fund (the "IMF"); the International Labour Organisation (the "ILO"); the Shanghai Corporation Organisation (the "SCO"); and the World Trade Organisation ("WTO").

By World Bank (the "World Bank") measures, Kyrgyzstan is grouped in Europe and Central Asia and is classed as Low Income category: where Gross National Income ("GNI") reported on an annual basis is US$875 or less.

Kyrgyzstan is a member of the Eurasian Economic Community ("EAEC"). Formed in 2000, the EAEC includes Belarus, the Republic of Kazakhstan ("Kazakhstan"), the Russian Federation ("Russia") and the Republic of Tajikistan ("Tajikistan").

Table 2.9 gives the relative assessment of Kyrgyzstan to other benchmark countries and Table 2.10 gives a five year history of key economic and demographic statistics.

Geographically Kyrgyzstan, with geographic co-ordinates 41°00'N and 75°00'E extends over 199,000 km^2 extending over Central Asia. Kyrgyzstan is landlocked and borders on the People's Republic of China ("China"), Kazakhstan, Tajikistan and Uzbekistan.

Kyrgyzstan's terrain is dominated by the Tien Shan and Pamir mountain systems, which collectively occupy 65% of the territory. The Alay range portion of the Tien Shan system dominates the southwestern crescent of the country, and, to the east, the main Tien Shan range runs along the boundary between Kyrgyzstan and China. Consequently, the region is mostly mountainous, featuring ridges, deep gorges, wide valleys and virgin forests complemented by more than 40,000 rivers and streams and 20,000 lakes. Over 90% of the terrain is at an elevation of 1,500m or higher with an average elevation of 2,750m. The highest point is Jengish Chokusu at 7,439m and the lowest point is Hara-Daryya at 394m in the Fergana Valley.

The climate is classified as moderate semiarid and is influenced primarily by the mountains, Kyrgyzstan's position near the middle of the Eurasian landmass, and the absence of any body of water large enough to influence weather patterns. These factors create a distinctly continental climate overall that has significant local variations: dry continental to polar in the high Tien Shan; subtropical in the southwest (Fergana Valley); and temperate in the northern foothill zone.

Average winter (January) temperatures range from -4°C (southern city of Osh) to as low as –30°C in mountain valleys. Average summer (July) temperatures range from 27°C in the Fergana Valley to a low of -10°C on the highest mountain peaks. Annual precipitation varies from 2,000mm in the mountains above the Fergana Valley to less than 100mm on the west bank of lake Ysyk-Köl.

Land use is distributed as follows: arable land (6.55%); permanent crops (0.28%); and other (93.17%). Some 10,700km^2 is currently irrigated.

The **transport system** in Kyrgyzstan is constrained by the country's mountainous terrain where the road network has to traverse steep valleys, crossing passes at altitudes of 3,000m or more and is subject to frequent mud slides and snow avalanches. Winter travel is difficult in many of the more remote and high altitude regions. Many of the transport routes constructed during the Soviet era, were prior to the imposition of recent international boundaries, thus resulting in time-consuming border formalities, where such crossings are not completely closed. Of a total of 18,500km of roadways, 91% is paved.

The Chui Valley in the north and the Fergana Valley in the south of the country were the endpoints of the USSR's rail system in Central Asia. Extending for a total of 470km with a broad gauge of 1.520m, the current system has little economic value in the absence of the former bulk traffic over long distances to and from such centres as Tashkent, Almaty and cities of the Russian Federation. Recent developments from China indicate interest in linking its rail network to the country's railway system which may further enhance the current limited rail traffic.

During the early 1990s there were approximately 50 airports and airstrips in Kyrgyzstan, primarily built to serve military purposes in this border region, close to China. In 2006 this had reduced to 37, 18 of which were paved. Manas Airport near Bishkek is the main international airport, with services to Moscow, Tashkent, Urumqi, Istanbul, Baku, Delhi and London. Osh Airport is the main air terminal in the south, with daily connections to Bishkek. Jalal-Abad Airport is linked to Bishkek by two flights per week.

The **political and administrative** structure in Kyrgyzstan is a Presidential Democratic Republic. The executive branch comprises a Chief of State in the form of a President, a Prime Minister and a Cabinet of Ministers. The President is elected by popular vote for a five-year term (last held 10 July 2005, next in 2010), the Prime Minister is nominated by the President for approval by parliamentary election. The legislative branch comprises an unicameral Supreme Council with 90 seats, where members are elected by popular vote for a five-year term.

Kyrgyzstan, extending over a single time zone (GMT+6) is divided into 8 administrative divisions termed Provinces (7) and Cities (1 — the city of Bishkek), each of which is administered by appointed Governors. Each Province comprises a number of districts, administered by government appointed officials.

The legal system is based on a civil law system drawing from German and Russian laws. The judicial branches comprise the Supreme Court and the Constitutional Court (judges appointed for life by the unicameral Supreme Council on the recommendation of the President); and Local Courts. Kyrgyzstan has not accepted compulsory ICJ jurisdiction.

The official languages are Kyrgyz (64.7%) and Russian (12.5%), although Uzbek (13.6%), Dungun (15%) and other (8.2%) are also represented. Practicing religions include Muslim (75%), Russian Orthodox (20%) and other (5%).

The **Economic Structure** of Kyrgyzstan is typified by a poor, mountainous country with a predominantly agricultural economy. The agricultural and industrial production base is small, leaving the country vulnerable to natural disasters and external shocks. Gold, agricultural products, and hydropower make up the bulk of the country's exports.

Following the collapse of the USSR in 1991, the country dealt with the loss of Soviet subsidies by external borrowing, depletion of assets, a reduction in private consumption, and increased government expenditures. As a result, between 1991 and 1995, Gross Domestic Product ("GDP") declined to 50% of the 1990 level. All economic indicators deteriorated, hyperinflation, rising unemployment, and a reduction of real incomes led to a dramatic rise in poverty.

Since 1993, a national currency has been introduced, prices liberalised, commercial legislation and agriculture reformed, assets privatised, and an open external trade regime adopted. As a result, the economy began to recover from 1996 onwards.

After recovering from the impact of the 1998 Russian financial crisis, the Kyrgyz economy stabilised and has grown by about 5% a year since then, led by the traditionally strong sectors of agriculture and mining. In recent years there has been healthy growth in construction and power generation and supply, as well as in the service sub-sectors of transportation, trading, and catering. This performance is supported by macro-economic and exchange rate stability, reduced fiscal deficits, a tight fiscal and monetary policy, and single digit inflation.

In 2003 and 2004, economic performance was strong, reflecting the then stable macro-economic environment and fast-growing neighbouring markets. The growth base broadened towards non-gold sectors, mainly non-gold industry and services, however political events in 2005 may have lead to the negative performance in 2005.

Current growth in real GDP is estimated at 6.5% increasing to US$3.3bn (current) in 2007. CPI is currently estimated at 5.69% (2007) and the exchange rate of the KGS against the US$ at 30 June 2007 was 37.95. Some 40% of the population lives below the poverty line. The total labour force is estimated at 2.7 million comprising agriculture (55%), industry (15%) and services (30%) and the unemployment rate is estimated at 18%.

Principal industries comprise small machinery, textiles, food processing, cement, shoes, sawn logs, refrigerators, furniture, electric motors, gold, and rare earth metals. Agriculture products include tobacco, cotton, potatoes, vegetables, grapes, fruits and berries, sheep, goats, cattle and wool.

Export commodities (US$0.7bn) comprise cotton, wool, meat, tobacco, gold, mercury, uranium, natural gas, hydropower, machinery and shoes. The principal export partners are Switzerland (19.8%), Russia (16.5%), United Arab Emirates (14.2%), China (8.4%), Kazakhstan (7.6%), United States (5.8%) and Uzbekistan (5.8%).

Import commodities (US$1.2bn) comprise oil and gas, machinery and equipment, chemicals and foodstuffs. The principal import partners are Kazakhstan (21.1%), Russia (19.9%), Uzbekistan (10.2%), China (10.1%), United States (8.0%), and Germany (5.3%).

Despite significant achievements, the following issues still need to be addressed: poverty reduction; reducing the country's burden of external debt; economic diversification; strengthening governance; human development (education and health); increasing regional cooperation on water; energy; and trade.

Table 2.9 Kyrgyzstan: comparison of 2006 economic and demographic statistics with EAEC members

Statistics	Units	Kyrgyzstan	Belarus	Kazakhstan	Russia	Tajikistan
Economy						
GDP — annual	(US$bn)	2.8	36.9	77.2	979.0	2.8
GDP — annual growth real[1]	(%)	6.5	5.5	9.0	6.4	7.5
GDP per capita, PPP (current)	(US$/capita)	542	3,809	8,981	6,856	441
Lending Rate	(%)	23.2	8.4	9.0	10.5	26.7
Exchange Rate	(US$:LDU)	38.02	2,149	126.90	26.32	3.43
Inflation						
CPI	(%)	5.07	7.00	8.36	9.02	10.10
Demographics						
Population	(millions)	5.2	9.7	8.6	142.8	6.4
Population growth — annual	(%)	1.2	–0.6	13.2	–0.5	0.6

(1) Figures for GDP annual growth real are forecasts and are not yet available for 2006.

Table 2.10 Kyrgyzstan: economic and demographic statistics

Statistics	Units	2000	2001	2002	2003	2004	2005	2006	2007[1]
Economy									
GDP — annual	(US$bn)	1.4	1.5	1.6	1.9	2.2	2.4	2.8	3.3
GDP — annual growth real[2]	(%)	5.4	5.3	0.0	7.0	7.0	–0.6	6.5	6.5
GDP per capita, PPP (current)	(US$/capita)	279	308	322	381	434	475	542	625
Foreign Direct Investment	(US$bn)	0.0	0.0	0.0	0.0	0.2	0.0	n/a	n/a
External Debt	(US$bn)	1.8	1.7	1.9	2.0	2.1	2.0	n/a	n/a
Lending Rate	(%)	51.9	37.3	24.8	19.1	29.3	26.6	23.2	16.9
Exchange Rate	(US$:KGS)	48.43	47.98	46.09	42.33	40.99	41.30	38.02	37.95
Inflation									
CPI	(%)	10.48	3.69	2.28	5.56	2.77	4.93	5.07	5.69
Demographics									
Population	(millions)	4.9	5.0	5.0	5.0	5.1	5.1	5.2	5.3
Population growth — annual	(%)	1.0	0.8	0.8	0.9	1.1	1.0	1.2	1.1

(1) Combination of forecasts (all excepting exchange rate and CPI) and 30 June 2006 actual (exchange rate and CPI).

(2) Figures for 2006 and 2007 are not available and accordingly are forecasts.

2.4.1 Mining and Exploration Licensing

Mining and exploration licensing in Kyrgyzstan is governed by the Law of the Kyrgyz Republic On Subsoil, 2 July 1997 (the "Law on Subsoil Use"). This is further supported by reference to the following: The Tax Code of the Kyrgyz Republic, 26 June 1996; The Land Code of the Kyrgyz Republic, 2 June 1999; The Labour Code of the Kyrgyz Republic, 4 August 2004; The Law of the Kyrgyz Republic on Foreign Investment, 28 June 1991 where two articles are in effect, specifically tax and custom benefits; the Law On the Investments dated 27 March, 2003; and various environmental legislation dating from 1994 through 2001 inclusive (see below).

The Law on Subsoil Use was adopted in 1992 as one of the first new laws of the Republic. Although it started the transition to market economy, strict State control over subsoil users was practiced. A complicated system of licensing based on negotiations has been legalized and is still present today.

During the 1990s and early 2000, the World Bank commissioned a number of reviews of the mining legislation in Kyrgyzstan. Specifically in 1998 and 1999 a group of international experts were appointed to assess the legislation and concluded that a number of deficiencies existed when compared with international standards. The key criticisms related to the fact that many of

the earlier recommendations specifically the rules of application, registration on a "first come, first served", exclusiveness of licences of geological study and western resource classification are not implemented.

The Kyrgyz Government has transferred the supervision of mining companies to the state geology and mineral resource agency, Gosgeologoagenstvo, as part of a major restructuring. All departments dealing with mining within the Economic Development, Trade and Industry Ministry now fall within the jurisdiction of Gosgeologoagenstvo. The agency is responsible for forecasts, estimates, attracting investment, confirming reserves, monitoring company activity and the raw-material base for these companies, and ensuring that work in this sector is carried out satisfactorily. Gosgeologoagenstvo has stated its aim to bring regulations governing the mining industry in line with international standards.

The Law on Subsoil Use is subdivided into: general provisions; ownership and powers to use subsoil; grounds for and procedure of subsoil use; relationships between subsoil users and holders of land use rights; government regulations of subsoil use; taxes and payments in subsoil use; resolution of disputes on issues pertaining to subsoil use and liability for violation of subsoil legislation; and final provisions.

Gosgeologoagenstvo is the licensing body, which oversees the licensing of all kinds of deposit use and use of mineral raw materials, including underground water. Entitlement for deposit use is subject to competition and/or auctions, or occasionally through direct negotiations.

Licences are currently classified as follows:

- **Licence to conduct geological subsoil study:** This gives the holder the exclusive right to conduct research within the boundaries of the licensed area within the period established for a period of two years, with the following prolongation for up to 10 years, provided that the conditions of the licence agreement are observed. Should a deposit be discovered, the licensee shall have the exclusive right to obtain a licence without holding a tender;
- **Licence to develop Mineral Deposits:** This grants the licensee the exclusive right, within the boundaries of the mining allotment, to conduct geological study, stripping, deposit preparation, raw minerals recovery and processing, use of mining and processing waste, refining (affinage), to sell and export all recovered minerals and raw minerals processing for a period established by a technical project but no longer than 20 years with the subsequent extension pending the depletion of mineral stocks; and
- **Licence to Build and Operate Underground Structures Not Related to Mineral Recovery:** This grants the licensee the right, within the boundaries of the mining allotment, to build and operate underground structures in accordance with established rules and norms, within a period established by the project, which shall not exceed 20 years, with the subsequent extensions, if necessary, for periods justified by adjusted technical projects.

Upon collection of geological information, areas and objects of national importance and certain parts of deposits are put out to tender by the Selection Committee of Gosgeologoagenstvo. Tender applicants must pay for taking part in the selection process and for the package of geological information and demonstrate both technical and financial qualifications. The winner pays an additional one-time payment (bonus) for the right to use the asset in question. Payment for taking part in competitions for tender and the cost of the package of geological information is fixed for each site, depending on its size, the degree of investigation, the volume of geological information and the costs to the licensing body.

As to the carrying out of tenders concerning deposits of state importance, tenders shall be announced and held with regard to gold mining, oil, gas and other objects of state importance upon the decision of the GoK. The tender commission under the GoK shall be specially formed for each particular object to determine the tender terms and winners.

In Kyrgyzstan there are a number of deposits, prepared for development during the Soviet era, where construction had started. Access to these deposits is granted through negotiations with the State Property Fund.

In all instances a licence is supported by a licensing agreement and within the timeframe set by the licensing agreement, the licensee presents proof of his ability to ensure the protection, and

technical and economic safety of the deposit, as certified by the Department of Environmental Control and Inspection and the State Mining Technical Control of the Ministry of Environment and Emergency. The licensing agreement for the development of a deposit includes the following: coordinates and measurements of the land allotment area; the mission; the quantity and category of reserves; details of extraction in compliance with a feasibility study; the programme of deposit development; the types of payment; the terms of restoration of destroyed habitat; force majeure and other terms; information about the licensor; and the duration of the licensing agreement. A licence without a licensing agreement is not valid.

In summary the various legislation include a number of general measures which:

- declares state ownership of deposits;
- governs licensing of geological exploration. Anticipates licensing of other activities related to geological research and deposit development;
- obliges deposit users to pay royalties for the right to use deposits;
- requires that information is made available on explored, extracted and abandoned reserves of minerals;
- governs the mandatory recovery of lands and other natural objects after the process of deposit use, for further use in compliance with standard requirements;
- contains standards, positively affecting investment attraction and mining business development;
- confers equal opportunities on citizens of Kyrgyzstan and other countries, regardless of property rights to obtain a licence to become a deposit user;
- a deposit user is entitled to use outputs of economic activity upon his/her own discretion and to liberally repatriate capital; and
- pawning of licences or their transfer to third parties is permitted with the authorisation of an appropriate government body.

The Law on Subsoil Use also includes a number of other articles:

- licensing agreements allowing the development of a deposit may include requirements unforeseen by legislation;
- mineral reserves of explored deposits are subject to the approval of government experts. Licences cannot be dispensed prior to government approval of mineral reserves;
- government bodies monitor and prevent mineral losses in excess of the statutory limits; and
- those involved in the optional development of deposits who incur excessive losses of minerals during the extraction and processing of raw materials will be prosecuted.

Laws are further specified by a number of Resolutions and Instructions, approved by the government. The following documents within the law are currently in force:

- the Resolution on the State Geology and Mineral Resources Agency under the Government of the Kyrgyz Republic;
- the Resolution on forms of licensing for deposit-users;
- the Resolution on the State Committee on Mineral Reserves;
- the Resolution on State Inspection of Deposit-Use;
- the Instruction on the forms of calculation and payment to the budget of the Kyrgyz Republic for the development and production of the mineral raw materials base; and
- several instructions on the classification of reserves of certain kinds of minerals.

2.4.2 Environmental Regulations

Prior to independence, environmental responsibilities in Kyrgyzstan were the responsibility of the State committee on Environmental Protection ("Goskompriroda") created in 1988 by the USSR of which Kyrgyzstan was then a part. Goskompriroda was created to strengthen the institutions involved in the environmental sector by replacing the former Government Commission on Environmental Protection and providing Goskompriroda with the status of a ministry. Following independence Goskompriroda's responsibilities were confirmed and defined by Kyrgyzstan's 1991 Law on Protection of Nature and decrees pursuant to it.

According to the Provisions, the issues on environmental protection are referred to the State Agency on protection of the environment and forestry. Its major aims and purposes are to:

- manage environment protection, develop and follow a common policy in the field of forest protection, forestry and hunting management, forest usage and reproduction, usage of hunting fund, provide hydrometeorological and environmental monitoring services;
- develop and implement a common policy in the field of prevention and liquidation of emergency situations and civil defence, organize and carry out wrecking; and
- control and licence in the field of industrial safety, economic activities and mining.

In addition to the State Agency on Environmental Protection and Forestry, the development of environmental policies and responsibilities are shared among the following agencies: Ministry of Health; State Forestry Service; SAGMR; Ministry of Agriculture; Ministry of Internal Affairs; State Land Regulation Inspection; and the State Inspection on Industrial and Mining Safety.

Environmental legislation in Kyrgyzstan includes:

- **Law on Environmental Protection 1999:** Signed by the President of Kyrgyz Republic on 16 June 1999 and supersedes the 1991 Law. This law declares a national policy and regulates legal relationships in the field of the environmental protection and nature management;
- **Law on Ecological Expertise (Environmental Review) 1999:** Signed on 16 June 1999 with the purpose of regulating legal relationships relating to environmental review (ecological expertise) and the prevention of negative environmental consequences arising from economic activities. The term "ecological expertise" is defined as "the identification of environmental risks and hazards posed by a proposed activity, which directly or indirectly, will have an impact on the condition of the environment and natural resources". The procedure to assess environmental impacts of the proposed activity is known as OVOS (Otsenka Vozdeistviya na Okruzhayutchuyu Sredu);
- **Law on Atmosphere Protection 1999:** Signed into law together with a series other important environmental laws on 12 June 1999 replacing Law on Atmosphere Protection of 1981. This law seeks to regulate legal relationships in the field of atmosphere protection. This law lays down two types of air quality standards (Section II): maximum permissible concentrations ("MPC") for pollutants, micro-organisms and other biological substances in the atmosphere; maximum permissible levels ("MPL") for acoustic, electromagnetic, ionizing and other physical impacts on the atmosphere. Section IV of the law sets forth requirements for pollutant emissions from stationary sources, and section V from mobile ones. Monitoring and inspection policy for the atmosphere is shaped in Section IX;
- **Law on Biosphere Territories 1999:** This law lays down legal rules for establishment and operation of biosphere territories. Biosphere territories are water or/and ground-based ecological systems providing stable balance of biodiversity, economic development and protection of cultural values. Biosphere territories have a status of specially protected ones at the national level;
- **Law on Specially Protected Natural Territories 1994:** Specially protected natural territories are regulated pursuant to the Law on Specially Protected Natural Territories (28 May 1994, #1561-XII). According to the Law there are six categories of protected areas: (1) State nature reserves where conservation is the primary objective, economic activities are prohibited; (2) State national parks where conservation and recreation are the primary objectives, different management zones are defined; (3) State specialised reserves where

conservation of certain species or habitats is the primary objective, divided into five sub-categories (complex, zoological, botanical, forest and hydrogeological); (4) Objects of natural heritage where both state and private property, a list is approved by the Government; (5) Botanical and zoological gardens, dendrological parks; (6) Natural areas for health promotion where a list of areas of mineral waters, therapeutic mud, and valuable landscapes is approved by the Government;

- **Forest Code 1999:** Forest Code establishes legal rules for efficient use, protection, conservation and reproduction of forests, and building their ecological and resource capacities. All forests and lands privately, publicly and communally owned granted to the needs of forestry constitute united forest fund of Kyrgyz Republic. Land covered by forest, as well as not covered by forest but assigned for forestry is recognised as forest fund land. This includes forests, plantations, nursery forests, felling areas, clearings as well as not forest land forming with forests common natural complex felled during construction of roads, pipelines, transmission lines, etc;

- **Law on Radiation Security of Population 1999:** Radiation Security Act defines legal relationships in the field of radiation security of people and environmental protection from the adverse effects of ionising radiation. Four basic principles of radiation security are recognised: (1) Rating: individual radiation doses from all the sources of ionising radiation should not exceed permissible levels; (2) Basing: prohibition of all activities on usage of ionising radiation sources when benefits do not exceed harm from such an activity; (3) Optimization: when using ionising radiation sources doses and number of exposed to radiation people should be kept as low as possible; (4) Openness: people should have free access to information about ionising radiation in their neighbourhood and about accidents with radioactive materials. Sections II and III regulate issues of state control over radiation security and authority of State structures in the field of radiation security. Section IV stipulates for the rights of people and legal entities on information in the field of radiation security;

- **Law on Animal World 1999:** The animal world is a property of Kyrgyz Republic, essential element of the nature, natural resource, important regulating and stabilizing component of the biosphere, in every way protected and efficiently used to meet material and spiritual requirements of Kyrgyz Republic citizens. The present law establishes legal regulations in the field of protection, use and reproduction of the animal world. While designing and constructing airports, railways, highways, canals, dams, etc., measures should be taken to preserve migration routes and habitats of the animal world including seasons of breeding and wintering;

- **Law on Protection of Historic and Cultural Heritage 1999:** Cultural resources in Kyrgyzstan are regulated pursuant to the Law on Protection of Historic and Cultural Heritage (26 July 1999, Number 91) administered by the Ministry of Education, Science and Culture. Historic and cultural monuments are subject to state registration. There is a list of monuments of international, national and local significance. A document entitled Concept of Development and Preservation of Culture and Art (Madaniyat), 1997 to 2000, indicated that there are approximately 5,000 historical monuments in Kyrgyzstan. Of these, approximately 1,300 are registered and 800 are under the protection of the state;

- **Law on Tailings Ponds and Dumps 2001:** The law aims to provide safety for the environment and present and future generations from tailings ponds and waste dumps. Section III of the law stipulates for state inventory of all tailings ponds and waste dumps located in the territory of Kyrgyzstan. At present, in Kyrgyzstan there are 50 tailings ponds containing more than 100 million cubic metres of radioactive and toxic wastes; and

- **Law on Wastes of Production and Consumption 2001:** This law regulates legal relationships arising as a result of formation, collection, storage, usage, neutralisation, transportation and burial of wastes of production and consumption. Radioactive wastes, air and water pollution are subjects of other laws.

2.4.3 Labour Legislation

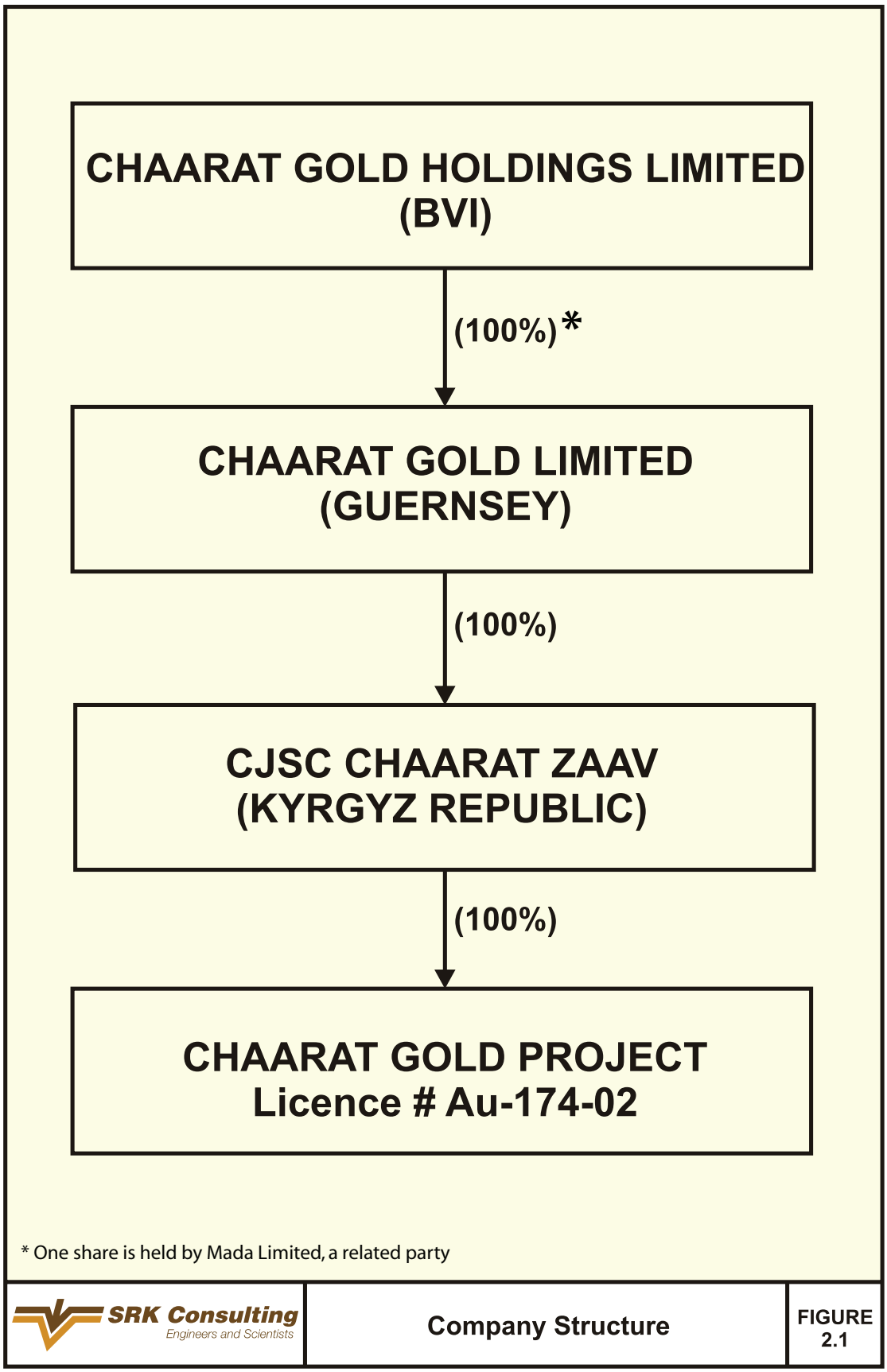
Labour legislation in Kyrgyzstan is governed by various legislation but specifically The Labour Code (the "Labour Code") of the Kyrgyz Republic, 4 August 2004 and subsequent amendments (7 August 2007). The Labour Code covers the key areas of: general provisions; social partnership; labour contract; remuneration; training; protection; employers responsibilities for occupational health and safety; material liabilities; category control; and protection of rights.

Terminal benefits arrangements in Kyrgyzstan amount to the equivalent of 2 months basic salary.

2.4.4 Taxation

Under the current provisions of the Tax Code (the "Tax Code") of the Kyrgyz Republic, 26 June 1996 as amended 9 August 2007, mining related taxation levied by the GoK is summarised as follows:

- **Tax Period in respect of profit tax:** 12 months ending 31 December;
- **Corporate Income Tax ("CIT"):** 10% of taxable profit where the following deductions apply:
  - 100% deduction of production expenses including labour, social fund contributions, insurance costs, routine maintenance costs,
  - depreciation based on five main categories, (1) road vehicles, data processing equipment at 30%, (2) construction equipment and natural resource exploration and development expenses at 25%, (3) other capital assets at 20%, (4) rail, sea transportation and power at 10%, and (5) buildings, facilities and structures at 10%. Note that capital assets for land, inventory and assets whose value is fully included in the cost of finished goods are not depreciable. Depreciation should be calculated annually for each of the groups applying the provision of amortization to book cost of group at the end of the year,
  - trading losses for a period of up to five years,
  - land tax, road tax (0.80%), real estate tax, and emergency relief tax (1.50%);
- **Value Added Taxation ("VAT"):** 20% for the supply of goods and services into Kyrgyzstan and 0% for the supply of goods and services out of Kyrgyzstan. The VAT period is noted as one calendar month;
- **Import Duties:** Currently ranging from 0% to 15%;
- **Mining Royalties:** Current mining royalties are determined at 5% for precious metals, but may vary up to 12% for other commodities;
- **Withholding Taxes:** 10% on distributed dividends, withheld by the enterprise on behalf of the non-resident recipient; and
- **Other Taxes:**
  - personal Income taxes at 10% of gross salaries,
  - social contribution at 21% of gross salaries. This tax rate is effective until October 1 2007, thereafter the tax rate shall be 19%,
  - emergency relief tax at 1.50% of gross revenue,
  - road tax at 0.80% of gross revenue,
  - real estate tax at 0.95% of assessed property value, however the mechanism of taxation due to this type of tax is currently absent,
  - social security tax at 8% of gross salaries,
  - vehicle tax at currently ranging from 0.05 to 1.8 KGS/cm^3 of engine, and
  - land tax where tax rates range depending on land category, location, population of settlement, and coefficient tax rates, established with local authorities and on other grounds.


CHAARAT GOLD HOLDINGS LIMITED
(BVI)
(100%)*
CHAARAT GOLD LIMITED
(GUERNSEY)
(100%)
CJSC CHAARAT ZAAV
(KYRGYZ REPUBLIC)
(100%)
CHAARAT GOLD PROJECT
Licence # Au-174-02
* One share is held by Mada Limited, a related party
SRK Consulting
Engineers and Scientists
Company Structure
FIGURE
2.1


Chaarat Gold: location of Exploration Assets in Kyrgyzstan
FIGURE 2.2
SRK Consulting
Engineers and Scientists
Chaarat Gold Project
- Exploration Camp
KYRGYZSTAN
KAZAKHSTAN
UZBEKISTAN
TAJIKISTAN
CHINA
Bishkek
Almaty
Toshkent
Shymkent
Dushanbe
Kashi
Aksu
Yining
Qapshaghay
Esik
Karakol
Tokmok
Naryn
Namangan
Andijon
Fergana
Khujand
Chirchiq
Olmaliq
Taraz
Zhambyl
Talas
Shū
Kentau
Turkestan
Ürteppa
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Hantengri
Peak 6398 m
Pobedy Peak
7439 m
Ismail
Samani
Peak 7495 m
Communism Peak
Revolution
Peak
4643 m
Ysyk-Köl
TURKISTAN
MOUNTAINS
ALAI
PAMIRS
MAKAN DESERT
TAKLA
XINJIANG
UYGUR
TIAN SHAN
TALDYQORGHAN REGION
PESKI
MOYYNKUM
TAUKUM
Western Asia
0km 100km 200km 300km 400km
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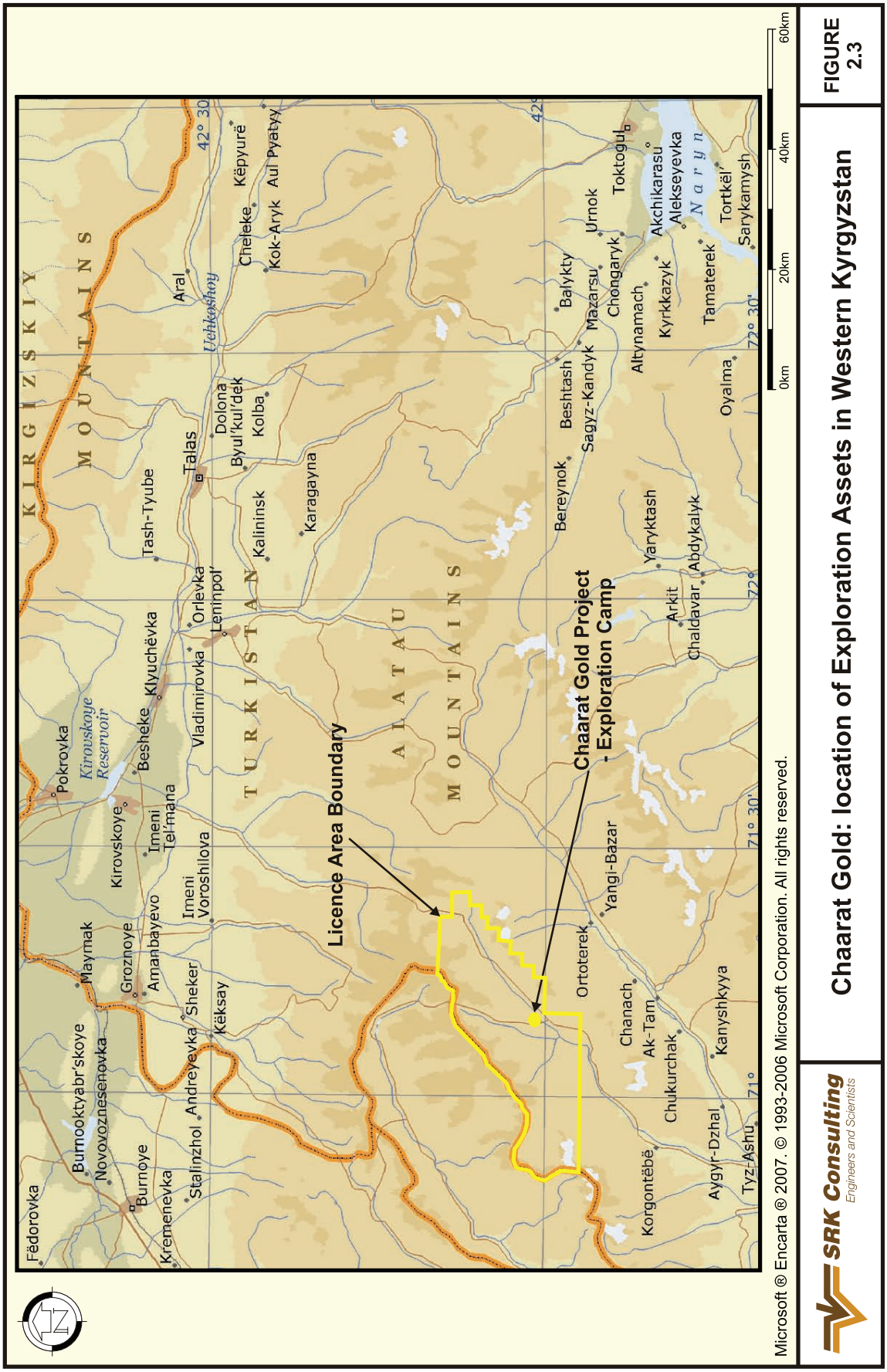
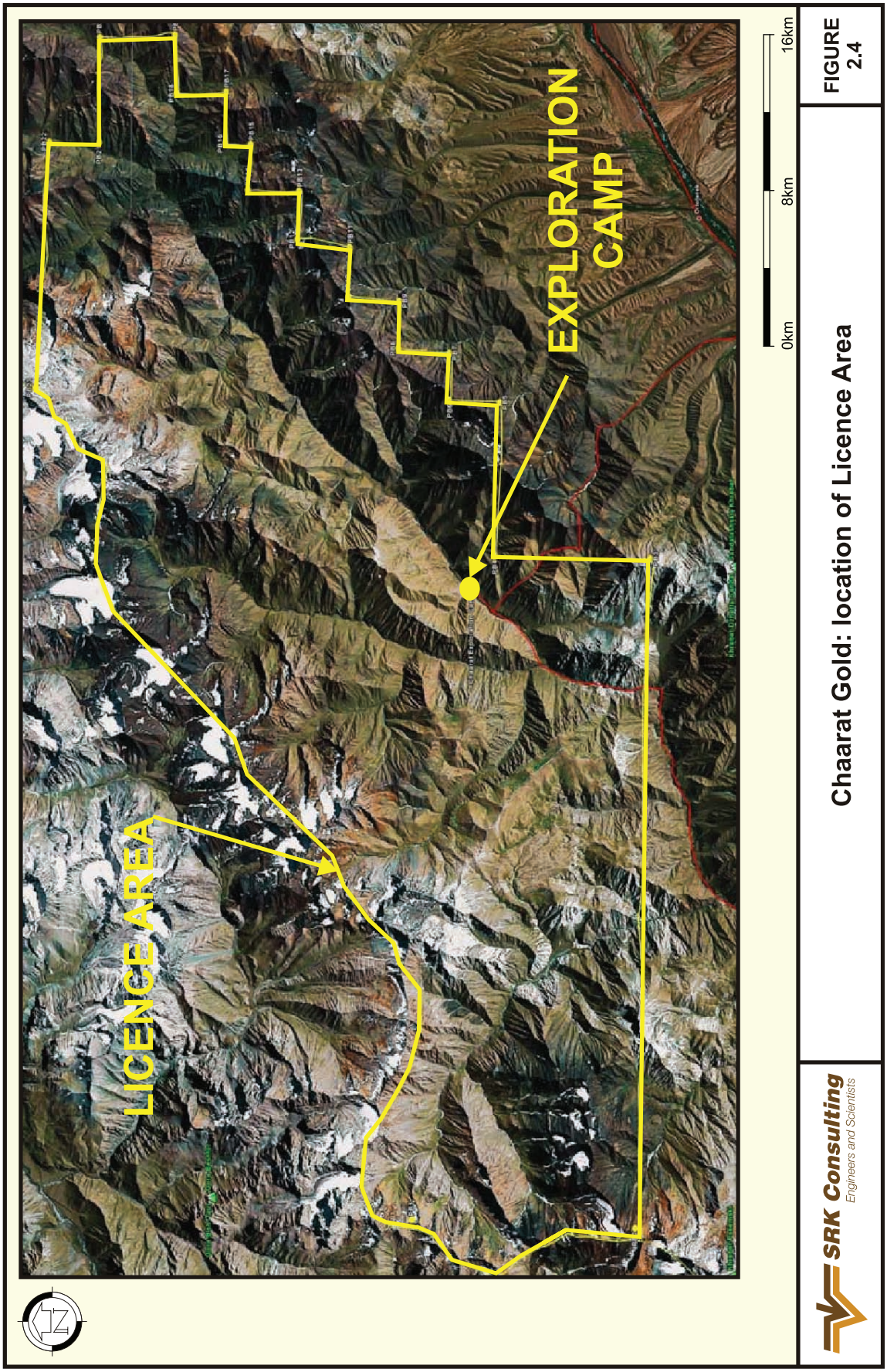
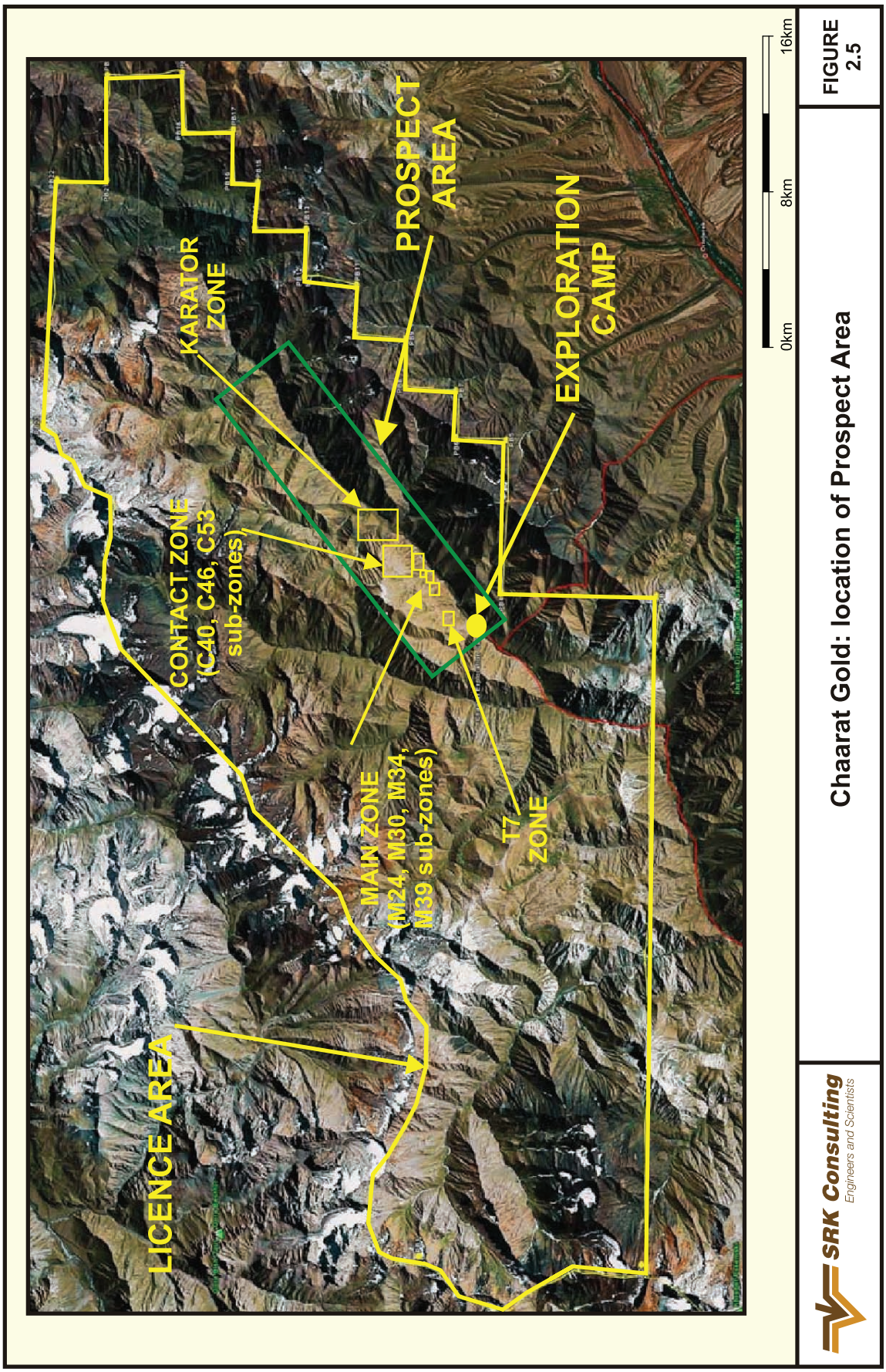
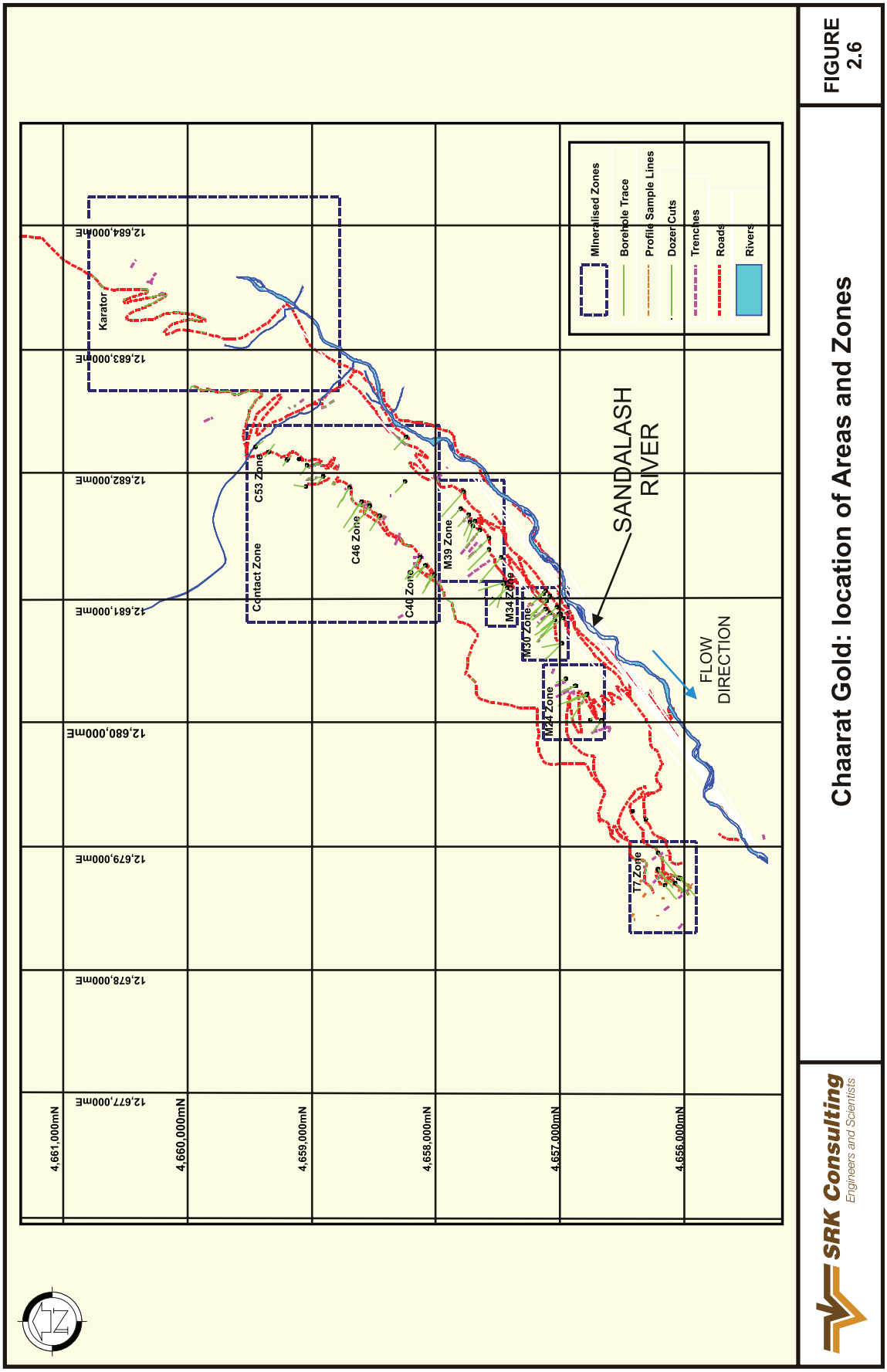

Chaarat Gold: location of Exploration Assets in Western Kyrgyzstan
FIGURE 2.3
SRK Consulting
Engineers and Scientists
Licence Area Boundary
Chaarat Gold Project - Exploration Camp
KIRGIZSKIY MOUNTAINS
TURKISTAN
ALATAU MOUNTAINS
Naryn
Issyk-Kul' Reservoir
Kirovskoye Reservoir
Uchkoshoy
Fëdorovka
Burnooktyabr'skoye
Novovoznesenovka
Burnoye
Krasnenevka
Stalinzhol
Andreyevka
Maymak
Grozhnoye
Amanbayevo
Sheker
Këksay
Kirovskoye
Imeni Tel'mana
Imeni Voroshilova
Pokrovka
Besheke
Klyuchëvka
Vladimirovka
Orlevka
Leninpol'
Tash-Tyube
Talas
Aral
Dolona
Byul'kul'dek
Kolba
Kalininsk
Karagayna
Cheleke
Kok-Aryk
Aul Pyatyy
Këpyurë
Bereynok
Beshtash
Sagyz-Kandyk
Balykty
Mazarsu
Urnok
Chongaryk
Toktogul
Altynamach
Kyrkkazyk
Akchikarasu
Alekseyevka
Tamaterek
Tortkël'
Sarykamysh
Oyalma
Yaryktash
Arkit
Chaldavar
Abdykalyk
Ortoterek
Yangi-Bazar
Chanach
Ak-Tam
Chukurchak
Kanyshkyya
Korgontëbë
Aygyr-Dzhal
Tyz-Ashu
42° 30'
42°
72°
71° 30'
71°
0km
20km
40km
60km
Microsoft ® Encarta ® 2007. © 1993-2006 Microsoft Corporation. All rights reserved.


LICENCE AREA
EXPLORATION CAMP
0km
8km
16km
FIGURE 2.4
Chaarat Gold: location of Licence Area
SRK Consulting
Engineers and Scientists


LICENCE AREA
CONTACT ZONE
(C40, C46, C53
sub-zones)
KARATOR
ZONE
PROSPECT
AREA
EXPLORATION
CAMP
MAIN ZONE
(M24, M30, M34,
M39 sub-zones)
T7
ZONE
0km
8km
16km
SRK Consulting
Engineers and Scientists
Chaarat Gold: location of Prospect Area
FIGURE
2.5


Chaarat Gold: location of Areas and Zones
FIGURE 2.6
SRK Consulting
Engineers and Scientists
Mineralised Zones
Borehole Trace
Profile Sample Lines
Dozer Cuts
Trenches
Roads
Rivers
SANDALASH RIVER
FLOW DIRECTION
Karator
C53 Zone
Contact Zone
C46 Zone
C40 Zone
M39 Zone
M34 Zone
M30 Zone
M24 Zone
T7 Zone
12,684,000mE
12,683,000mE
12,682,000mE
12,681,000mE
12,680,000mE
12,679,000mE
12,678,000mE
12,677,000mE
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4,658,000mN
4,657,000mN
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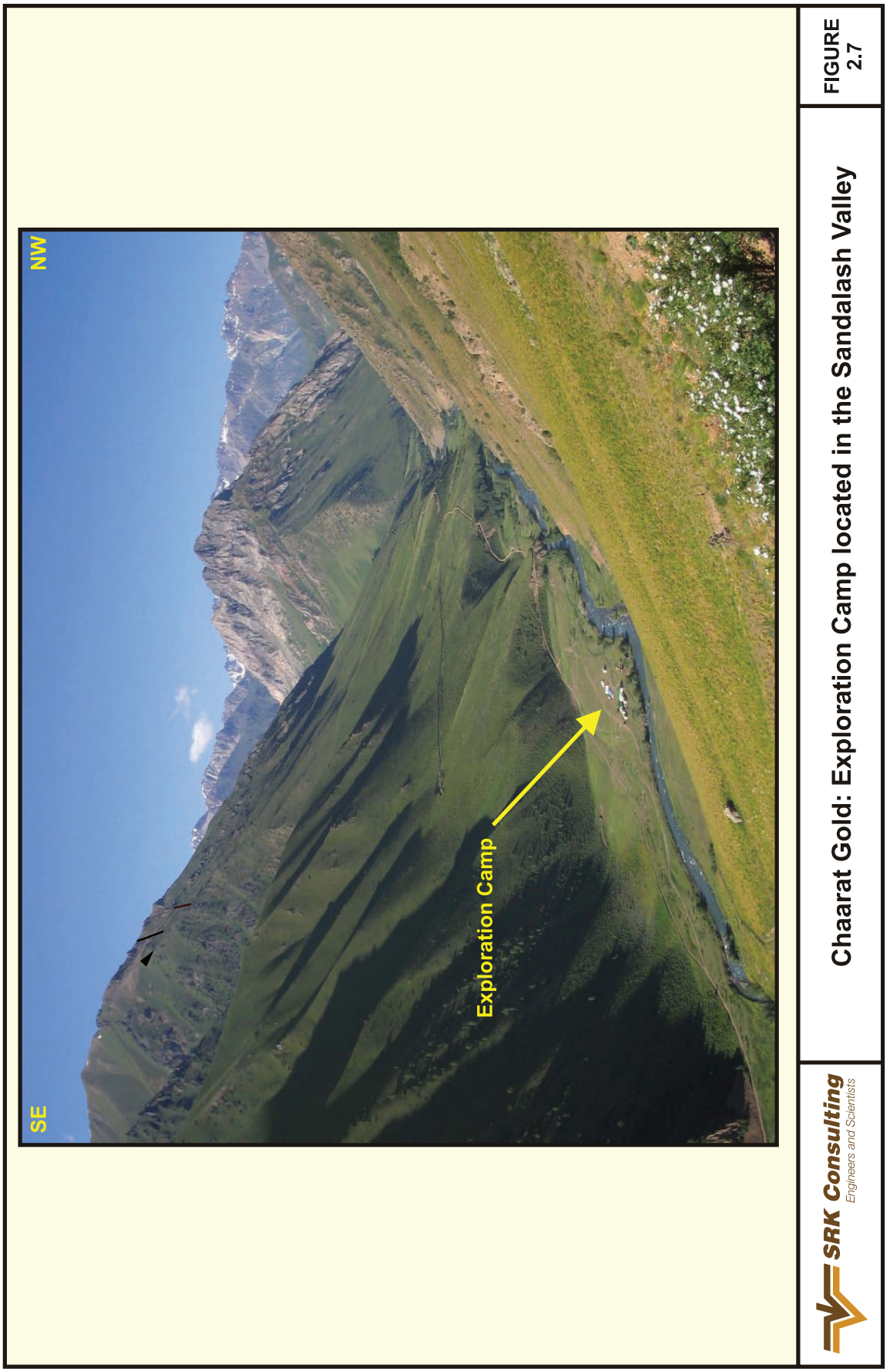

NW
SE
Exploration Camp
Chaarat Gold: Exploration Camp located in the Sandalash Valley
FIGURE 2.7
SRK Consulting
Engineers and Scientists

3 GEOLOGY

3.1 Introduction

The following section describes the geology of the Exploration Assets as well as the nature of the mineralised zones which currently comprise the Mineral Resource statements.

3.2 Regional Geology

Kyrgyzstan covers a portion of the Tien Shan mountain range, an orogenic belt stretching from northwest China through Kyrgyzstan and westwards into Uzbekistan and Kazakhstan. This belt is the location of several gold occurrences, notable Kumtor and Jerooy in Kyrgyzstan and Murantau and Zarmitan in Uzbekistan. Within Kyrgyzstan the Tien Shan has been separated into three main tectonic domains, the Northern, Middle and Southern Tien Shan, with a limited development of a fourth domain, the Northern Pamirs.

The Northern Tien Shan runs through the northern part of the country and into Kazakhstan and is separated from the Middle Tien Shan by major structural dislocations. The basement within this segment consists of gneisses and high-grade metasedimentary rocks of early Proterozoic age. Late Proterozoic meta-rhyolites and basalts intercalated with mafic, felsic and black slates, marble and quartzite overlay the basement. Above this is a sequence of lower-grade carbonate rocks, and argillaceous carbonaceous layers with interbedded argillites and quartz arenites. Soviet geologists have recognised a stratigraphic interval which lies between Proterozoic and Palaeozoic termed the Vendian.

Cambrian to Middle Ordovician felsic and mafic volcanic rocks with interbedded sedimentary units overlie the Proterozoic rocks. The volcanic component ranges from dacite to basalt in composition with both tuffs and lavas represented, and the sediments comprise conglomerate, greywacke, sandstone, siltstone, and shale. There is some dispute about the age of the host rocks to the mineralisation which may be Proterozoic, Vendian or Cambrian.

Overlying the early Palaeozoic volcano-sedimentary rocks is a succession of sandstones, siltstones and argillites with minor conglomerate of middle Ordovician to early Silurian age, unconformably overlain by a Devonian calc-alkaline suite of volcanic rocks, with further sedimentary units and minor andesitic/dacitic tuffs being deposited through to the Carboniferous, including narrow carbonaceous layers.

Intrusive into this Northern Tien Shan package are a variety of rocks of different ages. Biotite granites, often gneissic, are the earliest intrusives. These are of late Proterozoic age and tend to be small discrete bodies.

Gabbro-diorite and tonalitic intrusives are associated with the Cambro-Ordovician to middle Ordovician volcanic rocks respectively. The former occur as elongate, lenticular bodies whereas the tonalites tend to form large massifs.

Various granitoids in large, elongate, batholiths of Ordovician to early Silurian age are widespread throughout the Northern Tien Shan. These range in composition from granodiorite to leucogranite. The Devonian intrusives tend to occur as dykes and small stocks and comprise quartz diorite, monzonite, granodiorite and syenitic granite. The youngest intrusions are Permian in age and consist of relatively large, round massifs of granitoids with syenitic affinities.

All of the meta-sedimentary successions have been tectonised by various orogenic events from the late Proterozoic (Riphean), early Cambrian, Caledonian, Hercynian and Alpine. These have produced a very complex fold pattern, which in the Licence Area trend in a northeasterly direction.

The Middle Tien Shan, where the Licence Area is situated, occupies the central part of Kyrgyzstan and is stratigraphically similar to the Northern Province but preserved Permian to Triassic sedimentation continued above the Carboniferous strata. In addition, ophiolites with minor serpentinite of Cambrian age occur within the sequence. The intrusive suite of granitoids gabbro-diorites and syenitic rocks from early Proterozoic to Permian is also present and Mid-Carboniferous granitoids are more prominent in the western part.

The Southern Tien Shan is again stratigraphically and lithologically similar to the other two Tien Shan Tectonic Provinces, but is distinguished from them by a dominance of Hercynian deformation and more widespread ophiolites.

The Northern Pamirs have a very limited distribution in Kyrgyzstan and comprise typical island arc volcanic and minor argillite lithologies with wedges of flysch and molasse, emplaced by thrusting over the Southern Tien Shan.

3.2.1 Structure

In the regional context, the Late Permian to Jurassic fault zones which are postulated to have provided conduits for the passage of mineralised fluids, are part of the Chatkal fold-and-thrust belt that accommodated strain transferred from the dextral Talas-Ferghana Fault.

The Talas-Fergana Fault is a major west-northwesterly trending dextral dislocation in excess of 800km which has been reactivated many times since the Cenozoic, at least along a 500km long segment of its original trace. The northwest termination lies within the Chatkal and Sandalash mountain ranges and to accommodate the termination strain, a number of smaller parallel fractures were formed to the southeast and emanating from these, larger sinistral thrusts striking in a south-southwesterly direction. Splays off these host the gold mineralisation at the CGP.

3.2.2 Mineralisation

Primary gold mineralisation in Kyrgyzstan occurs as tabular vein deposits, lenticular stockworks, associated with copper porphyries and in skarns. All of these are situated within the Middle Tien Shan and appear to be associated with the Hercynian orogeny.

The SAGMR has identified 2,500 deposits within Kyrgyzstan but most of these are small or low grade. According to this published information, approximately 100 deposits require further exploration, including those within the Licence Area, and 17 have unclassified mineral resource estimates registered with the SAGMR. Alexander Becker, a geologist with considerable Kyrgyzstan exploration experience believes that most of the significant deposits occur within a confined stratigraphic package assigned to the Vendian or late Proterozoic.

The largest deposit in Kyrgyzstan currently being exploited is the open-pit operation at the Kumtor Mine, located at an altitude of 4,000m above mean sea level. The gold is contained within a pyritic stockwork hosted by a carbonate-siltstone assemblage lying adjacent to a major fault.

The Jeeroy deposit (in situ grades of 6.3g/t Au) is also a stockwork within a quartz diorite stock, intruded into a similar package of sedimentary rocks as Kumtor.

The Taldy Bulak deposit is another stockwork where gold mineralisation is associated with pyrite and chalcopyrite. The host rocks are reported to be mica schists and shales of Proterozoic age and the deposit has an insitu grade of approximately 5g/t Au.

In addition to the gold deposits in Kyrgyzstan, similar mineralisation occurs within the same stratigraphic setting in Uzbekistan and elsewhere. All of these deposits tend to be polymetallic with associated arsenic, antimony, silver, copper, tungsten, or lead although few contain all of these base metals.

3.3 Deposit Geology

The Prospect Area (Figure 3.1) lies along the steep, northwest slope above the Sandalash River and is underlain by a sequence of Upper Proterozoic (Vendian) or Cambro-Ordovician siliciclastics dipping around 40° northwest, locally known as the Chaarat Formation. This formation is cut by several strike-slip (and/or thrust) faults with a major dislocation juxtaposing Devonian quartzite (Tulkubash Formation) and Carboniferous carbonates with the Palaeozoic rocks some 3m to 400m above the Sandalash River.

Mineralisation occurs mainly within the Chaarat Formation, to the east in the lithologically similar Karator Formation, and also within the Tulkubash Formation.

3.3.1 Lithology

Most of the rocks within the Prospect Area are of sedimentary origin and range in age from late Proterozoic/early Cambrian to mid-Ordovician. From the exposed base above the valley, the Chaarat Formation comprises greywacke sandstone with siltstone, shale, rhythmically bedded

siltstone and shale, black shale with limestone lenses and an upper tillite. Bedding is inconspicuous in most lithologies and strike and dip orientations are only prominent along lithological contacts.

To the east lies the Karator Formation which is lithologically similar to the Chaarat Formation but also contains some chert rocks.

The siltstones in these formations show an irregular, spaced axial planar fabric that becomes locally intense and forms the focus of hydrothermal mineralisation. Permian-Triassic age syenites occupy many of the faults and in addition other intrusives include several elongate diorite bodies with small crosscutting granites. Some of these intrusives could be genetically related to the mineralisation.

The mineralisation is associated with hydrothermal veins and alteration occuring within three zones. The mineralisation in the Main Zone occurs within the Chaarat Formation, whereas the mineralisation in the Contact Zone is developed along the trace between the Chaarat Formation and the Tulkubash Formation. Mineralisation within the T7 Zone and other gold soil anomalies lie within the Tulkubash Formation. To the east within the Karator Formation, there are further mineralised zones and alteration zones but these are only known from road cuts and have yet to be drilled.

3.3.2 Structure

Between June and September 2006 parts of the Prospect Area were structurally mapped. During this mapping process, data was collected from three formations: the quartzites of the Tulkubash formation, the greywackes and siltstones of the Chaarat Formation and, to a lesser extent, from carbonates of the Karator Formation. Along the Contact Zone, a number of diorite and syenite dykes contributed to the dataset. Data was collected from all road-cut and trench exposures within the exploration area and also from outcrops in the vicinity.

Data recorded included alteration lithology and characteristics including type, width and visible strike length of altered zones. Spatial orientation of planes and lineations were measured. The average orientations of alteration zones were also measured where these did not coincide with fault planes. All measurements were coordinated and assigned a quality factor reflecting the accuracy and level of unambiguity of each measurement and subsequently plotted on stereonets.

Measurements were made selectively due to the intensity of deformation, but with special attention given to any altered features.

Based on meso-scale overprinting relationships, four deformation phases were recognised. The first D1 phase is seen as isoclinal shear folds that affected the bedding and resulted in the formation of a sub-parallel axial plane cleavage (s1). A second phase of isoclinal folding may also be inferred but these have not been separated from D1.

As a result of this folding there is tectonic repetition of lithologies at CGP and the thickness of the units in the Sandalash valley is not original. The isoclinal folding in the dolomitic marbles of the Karator Formation requires relatively high temperatures and it is assumed that the D1 event is contemporaneous with collisional tectonics and is postulated to pre-date the mineralisation, particularly as the mineralised zones do not appear to be subject to the same deformation.

Isoclinal folds were not seen in the Tulkubash Formation, but this is considered to be a function of the lack of bedded units within this massive quartzite rather than an absence of folding. If this interpretation is correct, it would place a lower limit of the D1 event to the Devonian or the age of the Tulkubash and the tectonic contact between the Tulkubash Formation and the Ordovician Chaarat Formation might belong to this phase, with some reactivation during the Cenozoic.

Mineralisation is considered to have occurred during the second D2 phase perhaps in the Permo-Mesozoic. Two primary mineralisation phases have been recognised: a hydrothermal gold alteration with stibnite — gold — pyrite — arsenopyrite — quartz (D2a) and a second event containing Stibnite — gold — quartz (D2b). These parageneses have yet to be confirmed, but they may be associated with the intrusion of diorite (D2a) and syenite (D2b) respectively. The dioritic dykes are thought to be Permian to Early Triassic and the syenitic dykes Mid-Triassic to Jurassic. The timing of the formation of the fault network with respect to the dyke intrusions,

however, remains uncertain, whether or not it formed pre- or syn-magmatically, and whether in a single or two stages. If the mineralised faults formed pre-magmatically, they could be associated with the onset of faulting in the Chatkal ranges initiated in response to the offset transferred from the Talas-Fergana Fault. If the fault system formed syn-magmatically, it might have been induced by stresses caused by the rise of the magmas.

To reconstruct the stress field potentially created by magmatic mass transfer, the regional distribution pattern of intrusions would need to be investigated, which might also indicate the location of the diorite magma chambers. The fault network could also have formed within one stage and then served as conduit for the respective magmas and fluids. Until further work leads to better constrained results, two faulting and mineralisation events have been tentatively accepted.

The D3 and D4 phases of deformation consist of open to tight flexural-slip folds with associated faulting. The progressive shortening during these events affected the mineralised zones, but the timing of these faults remains uncertain, but the earlier D3 fold axes have been refolded by the D4.

These generations of newly formed folds and the new fault network were superposed onto the mineralised faults, giving rise to the formation of basin and dome structures and an intense fragmentation of the rocks.

The mineralisation of the Karator Area is hosted within the same two formations found to the west of the Shir Canyon, and in the Karator Formation which stratigraphically underlies the Chaarat Formation. There has been no drilling to date in this area, however access road to gold soil sample anomalies originally identified by NKGE and confirmed by the Company has provided dozer cuts which have been sampled and have recorded similar results to those found to the west of Shir Canyon.

It is postulated that differences in mineralisation style of the T7 Zone compared to Main Zone and Contact Zone might have been caused by a post-mineralisation juxtaposition of the Tulkubash Formation and Chaarat Formations in the western part of the exploration area by Cenozoic faulting and resulted in the decoupling of the Tulkubash Formation after mineralisation. Alternatively, the mineralisation in the Tulkubash Formation may have been formed during a different mineralising phase.

The current exploration area covers a major strike-slip fault zone, the Sandalash Fault Zone, which is part of the Chatkal fault system and as such might have been initiated in the Late Palaeozoic/Early Mesozoic. During reactivation in the Cenozoic, the Chatkal system accommodated a total of some 60km of offset transferred from the Talas-Ferghana Fault. The Sandalash Fault Zone strikes approximately northeast-southwest and parallel to the Sandalash valley. It consists of a network of new faults that are not mineralised, and of reactivated and mineralised faults. The new faults have pervasively overprinted all previously formed structures thereby destroying older kinematic information on the fault planes. Due to the lack of marker horizons and the multiple overprinting of fault planes, offsets along individual faults could seldom be established. Where marker horizons were visible, offset was generally in the range of centimetres to decimetres but given the high fault density, this could cumulate to a considerable total offset.

Although the major mineralised zones can be traced over significant distances, the interruptions between the Main Zone and Contact Zone mineralisation and the termination of geochemical anomalies are likely to be a function of offset by faulting.

3.3.3 Mineralisation

Mineralisation at the Prospect Area is part of a very extensive hydrothermal system which has exploited structural breaks within both the Chaarat Formation and Tulkubash Formation and a major shear along the contact between the two formations. These shears intersect the stratigraphy at low angles and have been traced intermittently on surface from the T7 Zone to beyond Shir Canyon and into the Karator Area over a distance of almost 10km. The shear zones vary in thickness from 1m to over 20m.

Mineralisation consists of gold-arsenopyrite-stibnite-tetrahedrite occurring in the shear zones with minor quartz-vein stockworks and sericitic alteration. The gold mineralisation is to some extent correlated with arsenic which occurs mostly as disseminated arsenopyrite. Peripheral alteration is dominantly ankeritic-chloritic (propylitic). In some areas hornfels alteration are present on the contacts of the host rock with intrusive and locally some skarn alteration (garnet-pyroxene) has been noted in petrographic thin sections.

The mineralisation is considered to be deep epithermal, as evidenced by the presence of base metals and hornfels-skarn alteration around the co-genetic diorites. This suggests a hot (>350°C), early, prograde stage to the mineralisation process, with the gold mineralisation being formed during a later retrograde stage characterised by declining temperatures. The presence of the associated "epithermal elements" gold, silver, arsenic and antimony also suggests a lower temperature (<250°C) during the gold mineralisation phase.

Mineralisation is considered to have resulted from the destabilisation of soluble bisulphide gold complexes in chemical reaction with wall rocks rather than physical process of cooling or pressure release (which is common in shallow epithermal systems). The paucity of quartz in the mineralised zones (less than 10% by volume) and presence of gold in disseminated arsenopyrite supports this conclusion.

The depth of the system during mineralisation was probably in excess of 1km, which is a minimum estimate, given the elevation of the top of Chaarat Mountain (3,400m) and the elevation of most of the mineralisation (2,400m to 2,600m). This is considered to be important, for in epithermal systems, where the temperature gradient is high, the mineral deposits tend to be telescoped and exhibit little vertical persistence. By contrast, in the Prospect Area good vertical continuity of mineralisation is expected.

The gold mineralisation, within the Prospect Area (Figure 2.5) extends from the T7 Zone in the south west to Tayalmish some 17km northwest of the Karator Area, as indicated by numerous gold soil anomalies which extend over some 28km of strike. The exploration programme conducted by the Company to date has focused mainly on the Prospect Area (28km by 6km), a 168km^2 area, and specifically the 9km of strike represented by the T7 Zone, the Main Zone, the Contact Zone and the Karator Area. External to the Prospect Area as defined, no substantive exploration has been undertaken by the Company and no evidence of historical exploration has been reported to SRK.

The mineralisation within the Prospect Area is developed along the northwest flank of the Sandalash Valley occurs in three sub-parallel zones, the southwesterly T7 Zone, the Contact Zone and Main Zone. These zones are situated in the southwest area of the Prospect Area where most of the exploration has been focused. To the northeast, the mineralised zones are displaced by a fault along Shir Canyon and extend further northeast into the Karator Area.

Of these three mineralised zones, most exploration has centred on the Main Zone and the Contact Zone where drilling has delineated Mineral Resources, but the Karator Area contains significant soil anomalies and trenches and the dozer cuts show well mineralised sections. As yet no drilling has been completed at the Karator Area, although the Company intends to drill this area in 2007.

The mineralisation in the Main Zone is hosted in the Chaarat Formation siltstones and sandstones. The Main Zone, which lies closest to the Sandalash River and extends over a strike length of 4km. It includes several discrete mineralised bodies including four minerlaised sub-zones, the M24, M30, M34 and M39 sub-zones. The Main Zone has been exposed by 26 trenches and explored by 35 drill holes. Drill intersections to a depth of 400m attest to the down dip extensions of the mineralisation in the Main Zone. Exposure between ridges of outcrop is poor and covered by thick scree. As a result, the extent of the sub-crop of the extensions of these bodies is not well known. The drilling results indicate that the mineralisation occurs in a series of en-echelon deposits, perhaps splaying off the main northeast trending structures. It is considered that these splays could be primary and part of the D2 deformation or the result of later displacement during the D3 or D4 events.

The Contact Zone is developed to the northeast of the Main Zone on a 20m wide shear zone located along the contact of the Chaarat Formation and the Tulkubash Formation. The sheared contact is locally intruded by diorite orebodies along its 5km long strike extent. There are three principal mineralised sub-zones C40, C46 and C53, where the mineralisation extends over a cumulative strike length of some 2,500m. Drilling had intersected the Contact Zones at depths some 400m below surface, confirming the down dip extent of this mineralised zone. The Contact Zone has higher antimony content than the Main Zone which may enhance the value of the mineralisation in some areas.

The Contact Zone is displaced by the fault in the Shir Canyon area and extends into the Karator Area, where sporadic values have been recorded from rock sampling in the Ishakuld area in the far northeast part of Karator Area.

In contrast to the northeasterly trend of the Main Zone and the Contact Zone, the mineralisation within the third T7 Zone appears to strike in a northwesterly direction and at a high angle to local strike. The T7 Zone also comprises extensive gold soil anomalies which extend for 3km on strike, with widths of 100m to 300m. Mineralisation was originally discovered in samples containing 6g/t Au in Tulkubash Formation quartzite in a Soviet Trench.

In the Karator Area preliminary work suggests that mineralisation occurs in both the Chaarat Formation and the Tulkubash Formation (trending parallel to the regional strike) as well as the Karator Formation which appears to stratigraphically underlie the Chaarat Formation. The Karator area remains largely unexplored, however trenches and more recent dozer cuts have exposed significant ore-grade intercepts and gold soil anomalies have been delineated in these and the Tulkubash Formation.

Within the overall Prospect Area further targets include the Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish showings where mineralisation has been confirmed by preliminary sampling. The Kashkasu-Perevalny area contains soil anomalies and some encouraging rock chip and trench results which lie 8km to 10km in a northeasterly direction from the Main Zone whereas Minteke and Tayalmish are 14km and 17km northeast of the Karator Area. The Ishakuldy anomaly is situated 10m due west of the Main Zone with a further large gold soil anomaly in between (5km) this and the Main Zone.

On surface all mineralised zones exhibit pervasive argillic alteration and locally there is silicification of the host rock and the dominant colour in both outcrop and road-cuts is a yellow to dark ochreous brown. There is little oxidation near surface (apart from a thin skin on joints and fractures) and the main visible sulphides are arsenopyrite and stibnite, which alter to white-yellow, earthy oxides of both minerals.

There appears to be very little correlation between gold and the base metals, except perhaps for arsenic. Antimony appears to have no regional association with gold, but in some restricted areas the antimony values are very high and can considerably enhance the overall value of the mineralisation. Value credits occur with silver, but again only in restricted localities.

The gold mineralisation is refractory in nature and is not amenable to processing via conventional cyanide leaching. Consequently likely metallurgical process routes will necessitate some form of oxidation of the sulphides associated with the gold incurring relatively high operating expenditures (such as POX, although BiOX or FFG-CIL as a potential process has not yet been tested).

Furthermore, mineralisation is not constrained within well defined geological/lithological contacts and accordingly the current Mineral Resources estimate is based on the delineation of a grade threshold boundary. Notwithstanding this aspect, the gold grades in the mineralised zones tend to terminate sharply and have been used to constrain the interpolation for the computerised estimates.

SRK is of the opinion that the very widespread distribution of gold values is indicative of a large gold-bearing hydrothermal system which may contain other zones of gold mineralisation, specifically the Minteke, Kashkasu-Perevalny, Ishakuld and Tayalmish. While some of these have been identified by exploration, for example the soil anomalies in the Tulkubash Formation and recent trenches and dozer cuts in the Karator Area, others additional to that currently delineated in the Prospect Area are likely to be present.

3.4 SRK Summary Comments

The significant geological potential of the Prospect Area is reflected by the following:

- the strike and dip extent of mineralized zones which have not been closed off by drilling; and
- the numerous surface gold occurrences extending over a total strike extent of 28km, specifically some extensive soil anomalies, trenches and dozer cuts which warrant further exploration, specifically drilling.

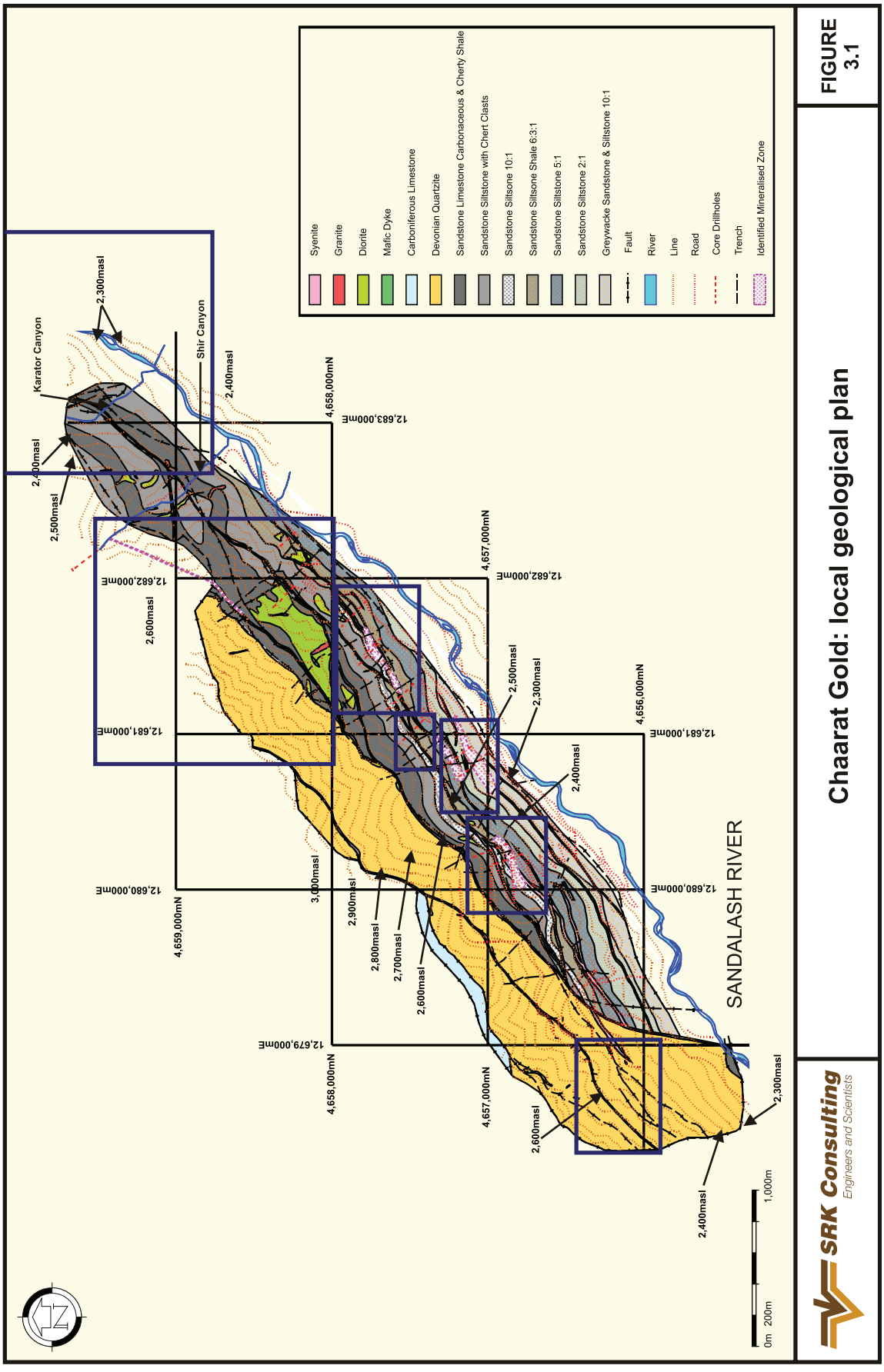
3.5 Risks and Opportunities

The principal risks associated with the geological interpretation of geological and exploration data as presented herein are:

- the risks associated with geological/structural interpretations based the current drill spacing in certain areas; and
- the risk that continuous high grade zones of sufficient tonnage are not delineated.

The principal opportunities associated with the geological interpretation as presented herein are:

- the opportunity to increase the Mineral Resources both on strike and down dip on the 8 mineralised zones/sub-zones on which drilling has focused to date, specifically given the currently demonstrated presence of mineralisation 400m below surface and the deep epithermal characteristics of the mineralisation;
- the opportunity to advance exploration activity in the Karator Area and the T7 Zone within the Prospect Area;
- the opportunity to delineate further mineral resources through proposed exploration in the Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish areas, which to date have only been exposed to preliminary sampling; and
- the opportunity to discover further mineral resources following further exploration in the wider Licence Area.


Chaarat Gold: local geological plan
FIGURE 3.1
SRK Consulting
Engineers and Scientists
SANDALASH RIVER
Karator Canyon
Shir Canyon
Syenite
Granite
Diorite
Mafic Dyke
Carboniferous Limestone
Devonian Quartzite
Sandstone Limestone Carbonaceous & Cherty Shale
Sandstone Siltstone with Chert Clasts
Sandstone Siltstone 10:1
Sandstone Siltstone Shale 6:3:1
Sandstone Siltstone 5:1
Sandstone Siltstone 2:1
Greywacke Sandstone & Siltstone 10:1
Fault
River
Line
Road
Core Drillholes
Trench
Identified Mineralised Zone
12,683,000mE
12,682,000mE
12,681,000mE
12,680,000mE
12,679,000mE
4,658,000mN
4,657,000mN
4,656,000mN
4,659,000mN
2,300masl
2,400masl
2,500masl
2,600masl
2,700masl
2,800masl
2,900masl
3,000masl
0m 200m
1,000m

4 MINERAL RESOURCES

4.1 Introduction

This section summarises the methods used by SRK to derive and classify the Mineral Resource estimates for the Exploration Assets. It also presents supporting information relied upon to support the estimates as presented. The geological database, upon which the Mineral Resource statements are inter alia reliant, is generally limited to information gathered by the Company prior to 31 December 2006. Furthermore, this section also sets out SRK's view regarding the potential for increasing the Mineral Resources at the Exploration Assets.

The Mineral Resources as presented herein have been derived partly by the generation of block models in three dimensions and a manual estimate in two dimensions. The Mineral Resources derived form block model estimates represent 75% (Main Zone and the C53 sub-zone of Contact Zone) of the total (tonnage and gold content) Mineral Resources stated herein. The Mineral Resources derived form manual estimates represents 25% (C46 and C40 sub-zones of the Contact Zone, T7 Zone and Other Zones) of the total (tonnage and gold content) Mineral Resources stated herein.

4.2 Quality and Quantity of Data

The Company commenced field exploration within the Prospect Area in May 2004, with a drilling and trenching programme developed from interpretation and findings of previous work undertaken by NKGE, Apex and Newmont. The Apex and NKGE data have not been included in the resource database, but the results from six core holes drilled by Newmont have. These six holes have no quality control, but the reported grades and grade profiles conform to, and are comparable with recent holes drilled by the Company.

While making roads to access drill platforms a number of alteration zones were exposed. These "dozer cuts", trenches and outcrops have been channel sampled and the results of these samples, along with core samples, are included in the resource database.

Samples from the Company's exploration programme are assayed by CSRL and by Alex Stewart Assayers Limited ("ALS") in Kyrgyzstan. Due to concerns regarding the quality of the CSRL results, these have only been used to identify mineralised intervals, and duplicate pulps of all samples within the mineralised zones have been sent to Genalysis in Australia along with accredited standards which were submitted for analysis (1 standard sample in every 20 exploration samples).

Table 4.1 CGP sample database

Sample Type	Samples (No)	Assay Samples (No)	CSRL (No)	Genalysis (No)
Drill Cores (78 holes)	15,608	10,685	10,685	1,385
Dozer Cuts	5,861	4,916	4,916	615
Trenching channel samples	7,364	4,701	4,701	339
Outcrop sampling	1,312	712	712	36
Total	**30,145**	**21,014**	**21,014**	**2,375**

According to records received by SRK (Table 4.1), a total of 78 core holes have been sampled over the Prospect Area to the end of 2006 for 15,608m drilled. A total of 10,685 core samples were submitted to the CSRL laboratory in Kara Balta (near Bishkek) and of these 1,385 samples were re-assayed at the Genalysis laboratory in Perth, Australia.

The total length of dozer cuts sampled amounts to 5,861m. 4,916 samples were analysed by CSRL and 615 samples were re-submitted for repeat assays by Genalysis.

All trenches over the Prospect Area have been excavated by hand to expose the hard bedrock beneath a thin cover of soil and scree. These trenches have been channel sampled along the floor of the trench using a hammer and chisel. The total channel length sampled amounts to 7,364m with 4,701 trench samples sent for assay to the CSRL laboratory of which 339 mineralised samples were sent to Genalysis for re-peat re-assaying.

The length of profile (outcrop channel) sampling amounts to 1,312m with 712 of these samples sent to CSRL and 36 sent to Genalysis for re-assaying.

Overall, 21,014 samples have been analysed at the CSRL laboratory in Kyrgyzstan with 2,375 samples analysed by Genalysis in Australia.

Apart from the trenches, only a few sample intercepts have been close to right angles to the mineralised zones, particularly in the case of drill holes. The main reason for this is due to constraints of topography. The steep mountain slopes are intermittently covered by scree between ridges of outcrop and the mineralised zones dip away from the slopes. Therefore, most of the intercepts are oblique to the dip and in some instances oblique to strike as well.

The nominal drill spacing has been on 40m line spacing on strike and a similar distance down dip for the Main Zone deposits and 80m for the Contact Zone. The topography and scree zones has, however, meant that some holes had to be drilled oblique to the drill lines to try and maintain this spacing.

The collar positions of all holes have been surveyed using a theodolite and an allowance is made for a 20m variation in the planned position to accommodate local conditions. Once the rig has been set up it is checked by both the surveyor and the senior site geologist and after drilling two rod lengths checked again for position, azimuth and inclination and the last two are recorded and transferred to the database to define the co-ordinates of the drill hole. Downhole surveys are done by the driller in the presence of the geologist using a single shot instrument every 20m to 30m and the survey is repeated at the completion (end-of-hole depth) of the drillhole, where a stick-up or check measurement is made on the total depth. Once the rig is removed from site the collar position is finally surveyed and these co-ordinates are recorded in the database. While all of these procedures have not been checked by SRK, SRK has viewed the records of these measurements. SRK however notes that some (15) holes with a drill depth of greater than 200m, have not been down hole surveyed due to instrument failure, and it is proposed that this will be rectified in the current field season.

All core received from the driller on a daily basis by the project geologists is covered by a formal handover procedure which records any core loss and confirms the drill depth. Core is logged and photographed on site before being transferred to the camp in sealed boxes where it is split using a diamond-blade saw and sampled by a geologist.

All sampling and sample despatch methods have been written up in both Russian and English and used to establish protocols. Similarly protocols cover sample retrieval from the laboratory and storage of core, coarse and reject pulp.

SRK has observed the channel (and core) sampling procedures. The sampling procedures are standard with regard to maintaining equal sample volume per unit length sampled and sample numbering and record keeping. All samples of approximately 4kg weight are bagged on site and sent to the Company's sample storage facility yard in Bishkek where sample numbers are checked and industry accredited standards inserted into the sample stream (one in every 20), before despatch to the CSRL laboratory at Kara Balta some 60km distant. Material is taken from metamorphosed limestone outcrops in order to provide blank samples in the Prospect Area and samples of this material are also submitted on basis of 1 blank per 20 exploration samples at the CGP camp.

SRK has viewed the sample preparation and analytical procedures at the CSRL laboratory where the samples are crushed and milled. This laboratory does not have international standards accreditation. On two unannounced visits the sample preparation equipment was being properly cleaned between each sample and SRK can confirm that the procedures follow acceptable standards and that contamination between samples is unlikely. While the other equipment (fusion furnaces, balances and Atomic Adsorption Spectrometry, etc) and facilities are clean and appear well maintained and the standard procedures appear to be followed in a professional manner, conformance with international reference material is not as good as expected. Part of the reason for this is that the laboratory does not insert reference materials into the sample stream and cannot gauge its own performance. For this reason milled pulps of all mineralised intervals have been routinely sent for assay to Genalysis in Perth, Australia and only a very small proportion of CSRL results have been incorporated into the resource database, including one drill hole (DH101) drilled early in the 2007 season.

Genalysis is accredited by the National Association of Testing Authorities, Australia ("NATA") with laboratory Number 3244 approved by the Australian Quarantine and Inspection Service ("AQIS") for the receipt and treatment of samples from interstate and overseas. Genalysis is an Associate Member of the Association of Mining and Exploration Companies Inc, a Member of the Standards Association of Australia, and has ISO9001 accreditation.

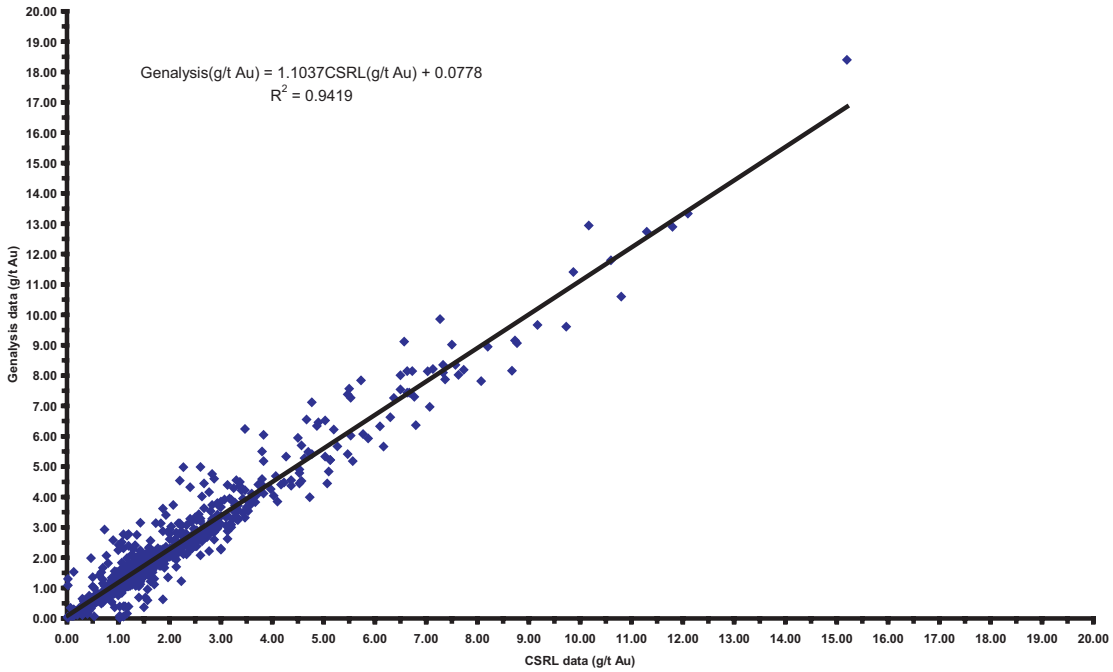
The gold content of samples was determined by fire assay and the base metals content of the bulk of the samples were determined by Inductively Coupled Plasma ("ICP"). In the 2004 programme, assays for silver were also determined by ICP and only samples >30g/t Ag were fire assayed. In 2005, silver was determined only by ICP. Similarly, in the 2004 programme, the samples were analysed for their antimony content by ICP initially and only intervals with an antimony content of >0.1% Sb were reanalysed by X-Ray Fluorescence ("XRF"). In 2005, Antimony was determined only by ICP. Checks of these antimony values by Genalysis (also by ICP) showed acceptable comparative results, and therefore the antimony results of CSRL were included in the geological database.

SRK has used the repeat results from Genalysis for 2,374 sample pulps which were initially prepared at CSRL and subsequently sent to Genalysis for umpire assay, along with the attendant assaying of international reference materials. All but one of the 44 standards sent to Genalysis in 2006 were within specified limits. A similar review of international standards assayed by CSRL recorded that 20% of the 512 submitted for assay had unacceptable results. Scatter plots (Figure 4.1) of the two assay sets show a bias of around 10% with Genalysis laboratory reporting the higher values. The Genalysis data set comprised 402 samples sourced from dozer cut samples and 346 samples sourced from bore holes, giving a total of 748 samples.

In addition to the internal quality control systems put in place by the Company with SRK's assistance, SRK has also independently sampled four areas within the Main Zone, Contact Zone and the Karator Area and has submitted these samples to the Antech Laboratory ("Antech") in Zimbabwe for analysis. The Antech laboratory is accredited by the South African National Accreditation System ("SANAS"). Eight samples were collected in 2004, 10 in 2005 and a further set of 13 from a single dozer cut in 2006. In all of these samples, the average grades of the sampled intervals were similar to those obtained by the Company and had similar grade profiles.

SRK considers the quality and quantity of data to be sufficient to support the Mineral Resource estimates as reported herein.

Figure 4.1 Scatter plot of CSRL and Genalysis Repeat Sample Results



4.3 Block model estimates

The assay and geological databases, as compiled by the Company and provided to SRK, comprised the assay results for gold, silver and antimony together with geological logs of drilling, trenching, bulldozer cuts and underground adit profiles. This information was then imported into Gemcom Mining Software ("GEMS") for validation, visualisation and modelling to generate the Mineral Resources as stated herein. The five zones assessed in this process included the Main Zone (including the following sub-divisions of M24, M30, M34, and M39) and the C53 sub-zone of the Contact Zone.

SRK confirms that no significant issues were found with the structural integrity of the database and no overlapping or erroneous intervals were detected. The database covered a strike length of some 9km, and included information for other zones which has either been estimated using the manual approach (Section 4.4) or excluded from the current process.

4.3.1 Geological Modelling and Spatial Domaining

Within the five zones referred to above there are some 43 individual orebodies which were originally interpreted by the Company in two dimensions. Transformation of these sectional interpretations into three dimensional space indicated various issues which required correction by re-wireframing.

The broad guidelines used in defining interval boundaries for re-wireframing were as follows:

- hard boundaries based on either the location of a sharp drop off in grade down the hole or where assays approach 2g/t Au; and
- inclusion of a minimum mining width where any down hole intercepts of less are diluted up to 2m thickness down hole.

SRK notes that a low grade halo does exist outside the modelled wireframes; however this has not been modelled given the focus on underground mining potential and the limited opportunities for open-pit mining owing to steep topography and relative orientation of the orebodies. The average grade of this external material is likely to be between 0.5g/t Au and 1g/t Au.

4.3.2 Statistical Analysis

Examination of the total assayed population of Au for all data for all zones, including those not estimated, using Quantile to Quantile and Normal probability plots with log scales for the observed gold value (Au) axis showing non linearity suggesting two or more lognormal populations. The inflection point is between 1.5g/t Au and 2.2g/t Au supporting the use of a 2.0g/t Au nominal cut off for wireframe modelling of the resource. The inflection point is consistently seen in the same place even if the data are broken down by source: by drillhole, trench, dozer cut or profile.

Compositing was carried at out at a nominal 2m width down hole within the modelled bodies. 2m was chosen as this was the minimum down hole width used. The compositing routine used by GEMS examines the full width of each intercept and adjusts the composite length per intercept so that no residual composites are created and no information is either discarded or given too small a support. For example, an intercept that is 5m long would return two 2.5m long composites, an intercept that is 19m long would return nine 2.111m long composites.

No top cutting was used for gold due to the very low skew in the distribution and the absence of any identifiable outliers. The maximum raw sample within the modelled bodies is 31g/t Au over 1.5m and the maximum composite within the modelled bodies is 24g/t Au over 2.0m from the same raw interval.

A review of the resulting histograms and summary statistics by zone and element indicated significantly different silver population in the C53 sub-zone and also the potential high grade gold populations in M24 sub-zone and C53 sub-zone.

4.3.3 Variography

Variogram modelling was carried out on a zone by zone and element by element basis. It is general practice to model experimental variograms with 8 directions in the plane; however, in this instance only four directions (plus one orthogonal) were used for this data set due to the low number of composites.

Gold variograms for all zones were modelled from raw experimental variography. The gold populations are only slightly skewed and are close to normal with no outliers. The Contact Zone has a distinct higher grade population (averaging around 7g/t Au) from three intercepts which produces the zonal anisotropy (higher variability in the vertical compared to the horizontal). Therefore a long range is used for the last horizontal structure to facilitate a lower effective sill in that direction.

Due to the highly skewed nature of the silver and antimony distributions and associated high variance, variograms were modelled using a Gaussian transformed data set per zone. Variogram models are fitted in Gaussian space, then back transformed, then remodelled in 'real' space. The silver zone by zone experimental variograms were unintelligible even with the Gaussian transform. The silver variograms were then modelled with a Gaussian transform using all zones together but this was still difficult to interpret. The silver samples from the Contact Zone show some higher values clustered at the surface potentially belonging to a different silver population. The Contact Zone data was then removed and the remaining zones were modelled together using Gaussian transform data. This showed sufficient structure to model. The experimental variograms zone by zone for silver used the overall silver model as a template then re-fitted models to the individual silver zone sills. A similar procedure was used for antimony except the contact zone did not require removal.

4.3.4 Block Modelling

The average spacing is about 50m along strike and there is good continuity for the variography in that direction with final ranges between 90m and 200m for gold. Along strike 25m blocks were used, attempting to place the grid origin so that the majority of the blocks fall with an edge on a drillhole, to try to give all blocks similar levels of nearby data in the strike direction.

Selecting a block size down dip is more problematic as the average data spacing varies greatly, from a few metres to hundreds of metres. Again there is good down dip continuity in the variogram models varying from 60m to 150m for gold. Blocks of 10m and 25m vertically were trialled to test the average estimation quality. The 10m blocks showed reasonable estimation quality and will better reflect the likely selectivity of underground mining methods.

The average orebody true width is between 3m and 6m with a minimum of 2m down hole and a maximum of 9m true. 2m composites are being used. Due to the long thin nature of the bodies, the fact that they change strike orientation, and the relatively wide sample availability along strike it is unrealistic to expect accurate modelling of across strike selectivity, therefore 6m blocks across strike were used.

The model has been rotated with the X axis of the model striking 50°. Each block has been assigned a percentage equal to the proportion of it within the modelled orebodies and tonnages and grades are calculated weighted by these percentages.

4.3.5 Interpolation

All elements and all zones and bodies were estimated using Ordinary Kriging in two passes. An inverse distance square estimate was also carried out at the clients request as a global comparison. The gold distribution is not highly skewed and behaves more like a normal distribution and the theoretical curves at the 25m by 6m by 10m block scale are not significantly different to the kriged estimate.

Changing the block size will not impact either the grade or tonnage of the resource within the wireframes at an internal cut-off grade of 0g/t Au. Changing the block size can change the distribution of the grade and tonnage of the resource at higher cut offs. Smaller blocks equate to higher selectivity and will decrease the tonnage and increase the grade at higher cut-off grades. Larger blocks equate to poorer selectivity and will increase the tonnage and decrease the grades at corresponding higher cut offs.

Verification of the estimate was undertaken by average grade comparisons for the raw intervals used, the declustered intervals, the kriged blocks weighted by the percent of the block inside the wireframe and an inverse distance squared ("ID2") run also weighted by the percent of the block inside the wireframe. Reporting these at zero cut-off grades within the wireframe did not indicate any significant differences.

4.3.6 Classification

The classification is based on examination of the average estimation quality (Kriging regression slope) per 10m level per body. In addition to this any individual body supported by a single intercept only is also classified as an Inferred Mineral Resource regardless of the kriging regression slope. Consequently individual orebodies can be all Indicated, all Inferred or the upper portion Indicated and the lower portion Inferred.

The classification is not based on simple distance extensions. The kriging process produces a number of estimation quality parameters that are derived from the kriging weights, one of which is termed the regression slope [0= no correlation 1= best correlation]. This is in turn derived from the variogram models used. In many instances use of simple distance extrapolation classification or even simplistic application of block by block quality parameters leads to impractical and illogical areas of Inferred Mineral Resources material being contained within areas of Indicated Mineral Resources and makes any sensible economic analysis difficult.

Furthermore, SRK notes that kriging regression slope does not relate to a confidence interval but is simply an indicator of the relative quality of the estimate in each block derived from the variogram and the blocks position in relation to the samples used to inform it.

In classifying the resource SRK has sub-divided each individual orebody and reported the regression slope by 10m level averages. The regression slope per body per level is examined and a 0.3 regression slope is used as the threshold for Indicated and Inferred Mineral Resource categories. Overriding this, any body that has only a single intercept defining its volume is given an Inferred Mineral Resource classification regardless of its regression slope reflecting the volumetric uncertainty associated with it.

4.4 Manual two dimensional estimates

Classical sectional methods have been used to estimate the Mineral Resources of the T7 Zone, C46 sub-zone and C40 sub-zone and two other small areas at the CGP using sample interval weighted averages of grades. Mineralised envelopes have been defined on a gold cut-off of 2.0 g/t Au, with two lower values accepted if supported by a third.

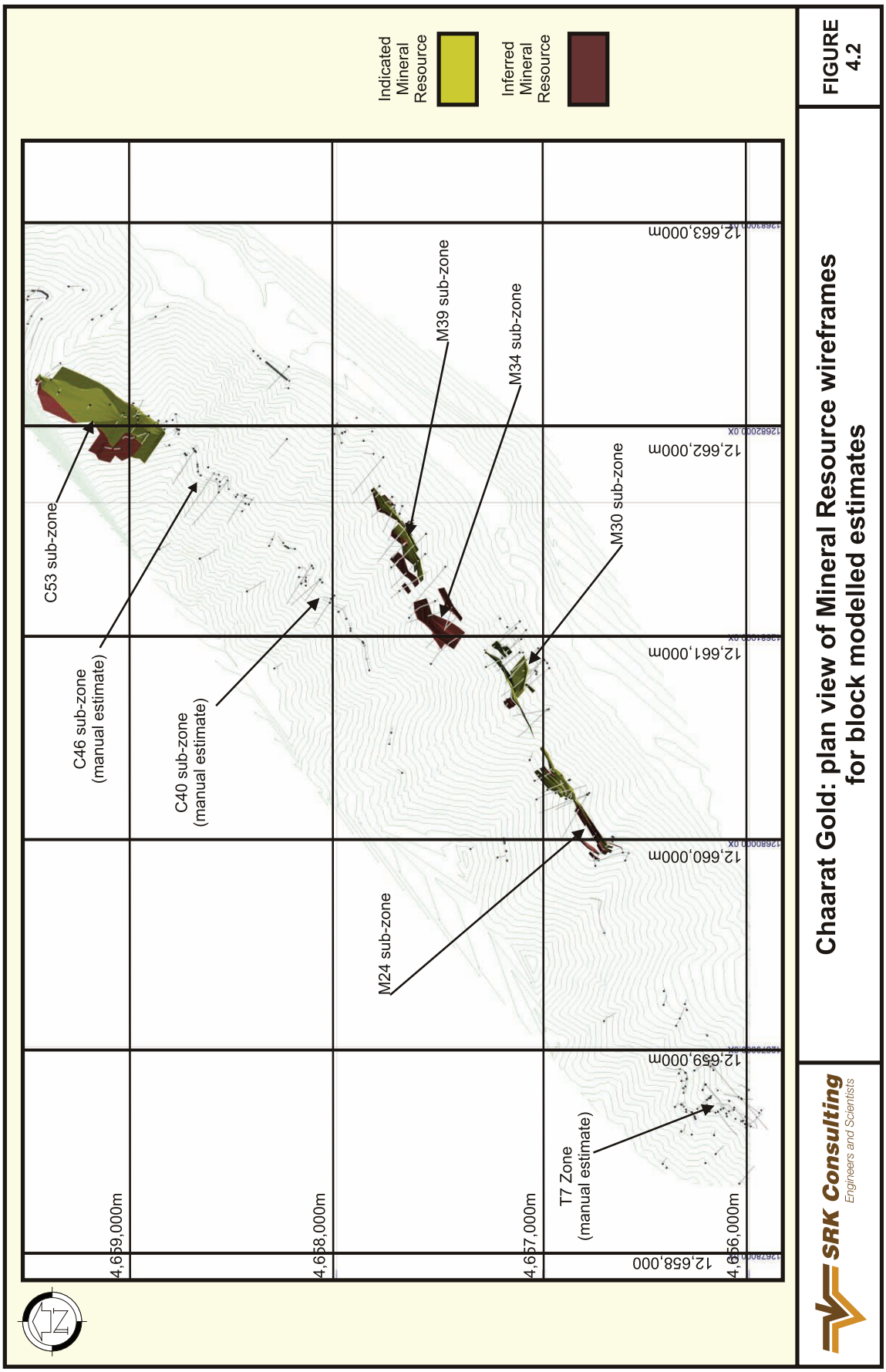
These envelopes have been delineated on sections created on MapInfo software and areas defined by linking intercepts between drillholes and surface data. All sectional areas have been measured on MapInfo, transferred to spreadsheets and linked to the applicable grades and strike data for calculation of Mineral Resource tonnage and average grade. Section data have then been combined to give the total mass and weighted average grade for each mineralised zone.

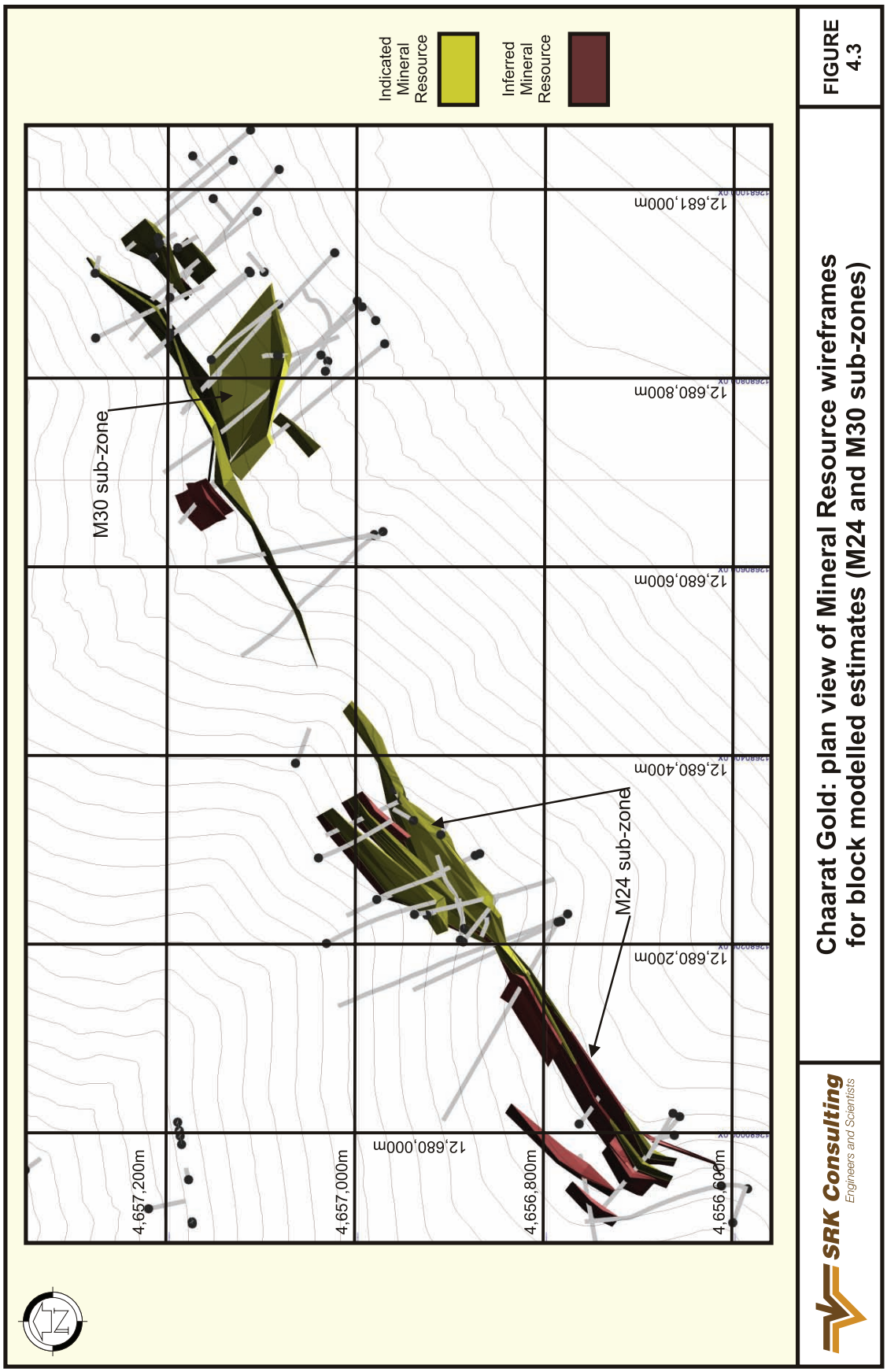
The classical Indicated Mineral Resources at the CGP have been based on extrapolation of intercepts (drill or surface channels) over 40m both along strike and down dip for the Main Zone and 80m for the Contact Zone where the mineralised shear is more robust with a greater expectation of continuity.

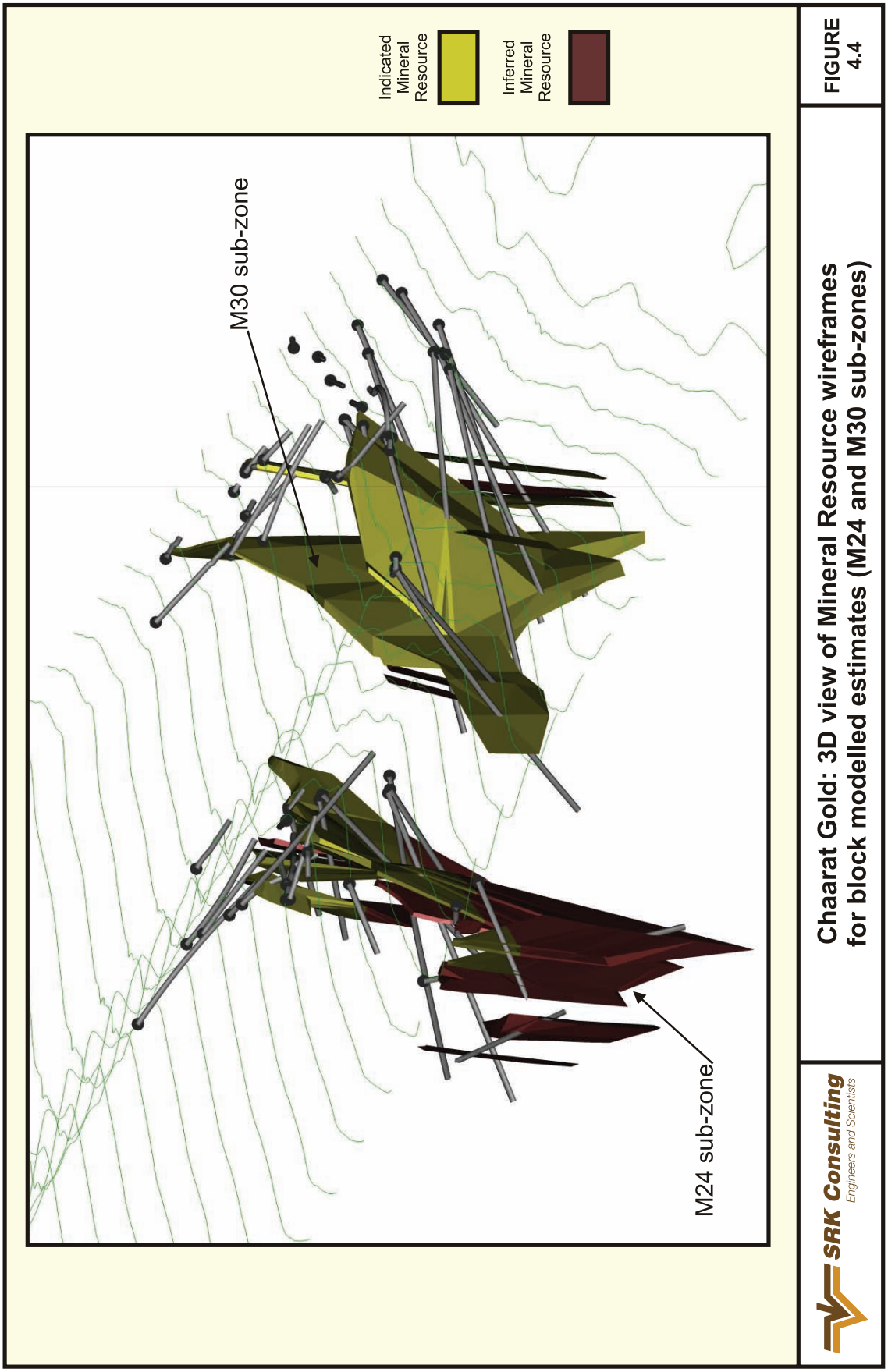
Inferred Mineral Resources are essentially extensions for similar distances beyond the Indicated blocks, that is, 40m and 80m for the Main and Contact Zones respectively. In addition, where a block is defined by a single intersection, it is placed in the Inferred category, and where continuity can be reasonable well established between two or more intercepts, it is categorised as an Indicated Mineral Resource.

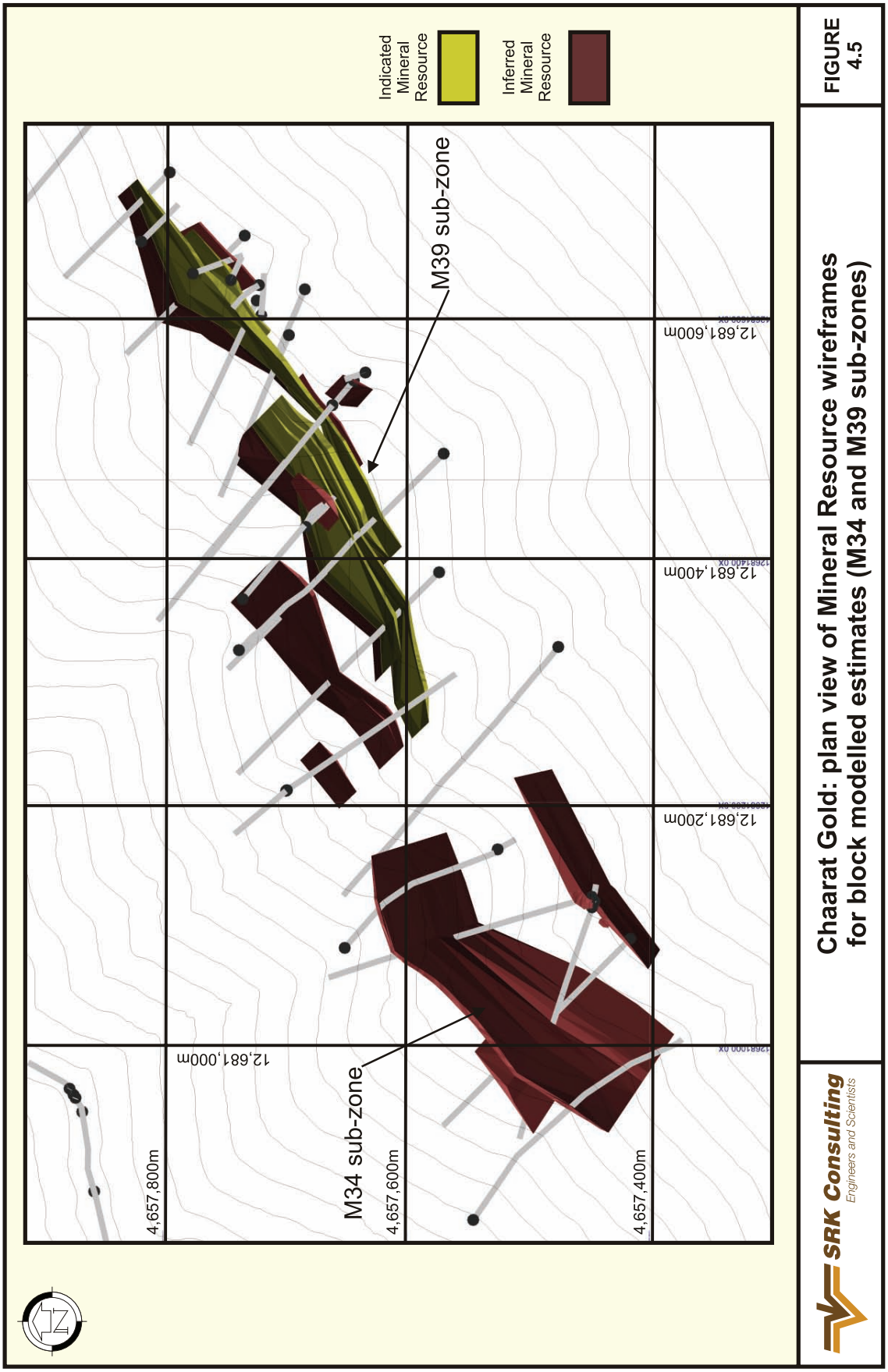
4.5 Mineral Resource plan and section figures

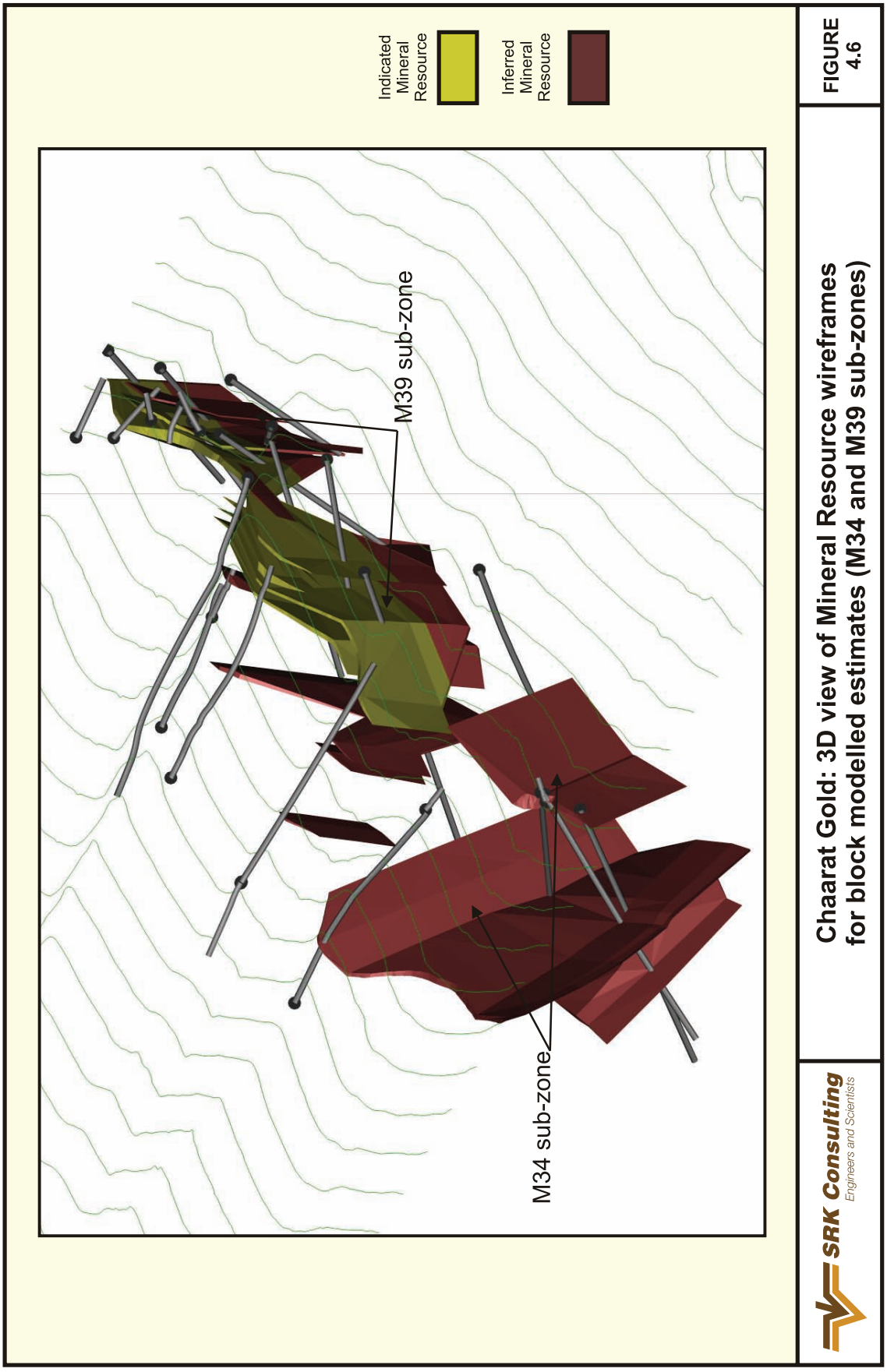
Figure 4.2 gives the plan view of the Mineral Resource wireframes for all block model estimates as well as the location of the data utilised for the manual estimates. Figure 4.3 and Figure 4.4 gives the plan view and 3-D view respectively of the M24 and M30 sub-zones. Figure 4.5 and Figure 4.6 gives the plan view and 3-D view respectively of the M34 and M39 sub-zones. Figure 4.7 and Figure 4.8 gives the plan view and 3-D view respectively of the C53 sub-zone.

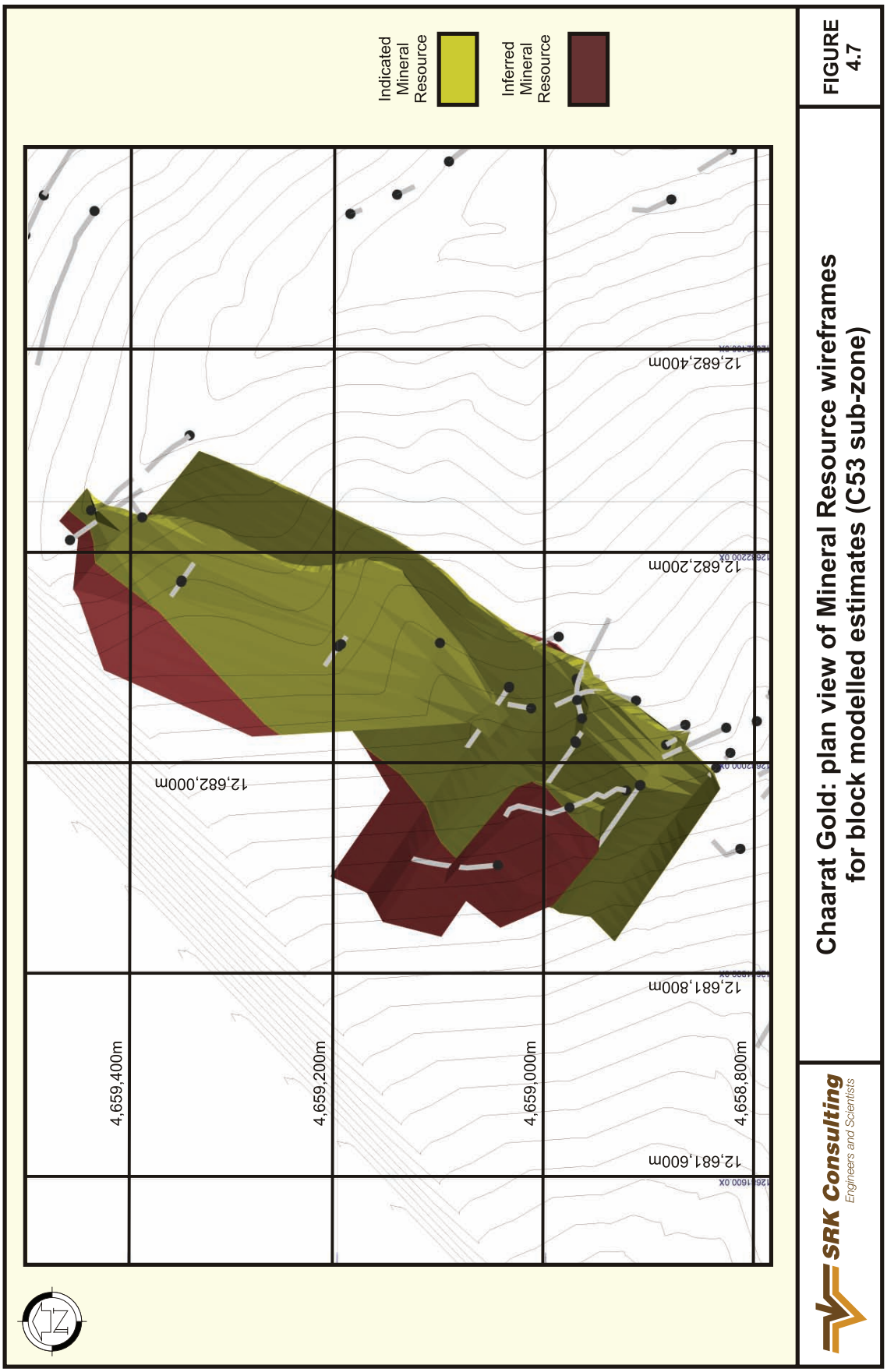

Indicated Mineral Resource
Inferred Mineral Resource
C53 sub-zone
C46 sub-zone (manual estimate)
C40 sub-zone (manual estimate)
M39 sub-zone
M34 sub-zone
M30 sub-zone
M24 sub-zone
T7 Zone (manual estimate)
12,663,000m
12,662,000m
12,661,000m
12,660,000m
12,659,000m
12,658,000
4,659,000m
4,658,000m
4,657,000m
4,656,000m
SRK Consulting
Engineers and Scientists
Chaarat Gold: plan view of Mineral Resource wireframes for block modelled estimates
FIGURE 4.2

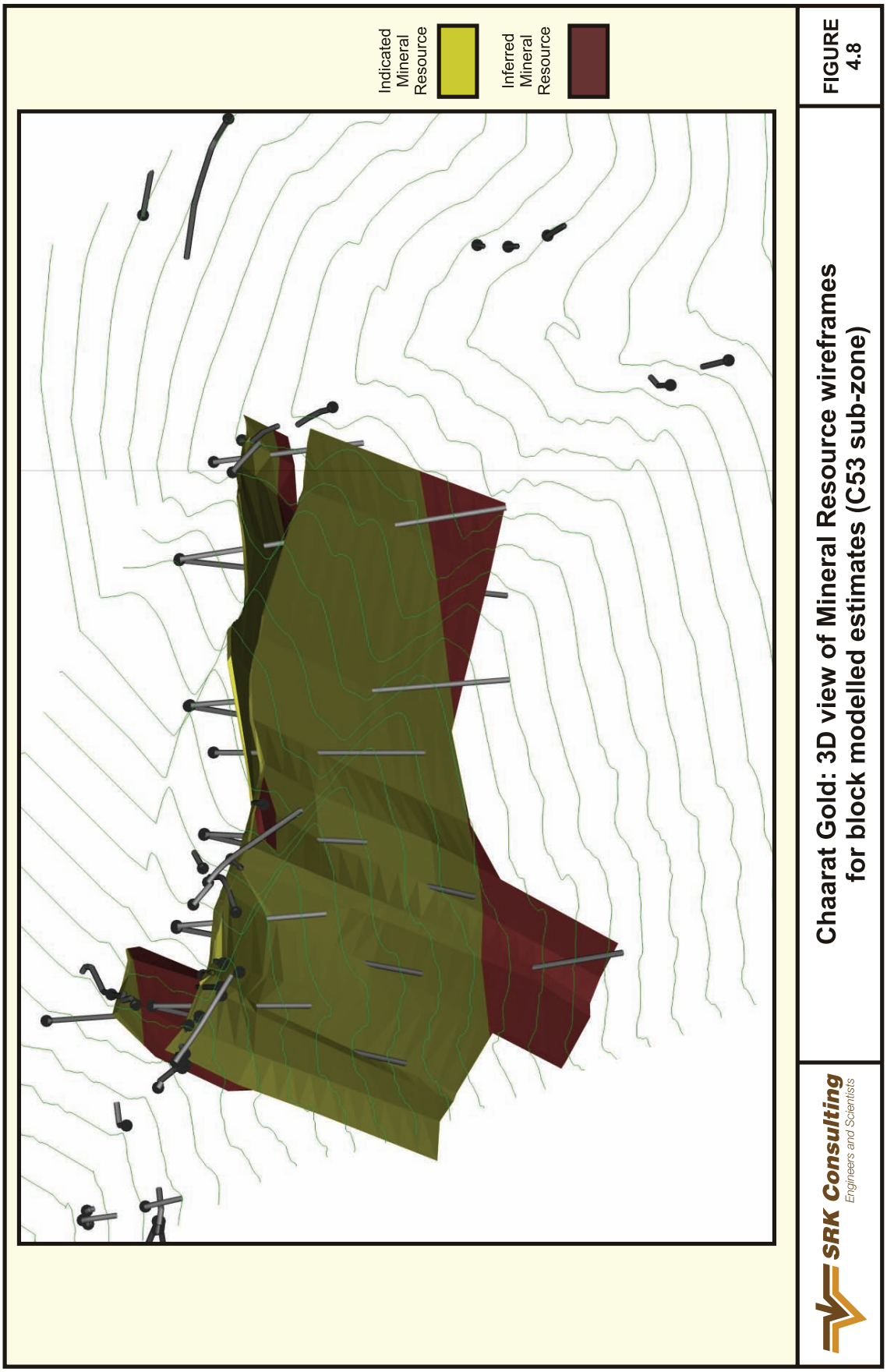

Indicated Mineral Resource
Inferred Mineral Resource
M30 sub-zone
M24 sub-zone
12,681,000m
12,680,800m
12,680,600m
12,680,400m
12,680,200m
12,680,000m
4,657,200m
4,657,000m
4,656,800m
4,656,600m
SRK Consulting
Engineers and Scientists
Chaarat Gold: plan view of Mineral Resource wireframes for block modelled estimates (M24 and M30 sub-zones)
FIGURE 4.3


Indicated Mineral Resource
Inferred Mineral Resource
M30 sub-zone
M24 sub-zone
SRK Consulting
Engineers and Scientists
Chaarat Gold: 3D view of Mineral Resource wireframes for block modelled estimates (M24 and M30 sub-zones)
FIGURE 4.4


Indicated Mineral Resource
Inferred Mineral Resource
M39 sub-zone
M34 sub-zone
12,681,600m
12,681,400m
12,681,200m
12,681,000m
4,657,800m
4,657,600m
4,657,400m
SRK Consulting
Engineers and Scientists
Chaarat Gold: plan view of Mineral Resource wireframes for block modelled estimates (M34 and M39 sub-zones)
FIGURE 4.5


Indicated Mineral Resource
Inferred Mineral Resource
M39 sub-zone
M34 sub-zone
SRK Consulting
Engineers and Scientists
Chaarat Gold: 3D view of Mineral Resource wireframes for block modelled estimates (M34 and M39 sub-zones)
FIGURE 4.6


Indicated Mineral Resource
Inferred Mineral Resource
12,682,400m
12,682,200m
12,682,000m
12,681,800m
12,681,600m
4,659,400m
4,659,200m
4,659,000m
4,658,800m
SRK Consulting
Engineers and Scientists
Chaarat Gold: plan view of Mineral Resource wireframes for block modelled estimates (C53 sub-zone)
FIGURE 4.7


Indicated Mineral Resource
Inferred Mineral Resource
FIGURE 4.8
Chaarat Gold: 3D view of Mineral Resource wireframes for block modelled estimates (C53 sub-zone)
SRK Consulting
Engineers and Scientists

4.6 Economic Potential

The determination of a necessitates the application of an appropriate in-situ cut-off grade which is based on reasonable inputs given the current status of technical information available. Given the steep topography and the orientation of the mineralised zones relative to the aspect of the slopes, SRK considers there to be limited open-pit potential and concurs with the Company's stated strategy that the most likely scenario is one which necessitates underground mining.

Furthermore, SRK notes that the most likely metallurgical route will require some form of oxidation (POX or BiOX) or flotation and fine grinding prior to leaching with cyanide, given the refractory nature of the ore (that is not amenable to direct cyanidation) and low presence of free gold. The current metallurgical testwork has focused on either direct ore pressurised oxidation or pre-concentration via flotation prior to pressurised oxidation and subsequent leaching with cyanide. No test work in respect of the potential for BiOX has been undertaken to date. Significantly, the testwork undertaken in 2005 and 2006 indicated the limited economic potential of silver and antimony (low grades <2.0% Sb and limited success in defining process metallurgy), consequently RDI has not recommended any further testwork to assess the potential for substantive contribution from the recovery of antimony.

Table 4.2 presents the results of the various metallurgical testwork undertaken during 2005 and 2006. Whilst the testwork results for pressurised oxidation followed by CIL appear encouraging, SRK notes the relatively low sulphide concentrations within the direct ore feed may lead to difficult operating conditions and higher unit operating costs. Furthermore, the reduced tonnage throughput and improved flotation (maximising recovery as opposed to a balance between recovery and mass pull) performance may lead to better overall economic performance. The differential performance of BiOX followed by CIL is more likely to be one of lower processing costs as opposed to improved recoveries.

Table 4.2 CGP metallurgical testwork results

Test No	Process Route	Process Feed	Units	Metallurgical Recovery Sample 1	Sample 2
1	POX and CIL	Direct Ore	(%)	88%	n/a
2	POX and CIL	Direct Ore	(%)	91%	96%
3	POX and CIL	Concentrates	(%)	48%	n/a
4	Flotation	Direct ore	(%)	72%	80%

Accordingly, SRK notes that the Company's current assessment of metallurgical recovery is the average of the direct ore POX and CIL test results giving an average of 93.5% (average of 91% and 96%). SRK considers that this is likely to sit at the higher end of the following range:

- Low: 75% from flotation average of 80% x POX-CIL of 96%;
- Medium: 84.5% from high flotation of 88% x POX-CIL of 96%; and
- High: 96%, highest POX-CIL.

The likely limiting factor in respect of project scope will be the mining production rate given the distribution of the orebodies (some of which extend below the valley floor), and the individual orebody thickness ranging form 1m to 20m. Further secondary production rate constraints will be related to availability of space for infrastructure, specifically the tailings storage facility when considering limitations on rates of rise at the higher production rates. Subject to further testwork the Company's operational parameters are derived from consideration of direct ore POX-CIL at a mining and processing rate of 4,500tpd (1.5Mtpa) targeting mining of five orebodies at any given time, each with approximately 3.0Mt to 4.0Mt of ore distributed over a vertical range of 300m to 400m down-dip with a sinking rate of 50m vertical per annum equating to 0.5Mtpa to 0.7Mtpa for each orebody.

Based on the above the Company considers operating costs for mining of US$20/t, processing US$16/t and overheads of US$4.5/t to be reasonable. In comparing these parameters with other operations both internationally and within the CIS countries, SRK considers that these are on the low side of a low, medium, high range (Table 4.3) and the overall production rate of 1.5Mtpa is high given the nature of the orebodies.

Notwithstanding the above and recognising the indeterminate nature of these parameters prior to completion of a scoping study, SRK has determined a range of applicable in-situ cut-off grades assuming a long term gold price of US$600/oz. This commodity price is based on consideration of the following:

- **US$529/oz:** the three year average of the daily (current terms) gold price determined by the London pm fix;
- **US$651/oz:** the spot gold price determined by the London pm fix as at 30 June 2007; and
- **US$532/oz:** Consensus Price Forecasts determined by the average long term (>2010) price ("LTP") of 27 analyst forecasts with a high of US$625/oz and a low of US$400/oz.

The net result of this analysis is a Company determined in-situ cut-off grade of 2.82g/t Au (Table 4.3). SRK however notes that this is relatively low and should be viewed in the light of the following:

- the grade-tonnage curve (Figure 4.9) and the accompanying sensitivity tables (Table 4.5, Table 4.6);
- that only two of the current 18 operating mines processing refractory ore achieve metallurgical recoveries of higher than 90% with the majority (11) in the 85% to 90% range;
- that the metallurgical processing costs proposed is equivalent to the lowest of the current 18 operating mines processing refractory ore which ranges from US$16/t to US$28/t;
- that including the impact of silver on a gold equivalent basis may only add some 0.1g/t Au onto the current grade of the Mineral Resource statement; and
- that run-of-mine head grades processed by the 18 operating mines processing refractory ore range from 4.5g/t Au to 8.6g/t Au;
- that mining costs will be dependent on the mining method which in turn is significantly affected by the true width of the orebodies.

Table 4.3 CGP Cut-off grade

Commodity Prices		
– Gold	(US$/oz)	600
	(US$/g)	19.29
Statistic	**(Units)**	**Company**
Operating Expenditure		
– Mining	(US$/t)	22.00
– Processing	(US$/t)	16.00
– Overheads	(US$/t)	4.50
Subtotal	**(US$/t)**	**42.50**
Sales Revenue Deductions		
– Metal Royalty	(%)	5.00
– Energy Relief Tax	(%)	1.50
– Road Tax	(%)	0.80
Subtotal	**(%)**	**7.30**
Modifying Factors		
– Dilution	(%)	10.0
– Mine Call Factor	(%)	100.0
– Extraction Ratio	(%)	90.0
– Metallurgical Recovery	(%)	93.50
Cut off Grades		
Run of Mine		
– Operating Costs	(US$/t)	42.5
– Sales Recovery Factor	(%)	86.7
– Recoverable Revenue	(g/t)	16.72
– Cut off Grade	(g/t)	2.54
In Situ		
– Operating Costs	(US$/t)	47.2
– Sales Recovery Factor	(%)	86.7
– Recoverable Revenue	(g/t)	16.72
– Cut off Grade	(g/t)	2.82
– Cut off Grade (low costs)	(g/t)	2.82

4.7 Mineral Resource Statements

The current Mineral Resource estimates for the Exploration Assets have been estimated by SRK during the course of this mandate and are dated 1 July 2007 and reported in accordance with the JORC Code. As at 1 July 2007, the total Mineral Resources for the CGP are estimated at 14.1Mt grading 4.1g/t Au and containing 1.9Moz of gold as indicated in Table 4.4 below. Table 4.5 presents the sensitivity of the "potentially economically mineable" Mineral Resources at various gold prices and also presents the corresponding in-situ cut-off grades. SRK notes that the sensitivity assumes infinite selectivity and accordingly is overly smoothed. Application on an orebody by orebody basis within each zone with a minimum content criteria would most likely lead to a steeper reduction in content gold prices lower than the base case of US600$/oz as presented.

In reviewing the following tables, the comments below apply:

- Mineral Resources are quoted at an appropriate in-situ economic cut-off grade, which satisfy the requirement of 'potentially economically mineable' for underground mining operations;
- the commodity price incorporated into the cut-off grade calculations is US$600/oz for gold;

- unless otherwise stated all Mineral Resources are quoted on an equity attributable basis assuming 100% ownership as at 1 July 2007;
- Mineral Resource sensitivities, where reasonable to estimate, have been derived from application of the relevant in-situ cut off grades and application of modifying factors at a range commodity price for gold (US$400/oz; US$500/oz; US$600/oz; US$700/oz; US$800/oz); and
- all references to Mineral Resources are stated in accordance with the JORC Code.

Table 4.4 CGP detailed Mineral Resource statement (1 July 2007)[(1),(2)]

Classification	Zone	Tonnage (kt)	Grade (g/t Au)	Content (koz)
Indicated				
– Main	M30	2,288	4.0	291
– Main	M39	709	3.9	90
– Main	M24	899	4.1	119
– Contact	C53	2,785	4.0	359
– Contact	C46	1,067	3.6	122
– Contact	C40	197	3.7	23
Subtotal		**7,945**	**3.9**	**1,004**
Inferred				
– Main	M30	59	4.1	8
– Main	M34	975	5.0	157
– Main	M39	551	4.1	73
– Main	M24	1,216	4.8	186
– Contact	C53	936	3.6	109
– Contact	C46	993	3.6	115
– T7	T7	1,178	4.9	185
– Other	Other Areas	174	4.3	24
Subtotal		**6,135**	**4.4**	**861**
Indicated + Inferred				
– Main	M30	2,347	4.0	299
– Main	M34	975	5.0	157
– Main	M39	1,261	4.0	162
– Main	M24	2,115	4.5	305
– Contact	C53	3,720	3.9	467
– Contact	C46	2,060	3.6	237
– Contact	C40	251	3.5	28
– Tulkubash	T7	1,178	4.9	185
– Other	Other Areas	174	4.3	24
Total Mineral Resources		**14,080**	**4.1**	**1,865**

(1) The total Mineral Resources comprises 3.7Mt grading 4.0g/t Au containing 0.5Moz derived from manual estimates (C40 sub-zone, C46 sub-zone, T7 Zone) and 10.4Mt grading 4.2g/t Au containing 1.4Moz derived from block model estimates (Main Zone and C53 sub-zone). In addition the Mineral Resource on average grades 11.5g/t Ag.

(2) Grades for antimony (0.28% Sb) have been estimated, however these grades are low and are not amenable to economic metallurgical recovery at this stage and are therefore excluded from the JORC Code compliant Mineral Resource statement.

Table 4.5 CGP detailed Mineral Resource sensitivity (1 July 2007)[1],[2]

Statistics	Area	Units	Gold Price (US$/oz)				
			400	500	600	700	800
ISCOG		**(g/t Au)**	**4.10**	**3.28**	**2.74**	**2.34**	**2.05**
Tonnage	Main	(kt)	3,794	6,455	6,697	6,704	6,704
	C53 sub-zone	(kt)	1,335	2,902	3,720	3,806	3,806
	C46, C53, T7 sub-zone	(kt)	0	2,257	2,311	2,311	2,621
	T7	(kt)	1,087	1,087	1,178	1,178	1,178
	Other	(kt)	174	174	174	174	174
Subtotal		**(kt)**	**6,390**	**12,875**	**14,080**	**14,173**	**14,483**
Grade	Main	(g/t Au)	4.8	4.3	4.3	4.3	4.3
	C53 sub-zone	(g/t Au)	4.7	4.1	3.9	3.9	3.9
	C46, C53, T7 sub-zone	(g/t Au)	0.0	3.6	3.6	3.6	3.4
	T7	(g/t Au)	5.0	5.0	4.9	4.9	4.9
	Other	(g/t Au)	4.3	4.3	4.3	4.3	4.3
Subtotal		**(g/t Au)**	**4.8**	**4.2**	**4.1**	**4.1**	**4.1**
Content	Main	(koz Au)	581	899	924	924	924
	C53 sub-zone	(koz Au)	204	387	467	475	475
	C46, C53, T7 sub-zone	(koz Au)	0	261	266	266	288
	T7	(koz Au)	175	175	185	185	185
	Other	(koz Au)	24	24	24	24	24
Subtotal		**(koz Au)**	**984**	**1,746**	**1,865**	**1,873**	**1,896**

(1) As there is no gradation available for the manual estimates the total Mineral Resource sensitivity as presented is somewhat smoothed.

(2) Block Model estimates — Main Zone and C53 sub-zone; Manual estimates — C46 sub-zone, C53 sub-zone, T7 sub-zone and Other.

4.7.1 Grade-Tonnage analysis

The gradation tables for the CGP resource estimates are presented in Table 4.6 below. The smoothed nature of the total grade-tonnage curve is influenced by the single orebody estimates derived from the manual estimation process and the current wide spaced density of information used to determine the block model estimates.

Table 4.6 CGP gradation table

IS COG	Total Estimate			Block Model Estimate			Manual Estimate		
	Tonnage	Grade	Content	Tonnage	Grade	Content	Tonnage	Grade	Content
(g/t)	(Mt)	(g/t)	(Moz)	(Mt)	(g/t)	(koz)	(Mt)	(g/t)	(koz)
0.00	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
0.25	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
0.50	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
0.75	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
1.00	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
1.25	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
1.50	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
1.75	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
2.00	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
2.25	14.4	4.1	1.89	10.5	4.1	1.40	4.1	3.9	0.51
2.50	14.1	4.1	1.86	10.5	4.1	1.40	3.7	4.1	0.48
2.82[1]	14.0	4.1	1.86	10.4	4.2	1.39	3.7	4.1	0.48
3.00	13.7	4.2	1.83	10.2	4.2	1.37	3.7	4.1	0.48
3.25	12.8	4.2	1.74	9.4	4.3	1.29	3.6	4.1	0.47
3.50	10.7	4.4	1.50	8.4	4.4	1.18	2.4	4.4	0.34
3.75	8.9	4.5	1.30	6.9	4.5	1.01	2.2	4.5	0.32
4.00	7.0	4.7	1.06	5.3	4.7	0.81	1.8	4.7	0.27
4.25	5.4	4.9	0.85	4.1	4.9	0.65	1.3	4.9	0.20
4.50	4.4	5.0	0.71	3.3	5.1	0.53	1.1	5.0	0.18
4.75	2.9	5.2	0.49	2.5	5.2	0.41	0.4	5.5	0.07
5.00	1.9	5.4	0.34	1.5	5.4	0.26	0.4	5.5	0.07
5.25	1.2	5.6	0.21	0.9	5.6	0.16	0.3	5.7	0.05
5.50	1.0	5.7	0.19	0.7	5.7	0.13	0.3	5.7	0.05
5.75	0.1	5.8	0.01	0.1	5.8	0.01	0.0	0.0	0.00
6.00	0.0	6.5	0.00	0.0	6.5	0.00	0.0	0.0	0.00

(1) Company determined cut-off grade.

Figure 4.9 CGP grade-tonnage curve for the total resource estimate

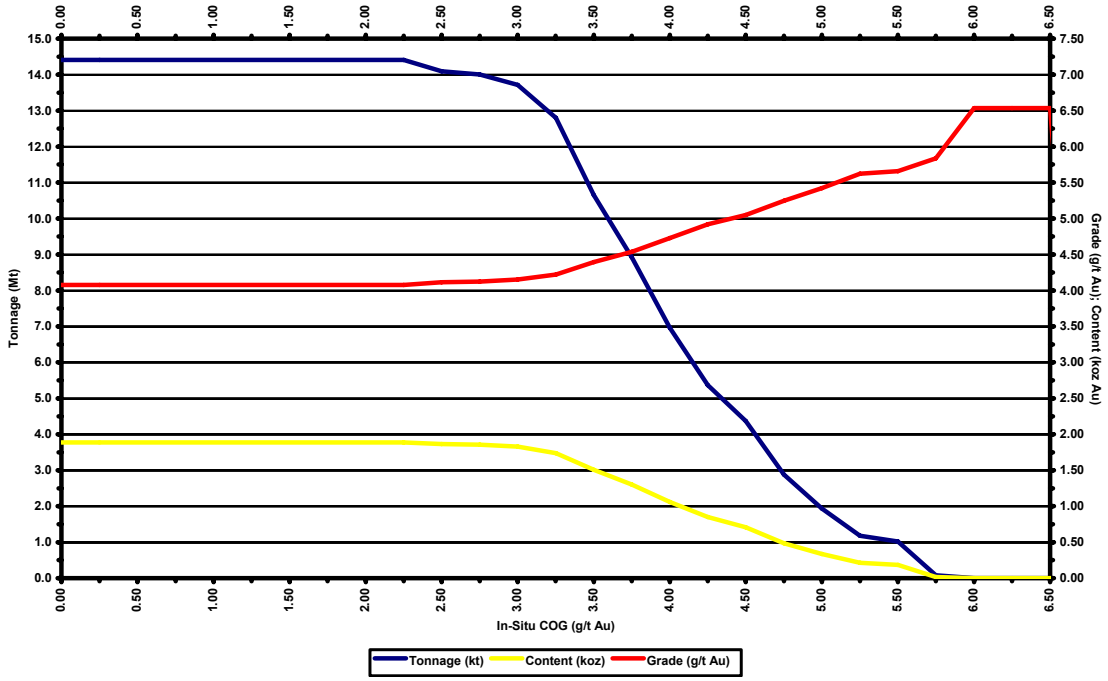


Figure 4.10 CGP grade-tonnage curve for the block model estimate

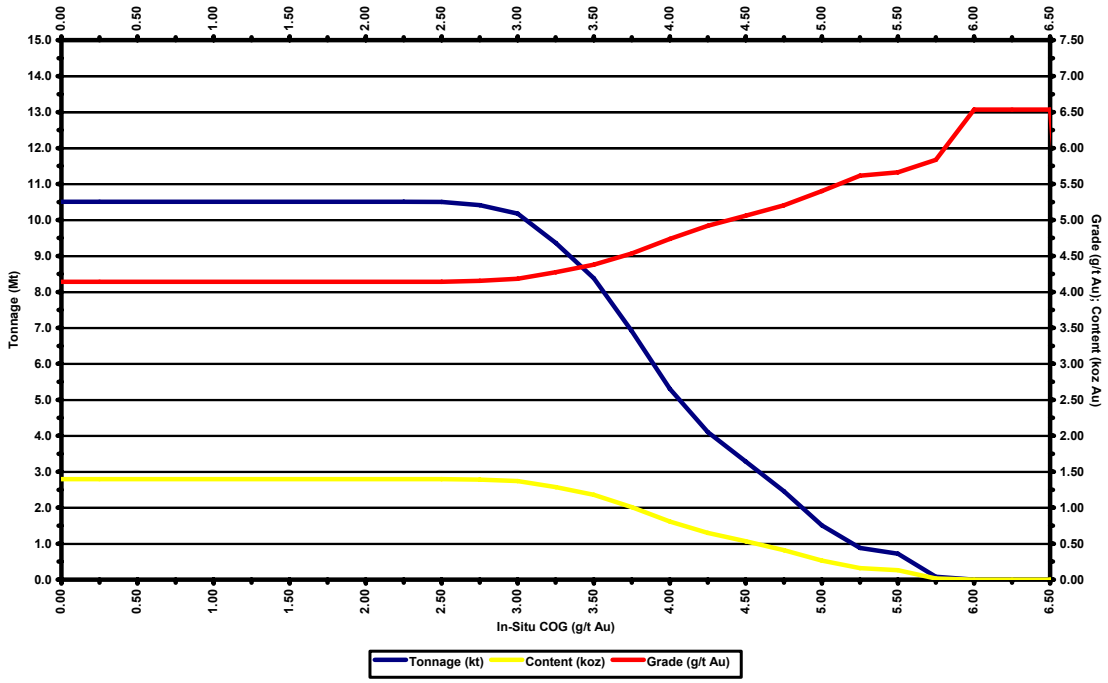
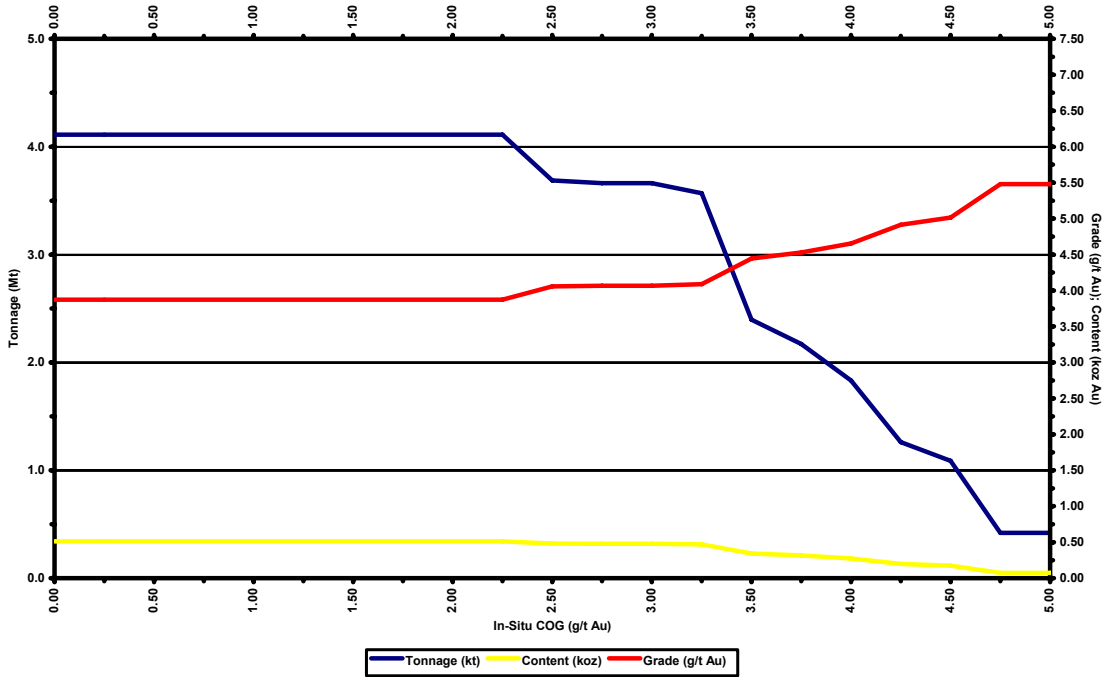


Figure 4.11 CGP grade-tonnage curve for the manual estimate



4.8 Mineral Resource Potential

The principal exploration potential at the CGP within the immediate Prospect Area is largely related to the following:

- down dip and strike extensions to the currently identified Mineral Resources associated with orebodies located in the Contact Zone and the Main Zone, specifically given the currently demonstrated presence of mineralisation 400m below surface and the deep epithermal characteristics of the mineralisation;
- the potential to assess contributions from the lower grade mineralised halos which are demonstrated to be presented at average grades between 0.5g/t Au and 1.0g/t Au;
- the potential to identify and delineate the extent of higher grade payshoots through infill drilling, thus enabling a higher degree of selectivity which may be necessary to ensure the economic viability of a development project;
- the potential to follow up preliminary exploration in the Karator Area and T7 Zones, and the currently identified gold soil anomalies; and
- the potential for regional exploration external within the Licence Area external to the current Prospect Area.

4.9 SRK Comments

In summary, the Company has succeeded in establishing the presence of a significant gold mineralisation totalling some 14.1Mt grading 4.1g/t Au and containing 1.9Moz of gold. Of this, some 7.9Mt grading 3.9g/t Au and containing 1.0Moz of gold is classified as an Indicated Mineral Resource and 6.1Mt grading 4.4g.t Au containing 0.9Moz of gold is classified as Inferred Mineral Resource. Some 75% of the Mineral Resource tonnage and gold content has been estimated by development of a block model and the remaining 25% is supported by a manual estimate.

Potential exists to significantly increase the overall tonnage and to upgrade the currently defined Mineral Resources. SRK notes however that the refractory nature of the mineralisation and the necessity for underground mining will likely require delineation of higher grade ore zones.

SRK considers that whilst the physical exploration activity is appropriately planned and scheduled, the following aspects require further attention as part of the scoping study mandates currently under consideration:

- scope and scale assessments inclusive of comparative analysis by means of reference to existing operations with POX-CIL/BiOX-CIL/FFG-CIL process routes: specifically operating parameters including production rates, gold grades, metallurgical recoveries, operating expenditure and capital expenditure;
- underground scope and scale assessments given the likely mining widths, the strike and downdip extent of payable portions of orebodies established to date. Consideration should also be given to determine applicable mining methods, practical production rates and associated operating expenditures by specific reference to existing CIS and international operations where valid;
- collation of geotechnical data and rockmass characterisation data as an integral part of the exploration drilling programme;
- metallurgical performance including:
  - Incorporating a range of likely feed grades to enable determination of metallurgical recovery against head grade, and
  - Given potential operational issues with direct ore POX, specifically low sulphur content, consideration for improving flotation operating conditions, specifically maximising recoveries as a means of pre-concentration prior to oxidation;
- infrastructure assessments, specifically focusing on high level fatal flaw analysis for location of primary infrastructure including processing plants; tailing storage facilities; power supply; access routes and associated transportation; seismic activity; avalanches; and
- a high level review of the potential Environmental and Social Impacts given the likely process routes and infrastructural constraints. Furthermore this would ensure consideration for more focused baseline data collation, specifically in respect of:
  - the potential for acid mine drainage,
  - consideration for the potential impact of underground development including disposal/ storage of waste/mineralised rock and the storage of explosive material,
  - the potential impact of arsenic and antimony contained in any mine tailings,
  - the vicinity of the Sandalash River as a tributary of the Chatkal River,
  - social requirements given the lack of currently available local social infrastructure, degree of poverty and unemployment, and
  - a development of an appropriate environmental, occupational health and safety policy in line with good international practice.

4.10 Risk and Opportunity Assessment

The principal risk associated with the Mineral Resource statements as reported herein is:

- the risk of ensuring "potential economic viability" given:
  - the refractory nature of the ore,
  - the necessary application of relatively more complex metallurgical process routes,
  - likely impact of higher operating expenditures resulting from underground mining in remote operating conditions, and
  - infrastructural constraints given access, transportation, current power and location in mountainous terrain with steep slopes and limited valley floor space.

The principal opportunities associated with the Mineral Resource statements as reported herein are:

- the opportunity to identify higher grade payshoots within the individual orebodies;
- the opportunity to extend the currently defined Mineral Resources by extension drilling down dip and along strike;

- the opportunity to incorporate the low grade halo to partly offset the potential impact of mining dilution;
- the opportunity to add by-product credits from silver and possibly antimony. SRK notes however that the grades estimated to date are relatively low for silver (11.5g/t Au) and low for antimony (<0.5%) and that no economically viable process route for antimony recovery has been identified;
- the opportunity to add new mineral resources specifically in the Karator Area, the T7 Zone, and areas external to the current Prospect Area within the Licence Area.

5 EXPLORATION PROGRAMME

5.1 Introduction

This section describes the exploration strategy and exploration programme as proposed by the Company. Detail in respect of both the activities and associated expenditures are provided including SRK's opinion on the overall appropriateness and merit of such expenditures.

5.2 Project Development Strategy

To date activities at the CGP have been largely focused on delineating Mineral Resources as well as conducting further surface exploration in the less extensively drilled zones of Karator Area and T7 Zone. Further, the exploration programmes for 2007 and 2008 have also been enhanced to incorporate infill drilling to upgrade resource classification and technical investigations in respect of mining, metallurgical processing and the collection of base line environmental data.

The Company's longer term objectives include:

- increasing the total resource base to in excess of 4Moz of gold at the end of the 2008 drilling season;
- completing the following technical studies:
  - in 2007H2 a scoping study including environmental base line data collection,
  - in 2008Q4 a multidisciplinary pre-feasibility study including a preliminary Environmental Impact Study demonstrating the technical and economic viability of the CGP to an overall accuracy of 25%,
  - in 2009Q4 a multidisciplinary feasibility study including bulk metallurgical testwork and an Environmental Impact Study demonstrating the technical and economic viability of the CGP to an overall accuracy of 15%; and
- following financing, engineering construction and project management, establishing by 2011Q4 an operating mine based on underground mining, followed by oxidation (POX, BiOX or FFG) and CIL processing ore at a rate of 1.5Mtpa (4,500tpd).

In respect of the detailed drilling programmes established for the 2007 and 2008 seasons the following key objectives have been identified:

- infill drilling to increase the confidence in the currently identified Mineral Resources, specifically the Inferred Mineral Resources;
- infill drilling to test the existence, prevalence and continuity of higher grade payshoots within currently defined orebodies;
- extension drilling to test the down dip and strike extent of orebodies which remain open. (Historical drilling has focused on dip extensions to a maximum of 100m to 150m from surface. Furthermore, the current programme incorporates some 3.0km of underground development to establish drill chambers for initially drilling 4.5km of underground drill holes. At the T7 Zone the focus will be on establishing strike extent followed by subsequent down dip extensions); and
- exploration of other areas specifically:
  - surface exploration and drilling for new orebodies especially in the Karator Area and the T7 Zone where there are significant soil anomalies on a mineralised regional structure and which will be tested by trenching and, where warranted, by drilling,

– other areas, such as Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish, where alteration haloes have been identified by ore grade grab samples and warrant exploration by trenching and drilling if needed. In this case, access will only be available if the current road network is extended by 10km, which the Company commenced as part of the 2007 work programme.

5.3 Exploration Programme

The Company has developed a detailed exploration programme for 2007H2 and 2008. For 2009 and 2010Q1, the Company has not yet developed similar levels of detailed exploration and development activities and such expenditures are forecasted based on factors and the assumption of success of the 2007 and 2008 campaigns. The Company has however incorporated expenditures as lump sum items to complete the pre-feasibility study and a preliminary Environmental Impact Study (totalling US$1.2m) and a feasibility study, including bulk sampling and finalisation of the Environmental Impact Study (totalling US$1.6m).

The forecasted exploration expenditures for 2007H2 and 2008, amount to US$18.2m, US$16.9m of which is categorised as operating expenditures and the remainder as capital expenditure. Additional expenditures forecasted for 2009 and 2010Q1 total US$14.7m giving an overall total from 1 July 2007 of US$32.9m (Table 5.2).

5.3.1 Activities

The exploration programme for 2007 (principally focused in H2) and 2008 are detailed in Table 5.1 below and in summary this comprises:

- 31,500m of core drilling (27,000m surface drilling);
- 3,000m of underground development;
- 23km of road development to access drilling sites; and
- 28,500 laboratory samples for assaying.

Furthermore, the majority of the above work is undertaken during the summer season and only a limited portion was completed in 2007H1. The work currently in progress (2007) includes:

- surface mapping, trenching and sampling of regional exploration targets within the Licence Area;
- increasing road access with bulldozers to strike extensions of existing targets and on regional target;
- deployment of additional diamond drilling rigs increasing the number on site to 8;
- a structural mapping programme to confirm the mineralisation controls;
- upgrading of the survey base through ground surveying and remote and satellite based imagery;
- additional geophysical surveys;
- additional metallurgical test work; and
- preliminary mining infrastructure, environmental and financial studies, leading to completion of a scoping study.

The Company is preparing the Prospect Area for winter operations in 2007 and expects to continue exploration and development year round thereafter.

Table 5.1 CGP Exploration Activities

Activity	Units	2007H2	2008	Total
Surface Drilling	**(m)**	**8,900**	**18,100**	**27,000**
– Main Zone	(m)	2,400	8,200	10,600
– Contact Zone	(m)	2,900	4,400	7,300
– T7 Zone	(m)	1,500	1,600	3,100
– Other	(m)	2,100	3,900	6,000
Underground Drilling	**(m)**	**600**	**3,900**	**4,500**
– Main Zone	(m)	600	2,400	3,000
– Contact Zone	(m)	0	1,500	1,500
Total Drilling	**(m)**	**9,500**	**22,000**	**31,500**
– Main Zone	(m)	3,000	10,600	13,600
– Contact Zone	(m)	2,900	5,900	8,800
– T7 Zone	(m)	1,500	1,600	3,100
– Other	(m)	2,100	3,900	6,000
Underground Development	**(m)**	**750**	**2,250**	**3,000**
– Main Zone	(m)	0	2,100	2,100
– Contact Zone	(m)	750	150	900
Road Development	**(m)**	**8,000**	**15,000**	**23,000**
Geology Input	**(mandays)**	**1,840**	**3,360**	**5,200**
Samples	**(No)**	**10,500**	**18,000**	**28,500**

5.3.2 Cashflow

The forecasted exploration expenditures for 2007H2 and 2008 amount to US$18.2m, US$16.9m of which is categorised as operating expenditures and the remainder as capital expenditure. Additional expenditures forecasted for 2009 and 2010Q1 total US$14.7m giving an overall total from 1 July 2007 of US$32.9m (Table 5.2). Of these totals, some US$19.8m is expended on direct geological investigations on site (Table 5.3) with overheads contributing 16.1% of total expenditures in 2007H2 and 2008.

Table 5.2 CGP Exploration Expenditure Programme

Expenditure Item	Units	2007H2	2008	2009	2010	Total
Operating Expenditure	**(US$k)**	**5,511**	**11,436**	**12,117**	**2,434**	**31,498**
– Geology	(US$k)	3,575	7,204	7,376	1,685	19,841
– Bishkek Office	(US$k)	405	955	967	241	2,569
– Project Technical Studies	(US$k)	648	1,232	1,639	0	3,518
– Overheads	(US$k)	883	2,045	2,135	508	5,571
Capital Expenditure	**(US$k)**	**821**	**424**	**132**	**0**	**1,376**
– Bishkek Office	(US$k)	38	44	32	0	114
– Geology – site	(US$k)	721	350	70	0	1,141
– Project Studies	(US$k)	62	30	30	0	122
Total	**(US$k)**	**6,332**	**11,860**	**12,249**	**2,434**	**32,874**

Table 5.3 CGP Exploration Expenditure Programme — geology details

Expenditure Item	Units	2007H2	2008	2009	2010	Total
Geophysical work (IP survey)	(US$k)	30	25	0	0	55
Road	(US$k)	45	70	70	0	186
Drill & Drill related work	(US$k)	1,534	3,198	3,179	820	8,731
Adit	(US$k)	624	1,050	1,190	60	2,924
Dozers (cuts, roads) – Alaurum	(US$k)	191	432	475	209	1,307
Alaurum – winter works	(US$k)	40	120	120	60	340
Equipment	(US$k)	18	85	13	26	141
Labs	(US$k)	170	320	352	59	902
Labour	(US$k)	295	568	608	131	1,602
Camp	(US$k)	47	81	76	14	217
Consultancy Services	(US$k)	165	318	318	85	886
Taxes and Land payments	(US$k)	82	115	135	2	335
Other	(US$k)	3	128	131	55	317
Travel	(US$k)	9	40	40	13	102
Contingency	(US$k)	323	653	668	153	1,797
Total	**(US$k)**	**3,575**	**7,204**	**7,376**	**1,685**	**19,841**

5.4 SRK Comments

The exploration programme as developed by the Company includes three successive phases of work (scoping study, pre-feasibility study, and feasibility study) with each phase culminating in a decision point. Advancing to each subsequent phase is contingent upon positive results in the previous phase.

SRK considers the exploration programme as developed for the 2007H2 and the 2008 seasons to be appropriately defined and warranted given the Mineral Resources delineated to date and the potential in the immediate areas of the defined orebodies and the other targets situated within the immediate prospect area.

Consequently SRK concludes that the character of the property is of sufficient merit to justify the exploration programme for the 2007H2 and 2008 seasons.

In respect of expenditures post this period, SRK considers that addressing the potential issues highlighted in Section 4.9 and 4.10 above is paramount prior to consideration of further exploration and project technical study commitments, unless the outcome of the 2007H2-2008 campaigns warrant continuation.

5.5 Risks and Opportunity Assessment

The principal risks associated with the exploration programmes and associated activities are:

- that neither the extensional or infill drilling identifies significant higher grade zones within the Prospect Area; and
- that the scoping study and/or the pre-feasibility study process identifies a potential fatal flaw in respect of the technical feasibility or economic viability of the CGP.

The principal opportunities associated with the exploration programmes are:

- the opportunity to extend the resource base by drilling below the currently defined Mineral Resource blocks on the 8 mineralised zones on which drilling has focused to date and along strike on some of these;
- the opportunity to obtain bulk samples in 2008 for metallurgical analysis when the C53 and other proposed underground adits intersect the currently delineated mineralised zones;
- the opportunity to extend the drilling programme to new areas, specifically in respect of the Karator Area and the T7 Zone; and
- the opportunity to expand exploration activities external to the currently delineated Prospect Area within the wider Licence Area.

6 RISKS AND OPPORTUNITIES

6.1 Introduction

The following section includes a summary of the principal risks and opportunities as they may relate to the CGP. Both general country and economic risk items are identified in addition to those which are specific to the Exploration Assets.

6.2 General Risks and Opportunities

The Exploration Assets are subject to certain inherent risks, which to some degree apply to all participants of the international precious metals mining industry. These include:

- **Commodity Price Fluctuations:** These may be influenced, inter alia, by demand for gold in industry and jewellery, actual or expected sales by central banks, sales by gold and silver producers in forward transactions and production cost levels for gold in major producing countries. In the three year period from 1 July 2004 through to 30 June 2007 inclusive, the gold price ranged between US$387/oz and US$725/oz yielding an average of US$529/oz;
- **Exchange Rate Fluctuations:** Specifically relative to the strength of the US$, the currency in which commodity prices are generally quoted. In the three year period from 1 July 2004 through to 30 June 2007 inclusive, the exchange rate of the KGS to one US$ ranged between 38.02 and 41.30 yielding an average of 40.11;
- **Inflation Rate Fluctuations:** Specifically related to the macro-economic policies of the individual countries. In the three year period from 1 July 2004 through to 30 June 2007 inclusive, the CPI of the United States expressed as a monthly year to date figure ranged between 1.3% and 4.7% yielding an average of 3.1%. In the three year period form 1 July 2004 through to 30 June 2007 inclusive, the CPI of Kyrgyzstan expressed as a monthly year to date figure ranged between 2.0% and 6.7% yielding an average of 4.8%;

- **Country Risk:** Specific country risk including: political, economic, legal, tax, operational and security risks;
- **Legislative Risk:** Specifically changes to future legislation (tenure, mining activity, labour, occupational health, safety and environmental) within Kyrgyzstan. SRK notes recent considerations for increasing local participation in the global resource sector, specifically the requirement to dispose of a minimum percentage which percentages may or may not be obtained based on prevailing market conditions;
- **Exploration Risk:** Resulting from the elapsed time between discovery of deposits, development of technically feasible and economically viable feasibility studies to bankable standards and the associated uncertainty of outcome;
- **Environmental Risk:** The environmental impact to date is largely limited to activities associated with exploration activities. The Company has informed SRK that to date that it has not incurred any potential liabilities associated with such exploration activities or the impact of any regulatory requirements such as they may exist in relation to conditions stipulated in the Licence and the Licence Agreement. The ultimate development of the CGP will inevitably impart positive aspects on the local economy in respect of employment and the potential for taxation revenues to be used for further social development;
- **Terminal Benefits Liability Risk:** Given the currently low level of labour related expenditures (2006: US$240k) the Company's liabilities associated with terminal benefits are likely to be less than US$60k and are therefore not material; and
- **Development Project Risk:** Specifically technical risks associated with green-field projects for which feasibility studies have not been completed. In this regard, the Company has appointed international and local consultants to undertake various components of the scoping studies and environmental studies underway in 2007H2.

6.3 Asset Specific Risks and Opportunities

6.3.1 Geology

The principal risks associated with the geological interpretation as relied upon herein are:

- the risks associated with geological/structural interpretations based on the current drill spacing in certain areas; and
- the risk that continuous high grade zones of sufficient tonnage are not delineated.

The principal opportunities associated with the geological interpretation as relied upon herein are:

- the opportunity to increase the Mineral Resources both on strike and down dip on the 8 mineralised zones/sub-zones on which drilling has focused to date, specifically given the currently demonstrated presence of mineralisation 400m below surface and the deep epithermal characteristics of the mineralisation;
- the opportunity to advance exploration activity in the Karator Area and the T7 Zone within the Prospect Area;
- the opportunity to delineate further mineral resources through proposed exploration in the Minteke, Kashkasu-Perevalny, Ishakuldy and Tayalmish areas, which to date have only been exposed to preliminary sampling; and
- the opportunity to discover further mineral resources following further exploration in the wider Licence Area.

6.3.2 Mineral Resources

The principal risk associated with the Mineral Resource statements as reported herein is:

- the risk to ensuring "potential economic viability" given:
  - the refractory nature of the ore,

- the necessary application of more complex metallurgical process routes,
- likely impact of higher operating expenditures resulting from underground mining in remote operating conditions, and
- infrastructural constraints given access, transportation, current power and location in mountainous terrain with steep slopes and limited valley floor space.

The principal opportunities associated with the Mineral Resource statements as reported herein are:

- the opportunity to identify higher grade payshoots within the individual orebodies;
- the opportunity to extend the currently defined Mineral Resources by extension drilling down dip and along strike;
- the opportunity to incorporate the low grade halo to partly offset the potential impact of mining dilution;
- the opportunity to add by-product credits from silver and antimony. SRK notes, however, that the grades estimated to date are relatively low for silver (11.5g/t Ag — 0.1g/t Au equivalent), and low for antimony (<0.5%), and that no economically viable process route for its recovery has been identified for antimony; and
- the opportunity to add new Mineral Resources specifically in the Karator Area, the T7 Zone, and areas external to the current Prospect Area within the Licence Area.

6.3.3 Exploration Programme

The principal risks associated with the exploration programmes and associated activities are:

- that neither the extensional or infill drilling identifies continuous higher grade zones within the Prospect Area; and
- that the scoping study and/or pre-feasibility study process identifies a potential fatal flaw in respect of the technical feasibility or economic viability of the CGP.

The principal opportunities associated with the exploration programmes are:

- the opportunity to extend the resource base by drilling below the currently defined Mineral Resource blocks on the 8 mineralised zones on which drilling has focused to date and along strike on some of these;
- the opportunity to obtain bulk samples in 2008 for metallurgical analysis when the C53 and other proposed underground adits intersect the currently delineated mineralised zones;
- the opportunity to extend the drilling programme to new areas, specifically in respect of the Karator Area and the T7 Zone; and
- the opportunity to expand exploration activities external to the currently delineated Prospect Area and the wider Licence Area.

7 CONCLUDING REMARKS

7.1 Introduction

The following section includes a summary of SRK's opinion on the Exploration Assets and the accompanying Mineral Resource statement and the merits of the Exploration Programme as proposed by the Company.

SRK has conducted a comprehensive review and assessment of all material issues likely to influence the future operations of the Exploration Assets. The base data upon which the Mineral Resources and Exploration Programme as stated herein, as provided and taken in good faith by SRK, have been reviewed and adjusted by SRK where considered appropriate.

7.2 Exploration Potential

Mineralisation at the Prospect Area is part of a very extensive hydrothermal system where the depth of the system during mineralisation is probably in excess of 1km. The shear zones vary in thickness from 1m to over 20m.

The gold mineralisation, within the Prospect Area extends is known to extend for 17km from the T7 Zone to the Karator Area and extends beyond this, as indicated by gold soil anomalies, for a further 11km to Tayalmish (northeast) and Kashkasu (west) giving a total strike of 28km. The exploration programme conducted by the Company to date has focused mainly on the 28km by 6km Prospect Area and specifically the 9km of strike represented by the T7 Zone, the Main Zone, the Contact Zone and the western Karator Area. External to the Prospect Area, no substantive exploration has been undertaken by the Company and no evidence of historical exploration has been reported to SRK.

The significant geological potential of the Prospect Area is reflected by the following:

- the strike and dip extent of mineralized zones which have not been closed off by drilling, specifically given the currently demonstrated presence of mineralisation 400m below surface and the deep epithermal characteristics of the mineralisation; and
- the numerous surface gold occurrences extending over a total strike extent of 28km, (only 9km of which supports the current Mineral Resources) specifically some extensive soil anomalies, trenches and doer cuts which warrant further exploration, specifically drilling.

7.3 Mineral Resources

As at 1 July 2007 the Company has JORC Code compliant Mineral Resources containing 1.9Moz of gold contained within 14.1Mt grading 4.1g/t Au. Of this, some 8.1Mt grading 3.9g/t and containing 1.0Moz of gold is classified as an Indicated Mineral Resource and 6.0Mt grading 4.4g.t Au containing 0.8Moz is classified as an Inferred Mineral Resource. Some 75% of the Mineral Resource tonnage and gold content has been estimated by development of a block model and the remaining 25% is supported by a manual estimate.

Potential exists to significantly increase the overall tonnage and to upgrade the currently defined Mineral Resources. SRK notes however that the refractory nature of the mineralisation and the necessity for underground mining will likely require delineation of higher grade ore zones.

7.4 Exploration Strategy and Programme

The Company's longer term objectives include:

- increasing the total resource base to in excess of 4Moz of gold at the end of the 2008 drilling season;
- completing the following technical studies:
  - in 2007H2 a scoping study including environmental base line data collection,
  - in 2008Q4 a multidisciplinary pre-feasibility study including a preliminary Environmental Impact Study demonstrating the technical and economic viability of the CGP to an overall accuracy of 25%,
  - in 2009Q4 a multidisciplinary feasibility study including bulk metallurgical testwork and an Environmental Impact Study demonstrating the technical and economic viability of the CGP to an overall accuracy of 15%; and
- following financing, engineering construction and project management, establishing by 2011Q4 an operating mine based on underground mining, followed by oxidation (POX or BiOX) and CIL or FFG-CIL processing ore at a rate of 1.5Mtpa (4,500tpd).

The forecasted exploration expenditures for 2007H2 and 2008, amount to US$18.2m, US$16.9m of which is categorised as operating expenditures and the remainder as capital expenditure. Additional expenditures forecasted for 2009 and 2010Q1 total US$14.7m giving an overall total from 1 July 2007 of US$32.9m.

The Company has developed a detailed exploration programme for 2007H2 and 2008, that proposed for 2009 and 2010Q1 has not yet developed similar levels of detailed activities and expenditures are forecasted based on factors and the assumption of inherent success of the 2007 and 2008 campaigns. The principal exploration activities planned for 2007H2 and 2008 are as follows:

- direct exploration activities comprising:
  - 31,500m of core drilling (27,000m surface drilling),
  - 3,000m of underground development,
  - 23km of road development to access drilling sites, and
  - 28,500 laboratory samples for assaying; and
- technical studies addressing mining, metallurgical processing and environmental aspects to enable completion of a scoping study.

The exploration programme as developed by the Company includes three successive phases of work (scoping study, pre-feasibility study, and feasibility study), with each phase culminating in a decision point. Advancing to each subsequent phase is contingent upon positive results in the previous phase.

SRK considers the exploration programme as developed for the 2007H2 and the 2008 seasons to be appropriately defined and warranted given the Mineral Resources delineated to date and the potential in the immediate areas of the orebodies defined and the other targets situated within the immediate prospect area.

Consequently SRK concludes that the character of the property is of sufficient merit to justify the exploration programme for the 2007H2 and 2008 seasons.

In respect of expenditures post this period, SRK considers that addressing the potential issues highlighted in Section 4.9 and 4.10 above is paramount prior to consideration of further exploration and project technical study commitments, unless the outcome of the 2007H2-2008 campaigns warrant continuation.

For and behalf of SRK Consulting (UK) Limited

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GLOSSARY OF TERMS

Acid generating potential	a measure of the balance between potentially acid-generating minerals (maximum potential acidity) and acid-neutralizing minerals (neutralization potential) in a sample.
Acid Mine Drainage	drainage with a pH of 2.0 to 4.5 from mines and mine wastes. It results from the oxidation of sulfides exposed during mining, which produces sulfuric acid and sulfate salts. The acid dissolves minerals in the rocks, further degrading the quality of the drainage water.
adit	a horizontal passage driven into a mine from the side of a hill.
Admission	the admission to the Alternative Investment Market, a market operated by the London Stock Exchange plc.
Admission Document	the Admission Document published in connection with the Company's application to the London Stock Exchange.
Aeromagnetic survey	a technique of geophysical exploration of an area using an airborne magnetometer to survey that area.
Affinites	an igneous rock with mineral components that are too fine to be seen by the naked eye.
AIM Rules	the rules for AIM companies, February 2007.
Alaurum	Kyrgyzstan geological consultancy.
Alteration	Any change in the mineralogic composition of a rock brought about by physical or chemical means, esp. by the action of hydrothermal solutions.
Alpine	an orogenic phase in the Tertiary that formed the mountain ranges of the Alpine belt.
Alpine Zone	characteristic or descriptive of the mountainous regions lying between timberline and snowline; said of the climate, flora, relief, ecology, etc. Less strictly, pertaining to high elevations and cold climates.
Andesite	a dark-coloured, fine-grained extrusive rock that, when porphyritic, contains phenocrysts composed primarily of zoned sodic plagioclase (esp. andesine) and one or more of the mafic minerals (e.g., biotite, hornblende, pyroxene), with a groundmass composed generally of the same minerals as the phenocrysts, although the plagioclase may be more sodic, and quartz is generally present; the extrusive equivalent of diorite.
Ankerite	a calcium, iron, magnesium, manganese carbonate mineral resulting from hydrothermal or direct groundwater precipitation. It can also be the result of metamorphic recrystallization of iron-rich sedimentary rocks. It is often found as a gangue mineral associated with gold and a variety of sulfide minerals in ore deposits.

Anomaly	a geological feature, esp. in the subsurface, distinguished by geological, geophysical, or geochemical means, which is different from the general surroundings and is often of potential economic value.
Antech	Antech Laboratory.
Anticline	a fold, generally convex upward, whose core contains the stratigraphically older rocks.
Antimony	metallic antimony is an extremely brittle metal with a flaky, crystalline texture. Symbol, Sb. Sometimes found native, but more frequently as the sulphide, stibnite. Used in semiconductors, batteries, antifriction alloys, type metal, small arms, tracer bullets, cable sheathing, flame-proofing compounds, paints, ceramics, glass, and pottery. Antimony and many of its products are toxic.
Argillaceous	pertaining to, largely composed of, or containing clay-size particles or clay minerals, such as an argillaceous ore in which the gangue is mainly clay; esp. said of a sediment (such as marl) or a sedimentary rock (such as shale) containing an appreciable amount of clay.
Argillite	a compact rock, derived either from mudstone (claystone or siltstone), or shale, that has undergone a somewhat higher degree of induration than mudstone or shale but is less clearly laminated and without its fissility, and that lacks the cleavage distinctive of slate.
Arsenic	a metallic, steel-gray, brittle element. Symbol, As. Found native in realgar and orpiment, and combined with heavy metals. Used in bronzing, pyrotechny, insecticides, and poisons, and as a doping agent in transistors. Gallium arsenide is used as a laser material to convert electricity directly into coherent light. Arsenic and its compounds are poisonous.
Arenite	a general name for sedimentary rocks composed of sand-sized fragments irrespective of composition; e.g., sandstone, graywacke, arkose, and calcarenite.
Arsenopyrite	a monoclinic mineral, pseudo-orthorhombic, prismatic, and metallic silver-white to steel gray; the most common arsenic mineral and principal ore of arsenic; occurs in many sulfide ore deposits, particularly those containing lead, silver, and gold.; arsenical pyrite; white pyrite; white mundic.
Atomic Adsorption Spectrometry	a technique for determining the concentration of a particular metal element in a sample.
Auditors	Grant Thornton UK LLP.
Azimuth	direction of a horizontal line as measured on an imaginary horizontal circle, the horizontal direction reckoned clockwise from the meridian plane of the observer, expressed as the angular distance between the vertical plane passing through the point of observation and the poles of the Earth and the

	vertical plane passing through the observer and the object under observation. In the basic control surveys of the United States, azimuths are measured clockwise from south, a practice not followed in all countries.
Basalt	a general term for dark-colored mafic igneous rocks, commonly extrusive but locally intrusive (e.g., as dikes), composed chiefly of calcic plagioclase and clinopyroxene; the fine-grained equivalent of gabbro. Nepheline, olivine, orthopyroxene, or quartz may be present.
Basement	an underlying complex that behaves as a unit mass and does not deform by folding.
Base Metal	a classification of metals usually considered to be of low value and higher chemical activity when compared with the noble metals (gold, silver, platinum, etc.). This nonspecific term generally refers to the high-volume, low-value metals copper, lead, tin, and zinc.
Basin	a natural depression of strata containing a coalbed or other stratified deposit.
Bedding	the arrangement of a sedimentary rock in beds or layers of varying thickness and character; the general physical and structural character or pattern of the beds and their contacts within a rock mass, such as cross-bedding and graded bedding; a collective term denoting the existence of beds. Also, the structure so produced.
Biological oxidation	a metallurgical processing technique involving the oxidation of sulphide ores using biological media.
Biosphere	all the area occupied or favorable for occupation by living organisms. It includes parts of the lithosphere, hydrosphere, and atmosphere.
Biotite	a common rock-forming mineral in crystalline rocks, either as an original crystal in igneous rocks or as a metamorphic product in gneisses and schists.
Block model	a three dimensional electronic model in which geological characteristics and qualities are housed.
Bulk sample	the taking of large samples, which may consist of large-diameter drill core, the contents of a trench or mine working, or a car or train load of ore material, for metallurgical testing in mine evaluation.
By-product	secondary products of commercial value which are reflected as a credit to the operating expenditures.
Caledonian	a mountain building event recorded in the mountains and hills of northern Scotland, Ireland, England, Wales, and west Norway. This event occurred during the Silurian and Devonian Periods of the Palaeozoic Era, roughly 444Mya to 416Mya.

Cambrian	the oldest of the systems into which the Paleozoic stratified rocks are divided; also, the corresponding oldest period of the Paleozoic era.
Capital Expenditure	expenditures incurred during the process of commencing, expanding or sustaining production.
Canaccord	Canaccord Adams Limited.
Carbonate	one of several minerals containing one central carbon atom with strong covalent bonds to three oxygen atoms and typically having ionic bonds to one or more positive ions.
Carboniferous	a major division of the geologic timescale that extends from the end of the Devonian period, about 359.2Mya (million years ago), to the beginning of the Permian period, about 299.0Mya (ICS 2004).
Cenozoic	an era of geologic time, from the beginning of the Tertiary period to the present. The Cenozoic is considered to have begun about 65Mya.
Chaarat	Chaarat Gold Holdings Ltd, also referred to as the Company.
Chaarat Gold Group	Chaarat Gold Limited and Chaarat K collectively together with the Company.
Chaarat K	Closed Joint Stock Company Chaarat Zaav.
Chalcopyrite	tetragonal mineral, $CuFeS_2$; brass-yellow with bluish tarnish; massive; softer than pyrite; occurs in late magmatic hydrothermal veins and secondary enrichment zones; the most important source of copper; yellow pyrite; yellow copper.
Channel sample	a geological sample gathered by cutting across the true width of the mineralisation.
Chert	a hard, dense, dull to semivitreous, microcrystalline or cryptocrystalline sedimentary rock, consisting dominantly of interlocking crystals of quartz less than about 30 mu m in diameter. The term “flint” is essentially synonymous, although it has been used for the dark variety of chert.
China	People’s Republic of China.
Chlorite	a compound that contains this group, with chlorine in oxidation state +3. Chlorites are also known as salts of chlorous acid.
Cleavage	the property or tendency of a rock to split along secondary, aligned fractures or other closely spaced planes or textures, produced by deformation or metamorphism.
Classical sectional methods	an estimation technique which is often undertaken manually and does not enable point estimates.

Competent Person	a person who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated from time to time. A 'Competent Person' must have a minimum of five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking.
Composite	a single sample generated by the aggregation of many other samples.
Concentrate	the clean product recovered in froth flotation.
Conceptual Study	a technical study which precedes a scoping study and seeks to assess the technical and economic viability of a property at a conceptual level. Often based on unclassified mineral resources.
Conglomerate	a clastic rock composed of particles more than 2mm in diameter and marked by the roundness of its component grains and rock fragments.
Consensus Price Forecast	commodity prices determined by analysis of the average/ range of forecasts by various financial institutions.
Contact Zone	a mineralised zone within the Prospect Area comprising the C40, C46 and C53 sub-zones.
Copper	a reddish metallic element that takes on a bright metallic luster and is malleable, ductile, and a good conductor of heat and electricity. Symbol, Cu. Occasionally occurs native, and is found in many minerals such as cuprite, malachite, azurite, chalcopyrite, and bornite.
Copper porphyries	an igneous rock of any composition that contains conspicuous phenocrysts in a fine-grained groundmass containing copper.
Core	a solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods.
Core drilling	the process of obtaining cylindrical rock samples by means of annular-shaped rock-cutting bits rotated by a borehole-drilling machine.
Cut-off grade	the lowest grade of mineralized material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.
Cyanide leaching	a process for the extraction of gold from finely crushed ores, concentrates, and tailings by means of cyanide of potassium or sodium used in dilute solutions. The gold is dissolved by the solution and subsequently deposited upon metallic zinc or other materials.

Dacite	a fine-grained extrusive rock with the same general composition as andesite, but having a less calcic plagioclase and more quartz; according to many, it is the extrusive equivalent of granodiorite. ancient Roman province of Dacia.
Depreciation	term used to describe any method of attributing the cost of an asset across the useful life of the asset.
Dextral	a fault on which the displacement is such that the side opposite the observer appears displaced to the right.
Devonian	the fourth period, in order of decreasing age, of the periods making up the Paleozoic era. It followed the Silurian period and was succeeded by the Mississippian period. Also, the system of strata deposited at that time. Sometimes called the Age of Fishes.
Diamond drill hole	a drill hole formed by the act or process of drilling boreholes using bits inset with diamonds as the rock-cutting tool. The bits are rotated by various types and sizes of mechanisms motivated by steam, internal-combustion, hydraulic, compressed-air, or electric engines or motors.
Dilution	the contamination of ore with barren or grade bearing wall rock in stoping. The assay of the ore after mining is frequently lower than when sampled in place. Dilution(1) relates to the proportion of waste that is contained in the Run-of-Mine ore delivered to the metallurgical processing plant. Dilution(2) relates to diluting tonnage expressed as a percentage of in-situ ore mined.
Diorite	a group of plutonic rocks intermediate in composition between acidic and basic, characteristically composed of dark-colored amphibole (esp. hornblende), acid plagioclase (oligoclase, andesine), pyroxene, and sometimes a small amount of quartz; also, any rock in that group.
Dip	the angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike and in the vertical plane.
Direct cyanidation	a process of extracting gold and silver as cyanide slimes from their ores by treatment with dilute solutions of potassium cyanide or sodium cyanide. The slimes are subsequently fused and cast into ingots or bullion.
Dome	an uplift or anticlinal structure, either circular or elliptical in outline, in which the rocks dip gently away in all directions.
Dozer cuts	surface exploration through cutting of trenches using a bulldozer, typically in the vicinity of outcrops.
Drill hole	technically, a circular hole drilled by forces applied percussively; loosely and commonly, the name applies to a circular hole drilled in any manner.
Drilling	the operation of making deep holes with a drill for prospecting, exploration, or valuation.

Drill pads	a horizontal surface upon which a surface drill rig is placed.
Dyke	tabular igneous intrusion that cuts across the bedding or foliation of the country rock.
Effective Date	1 July 2007.
Environmental Baseline Study	an analysis of environmental conditions which may involve baseline environmental analyses and data gathered with regard to zoological, botanical, geologic, and economic factors. This data may be utilized for environmental impact statements.
Environmental Impact Assessment	an assessment which is prepared for a regulatory agency with regard to a permit, and is required under the majority of mining codes. The EIA may include but is not limited to the environmental consequences which may arise from the proposed development.
Epithermal	aaid of a hydrothermal mineral deposit formed within about 1km of the Earth's surface and in the temperature range of 50ºC 200ºC, occurring mainly as veins.
Equator Principles	a set of voluntary environmental and social guidelines for ethical project finance. These principles commit banks and other signatories to not finance projects that fail to meet these guidelines.
Exploration	the search for coal, mineral, or ore by (1) geological surveys; (2) geophysical prospecting (may be ground, aerial, or both); (3) boreholes and trial pits; or (4) surface or underground headings, drifts, or tunnels. Exploration aims at locating the presence of economic deposits and establishing their nature, shape, and grade, and the investigation may be divided into (1) preliminary and (2) final.
Exploration Assets	the exploration assets owned by the Company, specifically Licence # Au-174-02.
Exploration Programme	the exploration programme as proposed by the Company commencing 1 July 2007 through Q1 2010 inclusive.
Fault	a fracture or a fracture zone in crustal rocks along which there has been displacement of the two sides relative to one another parallel to the fracture. The displacement may be a few inches or many miles long.
Fault gouge	a layer of hardened clay lining a fault plane, commonly showing grooves and striae indicating the direction of most recent movement.
Fault zone	a fault that is expressed as a zone of numerous small fractures or of breccia or fault gouge. A fault zone may be as wide as hundreds of meters.
Feasibility Study	a technical and economic study which demonstrates the technical and economic viability of a mining project to within

	a range of accuracy of 15% and to an appropriate degree of detail such that a decision for proceeding to the project development stage may be made without substantive revision to either scope or scale.
Felsic	derived from (fe) for feldspar, (l) for lenad or feldspathoid, and (s) for silica, and applied to light-colored rocks containing an abundance of one or all of these constituents. Also applied to the minerals themselves, the chief felsic minerals being quartz, feldspar, feldspathoid, and muscovite.
Fire assay	the assaying of metallic ores, usually gold and silver, by methods requiring a furnace heat; commonly involves the processes of scorification, cupellation, etc.
Flotation	processes of concentration in which levitation in water of particles heavier than water was obtained. Thus, if some particles were retained in an oil layer or at the interface between an oil layer and a water layer, the process was spoken of as bulk-oil flotation; if the particles were retained at a free water surface as a layer one particle deep, the process was skin flotation; and if the particles were retained in a foamy layer several inches thick, the process was froth flotation. Froth flotation is the process that has survived the test of time, and the term flotation is now used universally to describe froth flotation.
Flysch	a term that has been loosely applied to any sediment with most of the lithologic and stratigraphic characteristics of a flysch, such as almost any turbidite.
Fold	a curve or bend of a planar structure such as rock strata, bedding planes, foliation, or cleavage. A fold is usually a product of deformation, although its definition is descriptive and not genetic and may include primary structures.
Free gold	gold uncombined with other substances.
Gabbro	a group of dark-colored, basic intrusive igneous rocks composed principally of basic plagioclase (commonly labradorite or bytownite) and clinopyroxene (augite), with or without olivine and orthopyroxene; also, any member of that group.
Garnet	the silicate minerals almandine, andradite, calderite, goldmanite, grossular, hibshite, katoite, kimzeyite, knorringite, majorite, pyrope, schlorlomite, spessartine, and uvarovite.
Genalysis	Genalysis Laboratories (Australia) Pty Ltd.
Geochemical sampling	the search for economic mineral deposits or petroleum by detection of abnormal concentrations of elements or hydrocarbons in surficial materials or organisms, usually accomplished by instrumental, spot-test, or quickie techniques that may be applied in the field.

Geophysics	branch of physics dealing with the Earth, including its atmosphere and hydrosphere. It includes the use of seismic, gravitational, electrical, thermal, radiometric, and magnetic phenomena to elucidate processes of dynamical geology and physical geography, and makes use of geodesy, geology, seismology, meteorology, oceanography, magnetism, and other Earth sciences in collecting and interpreting Earth data. Geophysical methods have been applied successfully to the identification of underground structures in the Earth and to the search for structures of a particular type, as, for example, those associated with oil-bearing sands.
Gneissic	in a metamorphic rock, commonly gneiss, the coarse, textural lineation or banding of the constituent minerals into alternating silicic and mafic layers.
Gold	an isometric mineral, commonly alloyed with silver or copper, possibly with bismuth, mercury, or the platinum-group metals; metallic yellow; soft and malleable; sp gr, 19.3 if pure; occurs in hydrothermal veins with quartz and various sulfides and alluvial deposits.
Gosgeologoagenstvo	SAGMR.
Goskompriroda	State committee on Environmental Protection.
Grade	the relative quantity or the percentage of ore-mineral or metal content in an orebody.
Grade boundary	a geological boundary determined by the concentration of economic minerals.
Grade Interpolation	estimation of a statistical value from its mathematical or graphical position intermediate in a series of determined points.
Granite	plutonic rock in which quartz constitutes 10% to 50% of the felsic components and in which the alkali feldspar/total feldspar ratio is generally restricted to the range of 65% to 90%.
Granitoid	pertaining to or composed of granite.
Granodiorite	a group of coarse-grained plutonic rocks intermediate in composition between quartz diorite and quartz monzonite, containing quartz, plagioclase (oligoclase or andesine), and potassium feldspar, with biotite, hornblende, or, more rarely, pyroxene, as the mafic components.
Greywacke	a variety of sandstone generally characterized by its hardness, dark color, and poorly-sorted, angular grains of quartz, feldspar, and small rock fragments set in a compact, clay-fine matrix.
Guidance Note	the “Guidance note for Mining, Oil and Gas Companies, March 2006”.

Head grade	the diluted grade of RoM ore as delivered to the processing facility. Normally this may be back calculated by estimation of the total precious metal accounted for (recovered metal + tailings metal).
Hercynian orogeny	a geologic mountain-building event which occurred in Paleozoic times (from 390Mya to 310Mya).
Hornfels	a fine-grained rock composed of a mosaic of equidimensional grains without preferred orientation and typically formed by contact metamorphism.
Host Rock	body of rock serving as a host for other rocks or for mineral deposits; e.g., a pluton containing xenoliths, or any rock in which ore deposits occur. It is a somewhat more specific term than country rock.
Hydrothermal	of or pertaining to hot water, to the action of hot water, or to the products of this action, such as a mineral deposit precipitated from a hot aqueous solution, with or without demonstrable association with igneous processes.
Hyperinflation	a monthly inflation rate of 20% or 30%.
Indicated Mineral Resource	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inferred Mineral Resource	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
infill drilling	the process of secondary drilling to aid further definition of an exploration and/or mining target.
intercept	that portion included between two points in a borehole, as between the point where the hole first encounters a specific rock or mineral body and where the hole enters a different or underlying rock formation.
Interpolation	estimation of a statistical value from its mathematical or graphical position intermediate in a series of determined points.
Intrusive	a mass of igneous rock that, while molten, was forced into or between other rocks.

Iscoclinal fold	a fold whose limbs are parallel.
ISO9001	a family of standards for quality management systems.
JORC Code	The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
Jurassic	the second period of the Mesozoic Era (after the Triassic and before the Cretaceous), thought to have covered the span of time between 190Mya and 135Mya; also, the corresponding system of rocks.
Kalikova & Associates	the legal representatives of the Company in Kyrgyzstan.
Karator Area	a mineralised area within the Prospect Area.
Kazakhstan	Republic of Kazakhstan.
Kriging	in the estimation of mineral resources by geostatistical methods, the use of a weighted, moving-average approach both to account for the estimated values of spatially distributed variables, and also to assess the probable error associated with the estimates.
Kyrgyzstan	Kyrgyz Republic.
Labour Code	the Labour Code of the Kyrgyz Republic, 24 August 2004.
Late Proterozoic	a geological eon representing a period before the first abundant complex life on Earth. The Proterozoic Eon extended from 2,500Mya to 542.0Mya ± 1.0Mya. The Proterozoic is the most recent part of the old informal Precambrian time.
Lava	molten rock expelled by a volcano during an eruption.
Law on Subsoil Use	Law of the Kyrgyz Republic On Subsoil, 2 July 1997.
Leaching	the separation, selective removal, or dissolving-out of soluble constituents from a rock or orebody by the natural action of percolating water.
Lead	a bluish-white metal of bright luster, very soft, highly malleable, ductile, and a poor conductor of electricity; very resistant to corrosion; a cumulative poison. Symbol, Pb. Rarely occurs in native form; chiefly obtained from galena. Lead is used in storage batteries, cable covering.
Leucogranite	the youngest intrusions related to anatexis of continental crust anywhere in the world. Leucogranites are commonly found in deformed metapelitic/metagraywacke sequences that have been thrusted over basements during crustal thickening associated with continental collisions.

Licence	Licence # Au-174-02.
Licence Agreement	Licence Agreement # 5.
Licence Area	the area contained within the boundary points as defined in the Licence.
Limestone	sedimentary rock consisting chiefly (more than 50% by weight or by areal percentages under the microscope) of calcium carbonate, primarily in the form of the mineral calcite, and with or without magnesium carbonate; specif. a carbonate sedimentary rock containing more than 95% calcite and less than 5% dolomite.
Lithology	the character of a rock described in terms of its structure, color, mineral composition, grain size, and arrangement of its component parts.
Lognormal population	the single-tailed probability distribution of any random variable whose logarithm is normally distributed.
London pm fix	the afternoon fixing of precious metals on the London Metal Exchange.
Low angle intercepts	drillhole intercepts which intersect the mineralised zones at low angles to strike and or dip.
Mafic	pertaining to or composed dominantly of the ferromagnesian rock-forming silicates; said of some igneous rocks and their constituent minerals.
Magnetic survey	a geophysical survey technique which measures fluctuations in the earth's magnetic filed.
Main Zone	a mineralised zone within the Prospect Area comprising the M24, M30, M34 and M39 sub-zone.
MapInfo	software enabling the electronic management of geographic information systems.
Marble	a metamorphic rock composed essentially of calcite, dolomite, or a combination of the two, with a fine- to coarse-grained crystalline texture.
Massif	a section of the Earth's crust that is demarcated by faults or flexures.
Mass pull	the quantum of concentrate expressed as a percentage of the total ore processed.
Measured Mineral Resource	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Metallurgical testwork	laboratory testwork undertaken to determine the most appropriate process route for the economic recovery of valuable minerals/metals.
Meta-rhyolites	an igneous, volcanic (extrusive) rock, of felsic (acidic) composition.
Metasediments	a metamorphic rock formed from sedimentary rock.
Mica	a group of phyllosilicate minerals.
Middle Ordovician	the second subdivision of the Ordovician period.
Mineral Resource	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mining Royalty	5.00% of gross sales revenue for gold.
Molasse	an extensive sedimentary formation representing the totality of the molasse facies resulting from the wearing down of elevated mountain ranges during and immediately after the main paroxysmal (diastrophic) phase of an orogeny, and deposited considerably in front of the preceding flysch.
Modifying Factors	the term 'Modifying Factors' is defined to include mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations.
Monzanite	a monoclinic mineral; waxy yellow to brown; an accessory in granites; pegmatites, and placers; a source of thorium and rare earths.
Net Book Value	the net (of historical depreciation) value ascribed to an asset at the end of a financial reporting period.
Newmont	Newmont Mining Corporation.
Nomad	Nominated Advisor, Canaccord Adams Limited.
Ophiolites	sections of the oceanic crust and the subjacent upper mantle that have been uplifted or emplaced to be exposed within continental crustal rocks.
Ordinary Kriging	a regression technique used in geostatistics to approximate or interpolate data.
Ordovician	the second of the six (seven in North America) periods [1] of the Paleozoic era, and covers the time roughly between 490Mya to 440Mya.

Ore	the naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent; e.g., iron ore.; ore mineral.
Orogenic belt	the process by which structures within fold-belt mountainous areas were formed, including thrusting, folding, and faulting in the outer and higher layers, and plastic folding, metamorphism, and plutonism in the inner and deeper layers. Adj: orogenic; orogenetic.
Outcrop	to appear exposed and visible at the Earth's surface; to crop out.
Outlier	an observation that is numerically distant from the rest of the data.
Palaeozoic	the earliest of three geologic eras of the Phanerozoic eon. The Paleozoic spanned from roughly 542Mya to roughly 251Mya.
Paragenesis	the order in which the mineral constituents of a rock are formed.
Payshoot	a portion of a deposit composed of pay ore; generally a dipping band within a more continuous vein.
Permian	a geologic period that extends from about 299.0Mya to 248.0Mya.
Petrography	a general term for the science dealing with the description and systematical classification of rocks, based on observations in the field, on hand specimens, and on thin sections. Petrography is thus wider in its scope than lithology, but more restricted than petrology, which implies interpretation as well as description.
Polymetallic	sulphide deposit rich in copper, zinc, lead, silver, or gold, which forms as a result of hydrothermal activity in the vicinity of mid-ocean spreading centers or tectonically active basins.
Porphory	aaid of the texture of an igneous rock in which larger crystals (phenocrysts) are set in a finer-grained groundmass, which may be crystalline or glassy or both. Also, said of a rock with such texture, or of the mineral forming the phenocrysts.
Potentially economically mineable	a portion of the mineral inventory which can be demonstrated to be mined at a profit and normally determined by application of an appropriate in-situ cut-off grade.
Precipitation	the process of separating mineral constituents from a solution; e.g., by evaporation (such as halite or anhydrite) or by cooling of magma (to form an igneous rock).

Pre-concentration	the concentration of economic minerals (flotation) prior to a secondary processing phase.
Pre-feasibility study	a technical and economic study which demonstrates the technical and economic viability of a mining project to within a range of accuracy of 25% and to an appropriate degree of detail such that a decision for proceeding to the project development stage may be made without substantive revision to either scope or scale.
Pressure oxidation	oxidation of sulphide minerals under high pressure and temperature environment.
Propylitic	the result of low-pressure-temperature alteration around many orebodies.
Prospect Area	the area (28 km by 6 km) which is currently the focus of the CGP located within the Licence Area.
Prospectus Rules	published by the Financial Services Authority from time to time and governed by the United Kingdom Listing Authority.
Proterozoic	an eon before the first abundant complex life on Earth. The Proterozoic Eon extended from 2,500Mya to 542Mya.
Pyrite	an isometric mineral, FeS_2 which occurs in veins, as magmatic segregation, as accessory in igneous rocks, and in metamorphic rocks.
Pyritic	of, pertaining to, resembling, or having the properties of pyrites.
Pyroxene	a group of chiefly magnesium-iron minerals including diopside, hedenbergite, augite, pigeonite, and many other rock-forming minerals.
Quantile to Quantile	points taken at regular intervals from the cumulative distribution function of a random variable.
Quartzite	a hard, metamorphic rock which was originally sandstone.
Radiometric survey	use of portable Geiger-Muller apparatus for field detection of emission count in search for radioactive minerals.
Refractory	ore which is not amenable to economic recovery by direct cyanidation. Also said of an ore from which it is difficult or expensive to recover its valuable constituents.
Richter Magnitude Scale	a single number to quantify the amount of seismic energy released by an earthquake.
Roasting	the operation of heating sulfide ores in air to convert to oxide or sulfate.
Rockmass characterisation	the characterisation of rock in accordance with geotechnical and geomechanical qualities.

Rock sampling	the gathering of specimens of ore or wall rock for appraisal of an orebody. Since the average of many samples may be used, representative sampling is crucial. The term is usually modified to indicate the mode or locality; e.g., hand sampling, mine sampling, and channel sampling.
Rules	the rules and recommendations with which this CPR complies.
Russia	Russian Federation.
Sampling	the gathering of specimens of ore or wall rock for appraisal of an orebody. Since the average of many samples may be used, representative sampling is crucial. The term is usually modified to indicate the mode or locality; e.g., hand sampling, mine sampling, and channel sampling.
Sandstone	a medium-grained clastic sedimentary rock composed of fragments of sand size set in a fine-grained matrix (silt or clay) and more or less firmly united by a cementing material (commonly silica, iron oxide, or calcium carbonate).
Schists	a strongly foliated crystalline rock.
Scoping study	a technical study following a conceptual study which seeks to determine the scale and scope of a mining development.
Scree	broken rock that appears at the bottom of crags, mountain cliffs or valley shoulders, forming a scree slope.
Sedimentary	formed by the deposition of sediment.
Selective mining	a volume of ore which is practically deemed to be mineable selectively and is generally related to the size of loading equipment in open-pits and stope dimensions in underground mines.
Serpentinite	a rock comprised of one or more serpentine minerals.
Shale	a fine-grained detrital sedimentary rock, formed by the consolidation (esp. by compression) of clay, silt, or mud.
Shear zone	a wide zone of distributed shearing in rock.
Silicification	the introduction of, or replacement by, silica, generally resulting in the formation of fine-grained quartz, chalcedony, or opal, which may fill pores and replace existing minerals.
Sill	a concordant sheet of igneous rock lying nearly horizontal.
Siltstone	an indurated silt having the texture and composition of shale but lacking its fine lamination or fissility.
Silurian	a period of the Paleozoic, thought to have covered the span of time between 440Mya and 400Mya.
Silver	a white metallic element that is very ductile and malleable. Symbol, Ag. Occurs native and in ores such as argentite and

	horn silver; lead, lead-zinc, copper, gold, and copper-nickel ores are its principal sources. Used for jewelry, photography, dental alloys, and coinage.
Sinistral	a fault on which the displacement is such that the side opposite the observer appears displaced to the left.
Skarn	an old Swedish mining term for silicate gangue (amphibole, pyroxene, garnet, etc.) of certain iron ore and sulfide deposits of Archean age.
Soil sampling	geochemical exploration technique to target potentially mineralised catchments.
Soviet	pertaining to the former USSR.
Splay	one of a series of divergent small faults at the extremities of a major fault. Splays are typically associated with rifts.
SRK Group	SRK Global Limited.
Stereonets	graphical projection to a sphere onto a plane.
Stockworks	a mineral deposit consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.
Strata	plural of stratum.
Stream sediment sampling	geochemical exploration by use of stream sediments to target potentially mineralised catchments.
Strike	the course or bearing of the outcrop of an inclined bed, vein, or fault plane on a level surface; the direction of a horizontal line perpendicular to the direction of the dip.
Strike-slip fault	a fault in which the net slip is practically in the direction of the fault strike.
Sulfosalts	a group of minerals that form the bulk of the ore minerals, and generally have metals such as Ag, Zn, Ni, etc. occurring with sulphur.
Sulphides	a mineral compound characterized by the linkage of sulphur with a metal or semimetal; e.g., galena, PbS, or pyrite, FeS_2.
Surface drilling	boreholes collared at the surface of the Earth, as opposed to holes collared in mine workings or underwater.
Syenite	a group of plutonic rocks containing alkali feldspar (usually orthoclase, microcline, or perthite), a small amount of plagioclase (less than in “monzonite”), one or more mafic minerals (esp. hornblende), and quartz, if present, only as an accessory; also, any rock in that group; the intrusive equivalent of “trachyte.”.
Syenitic	a group of plutonic rocks containing alkali feldspar.

Tailings Storage Facility	an impoundment used to deposit tailings arising as waste from a metallurgical processing facility.
Tajikistan	Republic of Tajikistan.
Tax Code	Tax Code of the Kyrgyz Republic, 26 June 1996 as amended 7 December 2001.
Theodolite	a precision surveying instrument that is used for measuring angular distances in both vertical and horizontal planes.
Thin section	a rock or mineral slice cut for study by transmitted light with a polarized-light microscope. It may also be polished for study with a reflected-light microscope.
Thrust	a fault with a dip of 45 degrees or less over much of its extent, on which the hanging wall appears to have moved upward relative to the footwall.
Tillite	a consolidated or indurated sedimentary rock formed by lithification of glacial till.
Tonalite	an igneous, plutonic (intrusive) rock, of felsic composition, with phaneritic texture.
Tonalitic	adjective of tonalite.
Top cutting	removing outlying parts of the population data set.
Trenching	In geological exploration, a narrow, shallow ditch cut across a mineral deposit to obtain samples or to observe character.
Triassic	a geologic period that extends from about 251Mya ± 0.4Mya to 199.6Mya ± 0.6Mya.
Tuff	a general term for all consolidated pyroclastic rocks. Not to be confused with tufa. Adj: tuffaceous.
Tungsten	a hard, brittle, white or gray metallic element. Symbol, W. Tungsten and its alloys are used extensively for filaments for electric lamps, electron and television tubes, X-ray targets, and numerous space missile and high-temperature applications.
T7 Zone	a mineralised zone within the Prospect Area.
Unclassified Mineral Resources	mineral resources which cannot be classified in accordance with an internationally recognised reporting code.
Uncomformable	said of strata or stratification exhibiting the relation of unconformity to the older underlying rocks; not succeeding the underlying rocks in immediate order of age or not fitting together with them as parts of a continuous whole.

Underground development	the preparation of a mining property or area so that an orebody can be analyzed and its tonnage and quality estimated. Development is an intermediate stage between exploration and mining.
Unpaved Roads	a road without a bound surface layer (such as asphalt concrete or portland cement concrete).
Variogram	a plot of the variance (one-half the mean squared difference) of paired sample measurements as a function of the distance (and optionally of the direction) between samples.
Variography	the study of variograms.
Vein	an epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheetlike form, often with associated replacement of the host rock; a mineral deposit of this form and origin.
Vendian	Ediacaran Period is the last geological period of the Neoproterozoic Era, just preceding the Cambrian Period of the Paleozoic Era.
Volcanic	characteristic of, pertaining to, situated in or upon, formed in, or derived from volcanoes.
Waste dumps	the area where mine waste or spoil materials are disposed of or piled.
western consortium	Apex and Newmont.
Whole ore roasting	the oxidation of metal sulphide ores by heating in the presence of air to a temperature that allows the oxygen in the air to react with the sulphide to form sulphur dioxide gas and solid metal oxide.
Wireframe	three dimensional solids representing geological/mineralogical domains.
Withholding Tax	an amount withheld by the party making payment to another (payee) and paid to the taxation authorities.
World Bank	group of five international organizations responsible for providing finance and advice to countries for the purposes of economic development and poverty.
Zonal anisotropy	higher variability in the vertical compared to the horizontal.

ABBREVIATIONS

AIM	the Alternative Investment Market
AIME	American Institute of Mining Engineering
ALS	Alex Stewart Assayers Limited
Apex	Apex Silver Mines Limited

AQIS	Australian Quarantine and Inspection Service
ARD	Acid Rock Drainage
BID	Base Information Date, which is 1 July 2007
BiOX	Biological Oxidation
BiOX-CIL	Biological Oxidation and Carbon-in-Leach
BVI	British Virgin Islands
CBio	Chartered Biologist
CEng	Chartered Engineer
CGP	the Chaarat Gold Project
CIL	Carbon-in-leach
CIS	Commonwealth of Independent States
CIT	Corporate Income Tax
CPI	Consumer Price Index
CPR	Competent Persons' Report
CPs	Competent Persons
CSRL	Central Scientific Research Laboratory
E	East
EAEC	Eurasian Economic Community
EIA	Environmental Impact Assessment
FEA	Feasibility
FFG	Flotation-fine grinding
FSA	Financial Services Authority
GDP	Gross Domestic Product
GEMS	Gemcom Mining Software
GNI	Gross National Income
GoK	Government of Kyrgyzstan
H1	first six months of any reporting financial period
H2	last six months of any reporting financial period
ICJ	international courts of justice

ICP	Inductively Coupled Plasma
ID2	Inverse Distance Squared
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IP	Induced Polarisation
LTP	Long Term Price
MAuS IMM	Member of the Australian Institute of Mining and Metallurgy
MBA	Masters of Business Administration
MEES	Ministry of Ecology and Emergency Situations
MEG	Metals Economics Group
MGSZ	Member of the Geological Society of Zimbabwe
MIMMM	Member of the Institute of Mining Metallurgy and Materials
MPC	maximum permissible concentrations
MPL	maximum permissible levels
MSc	Master of Science
N	North
No	Number
NATA	National Association of Testing Authorities, Australia
NKGE	North Kyrgyz Geological Expedition
NTVA	Non time value adjusted
OVOS	Otsenka Vozdeistviya na Okruzhayutchuyu Sredu
PhD	Doctor of Philosophy
POX	Pressure Oxidation
POX-CIL	Pressure Oxidation and Carbon-in-Leach
PPP	Purchase Price Parity
PRD	Production
PRE	Pre-production
PrSciNat	Professional Natural Scientist

Q1	The first quarter (three months) of a financial reporting period
Q2	The second quarter (three months) of a financial reporting period
Q2	The third quarter (three months) of a financial reporting period
Q3	The fourth quarter (three months) of a financial reporting period
RD	Reserve Development
RDI	Resource Development Inc
SAGMR	State Agency of Geology and Mineral Resources, also referred to as "Gosgeologoagenstvo"
SANAS	South African National Accreditation System
SCO	Shanghai Corporation Organisation
SEC	United States Securities and Exchange Commission
SRK	SRK Consulting (UK) Limited
TVA-GPI	Time value adjusted and gold price indexed
UKLA	United Kingdom Listing Authority
USSR	Union of Soviet Socialist Republics
VAT	Value Added Taxation
XRF	X-Ray Fluorescence

UNITS

Eq. koz Au	Equivalent thousand ounces of gold
g/t Au	grammes per metric tonne of gold
g/t Ag	grammes per metric tonne of silver
km	a kilometre
km2	a thousand square metres
kt	a thousand metric tonnes
kV	a thousand volts
m	a metre
m^2	a square metre

m^3	a cubic metre
mm	a millimetre
m/s^2	a metre per second per second (acceleration)
Moz	a million troy ounces
Mt	a million metric tonnes
Mtpa	a million tonnes per annum
Oz	a troy ounce
t	a metric tonne
tpd	a metric tonne per day
US$	a United States dollar
US$bn	a billion United States dollars
US$/capita	a United States dollar per capita
US$/g	a United States dollar per gramme
US$/t	a United States dollar per tonne
US$k	a thousand United States dollar
US$:KGS	the exchange rate between one United States dollar and a Kyrgyz Som
US$:LDU	the exchange rate between one United States dollar and a locally denominated unit (other local currency)
US$m	a million United States dollars
US$/oz	a United States dollar per troy ounce
% As	percentage Arsenic
% Sb	percentage Antimony
°	a degree
°C	a degree centigrade
‘	a minute

PART IV

ACCOUNTANTS' REPORTS AND FINANCIAL INFORMATION ON THE COMPANY AND SUBSIDIARIES

A. Accountants' report and financial information on the Company

Grant Thornton

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

The Directors
Chaarat Gold Holdings Ltd
Palm Grove House
PO Box 438
Road Town, Tortola
British Virgin Islands, VG1110

2 November 2007

Dear Sirs

CHAARAT GOLD HOLDINGS LTD

We report on the financial information on Chaarat Gold Holdings Ltd for the period from incorporation to 31 August 2007 set out on pages 143 and 144. This financial information has been prepared for inclusion in the AIM admission document of Chaarat Gold Holdings Ltd dated 2 November 2007 (the "Admission Document") on the basis of the accounting policies set out in note 6.2 to the financial information.

RESPONSIBILITIES

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

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Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

The Directors of Chaarat Gold Holdings Ltd are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or Canada and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Chaarat Gold Holdings Ltd as at the date stated and of its results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 6.2 to the financial information.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

HISTORICAL FINANCIAL INFORMATION ON CHAARAT GOLD HOLDINGS LTD

1. BASIS OF PREPARATION

Chaarat Gold Holdings Ltd ("the Company") has not yet completed its first accounting period and no statutory financial statements have been prepared, audited or filed since incorporation.

The financial information set out below is based on the transactions of the Company from incorporation on 20 July 2007 to 31 August 2007 and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company intends to adopt a year end of 31 December for financial accounting purposes.

The Directors of the Company are responsible for the historical financial information of Chaarat Gold Holdings Ltd included in this AIM Admission Document.

2. INCOME STATEMENT FOR THE PERIOD 20 JULY 2007 TO 31 AUGUST 2007

As at 31 August 2007, the Company had not carried out any trading activity and had undertaken no transactions other than the issue of Common Shares on incorporation. Therefore, no income statement has been presented as there were no transactions to reflect during the period from incorporation to 31 August 2007.

3. BALANCE SHEET

The Company's balance sheet as at 31 August 2007 consisted of called up share capital not paid of USD 0.01 and share capital of USD 0.01. Given the immaterial nature of these items, no balance sheet has been presented.

4. STATEMENT OF CHANGES IN EQUITY

On incorporation, 1 Ordinary Share of USD 0.01 par value was issued, resulting in shareholders' equity of USD 0.01 on incorporation. No further changes in equity occurred during the period between incorporation and 31 August 2007. As a result, no statement of change in equity has been presented.

5. CASH FLOW STATEMENT

No cash flow statement has been presented, as the Company did not have any cash transactions during the period from incorporation to 31 August 2007.

6. NOTES TO THE FINANCIAL INFORMATION

6.1 Presentation of financial information

Chaarat Gold Holdings Ltd is incorporated under the British Virgin Islands Business Companies Act, 2004 of the British Virgin Islands. The Company was incorporated on 20 July 2007 with one subscriber share in issue. The Company's accounting reference date is 31 December and the first accounts will be made up for the period from incorporation to 31 December 2007.

The principal activity of the Company is to be that of a holding company.

6.2 Accounting policies

Basis of accounting

The historical financial information has been prepared under the historical cost convention and in accordance with IFRS, being the accounting basis that the directors intend to adopt for the preparation of the Company's next set of published annual financial statements.

Significant accounting policies

The accounting policies to be adopted by the Company are the same as those of Chaarat Gold Limited, as set out in note 2 to the Historical Financial Information of Chaarat Gold Limited, which are included as Part B of Part IV of this Admission Document.

6.3. Share Capital

The Company was incorporated on 20 July 2007 with authorised shares of 5,000,000 each with a par value of USD 0.01.

On 3 August 2007, a resolution was filed with the British Virgin Island registry amending the Memorandum of Association of the Company whereby the authorised shares were increased to 500,000,000 each with a par value of USD 0.01. All shares are of the same class and have equal voting and distribution rights.

6.4 Post balance sheet events

On 7 September 2007, the Company entered into a share exchange agreement with the shareholders of Chaarat Gold Limited, a company registered in Guernsey, whereby the Company acquired 190,711 ordinary shares in Chaarat Gold Limited, with Mada Limited, a related party, retaining 1 share in Chaarat Gold Limited. Following this transaction, the Company had 57,213,600 ordinary shares in issue.

Except where otherwise stated, on 16 October 2007, the following options were granted by the Company (directly or indirectly) to the following directors, employees or shareholders:

		No of Options	Exercise price per share (USD)
Mr D Golan	Director	2,400,000	0.9166
Mr A Novak	Director	1,500,000	0.9166
Mr C Palmer-Tomkinson	Director	300,000	0.9166
Mr Y Diner	Manager	900,000	0.9166
Mr S Comline	Director	300,000	1.0633
Mr O Greene (granted on 2 November 2007)	Director	300,000	1.0633
Scarborough Minerals plc	Shareholder	300,000	1.0633

On 16 October 2007 the following options were granted by the Company to the following directors or employees:

		No of Options
Mr T Cross	Director	540,000
Mr M Dorman	Project Manager	1,620,000

The exercise price of the above options is 54 pence per share.

The options issued to Scarborough Minerals plc and Mr M Dorman were granted by the Company in exchange for options previously granted to them by Chaarat Gold Limited.

Grant Thornton

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

The Directors
Chaarat Gold Holdings Ltd
Palm Grove House
PO Box 438
Road Town, Tortola
British Virgin Islands, VG1110

2 November 2007

Dear Sirs

CHAARAT GOLD LIMITED

We report on the financial information on Chaarat Gold Limited for the three periods ended 31 December 2006 set out on pages 147 to 164. This financial information has been prepared for inclusion in the AIM admission document of Chaarat Gold Holdings Ltd dated 2 November 2007 (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information.

RESPONSIBILITIES

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

The Directors of Chaarat Gold Holdings Ltd are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or Canada and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Chaarat Gold Limited as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2 to the financial information.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

HISTORICAL FINANCIAL INFORMATION ON CHAARAT GOLD LIMITED

The historical financial information on Chaarat Gold Limited for the periods ended 31 December 2006, 2005 and 2004 set out below has been prepared solely for the purpose of this Admission Document and does not constitute audited statutory accounts.

Consolidated income statements
For the periods ended 31 December

	Note	2006 USD	2005 USD	2004 USD
Exploration expenses	6	(2,368,383)	(1,304,146)	(290,994)
Administrative expenses	7	(840,844)	(555,494)	(217,472)
Other operating income/(expense)		21,268	(1,609)	(1,229)
Operating loss		(3,187,959)	(1,861,249)	(509,695)
Finance expenses	8	(82,264)	—	—
Finance income	8	131,781	52,365	1,507
Loss for the period		(3,138,442)	(1,808,884)	(508,188)

All amounts relate to continuing activities.

Consolidated balance sheets
At 31 December

	Note	2006 USD	2005 USD	2004 USD
Assets				
Non-current assets				
Property, plant and equipment	9	126,217	63,117	23,325
Other receivables	10	16,308	30,986	25,826
		142,525	94,103	49,151
Current assets				
Cash and cash equivalents	11	846,573	1,059,977	30,597
Other current assets	12	110,178	2,464	192
		956,751	1,062,441	30,789
Total assets		1,099,276	1,156,544	79,940
Liabilities and equity				
Equity attributable to shareholders				
Share capital	13	3,431	3,156	4
Share premium		6,454,707	3,431,063	—
Additional paid in capital		—	—	534,116
Foreign currency reserve		11,801	—	—
Profit and loss reserve		(5,455,514)	(2,317,072)	(508,188)
		1,014,425	1,117,147	25,932
Current liabilities				
Trade payables	14	42,171	2,701	53,206
Other payables	15	42,680	36,696	802
		84,851	39,397	54,008
Total liabilities and equity		1,099,276	1,156,544	79,940

Consolidated statement of changes in equity

	Note	Share capital USD	Share premium USD	Additional paid-in capital USD	Retained losses USD	Translation reserve USD	Total USD
Balance as at 24 February 2004		—	—	—	—	—	—
Loss for the period ended 31 December 2004		—	—	—	(508,188)	—	(508,188)
Total recognised income and expense for the period		—	—	—	(508,188)	—	(508,188)
Issuance of shares	13	4	—	—	—	—	4
Additional paid-in capital	13	—	—	534,116	—	—	534,116
Balance at 31 December 2004		**4**	**—**	**534,116**	**(508,188)**	**—**	**25,932**
Loss for the year ended 31 December 2005		—	—	—	(1,808,884)	—	(1,808,884)
Total recognised income and expense for the year		—	—	—	(1,808,884)	—	(1,808,884)
Issuance of shares	13	3,152	3,529,248	(534,116)	—	—	2,998,284
Share issue costs		—	(98,185)	—	—	—	(98,185)
Balance at 31 December 2005		**3,156**	**3,431,063**	**—**	**(2,317,072)**	**—**	**1,117,147**
Loss for the year ended 31 December 2006		—	—	—	(3,138,442)	—	(3,138,442)
Currency translation		—	—	—	—	11,801	11,801
Total recognised income and expense for the year		—	—	—	(3,138,442)	11,801	(3,126,641)
Issuance of shares		275	3,303,850	—	—	—	3,304,125
Share issue costs		—	(280,206)	—	—	—	(280,206)
Balance at 31 December 2006	13	**3,431**	**6,454,707**	**—**	**(5,455,514)**	**11,801**	**1,014,425**

Consolidated cash flow statements
For the periods ended 31 December

	Note	2006 USD	2005 USD	2004 USD
Operating activities				
Result for the period before and after tax		**(3,138,442)**	**(1,808,884)**	**(508,188)**
Adjustments:				
Depreciation expenses	9	21,486	10,325	3,145
Loss on disposal of property, plant and equipment	3	19,782	—	—
Loan discounting	8	82,264	—	—
Interest income	8	(131,781)	(52,365)	(1,507)
Foreign exchange	3	(7,145)	8,067	(205)
Goodwill written off on acquired subsidiary		—	—	338
(Increase) in accounts receivable		(29,344)	(7,432)	(25,826)
Increase/(decrease) in accounts payable		45,454	(14,611)	53,478
Net cash flow used in operating activities		**(3,137,726)**	**(1,864,900)**	**(478,765)**
Investing activities				
Purchase of property, plant and equipment	9	(123,689)	(58,834)	(26,470)
Proceeds from sale of equipment		26,707	6,762	—
Loans issued	10	(160,000)	—	—
Loans repaid	10	40,000	—	—
Interest received		105,825	52,365	1,507
Net cash used in investing activities		**(111,157)**	**293**	**(24,963)**
Financing activities				
Proceeds from issue of share capital	13	3,304,125	2,998,284	4
Proceeds from additional paid-in capital		—	—	534,116
Issue costs		(280,206)	**(98,185)**	**—**
Net cash from financing activities		**3,023,919**	**2,900,099**	**534,120**
Net change in cash and cash equivalents		**(224,964)**	**1,035,492**	**30,392**
Cash and cash equivalents at beginning of the period		**1,059,977**	**30,597**	**—**
Effect of changes in foreign exchange rates		11,560	(6,112)	205
Cash and cash equivalents at end of the period	11	**846,573**	**1,059,977**	**30,597**

1 General information

The group consists of Chaarat Gold Limited (the "Company"), a company limited by shares, and Closed Joint-Stock Company Chaarat Zaav registered in the Kyrgyz Republic (the "Subsidiary") (collectively the "Group").

The Company was incorporated on 24 February 2004 (registration number 41654) in Guernsey, and acts as a holding company for the Group.

The legal address of the Company is: Suite C3, Hirzel Court, St. Peter Port, Guernsey, Channel Islands, GY1 2NL. The Group's principal place of business is at: Chokmorova Street, 127, 720040, Bishkek, Kyrgyzstan.

On 17 March 2004 the Company acquired the Subsidiary, whose principal activity is the exploration of the Chaarat Licence Area (the "Resource") under a licence for geological exploration (the "Licence") issued by the State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic.

2 Accounting policies

Overall considerations

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

- During the exploration phase of operations, all exploration costs are expensed in the Income Statement as incurred. The *Mining exploration and development costs* accounting policy below provides further detail.
- A valuation allowance of 100% is made against VAT recoverable, in view of the uncertainty of the timing or ultimate recoverability of these amounts. Note 10 provides further detail.
- Depreciation rates detailed below are considered by management to fairly reflect the expected useful lives of the respective asset categories. The *Property, plant and equipment* accounting policy below provides further detail.
- No deferred tax assets are recognised in view of the uncertainty of the timing or ultimate recoverability of such amounts. Note 17 provides further detail.

Basis of preparation

The historical financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union and also in accordance with the Companies (Guernsey) Law 1994. The principal accounting policies adopted in the preparation of the historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The period ended 31 December 2004 covered less than 12 months as it extended from the incorporation date of 24 February 2004 to 31 December 2004. The 2004 period is therefore not fully comparable with the 2005 and 2006 periods, each of which covered a full year.

Measurement convention

The financial statements are prepared on the historical cost basis.

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.

Acquisitions of subsidiaries are dealt with by the purchase method. This involves the recognition at fair value of all identifiable assets and liabilities at acquisition date. On initial recognition, the assets

and liabilities of the subsidiary are included in the balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Cash and cash equivalents

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

Interest

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

Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less any subsequent accumulated depreciation and impairment losses. The historical cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Cost includes professional fees but borrowing costs are not capitalised. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged on each part of an item of property, plant and equipment so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	–	5 years
Office equipment	–	2.5 to 3 years
Machinery and equipment	–	3 years
Motor vehicles	–	5 years
Furniture and facilities	–	3 to 5 years
Leasehold improvements	–	3 years

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishments and improvements expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

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

Impairment testing

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

Leased assets

Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

Share-based employee remuneration

The Company intends to operate equity-settled share-based remuneration plans for remuneration of some of its employees. The Company will award 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. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability or sales growth targets).

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

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.

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 is periodically assessed by management and where it is determined that such expenditures cannot be recovered through successful development of the area of interest or by sale the expenditures are written off to the income statement.

Taxation

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

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to

be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

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.
- "Additional paid in capital" represents capital received for which no shares have been issued during the period. This may be exchanged in future periods for paid-up equity shares.
- "Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Profit and loss reserve" represents retained losses.

Foreign currency

In accordance with International Accounting Standard 21, 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 presentational currency for the historical financial information 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 presentational 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:

	2006	2005	2004
KGS to 1 US dollar (USD)	**38.1238**	**41.3011**	**41.6246**
KGS to 1 UK pound (GBP)	**74.7627**	**71.3229**	**80.2148**

Retirement and other benefit obligations

The Group does not have any pension arrangements other than 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's financial assets comprise cash and cash equivalents and loans and receivables. Financial assets are assigned to the respective categories on initial recognition, depending on the purpose for which they were acquired. This designation is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

The Group's loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at fair value

on initial recognition. After initial recognition they are measured at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value is recognised in profit or loss. The Group's trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial. Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Any instrument that includes a repayment obligation is classified as a liability.

Where the contractual liabilities of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities, and are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any features meeting the definition of a financial liability then such capital is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

3 Operating loss

The operating loss is stated after charging:

	2006 USD	2005 USD	2004 USD
Depreciation of property, plant and equipment	21,486	10,325	3,145
Auditors' remuneration	40,200	46,800	—
Operating lease expenses	6,358	3,793	1,592
Loss on sale of motor vehicles	19,782	1,955	—
Loss/(profit) on foreign exchange	7,145	(8,067)	(205)

4 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the periods, analysed by category, was as follows:

	2006 Number	2005 Number	2004 Number
Management	8	4	5
Construction and maintenance	6	—	—
Research and exploration	18	18	10
Security	1	—	—
Total	33	22	15

The aggregate payroll costs of these persons were as follows:

	2006 USD	2005 USD	2004 USD
Wages and salaries	239,364	138,067	50,853
Social security and other pension costs	1,087	474	299
	240,051	138,541	51,152

The Company employed three Executive Directors during the 2006 period (2005: 3 directors; 2004: 3 directors). The related party consultancy service costs of these key personnel are detailed in notes 6 and 7.

5 Directors' remuneration

During the periods ended 31 December 2006, 2005 and 2004, no directors received any post-employment benefits, other long-term benefits, termination benefits or share-based payments. The costs of directors' services were charged to the Company via various consultancy companies as detailed in notes 6 and 7 rather than as short-term employment costs through payroll. During 2006 a bonus of USD30,000 (2005: nil; 2004: nil) was received by one of the directors indirectly.

6 Exploration expenses

Exploration expenses for the periods ended 31 December 2006, 2005 and 2004 consisted of the following:

	2006 USD	2005 USD	2004 USD
Mine prospecting work	919,134	514,994	76,607
Geological consulting provided by third parties	444,232	435,519	7,125
Staff costs	211,458	119,905	29,353
Drifting works	209,347	—	—
Geological specimen tests	170,213	117,905	42,157
Geological consulting provided by related parties	215,042	57,815	113,205
Working up technical and economic assessment of hydroelectric power station building	52,604	—	—
Fuel expenses	29,477	21,571	6,505
Rent of bulldozer	28,663	13,500	—
Spare parts and supplies	26,832	8,090	1,514
Low value items	6,791	6,901	1,965
Machinery and equipment depreciation expenses	15,283	814	109
Expedition and transport services	10,474	1,268	—
Satellite imaging	10,040	—	5,879
Vehicle repair and maintenance	6,096	1,915	—
Other	12,697	3,949	6,575
	2,368,383	1,304,146	290,994

Mine prospecting work represents drilling and construction services provided by "Alaurum" JSC and "Poisk" LLC in the Kyrgyz Republic.

Geological consulting provided by related parties are set out below.:

	2006 USD	2005 USD	2004 USD
Mr Y. Diner, consulting geologist and shareholder of the Company	74,372	57,815	50,205
Mr A. Novak, a Director of the Company	—	—	63,000
Vetan Investments Limited, an entity controlled by Mr A. Novak and a shareholder of the Company	140,670	—	—
	215,042	57,815	113,205

7 Administrative expenses

General and administrative expenses for the periods ended 31 December 2006, 2005 and 2004 consisted of the following:

	2006 USD	2005 USD	2004 USD
Management and administration by related parties	156,129	216,050	114,800
Management and administration by third parties	60,760	15,120	—
VAT not recoverable	327,188	123,850	—
Legal and registrar	93,350	64,318	44,791
Company start-up administration charges	—	—	16,296
Audit	40,200	46,800	—
Staff costs	28,993	18,636	21,799
Representative expenses	870	13,191	—
Depreciation expenses	6,203	9,511	3,036
Travel and per diem	65,620	8,941	5,643
Bank services	10,578	7,741	3,286
Communication expenses	12,995	7,480	749
Rent expenses	6,358	3,793	1,596
Hospitality expenses	6,441	2,789	1,391
DHL services	5,260	—	—
Accounting services	2,039	2,100	1,403
Stationery and low value item expenses	4,631	764	1,143
Other	13,229	14,410	1,539
	840,844	555,494	217,472

Management and administration services provided by related parties are set out below:

	2006 USD	2005 USD	2004 USD
Mada Consulting Pte Ltd, an entity controlled by Mr D. Golan and a shareholder of the Company	150,000	202,859	114,800
Mr D. Golan, Director and shareholder of the Company	6,129	13,191	—
	156,129	216,050	114,800

The services purchased from Mada Consulting Pte Limited covered:

- Seconding of employees to the Group;
- Services of Alexander Novak, Director of the Company;
- marketing and public relations services;
- treasury services and other financial services;
- administration services.

8 Finance income and expenses

Finance expenses

	Note	2006 USD	2005 USD	2004 USD
Loan discounting at 3.41%	10	82,264	—	—
		82,264	—	—

Finance income

	Note	2006 USD	2005 USD	2004 USD
Interest on cash and cash equivalents		105,825	52,365	1,507
Unwinding of discount on loan	10	25,956	—	—
		131,781	52,365	1,507

9 Property, plant and equipment

	Freehold buildings USD	Machinery and equipment USD	Office equipment USD	Furniture and facilities USD	Motor vehicles USD	Lease improvements USD	Total USD
Cost							
At 24 February 2004	—	—	—	—	—	—	—
Additions	—	643	5,225	602	20,000	—	26,470
At 31 December 2004	—	643	5,225	602	20,000	—	26,470
Additions	—	3,100	5,424	2,227	45,600	528	56,879
Disposals	—	—	—	—	(6,762)	—	(6,762)
At 31 December 2005	—	3,743	10,649	2,829	58,838	528	76,587
Additions	40,834	14,058	9,171	673	58,746	207	123,689
Disposals	—	—	(1,328)	—	(47,723)	—	(49,051)
Exchange differences	1,728	900	782	168	3,399	31	7,008
At 31 December 2006	42,562	18,701	19,274	3,670	73,260	766	158,233
Depreciation							
At 24 February 2004	—	—	—	—	—	—	—
Charge for the year	—	109	919	90	2,027	—	3,145
At 31 December 2004	—	109	919	90	2,027	—	3,145
Charge for the year	—	814	1,887	514	7,077	33	10,325
Disposals	—	—	—	—	—	—	—
At 31 December 2005	—	923	2,806	604	9,104	33	13,470
Charge for the year	2,342	3,675	4,422	854	10,009	184	21,486
Disposals	—	—	(600)	—	(5,840)	—	(6,440)
Exchange differences	380	612	810	61	1,628	9	3,500
At 31 December 2006	2,722	5,210	7,438	1,519	14,901	226	32,016
Net book value							
At 31 December 2006	39,840	13,492	11,836	2,151	58,358	540	126,217
At 31 December 2005	—	2,820	7,843	2,225	49,734	495	63,117
At 31 December 2004	—	534	4,306	512	17,973	—	23,325

During 2006, the Group completed construction, at the Chaarat deposit site, of a pre-fabricated site office, canteen and staff accommodation quarters. The total cost amounted to USD 40,834. Depreciation of the buildings will be accounted for over a five year life.

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

10 Other receivables

Long term receivables

	2006 USD	2005 USD	2004 USD
VAT balance at 31 December	451,038	154,836	25,826
Less valuation allowance	(451,038)	(123,850)	—
VAT recoverable amount	—	30,986	25,826
Long term portion of Alaurum loan	16,308	—	—
Long term receivables	16,308	30,986	25,826

VAT Recoverable

The Group's subsidiary is a registered value added tax payer in the Kyrgyz Republic and therefore has a right to be reimbursed for value added tax paid on purchased goods and services. The Group's management believes that the subsidiary would be able to recover the value added tax through the sale of the antimony by-products of gold and antimony production.

Consequently, the recovery of this asset is dependent on the successful development of the Resource and commercial production. In accordance with the tax code, the Group would only be able to recover that portion of VAT paid which was accumulated only for the purpose of antimony production. The Group's management have provided a full valuation allowance against this asset as at 31 December 2006 (2005: USD 123,850; 2004: nil) due to uncertainty regarding the timing of recovery. After first providing only a partial valuation allowance against the VAT receivable in 2005, the Group's management decided during 2006 that a 100% allowance would be more prudent.

Non-current portion of long term loan

This balance comprises the non-current portion of a non-interest bearing loan of USD 160,000 granted during 2006 to CJSC "Alaurum", a drilling contractor used by the Group. The loan was granted in connection with a drilling contract entered into with "Alaurum" whereby the loan provided working capital for that company. The loan is to be repaid by way of deductions of USD 40,000 per annum from future drilling service invoices submitted by the contractor.

The loan was initially recorded at its fair value, estimated at USD 77,736. This amount reflected the net present value of the future cash flows receivable by the Group using an effective discount rate of 3.41% per annum. A reconciliation of the movements in this loan balance is set out in the following table.

		2006 USD
Loan granted in 2006		160,000
Discounted at 3.41%	8	(82,264)
Initial fair value of loan		77,736
Repaid in year		(40,000)
Discount unwinding	8	25,956
Other		(7,384)
Balance due at 31 December 2006		56,308
Of which:		
recorded as current other asset	12	40,000
recorded as non-current other receivable		16,308

11 Cash and cash equivalents

Cash and cash equivalents at 31 December 2006, 2005 and 2004 consisted of the following:

	2006 USD	2005 USD	2004 USD
Cash at Investec Bank, Guernsey	708,530	1,026,860	—
Cash at Demir Kyrgyz International Bank, Kyrgyz Republic	68,888	21,224	6,703
Cash at Royal Bank, Guernsey	64,930	326	22,020
Cash on hand	4,225	11,567	1,874
	846,573	1,059,977	30,597

12 Other current assets

		2006 USD	2005 USD	2004 USD
Advance payments to sub-contractors		69,238	—	—
Loan to sub-contractor	10	40,000	—	—
Prepayments		940	2,464	192
		110,178	2,464	192

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 future service invoices of the sub-contractors.

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

13 Share Capital and Share Premium Accounts

The share capital of Chaarat Gold 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 Limited.

(a) Authorised share capital

	Number of Shares	Nominal Value £
24 February 2004, upon incorporation – ordinary shares of £1.00 each	10,000	10,000
At 31 December 2004 – ordinary shares of £1.00 each	10,000	10,000
Subdivision of ordinary shares at a ratio of 100:1	990,000	—
At 31 December 2005 and 2006 – ordinary shares of £0.01 each	1,000,000	10,000

(b) Changes in issued share capital and share premium:

	Number of shares	Nominal value USD	Share premium USD	Total USD
Ordinary Shares issued 24 February 2004 – at £1.00 each	2	4	—	4
Balance at 31 December 2004	2	4	—	4
Subdivision into £0.01 shares on 21 February 2005	198	—	—	—
Shares issued at £0.01 each – placing on 22 February 2005	165,273	3,152	3,431,063	**3,434,215**
Balance at 31 December 2005	165,473	3,156	3,431,063	**3,434,219**
Shares issued at £0.01 each – placing on 15 March 2006	9,568	275	3,303,850	**3,304,125**
Share issue costs charged to share premium	—	—	(280,206)	**(280,206)**
Balance at 31 December 2006	175,041	3,431	6,454,707	**6,458,138**

All shares were issued for cash.

As at 31 December 2004, the Company had received 534,116 USD from various parties as payment for shares to be issued by the Company. As the Company intended to issue shares to these parties, these amounts were presented as Additional Paid-In Capital. On 22 February 2005, the Company issued ordinary shares to the contributors of this amount.

14 Trade payables

Trade payables at 31 December 2006, 2005 and 2004 consisted of the following:

	2006 USD	2005 USD	2004 USD
Trade payables	42,171	2,701	53,206

Trade payables at 31 December 2005 represented an amount owed to a related party, Jed (Yehuda) Diner, consulting geologist and shareholder of the Company. Trade payables at 31 December 2004 included amounts owed to two related parties, Mada Consulting Pte Limited (USD 32,450) and Jed Diner (USD 13,930). Trade payables at 31 December 2006 were not owed to related parties.

Amounts owed to related parties were unsecured as at each of 31 December 2006, 2005 and 2004.

15 Other payables

Other current liabilities at 31 December 2006, 2005 and 2004 consisted of the following:

	2006 USD	2005 USD	2004 USD
Accrued audit fee	40,200	25,200	—
Advances received	1,196	11,000	—
Other	1,284	496	802
	42,680	36,696	802

16 Deferred taxation

Due to the uncertainty surrounding taxation regulations and their implementation, as described in taxation note 17, there can be no accurate assessment of deferred tax assets and liabilities. The current legislation permits generally that the losses of the Kyrgyz subsidiary, Chaarat Zaav, can be carried forward and offset against future profits for a period of five years after the losses are incurred. However, the portion of the subsidiary's taxable losses disclosed in note 17 that qualify for carry-forward is subject to sufficient uncertainty such that no calculation of the potential deferred tax asset has been made.

17 Income tax expense

Tax expense relates only to the Company's Kyrgyz subsidiary, Chaarat Zaav, because the Company is not subject to corporate income tax and withholding tax in Guernsey.

The relationship between the expected tax expense based on the standard tax rate for Chaarat Zaav of 10% for the year to 31 December 2006 (2005: 20%; 2004: 20%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2006 USD 000's	2005 USD 000's	2004 USD 000's
Group loss for the year before tax	(3,138)	(1,809)	(508)
Add: The Company's Guernsey result	1,594	814	292
Result of Kyrgyz subsidiary for the year before tax	(1,544)	(995)	(216)
Tax rate	10%	20%	20%
Expected tax loss carried forward	(154)	(199)	(43)
Deferred tax not recognised	154	199	43
Current tax expense, net	—	—	—

Legal entities of the Kyrgyz Republic must individually report taxable income and remit profit taxes thereon to the appropriate authorities. The profit tax rate for legal entities was 20% in 2005 and 2004. Pursuant to the law dated 1 February 2006 the profit rate for legal entities is 10% effective from 1 January 2006.

The Kyrgyz Republic currently has a number of laws related to various taxes imposed. Applicable taxes include value added tax, profit tax, a number of turnover based taxes, and retail sales tax,

together with others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within Government ministries and organisations (for example, Ministry of Finance and its various inspectorates); thus creating uncertainties and conflicts. Tax declarations, together with other legal compliance areas (for example, customs matters) are subject to review and investigation by authorities, who are enabled by law to impose extremely severe 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.

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 tax expense for the years ended 31 December 2006, 2005 or 2004. The Group did not recognise any deferred tax assets or liabilities at 31 December 2006, 2005 or 2004.

18 Related party transactions

Key management personnel

Key management personnel who were remunerated by the Group during the periods ended 31 December 2006, 2005 and 2004 were Mr Dekel Golan and Mr Alexander Novak, who charged for their services via entities under their control, being Mada Consulting Pte Limited and Vetan Investments Limited, respectively.

The third director, Mr Christopher Palmer-Tomkinson did not receive any remuneration for the periods ended 31 December 2006, 2005 or 2004.

The costs charged by Mada Consulting Pte Limited and Vetan Investments Limited are primarily in respect of remuneration for the directors' professional services. The transactions with key management personnel of the Company are included in the income statement, detailed in notes 6 and 7 for the periods ended 31 December 2006, 2005 and 2004.

	2006 USD	2005 USD	2004 USD
Expenses charged:			
Management and administration	156,129	216,050	114,800
Geological consulting	140,670	—	63,000
	296,799	216,050	177,800
Amounts payable at 31 December	—	—	32,450

Transactions with other related parties

Mr Diner, a shareholder of the Company was engaged in material transactions with the Group for the periods ended 31 December 2006, 2005 and 2004.

The costs charged by the Mr Diner are primarily in respect of remuneration for geology services provided to the Group.

	2006 USD	2005 USD	2004 USD
Expenses charged:			
Geological consulting	74,372	57,815	50,205
Amounts payable at 31 December	—	2,701	13,930

19 Commitments and contingencies

Tax issues

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

Current economic environment

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

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

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

Licence agreements

According to a licence agreement dated 20 November 2006 which is an integral part of the Licence for geological exploration of the Resource, valid until 31 December 2008, the Subsidiary is required to invest in the exploration process not less than USD 500,000 annually.

According to a licence agreement dated 22 November 2004 which is the integral part of the Licence for geological exploration of the Resource, the Subsidiary was required to invest not less than USD 250,000 annually in the years ended 31 December 2005 and 2006.

Site restoration liability

According to Kyrgyz legislation and a licence agreement signed between the Subsidiary and State Agency on Minerals, the Subsidiary committed to restore working areas on the deposit. The restoration is only required to be made if the subsidiary ceases its (exploration) operations on the deposit. At 31 December 2006, management did not make an estimate of restoration liability because there was no intention to cease operations and the cost of restoration was deemed immaterial by management.

20 Risk management objectives and policies

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 to are described below.

Cash and cash equivalents

The Group's only significant financial asset is cash at bank. Cash is held either on current or on short-term deposits at floating rates of interest determined by the relevant prevailing base rate. The fair value of cash and cash equivalents at 31 December 2006, 2005 and 2004 did not differ materially from its carrying value.

Foreign currency risk

The Group's foreign currency exposure is not significant and any resulting gains or losses are recognised in the income statement.

Fair value of financial instruments

The fair value of the Group's financial instruments at 31 December 2006, 2005 and 2004 did not differ materially from their carrying values.

The Group does not hold any derivative financial instruments.

Liquidity risk

The Group's policy as regards liquidity is to ensure sufficient cash resources are maintained to meet short-term liabilities.

21 Post balance sheet events

On 21 March 2007, 15,671 new ordinary shares were issued to AIM-listed Scarborough Minerals plc at a price of USD 319 per share. At the same time, two options were issued to Scarborough Minerals plc, each to subscribe for 7,184 ordinary shares at a price of USD 348 per share (the total subscription cost for each option being USD 2.5 million). The options may be exercised no later than 31 August 2007. In the event that one of the two options was exercised but the second was not, Scarborough Minerals plc has an option to subscribe for an additional 6,849 ordinary shares by no later than 31 December 2007 at a price of USD 365 per share (the total subscription cost for the option being USD 2.5 million). The consideration paid by Scarborough Minerals plc for the new ordinary shares and the options was USD 5 million, which was paid to the Company.

Scarborough Minerals plc did not exercise the options by 31 August 2007 and has therefore forfeited the option to subscribe for 6,849 ordinary shares by 31 December 2007.

On 21 March 2007, 1,000 options at a price of USD 319 per share were granted to Scarborough Minerals plc upon its Chairman, Mr. De Crespigny, joining the board of directors of Chaarat Gold Limited. The options were reissued on 16 October 2007 by Chaarat Gold Holdings Ltd following the share exchange.

On 4 June 2007, 5,400 options at a price of the lesser of USD 450 or the listing price less 10% were granted to Mr M Dorman. The options were reissued on 16 October 2007 by Chaarat Gold Holdings Ltd following the share exchange at a price of 54 pence per share.

On 7 September 2007 Chaarat Gold Holdings Ltd, a company incorporated in the British Virgin Islands, acquired 190,711 ordinary shares in Chaarat Gold Limited by way of a 300:1 share exchange, with Mada Limited, a related party, retaining 1 share in Chaarat Gold Limited.

Grant Thornton

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The Directors
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2 November 2007

Dear Sirs

REPORT ON THE INTERIM FINANCIAL INFORMATION OF CHAARAT GOLD LIMITED FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007

INTRODUCTION

We have reviewed the interim financial information of Chaarat Gold Limited for the six months ended 30 June 2007 set out on pages 167 to 170, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of equity, consolidated cash flow and the related notes 1 to 4. This interim financial information has been prepared for inclusion in the AIM admission document of Chaarat Gold Holdings Ltd dated 2 November 2007 (the "Admission Document").

This report is made solely to Chaarat Gold Holdings Ltd in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to Chaarat Gold Holdings Ltd those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, or our statement consenting to its inclusion in this Admission Document.

DIRECTORS' RESPONSIBILITIES

The interim financial information of Chaarat Gold Limited is the responsibility of the directors of Chaarat Gold Holdings Ltd. They are responsible for preparing the interim financial information and ensuring that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the historical financial information of Chaarat Gold Limited, except where any changes, and the reasons for them, are disclosed.

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REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards of Auditing (UK & Ireland) or auditing standards generally accepted in the United States of America or Canada and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

CHAARAT GOLD LIMITED

Interim financial statements for the period ended 30 June 2007

Consolidated income statements

For the periods:

	6 months ended 30 June 2007 (unaudited) USD	6 months ended 30 June 2006 (unaudited) USD	Year ended 31 December 2006 USD
Exploration expenses	(612,627)	(470,658)	(2,368,383)
Administrative expenses	(415,568)	(317,547)	(840,844)
Other operating income/(expense)	858	—	21,268
Operating loss	(1,027,337)	(788,205)	(3,187,959)
Other non-operating income/(expense)	21,578	(71,106)	(82,264)
Finance income	65,809	54,200	131,781
Loss for the period	**(939,950)**	**(805,111)**	**(3,138,442)**

All amounts relate to continuing activities.

Consolidated balance sheets

As at	30 June 2007 (unaudited) USD	30 June 2006 (unaudited) USD	31 December 2006 USD
Assets			
Non-current assets			
Property, plant and equipment	613,683	113,917	126,217
Other receivables	37,886	48,894	16,308
	651,569	162,811	142,525
Current assets			
Cash and cash equivalents	3,756,955	2,917,788	846,573
Other current assets	903,768	384,280	110,178
	4,660,723	3,302,068	956,751
Total assets	**5,312,292**	**3,464,879**	**1,099,276**
Liabilities and equity			
Equity attributable to shareholders			
Share capital	3,739	3,431	3,431
Share premium	11,204,939	6,454,707	6,454,707
Other reserves	258,647	—	—
Foreign currency reserve	12,979	249	11,801
Profit and loss reserve	(6,395,464)	(3,122,183)	(5,455,514)
	5,084,840	3,336,204	1,014,425
Current liabilities			
Trade payables and other payables	227,452	128,675	84,851
Total liabilities and equity	**5,312,292**	**3,464,879**	**1,099,276**

Consolidated statement of changes in equity

	Share capital USD	Share premium USD	Retained losses USD	Other reserves USD	Translation reserve USD	Total USD
Balance as at 1 January 2006	**3,156**	**3,431,063**	**(2,317,072)**	**—**	**—**	**1,117,147**
Issuance of shares, net of issue costs	275	3,023,644	—	—	—	3,023,919
Translation gain	—	—	—		249	249
Loss for the period	—	—	(805,111)	—	—	(805,111)
Balance at 30 June 2006	**3,431**	**6,454,707**	**(3,122,183)**		**249**	**3,336,204**
Translation gain	—	—	—	—	11,552	11,552
Loss for the period	—	—	(2,333,331)	—	—	(2,333,331)
Balance at 31 December 2006	**3,431**	**6,454,707**	**(5,455,514)**	**—**	**11,801**	**1,014,425**
Issuance of shares, net of issue costs	308	4,750,232	—	248,509	—	4,999,049
Share based payments						
Translation loss	—	—	—	—	(1,178)	(1,178)
Loss for the period	—	—	(939,950)	10,138	—	(929,812)
Balance at 30 June 2007	**3,739**	**11,204,939**	**(6,395,464)**	**258,647**	**12,979**	**5,084,840**

Consolidated cash flow statements

For the periods:

	6 months to 30 June 2007 USD	6 months to 30 June 2006 USD	12 months to 31 December 2006 USD
Operating activities			
Result for the period before and after tax	**(939,950)**	**(805,111)**	**(3,138,442)**
Adjustments:			
Depreciation expenses	46,717	8,124	21,486
Loss on disposal of property, plant and equipment	2,091	9,621	19,782
Loan discounting	—	71,106	82,264
Interest income	(65,809)	(56,557)	(131,781)
Share based payments	10,138	—	—
Foreign exchange	1,178	249	(7,145)
(Increase) in accounts receivable	(815,168)	(310,830)	(29,344)
Increase/(decrease) in accounts payable	142,601	89,278	45,454
Net cash flow used in operating activities	**(1,618,202)**	**(994,120)**	**(3,137,726)**
Investing activities			
Purchase of property, plant and equipment	(541,482)	(78,176)	(123,689)
Proceeds from sale of equipment	5,208	9,631	26,707
Loans issued	—	(160,000)	(160,000)
Loans repaid	—	—	40,000
Interest received	65,809	56,557	105,825
Net cash used in investing activities	**(470,465)**	**(171,988)**	**(111,157)**
Financing activities			
Proceeds from issue of share capital	4,999,049	3,204,125	3,304,125
Issue costs	—	(180,206)	(280,206)
Net cash from financing activities	**4,999,049**	**3,023,919**	**3,023,919**
Net change in cash and cash equivalents	**2,910,382**	**1,857,811**	**(224,964)**
Cash and cash equivalents at beginning of the period	**846,573**	**1,059,977**	**1,059,977**
Effect of changes in foreign exchange rates	**—**	**—**	**11,560**
Cash and cash equivalents at end of the period	**3,756,955**	**2,917,788**	**846,573**

1 General information

The information for the 6 month periods ending 30 June 2007 and 30 June 2006 does not constitute statutory accounts.

2 Basis of accounting

This statement has been prepared using the accounting policies and presentation consistent with those applied in the preparation of the accounts of the Company for the year ended 31 December 2006, as set out in the Historical Financial Statements of the Company for the 3 years ended 31 December 2004, 2005 and 2006.

In addition to the policies applied at 31 December 2006, the following new policies have been adopted during 2007:

- *Share based payments*

  No share based payments existed prior to 31 December 2006. All share-based payments granted after 1 January 2007 are recognised in the financial statements in accordance with IFRS 2. 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.

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

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.

3 Share-based payments during the period ended 30 June 2007

The fair value of share-based payments during the period has been assessed by using the Black-Scholes Option Valuation model. The key assumptions utilised in the model's valuation of options granted during the period are:

- Volatility 31.55% — based upon the average volatility of a peer group of companies for a one year period ended 27 March 2007, the date of options grant.
- Risk free rate 5.25% — the US Federal funds target rate at 27 March 2007.
- Dividend rate — assumed to be nil, over the estimated option lives.
- Option term — based upon management's estimate of the likely exercise or expiry of the options.

4 Post balance sheet events

On 7 September 2007 Chaarat Gold Holdings Ltd, a company incorporated in the British Virgin Islands acquired 190,711 ordinary shares in Chaarat Gold Limited by way of a 300:1 share exchange, with Mada Limited, a related party, retaining 1 share in Chaarat Gold Limited.

Except where otherwise stated, on 16 October 2007, the following options were granted by Chaarat Gold Holdings Ltd (the Company's ultimate controlling shareholder) (directly or indirectly) to the following directors, employees or shareholders:

		No of Options	Exercise price per share (USD)
Mr D Golan	Director	2,400,000	0.9166
Mr A Novak	Director	1,500,000	0.9166
Mr C Palmer-Tomkinson	Director	300,000	0.9166
Mr Y Diner	Manager	900,000	0.9166
Mr S Comline	Director	300,000	1.0633
Mr O Greene (granted on 2 November 2007)	Director	300,000	1.0633
Scarborough Minerals plc	Shareholder	300,000	1.0633

On 16 October 2007 the following options were granted by Chaarat Gold Holdings Ltd (the Company's ultimate controlling shareholder) to the following directors or employees:

Number of Options		
Mr T Cross	Director	540,000
Mr M Dorman	Project Manager	1,620,000

The exercise price of the above options is 54 pence per share.

Scarborough Minerals plc did not exercise either of the two options for 7,184 shares each granted on 21 March 2007 by the expiry date, being 31 August 2007. This results in the forfeit of a further option to subscribe for 6,849 ordinary shares due to expire on 31 December 2007.

PART V

ADDITIONAL INFORMATION

1. THE COMPANY

1.1 The Company was incorporated on 20 July 2007 in the BVI under the BVI Business Companies Act, 2004 (as amended) as a limited company with registered number 1420336.

1.2 The registered office of Chaarat Holdings is at Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands, VG1110.

1.3 Chaarat Holdings is the holding company of the Group. It currently has two 100% beneficially owned subsidiary companies, particulars of which are set out below:

Controlled Entity	Shareholder	Country of Incorporation
Chaarat Gold Limited	Chaarat Holdings	Guernsey
Chaarat Zaav CJSC	Chaarat Gold	Kyrgyz Republic

Note: One Share in Chaarat Gold is held by Mada Limited, a related party.

1.4 The telephone number of the Company at its registered office is 001 284 494 2616.

1.5 The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the BCA and the regulations made thereunder.

1.6 The Company has no administrative, management or supervisory bodies other than the Board and the committees constituted and described in paragraph 12 of Part I of this document.

1.7 The auditors of Chaarat Gold and Chaarat K during the period covered by the historical financial information set out in Part IV were Deloitte & Touche LLC (Bishkek) for the periods from 24 February to 31 December 2004 and 1 January 2005 to 31 December 2005. BDO Stoy Hayward LLP were the auditors of Chaarat Gold and Chaarat K for the year ended 31 December 2006. Deloitte & Touche LLC were regulated at the relevant time by the State Agency of Financial Supervision and Reporting under the Government of the Kyrgyz Republic. BDO Stoy Hayward LLP are regulated by the Institute of Chartered Accountants in the UK. The Company intends to appoint auditors during the current financial year.

1.8 The ISIN of the Ordinary Shares is VGG203461055.

2. SHARE CAPITAL AND OPTIONS

2.1 On incorporation, the Company was authorised to issue up to 5,000,000 ordinary shares of US$0.01 par value each comprising of one class of shares.

2.2 On 20 July 2007 the Company issued one Ordinary Share to Mada Limited.

2.3 On 3 August 2007 the directors of the Company passed a resolution pursuant to Clause 6.1 of the Memorandum of Association increasing the number of authorised shares to 500,000,000 shares of US$0.01 par value each.

2.4 On 7 September 2007 the Company entered into the Share Exchange Arrangement with the then existing shareholders of Chaarat Gold. The Share Exchange Arrangement is described in paragraph 7.9 of this Part V. As a result of the Share Exchange Arrangement the Company issued in aggregate 57,213,599 Ordinary Shares to the holders of shares in Chaarat Gold.

2.5 On Admission the Company intends to issue up to 20,500,000 new Ordinary Shares pursuant to the Placing.

2.6 The authorised and issued shares of the Company at the date of this document are as follows:

Authorised Ordinary Shares		Issued and fully paid Ordinary Shares	
Amount US$	**Number**	**Amount US$**	**Number**
5,000,000	500,000,000	572,136	57,213,600

2.7 The authorised and issued shares of the Company immediately following Admission, assuming the Minimum Subscription is raised, will be as follows:

Authorised Ordinary Shares		Issued and fully paid Ordinary Shares	
Amount US$	**Number**	**Amount US$**	**Number**
5,000,000	500,000,000	718,834	71,883,433

2.8 The authorised and issued Ordinary Shares (including the Ordinary Shares to be issued pursuant to the Placing) will rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares following Admission.

2.9 The Ordinary Shares are in registered form and, following Admission, the Ordinary Shares may be held in either certificated or uncertificated form.

2.10 To date, the Company has granted 8,160,000 Options (in aggregate) which can be summarised as follows:

Option No.	Option holder	Number of options	Option period	Option price
1	Mada Limited	2,400,000	Exercisable from the date of Admission up to 16 October 2017	US$0.9166
2	Vetan Investments Limited	1,500,000	Exercisable from the date of Admission up to 16 October 2017	US$0.9166
3	Christopher Palmer-Tomkinson	300,000	Exercisable from the date of Admission up to 16 October 2017	US$0.9166
4	Jed Diner	900,000	Exercisable from the date of Admission up to 16 October 2017	US$0.9166
5	Scarborough Minerals plc	300,000	Exercisable from the date of Admission up to 16 October 2017	US$1.0633
6	Matthew Dorman	1,620,000 in three equal tranches	Tranche 1 (540,000) from 4 June 2008 for a period of 8 years Tranche 2 (540,000) from 4 June 2009 for a period of 8 years Tranche 3 (540,000) from 4 June 2010 for a period of 8 years	£0.54
7	Terence Cross	540,000 in three equal tranches	Tranche 1 (180,000) from 1 July 2008 for a period of 8 years Tranche 2 (180,000) from 1 July 2009 for a period of 8 years Tranche 3 (180,000) from 1 July 2010 for a period of 8 years	£0.54
8	Stuart Comline	300,000	From 16 October 2007 for a period of 8 years	US$1.0633

Option No.	Option holder	Number of options	Option period	Option price
9	Oliver Greene	300,000 in three equal tranches	Tranche 1 (100,000) from 2 November 2008 for a period of 8 years Tranche 2 (100,000) from 2 November 2009 for a period of 8 years Tranche 3 (100,000) from 2 November 2010 for a period of 8 years	US$1.0633

Note:

1. All Options contain a provision giving the Company the right to serve a notice on the grantee deeming exercise of the options if a person obtains control of the Company (provided the price to be paid on exercise is less than the price paid per share by the person obtaining control of the Company (within the meaning given to that term in the City Code)).

2. Options 6, 7 and 9 may be exercised in whole or part if a person obtains control of the Company (within the meaning given to that term in the City Code) or there is a simultaneous change of more than 50% of the board of the Company (other than due to retirement by rotation in accordance with the Company's articles or by law) or the whole of the business and assets of the Company are sold to a third party or any third party acting in concert with another.

3. Options 1 to 4 were granted in lieu of options that were approved by the board of Chaarat Gold for grant over shares in Chaarat Gold in May 2006, but which were not formally granted.

4. Options 1 to 4 are exercisable from the date of Admission.

5. Option 4 is conditional, until 31 March 2008, on Jed Diner continuing to provide services to Chaarat Gold until that date. If Mr Diner ceases to provide such services before that date, the Option shall lapse.

6. Option 5 was granted on 16 October 2007 in exchange for 1000 options to subscribe for shares in Chaarat Gold.

2.11 Save as disclosed in this document:

(a) no share or loan capital of the Company has been issued or is proposed to be issued;

(b) save for the Options details of which are set out in paragraph 2.10 of Part V above, there are currently no outstanding convertible securities, exchangeable securities or securities with options issued;

(c) there are no shares in the Company not representing capital;

(d) there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;

(e) there are no acquisition rights and/or obligations over authorised but unissued share of the Company and the Company has made no undertaking to increase its number of shares;

(f) no person has any preferential or subscription rights for any share capital of the Company; and

(g) no share or loan capital of the Company or any member of the Chaarat Group is under option or agreed conditionally or unconditionally to be put under option.

2.12 The par value of each Ordinary Share is US$0.01.

2.13 The Company has no issued Ordinary Shares that are not fully paid up.

3. MEMORANDUM AND ARTICLES

3.1 The Memorandum contains, amongst other things, provisions relating to the objects of the Company. The object of the Company is to engage in any act or activity that is not prohibited under any law for the time being in force in the BVI, irrespective of corporate benefit. The Memorandum also provides that the Company may by Ordinary Resolution consolidate and divide, cancel or sub-divide the Ordinary Shares. The Company may by Special Resolution reduce its authorised share capital or any capital redemption reserve fund or share premium account or vary rights attaching to the Ordinary Shares. Amendments to the Memorandum or Articles require an Ordinary Resolution or, in the case of any matter requiring a Special Resolution, a Special Resolution.

3.2 ***The Articles of Association***

The rights attaching to the shares, as set out in the Articles (and certain provisions of BVI law), contain, amongst others, the following provisions:

General meeting of Shareholders

A meeting of shareholders may be called by a Director at such times and in such manner and places within or outside the BVI as the director considers necessary or desirable. Additionally, upon the written request of shareholders entitled to exercise 10 per cent. or more of the voting rights in respect of the matter for which the meeting is requested, the Directors shall be obliged to convene a shareholders' meeting.

The Director convening a meeting shall give not less than 7 days' written notice of a shareholders' meeting to (a) those shareholders whose names on the date the notice is given appear as shareholders in the shareholders' register of members and are entitled to vote at the meeting; and (b) the other directors.

A shareholders' meeting held in contravention of the requirement to give notice is valid if shareholders holding at least 90 per cent. of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, their presence at the meeting shall constitute waiver in relation to all the shares which that shareholder holds.

A shareholder may be represented at a shareholders' meeting by a proxy who may speak and vote on behalf of that shareholder.

A shareholders' meeting is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than two (2) persons entitled to vote on the matters to be considered at the meeting. At any separate meeting of any class of shares all the provisions of these Articles as to General Meetings shall *mutatis mutandis* apply but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons personally present and holding or representing, either by proxy or as the duly appointed representative of a corporation which is a shareholder, at least 33.33 per cent of the capital paid up on the issued shares of the class and, at an adjourned meeting, one shareholder holding shares of the class in question or his proxy, and so that any holder of shares of the class in question present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. If the Company has two or more classes of shares, a meeting may be quorate for some purposes and not for others.

If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of a shareholder, shall be dissolved; in any other case it shall stand adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place, and if at the adjourned meeting a quorum is not present within one hour from the time appointed for the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

Voting rights

Subject to any special terms as to voting or to which any shares may have been issued, at a meeting of shareholders, on a show of hands every shareholder who, being an individual, is present in person or, being a corporation is present by a duly authorised representative, has one vote, and on a poll every shareholder has one vote for every share of which he is the holder.

Whilst is it not usual for BVI companies to have Special Resolutions, the Articles provide for Special Resolutions in writing in relation to certain issues such as*, inter alia*, the appointment of a liquidator and resultant division of company property upon voluntary liquidation, and the dis-application of pre-emption rights. The Memorandum also provides for certain Special Resolutions as described in paragraph 3.1 of this Part V of this document.

Dividends

The Company may by a resolution of Directors declare and pay dividends in money, shares, or other property, but dividends shall only be declared and paid if the Directors are satisfied, on

reasonable grounds, that, immediately after the payment of the dividend, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as and when they fall due.

No unpaid dividend, bonus or interest shall bear interest as against the Company.

The Directors may from time to time pay interim dividends to the shareholders if such interim dividends appear to be justified by the profits of the Company, provided always that they are satisfied, on reasonable grounds, that, immediately after the payment of the interim dividend, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as and when they fall due.

Any dividend unclaimed for twelve years after having been declared may be forfeited for the benefit of the Company.

There is, at present, no BVI taxation or withholding tax on dividends declared and paid by a BVI incorporated company.

Reserves

Before recommending any dividend, the Board may set aside out of the profits of the Company (including any premiums received upon the issue of debentures or other securities or rights of the Company) such sums as it thinks proper as a reserve fund or reserve funds which shall at the discretion of the Board be applicable for any purpose for which the profits of the Company may lawfully be applied, and pending such application the Board may employ such sums in the business of the Company or invest the same in such securities (other than the shares of the Company or its holding company) as it may select. The Board may also from time to time carry forward such sums as it may deem expedient in the interests of the Company not to divide.

Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and assets (both present and future), including its uncalled capital and, subject to the BCA, to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party

Issue of shares and pre-emptive rights

There are no provisions in the BCA which are equivalent to sections 89 to 96 of the UK Companies Act, that confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash or otherwise. However, pre-emption rights similar to those rights provided for within sections 89 to 96 of the UK Companies Act have been incorporated into the Articles.

Transfer of Shares

Subject to any limitations in the Memorandum, registered shares in the Company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, but in the absence of such written instrument of transfer the Directors may accept such evidence of a transfer of shares as they consider appropriate. These provisions do not apply to uncertificated shares.

Title to the uncertificated shares of the Company (or any class thereof) may be transferred by means of a relevant system within the meaning of the UK Uncertificated Securities Regulations 2001, and the operator of the relevant system shall act as agent of the Shareholders for the purposes of the transfer of Shares or other securities.

In accordance with the BCA, subject to section 54(5) of the BCA below, the Company shall, on receipt of an instrument of transfer, enter the name of the transferee of the share in the register of Shareholders unless the Directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in the resolution. Section 54(5) of the BCA states that the Directors shall not pass a resolution refusing or delaying the registration of a transfer unless the

BCA or the Memorandum or Articles permit them to do so. Where the Directors pass a resolution refusing or delaying the registration of the transfer for reasons that shall be specified in the resolution, the Company shall, as soon as practicable, send the transferor and the transferee a notice of the refusal or delay in the approved form. The Directors may refuse or delay the registration of a transfer of shares if the transferor has failed to pay an amount due in respect of those shares.

Subject to the foregoing, the Company must, on the application of the transferor or transferee of a registered share in the Company, enter in the share register the name of the transferee of the share save that the registration of the transfers may be suspended and the share register closed at such times and for such periods as the Directors may from time to time determine provided always that such registration shall not be suspended and the share register closed for more than thirty (30) days in any period of twelve months.

The Company shall not be required to treat a transferee of a registered share in the Company as a shareholder of the Company until the transferee's name has been entered in the share register.

Nothing in the Articles precludes the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Return of capital

On a winding up of the Company, the balance of the assets available for distribution, after deduction of any provision to be made under the BCA and subject to any special rights attaching to any class of shares, shall be applied in repaying to the shareholders the amount paid up or credited as paid up on the issue of such shares. Any surplus assets will belong to the holders of any shares then in issue according to the numbers of shares held by them in proportion to the amount paid up or credited as paid up on the issue of such shares.

Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated by a Special Resolution of the holders of the issued shares of that class. To every such separate meeting the provisions of the Articles relating to meetings of the Company shall mutates mutandis apply, but so that the necessary quorum shall be at least on person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

Purchase of shares by a company

The Company may purchase, redeem or otherwise acquire and hold its own shares save that the Company may not purchase, redeem or otherwise acquire its own shares without the consent of the shareholder whose shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the BCA or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the shares without such consent.

Directors

No shareholding qualification is required by a Director.

The Directors may appoint one or more of their number to an executive office.

Disclosure of Interests

With the authority of the Directors, the Company may serve on any shareholder, or any other person appearing to be interested in shares held by that shareholder, or to have been so interested at any time during the three years immediately preceding the date on which the notice is issued, a notice requiring disclosure as contemplated by Section 793 of the English Companies Act 2006 in relation to all or any number of the shares which that shareholder holds or to which that other person is entitled or interested.

Failure by the shareholder to give the Company the requisite information within the prescribed period could, at the discretion of the Board, result in the imposition of sanctions such as

restrictions on, *inter alia*, that shareholder's right to attend or vote at shareholder meetings, receive dividends, and registration of the transfer the shares.

Financial assistance to purchase shares of a company or its holding company

Financial assistance to purchase shares of a company or its holding company is not prohibited by the BCA. Accordingly, so long as the assistance is for a proper purpose, it will be lawful.

Purchase of shares by a company

The Company may purchase, redeem or otherwise acquire and hold its own shares save that the Company may not purchase, redeem or otherwise acquire its own shares without the consent of the shareholder whose shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the BCA or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the shares without such consent.

A subsidiary may hold shares in its parent company.

Protection of minorities

The BCA provides for various remedies to be available to shareholders who alleged that the Company's actions are prejudicial to them, including the right to be able to apply for restraining and compliance orders; derivative actions; personal actions; and representative actions against the Company.

Where a BVI Court considers that it is just and equitable to do so, it may make such order as it thinks fits, including in the case of a shareholder, requiring the Company or any other person to acquire the shareholder's shares; requiring the Company or any other person to pay compensation to the shareholder; regulating the future conduct of the Company's affairs; amending the Memorandum or Articles of the Company; appointing a receiver of the Company; appointing a liquidator of the company under section 159(1) of the Insolvency Act, 2003; directing the rectification of the records of the Company; and setting aside any decision made or action taken by the Company or its directors in breach of the BCA or the Memorandum or Articles.

A majority of the shareholders must approve a proposed merger of the Company, unless the merger is with a wholly owned subsidiary. Shareholders dissenting from a proposed merger are entitled to require the Company to pay the fair value of their shares, in accordance with the procedures and conditions laid down by the BCA.

The BCA provides that shareholders holding 90 per cent of the votes of the outstanding shares entitled to vote or the outstanding shares of each class of shares entitled to vote as a class, have a power to require the Company to redeem the shares held by the remaining shares.

Although the BCA does not prescribe procedures for variation of the rights of different classes of shareholders, the rights of such shareholders are governed by common law. The Memorandum permits variation in class rights with the consent of a Special Resolution of the holders of the class of shares affected.

Management

The Company is managed by its Directors, consisting of not less than 2 Directors, with no maximum number, who each have full authority to bind the Company. Directors are required under the BCA to act honestly and in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill of a reasonably prudent person. As mentioned above, certain actions require prior approval of the shareholders, as a matter of statute. While the Company may provide certain indemnity for its Directors, the BCA precludes the Directors from taking advantage of such indemnities unless they act honestly and in good faith and with a view to the best interests of the Company, and in the case of criminal proceedings, where the Director had no reasonable cause to believe that his conduct was unlawful.

Accounting and auditing requirements

The BCA makes no specific provision for the types of books and records to be maintained. It requires only that a company keep such accounts and records as the Directors of the Company

consider necessary or desirable in order to reflect the financial position of the Company. There is no statutory requirement to audit or file audited annual accounts with any statutory body unless the company is engaged in certain businesses, which require a licence under BVI law from the BVI Financial Services Commission. The Company does not require any such licence.

Inspection of corporate records

Shareholders of the Company may, pursuant to a written request, inspect certain of the company's books and records (specifically the Memorandum and Articles; the register of directors; the register of members; and minutes and resolutions of members and of the classes of members of which the Shareholder is a member) and make copies or take extracts from the documents and records. However, the Directors have power to refuse or limit the request on the grounds that it would be contrary to the Company's interests to allow a shareholder to inspect any document or part of a document. A shareholder who has been refused an inspection may apply to BVI Court for an order to permit the inspection.

The only corporate records generally available for inspection by members of the public are those required to be maintained at the BVI Registry of Corporate Affairs, namely the certificate of incorporation and memorandum and articles of association together with any amendments to these documents, and certain other documents which the Company may optionally elect to file.

A BVI incorporated company may elect to maintain a copy of its share register, register of directors and/or file particulars of any relevant charges (as such term is defined in the BCA) created by it from time to time at the Registry of Corporate Affairs, but this is not a mandatory requirement under the BCA.

Winding up

The BCA and the Insolvency Act 2003 (in the case of insolvency) make provision for both voluntary and compulsory winding up of a company, and for appointment of a liquidator. The shareholders or the Directors may resolve to wind up the company voluntarily. If it is the Directors who resolve to commence the winding up, they must present a liquidation plan for approval by the shareholders, incorporating the matters set out in the BCA.

The company, any member or creditor may petition the court pursuant to the Insolvency Act, for the winding up of the company upon various grounds, amongst others, that it is just and equitable that the company should be wound up or that the company is insolvent within the meaning of that term in the Insolvency Act, 2003. This includes circumstances where the value of a company's liabilities exceeds its assets or the company is unable to pay its debts as they fall due.

Takeover provisions

Whilst there is no City Code or similar regulation of takeover offers applicable in the BVI, the Articles do incorporate certain provisions ("Takeover Provisions") similar to those found in the City Code. In particular they provide that the Board may, at their discretion, direct any person (other than the Depository in its capacity as such):

(a) who acquires, whether by a series of transactions over a period of time or not, interests in shares in the Company which (taken together with interests in shares held or acquired by persons acting in concert with him) carry 20% or more of the voting rights of the Company; or

(b) who, together with persons acting in concert with him, holds interests in shares representing not less than 20% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires an interest in additional Shares which increase his percentage of the voting rights,

to make a general offer for all the ordinary shares in the Company not already held.

Sell out/squeeze out

The Articles include provisions for both "squeeze-out" situations (i.e. where a bidder has a right to buy out minority shareholders) and "sell-out" situations (i.e. where minority shareholders

have a right to be bought out by the bidder). In particular, if the application of the Takeover Provisions contained in the Articles result in:

(a) the offeror (together with persons acting in concert with him) obtaining or holding an interest in shares conferring in aggregate 90 per cent. or more of the voting rights conferred by all the Shares then in issue then the offeror shall be entitled to give a notice (the "Squeeze Out Notice") to all other holders of shares in respect of all the shares then in issue and held by them in respect of which the offer has not yet been accepted. The Squeeze Out Notice shall be made in writing, be at the same price and on the same terms as the offer and be capable of acceptance for a period of not less than 30 days after the date of the Squeeze Out Notice; or

(b) the offeror (together with persons acting in concert with him) obtaining or holding an interest in shares conferring in aggregate 75 per cent. or more of the voting rights conferred by all the shares then in issue then the offeror shall make an offer (the "Sell Out Offer") to all other holders of shares in respect of all the shares then in issue and held by them in respect of which the offer has not yet been accepted. The Sell Out Offer shall be made in writing, be at the same price and on the same terms as the offer and be capable of acceptance for a period of not less than 30 days after the date of the Sell Out Offer. Completion of the sale of Shares pursuant to any acceptances of the Sell Out Offer shall take place on the same date on which Shares are sold under the offer (or, if later, within 7 days of expiry of the period for acceptances of the Sell Out Offer).

4. DIRECTORS' AND OTHER INTERESTS

4.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and the persons connected with them in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and as they are expected to be immediately following Admission (assuming the Minimum Subscription being raised) are as follows:

	As at the date of this document			Immediately following Admission (assuming the Minimum Subscription being raised)		
Shareholder	**Number of Ordinary Shares held directly or indirectly**	**% of issued share capital**	**Number of Options held directly or indirectly**	**Number of Ordinary Shares held directly or indirectly**	**% of issued share capital**	**Number of Options held directly or indirectly**
Dekel Golan[1]	9,470,700	16.55	2,400,000	9,470,700	13.18	2,400,000
Terence Cross	None	None	540,000	None	—	540,000
Alexander Novak[2]	8,960,400	15.66	1,500,000	8,960,400	12.47	1,500,000
Christopher Palmer-Tomkinson[3]	4,135,200	7.23	300,000	4,285,200	5.96	300,000
Stuart Comline[4]	None	None	300,000	125,000	0.17	300,000
Oliver Greene	None	None	300,000	None	None	300,000

Note:

1. Dekel Golan's interests are held through Mada Limited, a company which Dekel Golan owns with his wife equally.

2. Alexander Novak's interests are held through Vetan, a company wholly owned by Mr Novak.

3. Christopher Palmer-Tomkinson's interests in 3,200,100 Shares are held through Chase Nominees Limited and in 150,000 Placing Shares through another nominee. Christopher Palmer-Tomkinson's wife holds interests in 935,100 Shares also through Chase Nominees Limited.

4 A trust related to Stuart Comline indirectly holds the interest of 125,000 Shares.

4.2 Save as disclosed above, none of the Directors nor any member of their respective immediate families nor any persons connected with the Directors has any interest, whether beneficial or non-beneficial, in any share capital of the Company or Options, or in any other financial product (including a contract for difference or a fixed odds bet) whose value is determined by reference to the price of the Ordinary Shares.

4.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

4.4 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.

4.5 Save as disclosed in paragraphs 5 and 10 of this Part V, the Nominated Adviser and Broker Agreement, Placing Agreement, Lock-In Deeds and Share Exchange Arrangement (as described in paragraphs 7.2, 7.3 and 7.5 and 7.9 of this Part V of this document), there are no contracts, existing or proposed, between any Director and the Company.

4.6 In addition to the directorships in the Company, the Directors hold or have held the following directorships in companies incorporated in England and Wales (unless otherwise stated) within the five years immediately prior to the date of this document:

Name	Current Directorships	Past Directorships
Dekel Golan	Mada (Nurit) Management & Holdings Limited (registered in Israel) Kyrex Limited (registered in Guernsey) Photocure (Israel) Ltd. (registered in Israel) Chaarat Gold Limited (registered in Guernsey) Adante Limited (registered in Israel) Nichsey Mishpahat Golan Ltd (registered in Israel)	African Plantations Corporation (registered in the Cayman Islands) Baobab Limited (registered in the Cayman Islands) Makandi Estates Limited (registered in England and Wales) Makandi Tea and Coffee Estates Ltd (registered in Malawi) Streamcourse Limited (registered in Mauritius) African Highland Limited (registered in Mauritius)
Terence Cross	Chaarat Gold Limited (registered in Guernsey)	None
Alexander Novak	Chaarat Zaav CJSC (registered in the Kyrgyz Republic) Kyrex Limited (registered in Guernsey) Chaarat Gold Limited (registered in Guernsey) Vetan Investments Limited (registered in Nevis) Caesar LLC (registered in Kyrgyz Republic)	Gilan Limited (registered in Nevis) Kichi Chaarat JSC (registered in Kyrgyz Republic)
Christopher Palmer-Tomkinson	Kyrex Limited (registered in Guernsey) Highland Gold Mining Limited (registered in Jersey) Chaarat Gold Limited (registered in Guernsey) Goodenough College (registered in England and Wales)	North Australia Pastoral Company Pty Limited (registered in Australia) Blue Sun Holdings (SL) Limited (registered in Sierra Leone) Electric & General Investment Trust Plc (registered in England and Wales) JP Morgan Cazenove Service Company (registered in England and Wales)

Name	Current Directorships	Past Directorships
Stuart Comline	Talon Metals Corporation (registered in British Virgin Islands) Chaarat Gold Limited (registered in Guernsey)	AfriOre Limited (registered in the British Virgin Islands) AfriOre International (Barbados) Limited (registered in Barbados) Kwagga Gold (Barbados) Limited (registered in Barbados) AfriOre Exploration (Nambia) (Pty) Limited (registered in Namibia) AfriOre Botswana (Pty) Limited (registered in Botswana) AfriOre (Congo) Societe Anonyme (registered in Republic of Congo) AfriOre Precious Metals Holding Inc (APMH) (registered in British Virgin Islands) Metals Technology Inc (registered in British Virgin Islands) AfriOre (Pty) Limited (registered in South Africa) Burchell Gold (Pty) Limited (registered in South Africa) Kwagga Gold (Pty) Limited (registered in South Africa) Purity Investment Co (Pty) Limited (registered in South Africa) Marine Sands Development (Pty) Limited (registered in South Africa)
Oliver Greene	Graham Greene Productions Limited (registered in England) Bank Pekao S.A. (registered in Poland)* Korado A.S. (registered in Czech Republic)*	Banca Comerciala Romana S.A. (registered in Romania)

*Mr Greene is a member of the supervisory board of each of these companies.

4.7 Save as disclosed above none of the Directors has:

- any unspent convictions in relation to indictable offences;
- had any bankruptcy order made against him or entered into any voluntary arrangements;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

- been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or
- been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of a company.

4.9 Save as disclosed in this document, no Director has or has had, any director interest in any:

(a) transaction which is or was unusual in its nature or conditions significant to the business of the Group taken as a whole and which has been effected by the Company or its subsidiary in the current or immediately preceding financial period or was effected during any earlier financial period or was effected during any earlier financial period and remains in any respect outstanding or unperformed;

(b) asset which has been acquired or disposed, or leased to, any member of the Group or which is proposed to be so acquired, disposed of, or leased; or

(c) contract or arrangement existing at the date of this document which is significant to the business of the Group.

5. DIRECTORS' AND KEY MANAGEMENT'S SERVICE AGREEMENTS AND REMUNERATION

A summary of the terms of appointment for or in respect of each Director and member of the Group's key management is set out at paragraphs 5.1 to 5.6 below.

The following table summarises the annual gross remuneration payable to or in respect of each Director and member of the Group's key management or their related Service Providers:

Director/key management	Annual gross Remuneration[1, 6]	Commencement of period of office with the Group (with the Company)	Date of Expiration of term of office
Dekel Golan (amount paid to third parties)[2]	£156,000	24 February 2004 (20 July 2007)	termination subject to 12 months' notice
Alexander Novak (amount paid to third parties) [3]	£102,000	5 April 2004 (7 September 2007)	termination subject to 12 months' notice
Terence Cross[4]	£127,680	18 July 2007 (20 July 2007)	termination subject to 6 months' notice
Christopher Palmer-Tomkinson[6]	£10,000	25 February 2005 (7 September 2007)	termination subject to 6 months' notice
Stuart Comline[6]	£10,000	18 July 2007 (7 September 2007)	termination subject to 3 months' notice
Oliver Greene[6]	£13,000	2 November 2007 (2 November 2007)	termination subject to 3 months' notice
Matthew Dorman[5]	€300,000	n/a	3 year fixed term (extension on terms to be agreed) – 6 months' notice
Jed Diner	US$700 per day or pro rata in respect of any part day	n/a	termination subject to 3 months' notice

Notes:

1. In each case exclusive of payment of reasonable expenses and costs.
2. Payable to Mada Consulting Pte Limited – see paragraph 5.1 of Part V. Mr Golan is the sole shareholder of CAS which receives fees under the CAS Service Agreement on a cost plus basis allowing for a 8% uplift – see paragraph 5.2(c) of Part V.
3. Payable to Vetan Investments Limited – see paragraph 5.3 of Part V.
4. The annual remuneration is divided as set out in paragraph 5.2 of Part V.
5. The annual remuneration is divided as set out in paragraph 5.5 of Part V.
6. Each non-executive Director shall also receive £1,500 for each Board meeting attended in person and £750 for each Board meeting attended by telephone.

5.1 *Dekel Golan*

(a) *Service Agreement between the Company and Mada dated 16 October 2007*

On 16 October 2007, the Company entered into an agreement for services with Mada. The agreement provides for Mada to second the services of Dekel Golan (or such other employees as agreed between the parties) to the Company and/or to any Group Company. The obligations owed by each of the seconded employees to the Company are set out in a schedule to the agreement. This confirms how the services should be performed, each party's duty of confidentiality and that Company property should be returned upon request.

In summary, the agreement provides for:

(i) termination on 12 months' notice (subject to Admission occurring) by either party. Early termination provisions are also included which allow for termination where: a material breach is committed and not remedied within 14 days; on bankruptcy and/or voluntary arrangements; on disposal of whole or a substantial part of the assets; and/or on the ceasing or threatening to cease of all or a substantial part of the business. In addition, termination of the agreement may occur on default by any of the seconded employees and in certain other circumstances connected with the performance of the seconded employees' services;

(ii) an annual fee of £156,000 payable monthly in arrears; and

(iii) payment of reasonable expenses.

On the same date, pursuant to this agreement, Mr Golan entered into a letter of appointment of directorship with the Company in respect of his directorship with the Company and the Group. This letter of appointment provides that the director will carry out such duties as are consistent with his position of an officer, including attending Board meetings and other meetings of the directors of the Board. The directorship is terminable on 12 months' notice (subject to Admission occurring) and summary notice can be given in certain circumstances. The letter of appointment contains provisions relating to confidentiality, data protection and intellectual property rights. It does not contain any post termination provisions and no fees are payable under its terms.

(b) *Option Agreement between the Company and Mada Limited dated 16 October 2007*

Chaarat Holdings granted on 16 October 2007 an Option to Mada Limited to subscribe for up to 2,400,000 Ordinary Shares at a price of US$0.9166 per Ordinary Share. This Option was granted in lieu of an option that was approved by the board of Chaarat Gold for grant over shares in Chaarat Gold in May 2006, but which was not formally granted.

The Option is exercisable from the date of Admission until the tenth anniversary of the date of grant of the Option.

Further, in certain circumstances prior to a person or entity (whether acting alone or in concert, within the meaning given to that expression in the City Code) obtaining Control of Chaarat Holdings, the directors of Chaarat Holdings may serve notice on Mada Limited that all outstanding Options shall be deemed to have been exercised immediately before the acquisition of Control and the Ordinary Shares issued upon exercise of the Options (the "Option Shares") shall form part of the Shares acquired by such person or entity and Chaarat Holdings shall account to Mada Limited for an amount equal to the proceeds of sale of the Option Shares.

Mada Limited's Option may be assigned to an affiliate in which Mada Limited owns more than 50% of the shares, subject to Mada Limited continuing to comply with its obligations under the option agreement, and such assignee agreeing to be bound by the terms of the option agreement.

5.2 *Terence Cross*

Terence Cross has entered into split employment contracts with the Company and CAS. CAS has entered into an agreement for services with the Company. These agreements are summarised as follows:

(a) *Service Agreement between the Company and Terence Cross dated 16 October 2007*

Mr Cross is appointed as the Company's Financial Director and his appointment commenced on 2 July 2007. His services are limited to attending Board meetings and other committee meetings

as directed by the Board from time to time and all such services are performed from outside of the UK. He receives an annual salary of £20,000 and can direct that all or part of this payment be paid into his self invested personal pension ("SIPP"). Where his appointment is terminated on a change of control of the Company he is entitled to receive a termination payment of £60,000. The agreement may be terminated by either party giving to the other not less than 6 months' notice. The agreement also includes termination provisions allowing for summary termination in certain circumstances.

Mr Cross is bound by confidentiality obligations which extend for a period of three years from the date of termination of his employment. He is also subject to certain post termination restrictions for a period of 12 months from the date of termination.

(b) *Service Agreement between CAS and Terence Cross dated 16 October 2007*

Mr Cross is employed as Commercial Director of CAS and his employment commenced on a part time basis on 2 July 2007 (the "Part Time Commencement Date") increasing to full time on 1 August 2007 (the "Full Time Commencement Date"). His services are to be performed from the UK. He receives an annual salary of £40,000 together with an annual payment of £67,680 which is paid by CAS into his SIPP. During the period between the Part Time Commencement Date and the Full Time Commencement Date, Terence Cross' salary and contributions to the SIPP shall be made on a pro-rata basis, according to the number of days in any calendar month on which he performs duties. The agreement may be terminated by either party giving to the other not less than 6 months' notice. The agreement also includes provisions allowing for summary termination in certain circumstances.

Terence Cross is bound by confidentiality obligations, which extend for a period of three years from termination of his employment. He is also subject to certain post termination restrictions for a period of 12 months from the date of termination.

(c) *Agreement for Services between CAS and the Company dated 16 October 2007*

CAS entered into an agreement for services with the Company pursuant to which CAS provides to the Company the general financial and commercial services performed by Terence Cross (or such other person as is agreed) with a commencement date of 2 July 2007. The fees payable are calculated on a cost plus basis allowing for an 8% uplift. Either party can terminate the agreement on six months notice subject to Admission occurring. The agreement also provides for summary termination in certain circumstances and/or on default of the personnel performing the services. Where the agreement for services is terminated for any reason, the agreements between Terence Cross and CAS and the Company (summarised above) may be terminated forthwith.

(d) *Option Agreement between the Company and Terence Cross*

On 16 October 2007, Chaarat Holdings and Terence Cross entered into an agreement pursuant to which Chaarat Holdings granted to Terence Cross 540,000 Options, each of which entitles Mr Cross to subscribe for one Ordinary Share on and subject to the terms of the agreement, as summarised below:

(i) The first 180,000 Options may be exercised from 1 July 2008. The next 180,000 Options may be exercised from 1 July 2009. The last 180,000 Options may be exercised from 1 July 2010. No Option may be exercised following the eighth anniversary of the date on which the relevant Option became exercisable.

(ii) Notwithstanding (i) above, all of the Options may be exercised, if, other than in connection with Admission or any subsequent listing on the Toronto Stock Exchange or any other Recognised Stock Exchange (as defined in section 290 of FSMA), a person or entity obtains Control of Chaarat Holdings (whether acting alone or in concert, within the meaning given to that expression in the City Code) or if there is a simultaneous change of greater than 50% in the Board (other than where this occurs due to retirement of directors by rotation) or if the whole or substantially the whole of the business and assets of Chaarat Holdings are sold to a third party (or to third parties acting in concert), for a period of one year following such event.

(iii) Further, in certain circumstances prior to a person or entity obtaining Control of Chaarat Holdings, the directors of Chaarat Holdings may serve notice on Mr Cross that

all outstanding Options shall be deemed to have been exercised immediately before the acquisition of Control and the Ordinary Shares issued upon exercise of the Options (the "Option Shares") shall form part of the Shares acquired by such person or entity and Chaarat Holdings shall account to Mr Cross for an amount equal to the proceeds of sale of the Option Shares.

(iv) An Option may not be exercised at any time when to do so would cause either Mr Cross or Chaarat Holdings to contravene any AIM Rules. Should Mr Cross cease to be an employee of any Group Company (as defined in the option agreement), the Options shall remain exercisable in respect of those shares over which they were exercisable before the date of termination of Terence Cross' employment and shall lapse in respect of those shares over which they were not exercisable at that date, save that:

(aa) where Mr Cross' employment is terminated due to his death, injury, disability, redundancy or retirement, the Options shall remain exercisable in full, according to the terms of the option agreement; and

(bb) where Mr Cross' employment is terminated by reason of his:

(A) having committed any fundamental breach or repeated or continued (after warning) any material breach of his obligations to any Group Company; or

(B) having been guilty of conduct calculated or likely or tending to bring himself or any Group Company into disrepute or otherwise prejudicially to affect the interests of any Group Company; or

(C) being disqualified from being a director; or

(D) being convicted of any arrestable criminal offence, other than an offence under the Road Traffic legislation in respect of which a non-custodial sentence or penalty is imposed,

the Options shall lapse in respect of all Option Shares over which the Options have not been exercised; and

(cc) where Mr Cross' employment is terminated (other than for the reasons set out at (bb) above) in the period of six months following the events set out at (d)(ii) above, (except where the whole or substantially the whole of the business and assets of Chaarat Holdings are sold to a third party (or to third parties acting in concert), in which case the Options shall remain exercisable in full for the period of one year from the date of such event, following which period they shall lapse.

(v) The price payable for an Option Share shall be the lesser of US$1.50 or 90% of the price per Ordinary Share Upon Admission.

(vi) Mr Cross' Options may be assigned to and exercised by his personal representatives for a period of one year following his death (following which they shall lapse).

Mr Cross' Options may also be assigned to a family member or to an affiliate in which Mr Cross owns more than 50% of the shares, subject to Terence Cross continuing to comply with his obligations under the option agreement, and such assignee agreeing to be bound by the terms of the option agreement.

5.3 *Alexander Novak*

(a) *Service Agreement between the Company and Vetan dated 16 October 2007*

On 16 October 2007, the Company entered into an agreement for services with Vetan. The agreement provides for Vetan to second the services of Alexander Novak (or such other employees as agreed between the parties) to the Company and any Group Companies. The terms of the agreement for services are materially identical terms to the terms of the agreement between the Company and Mada (summarised at paragraph 5.1(b) of this Part V), save and except that an annual fee of £102,000 is payable and the agreement does not specify the nature

of the services to be provided. The obligations owed by any seconded employees are attached as a Schedule to the agreement, as is the form of the letter of appointment of directorship agreement entered into between Alexander Novak and the Company dated 16 October; the terms are identical to those which apply in the case of Dekel Golan (summarised at paragraph 5.1 of this Part V).

(b) *Option Agreement between the Company and Vetan dated 16 October 2007*

Vetan has also entered into an option agreement with the Company dated 16 October 2007 on materially the same terms as the option agreement between the Company and Mada (summarised at paragraph 5.1 of this Part V). Details of the number of Options granted to Vetan, the option period and the option exercise price are contained in the table in paragraph 2.10 of this Part V.

5.4 *Non-executive Directors*

(a) *Service arrangements*

On 16 October 2007 the Company appointed Christopher Palmer-Tomkinson, Stuart Comline and on 2 November 2007 the Company appointed Oliver Greene as non-executive directors. Their letters of appointment are similar except in relation to notice periods and, in the case of Mr Greene, remuneration. They provide for annual fees of £10,000 for Mr Palmer-Tomkinson and Mr Comline and £13,000 for Mr Greene (reflecting additional fees of £3,000 per annum for chairing the audit committee) plus £1,500 per Board meeting attended in person or £750 per Board meeting attended by telephone. The appointments may be terminated on not less than 3 months' notice in the case of Mr Comline and not less than 6 months' notice (subject to Admission occurring and otherwise on not less than 3 months' notice) in the case of Mr Palmer-Tomkinson and allow for summary termination in certain circumstances. The agreements also provide for the provision of directors' and officers' liability insurance to be made available to the Directors.

(b) *Option arrangements*

Messrs Stuart Comline (on 16 October 2007) and Oliver Greene (on 2 November 2007) have also entered into option agreements with the Company on materially the same terms as the option agreement between the Company and Mr Terence Cross (summarised at paragraph 5.2(d) of this Part V) save that Mr Comline's options are fully exercisable from the date of his option agreement and may also be assigned to a trust in which Mr Comline is a settlor. As Mr Comline's options are exercisable from the date of his option agreement, the provisions as to exercise of options set out at paragraph 5.2 (d) (ii) above are not appliable to Mr Comline's options, although the provisions as to exercise and lapse of options set out at 5.2 (d) (iv) (cc) are appliable to Mr Comline's options. Mr Palmer-Tomkinson has entered into an option agreement with the Company dated 16 October 2007 on materially the same terms as the option agreement between the Company and Mada (summarised at paragraph 5.1(b) of this Part V). Details of the number of Options granted to Messrs Comline, Palmer-Tomkinson and Oliver Greene, the option period and the option exercise price are contained in the table in paragraph 2.10 of this Part V.

Key Management

5.5 *Matthew Dorman*

Mr Dorman has entered into split employment contracts with (i) the Company and (ii) Chaarat K. The agreements are summarised as follows:

(a) *Service Agreement between the Company and Matthew Dorman*

On 4 June 2007, Mr Dorman entered into an employment agreement with Chaarat Gold. Mr Dorman's employment was then transferred on restated terms on 16 October 2007 to be between Mr Dorman and Chaarat Holdings (in light of the Share Exchange Arrangement). Pursuant to the transferred employment Chaarat Holdings employs Mr Dorman as a Project Manager for Chaarat Gold for approximately 49 working days per annum. Mr Dorman's employment commenced on 4 June 2007 and is for an initial fixed term of 3 years unless otherwise extended. Mr Dorman is entitled to receive an annual salary of €276,000 (without deductions for tax and social security contributions) and to be reimbursed all reasonable

expenses incurred in the proper performance of the Group's business. Mr Dorman is also entitled to be provided with private medical insurance by Chaarat Holdings. Either party may otherwise terminate Mr Dorman's employment without cause by giving to the other at least 6 months' written notice, whether during the initial fixed term or thereafter. Chaarat Holdings may also terminate Mr Dorman's employment summarily in certain circumstances, including where he ceases to be employed by Chaarat K under the service agreement dated 16 October 2007 between Mr Dorman and Chaarat K (further details of which are set out in paragraph 5.5(b) of this Part V).

Save in certain circumstances, during the period of six months following the date on which either a person obtains Control of Chaarat Holdings, or on which there is a simultaneous change of greater than 50% in the board members of Chaarat Holdings (other than where the directors retire by rotation) ("Change of Control"), Mr Dorman's employment is only terminable by Chaarat Holdings by payment of 9 months' salary and benefits in lieu of notice. Save in certain circumstances, Mr Dorman will be required to serve a two month notice period should he wish to terminate his employment during this period, following which his employment shall terminate and he shall receive a payment of 9 months' salary and benefits.

Following the termination of Mr Dorman's employment, Mr Dorman will be required to comply with his confidentiality obligations under the agreement for a period of two years from the date of termination and will also be subject to certain restrictions with respect to competing with the Group's business.

(b) *Service Agreement between Chaarat K and Matthew Dorman*

On 4 June 2007, Chaarat K and Mr Dorman entered into an agreement (which was amended and restated on 16 October 2007 pursuant to the Share Exchange Arrangement) pursuant to which Chaarat K employs Mr Dorman to act as an executive director of Chaarat K, or in such other capacity as the board of Chaarat K may reasonably require including acting as the Chief Executive Officer of Chaarat K, for approximately 146 working days per annum.

Mr Dorman is entitled to receive an annual salary of €24,000 (subject to all applicable deductions for tax and social security contributions in Kyrgyzstan) and to be reimbursed all reasonable expenses incurred in the proper performance of the Group's business. Mr Dorman is to be provided with fully furnished accommodation in the Kyrgyz Republic, a company car and the services of a driver by Chaarat K.

Mr Dorman's employment commenced on 4 June 2007 and is for an initial fixed term of 3 years unless otherwise extended. Either party may terminate Mr Dorman's employment without cause by giving to the other at least 6 months' written notice, whether during the initial fixed term or thereafter. Chaarat K may also terminate Mr Dorman's employment summarily in certain circumstances including where he ceases to be employed by Chaarat Holdings under the service agreement dated 4 June 2007 (as subsequently transferred on restated terms on 16 October 2007 so as to be between Mr Dorman and Chaarat Holdings (further details of which are set out in paragraph 5.5(a) of this Part V)).

Save in certain circumstances, during the period of six months following a Change of Control (as defined above) of Chaarat Holdings, Mr Dorman's employment is only terminable by Chaarat K by payment of 9 months' salary and benefits in lieu of notice. Save in certain circumstances, Mr Dorman will be required to serve a two month notice period should he wish to terminate his employment during this period, following which his employment shall terminate and he shall receive a payment of 9 months' salary and benefits.

Following the termination of Mr Dorman's employment, Mr Dorman will be required to comply with his confidentiality obligations under the agreement for a period of two years from the date of termination and will also be subject to certain restrictions with respect to competing with the Group's business.

Pursuant to the agreements between Mr Dorman and Chaarat Holdings and Chaarat K, Mr Dorman will be entitled to 2 weeks' leave following each six week period in which he performs duties for Chaarat Gold and/or Chaarat K.

(c) *Option Agreement between the Company and Matthew Dorman*

On 16 October 2007, Mr Dorman exchanged 5,400 options granted over shares in Chaarat Gold for 1,620,000 Options granted over Ordinary Shares in Chaarat Holdings (the "**Chaarat Holdings**

Options"). Each Chaarat Holdings Option entitles Mr Dorman to subscribe for one Ordinary Share in Chaarat Holdings (each an "**Option Share**") on terms similar to those of the option agreement between Chaarat Holdings and Mr Cross, except that:

(i) the first 540,000 Chaarat Holdings Options may be exercised from 4 June 2008, the next 540,000 Chaarat Holdings Options may be exercised from 4 June 2009 and the remaining 540,000 Chaarat Holdings Options may be exercised from 4 June 2010; and

(ii) the price payable for an Option Share shall be the lesser of US$1.5 or 90% of the price per Ordinary Share upon Admission.

5.6 *Jed Diner*

(a) *Service Agreement between the Company and Jed Diner dated 15 April 2004*

On 15 April 2004 Chaarat Gold entered into a services agreement with Mr Diner, (the "**Provider**") to provide certain reporting and other ongoing services including, at the request of Chaarat Gold, assisting, supervising and managing any geological or other activities of Chaarat Gold pursuant to the Provider's appointment as Vice President of Exploration and Operations. In consideration for the provision of reporting services in 2004, 10,000 Ordinary Shares were issued to the Provider. Chaarat Gold pays the Provider US$700 per day for services rendered pursuant to the Agreement. Chaarat Gold irrevocably indemnifies the Provider against any losses incurred by the Provider from time to time in connection with the performance of the Provider's duties under the Agreement, save for when they arise from fraud, willful misconduct or gross negligence. The Provider is prohibited from partaking in any prospecting, exploration, mining or other opportunities or investments or licences in respect of the same in the Kyrgyz Republic without the consent of Chaarat Gold. The Agreement is terminable by either party on three months notice.

By a letter agreement dated 16 October 2007 the Provider and Chaarat Gold agreed to amend the scope of the services provided so that these extend to the Company. It was also agreed in the letter that Mr Diner be appointed as Vice President of Geology.

(b) *Option Agreement between the Company and Jed Diner dated 16 October 2007*

Mr Diner has also entered into an option agreement with the Company dated 16 October 2007 on similar terms as the option agreement between the Company and Mada (summarised at paragraph 5.1 of this Part V) save that Mr Diner's Options are conditional, until 31 March 2008, upon Mr Diner continuing to provide services to Chaarat Gold until that date. If Mr Diner ceases to provide services before that date the Option shall lapse. Details of the number of Options granted to Mr Diner, the option period and the option exercise price are contained in the table in paragraph 2.10 of this Part V.

5.7 Save as disclosed in this paragraph there are no service contracts, existing or proposed, between any Director and the Company or any other member of the Chaarat Group.

5.8 Details of the length of time in which Directors have been in office and the period of their term of office are set out in the table at paragraph 5 of Part V of this document.

5.9 Save as disclosed above, there are no service contracts in place between the Company or any subsidiary and any member of any administrative, management or supervisory bodies which provides for benefits on termination of employment.

5.10 Save as disclosed above, there is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

5.11 The aggregate remuneration and benefits in kind, excluding any imputed option costs, paid to the Directors and/or the Directors' associated consultancy companies, as the case may be, for the period ending 31 December 2006 was US$296,799. It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind, excluding any imputed option costs, to be paid to the Directors and/or the Directors' associated consultancy companies, as the case may be, for the period ending 31 December 2007 will be approximately US$500,000.

6. SIGNIFICANT SHAREHOLDERS

Other than the holdings of the Directors and their immediate families and persons connected with them which are set out in paragraph 4.1 of this Part V of this document, the Directors are not aware of any persons who, at the date of this document and immediately following Admission, directly or indirectly, jointly or severally, hold or will hold, 3 per cent. or more the issued share capital of the Company (assuming the Minimum Subscription being raised) or exercise or could exercise control over the Company:

	As at the date of this document		Immediately following Admission (assuming the Minimum Subscription being raised)	
Shareholder	**Number of Ordinary Shares**	**% of issued capital**	**Number of Ordinary Shares**	**% of issued capital**
Chase Nominees Limited[1]	8,529,900	14.91	8,529,900	11.87
Scarborough Minerals plc	6,801,300	11.89	6,801,300	9.46
Serra Choa Management	6,241,800	10.91	6,241,800	8.68
Jed Diner	2,676,900	4.68	2,676,900	3.72
Forest Nominees Limited	4,014,600	7.02	4,014,600	5.58
Credit Suisse First Boston Clients Nominees Ltd	1,956,600	3.42	1,956,600	2.72

Note:

1. The total number of Ordinary Shares for Chase Nominees Limited includes Shares held by Christopher Palmer-Tomkinson and his wife and described at paragraph 4.1 of this Part V

2. RAB Special Situations have a holding of 5.52% held in nominee accounts.

To the extent known to the Company based on the above information, the Company is not directly or indirectly owned or controlled by any person, nor is it aware of any arrangements which may at a subsequent date result in a change in control of the Company.

None of the major Shareholders set out above has different voting rights from any other Shareholder in respect of any Ordinary Shares held by them.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Company or the Group, or which are subsisting and which relate to the assets and liabilities of the Company or the Group (notwithstanding whether they are within the ordinary course of business), have been entered into by the Company or Group companies and are or may be material:

7.1 *The Licence*

Date, Parties and Scope

The Licence was granted to Chaarat K on 10 December 2002 (the "Date of Grant"), replacing an earlier exploration licence over the Licence Area. The terms and conditions of the Licence are contained in an accompanying licence agreement.

On the Date of Grant, Chaarat K entered into licence agreement No.1 with SAGMR. Subsequently, Chaarat K entered into the following licence agreements with SAGMR:

- licence agreement No.2 dated 22 November 2004;
- licence agreement No.3 dated 28 March 2005;
- licence agreement No.4 dated 12 September 2005; and
- licence agreement No.5 dated 20 November 2006 (the Licence Agreement).

As set out in paragraph 4.3 of Part I of this document, the execution of a new licence agreement terminates the previous licence agreement.

The Licence provides Chaarat K with the right to explore for gold and other metals in the Licence Area.

Term

The term of the Licence has been extended four times since the Date of Grant. The term was last extended on 20 November 2006 to 31 December 2008.

Work Commitments and Programme

The minimum work requirements under the Licence for 2007 and 2008 are as follows:

		Year	
Type of works	**Measuring unit**	**2007**	**2008**
Exploration routes	Line kilometres	500	500
Trenching	Metres[3]	15,000	15,000
Sampling	Sample	5,000	5,000
Well drilling	Line metres	3,000	3,000
Investment volume	US$	500,000	500,000

Chaarat K is under an obligation to prepare its work programme in accordance with certain specified recommendations for the development of mountain and prospecting works. Annual work programmes are required to be submitted to SAGMR in advance of the commencement of works by 31 January in each year.

Reporting and Related Requirements

Under the terms of the Licence Agreement, Chaarat K is required to comply with the following reporting requirements:

- all geological information obtained during operations in 2006 and 2007 must be submitted to SAGMR for transfer to the Kyrgyz State Geological Fund;
- a report containing the results of works conducted between 1997 and 2008 (to be prepared in accordance with industry standards) must be submitted to SAGMR in 2008 for transfer to the Kyrgyz State Geological Fund;
- a report confirming Chaarat K's ongoing compliance (or otherwise) of the terms of the Licence must be submitted to the SAGMR semi-annually before 15 July and annually before 31 January in each year;
- an annual report prepared in accordance with the "Standards of the annual reporting on performance of plans for development of mining and exploration works and conditions of licence agreements" and the program for the new year according to "Methodical recommendations on the development of annual programs (plans) of development of mountain and exploration works" must be submitted to SAGMR annually before 31 January in each year; and
- in the event that Chaarat K is subject to an insolvency event, all primary geological documentation in relation to the works carried out shall be submitted to SAGMR.

Rehabilitation

All land affected by exploration works is required to be rehabilitated as provided in the Licence Agreement, including at the end of the Licence period only if Chaarat K ceases its operations on the Licence Area.

Relinquishment

The Licence is not subject to any relinquishment requirements.

7.2 *Nominated Adviser and Broker agreement*

The Company, the Directors and Canaccord Adams have entered into a nominated adviser and broker agreement dated 2 November 2007, conditional upon Admission, pursuant to which, the Company has appointed Canaccord Adams to act as Nominated Adviser and Broker to the Company as required by the AIM Rules. Pursuant to the agreement, Canaccord Adams has agreed, inter alia, to provide such independent advice and guidance to the directors of the Company as they may require to ensure compliance by the Company on a continuing basis with the AIM Rules. The Company has agreed to pay Canaccord Adams a fee of £60,000 per annum for its services as Nominated Adviser and Broker under the agreement (plus VAT and all reasonable expenses it incurs), payable in half yearly installments in advance, with the first payment being due on Admission. The agreement contains certain undertakings and indemnities

given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a period of 12 months from Admission (unless terminated for reason prior to such date in accordance with the terms of the agreement) and thereafter until terminated in accordance with its terms, by three months' written notice.

7.3 *Placing Agreement*

Pursuant to an agreement dated 2 November 2007 between the Company, the Directors, Canaccord International and Canaccord Adams, Canaccord Adams and Canaccord International have agreed to use their reasonable efforts as agent for the Company to procure subscribers for the Placing Shares. The Placing Agreement is conditional, inter alia, upon Admission occurring by 30 November 2007 and upon the Placing Agreement not having been terminated. The Directors and the Company have given certain warranties, subject to certain limitations, as to the accuracy of the information contained in the Admission Document and other matters in relation to the Company and its business. In addition, the Company has given indemnities to Canaccord Adams in respect of certain matters. The Company has agreed to pay Canaccord Adams a corporate finance fee of £150,000 (plus VAT, where applicable and any reasonable expenses), which shall become payable on the day of Admission or, if Admission does not take place, upon termination of the Agreement. The Company has also agreed to pay Canaccord Adams a placing fee of 5 per cent. of the gross proceeds raised pursuant to the Placing.

7.4 *Share Sale and Purchase Agreements*

On 17 March 2004, Chaarat Gold entered into an agreement with Alexander Novak to purchase 99 shares owned by Mr Novak in Chaarat K and an agreement with Vladimir Philippov to purchase 1 share owned by Mr Philippov in Chaarat K. The consideration for the share transfer was 9,900 Soms in the case of Mr Novak and 100 Soms in the case of Mr Philippov. There are no ongoing obligations under these agreements.

7.5 *Lock-In Deed*

The lock-in and orderly market arrangements are described in paragraph 11 of Part 1 of this document.

The Directors, their related parties and applicable employees have undertaken not to sell or dispose of their respective interests in Ordinary Shares, including any options over Ordinary Shares but excluding any Placing Shares, except in certain limited circumstances, being the following:

(a) any disposal pursuant to acceptance of a takeover offer, which is open to all the shareholders of the Company, made to acquire the whole or a part of the issued share capital of the Company (other than any shares already held by the offeror or persons acting in concert with the offeror); or

(b) the execution of an irrevocable commitment to accept a takeover offer (as described above) for the whole or a part of the issued share capital of the Company (other than any shares already held by the offeror or persons acting in concert with the offeror); or

(c) any disposal pursuant to an intervening court order; or

in the case of an individual, any disposal to or by the personal representatives of the individual, upon his or her death, pursuant to will or intestacy

7.6 *Canaccord Engagement Letter*

Pursuant to the engagement letter dated 6 July 2007 between Chaarat Gold, Canaccord Adams and Canaccord International (collectively "Canaccord") agree to act as the Company's agent in connection with the Placing and the Company agrees to appoint Canaccord Adams as its nominated adviser and broker, conditional upon the successful completion of the Admission and in accordance with the Nominated Adviser and Broker Agreement (described in paragraph 7.2 above). The Company agrees to pay Canaccord International a corporate finance fee of £150,000 (plus expenses), a placing fee of 5 per cent. of the gross proceeds raised by Canaccord or its agents in relation to the Placing and Admission (payable on Admission), and broker warrants equal to 6 per cent. of the new Shares in the capital of the Company pursuant to the Placing, exercisable for 18 months from the date of Admission. This letter is superceded by the Placing Agreement.

7.7 *Letter of engagement with Canaccord Capital (Europe) Limited*

On 28 February 2005, Chaarat Gold entered into a letter of engagement with Canaccord Capital (Europe) Limited ("Canaccord Capital") in relation to the appointment of Canaccord Capital to provide financial advice to Chaarat Gold in connection with a private placement of 32,610 shares in the company. Chaarat Gold agreed to pay Canaccord Capital a fee of US$ 100,000 on successful completion of the private placement. Subject to certain limited exceptions, Chaarat Gold is under an obligation to indemnify Canaccord Capital and its group companies (the "Canaccord Group") and each director, officer, employee and shareholder of the Canaccord Group against expenses, losses, claims etc. (including legal fees incurred by the Canaccord Group in defending any claims) that arise out of the matters the subject of the engagement letter.

7.8 *Letter of engagement with Canaccord Adams*

On 16 February 2006, Chaarat Gold entered into a letter of engagement with Canaccord Adams in relation to the appointment of Canaccord Adams to provide financial advice to Chaarat Gold in connection with a private placement of 14,000 shares in the company. Chaarat Gold agreed to pay Canaccord Adams a commission of 5 per cent. on the gross proceeds of the new shares issued in connection with the private placement. Chaarat Gold is also under an obligation to pay the reasonable fees and expenses of Canaccord Adams (including the fees of Canaccord Adams' legal advisers).

The letter of engagement states that, if the private placement does not "close" (as defined in the letter of engagement) by 3 March 2006, the letter will terminate and all rights and obligations under the letter will cease.

7.9 *Share Exchange Arrangement*

On 7 August 2007, Chaarat Gold and the Company jointly issued a letter to shareholders and optionholders of Chaarat Gold. In the letter, the shareholders were invited to exchange each of their shares in Chaarat Gold for 300 Ordinary Shares in the Company. On exchange of their options, Optionholders would be issued with an option to subscribe for 300 Ordinary Shares in the Company in return for the surrender of each option they had to subscribe for a share in Chaarat Gold. By a further letter dated 20 August 2007 the period for returning acceptances was extended to 31 August 2007. Acceptances were received for 99.73% of the shares of Chaarat Gold. In accordance with the articles of association of Chaarat Gold, the accepting shareholders issued a drag along notice to two shareholders on 3 September 2007 to require them to exchange their shares in Chaarat Gold. The share for share exchange was completed on 7 September 2007. Mada Limited continues to hold one share in Chaarat Gold.

7.10 *Chaarat Gold Share Purchase Agreement*

On 21 March 2007, Chaarat Gold, Gilan Holdings Limited, Golden Investments Holdings Limited and Scarborough Minerals plc entered into an agreement (the "Share Purchase Agreement") which provided for inter alia:

(i) the sale of ordinary shares in Chaarat Gold ("Chaarat Gold Ordinary Shares") held respectively by Gilan Holdings Limited and Golden Investments Holdings Limited to Scarborough Minerals plc; and

(ii) the subscription of Chaarat Gold Ordinary Shares by Scarborough Minerals plc ("Subscription Shares").

The Share Purchase Agreement also provided for certain other rights which have ceased to be relevant following completion of the Share Exchange Arrangement and options which lapsed on 31 August 2007.

7.11 *Options held by Scarborough Minerals plc*

On 21 March 2007, Chaarat Gold granted to Scarborough Minerals plc 1,000 options to subscribe for ordinary shares in Chaarat Gold. On 16 October 2007 these options were exchanged for 300,000 Options over Ordinary Shares in Chaarat Holdings ("Options"). The Options are exercisable at any time from Admission until the tenth anniversary of their grant, at a price of US$1.0633.

Additionally the Options are exercisable for a six month period from the date on which a person obtains Control of Chaarat Holdings (and if not exercised shall lapse at the end of the six month period).

Further, in certain circumstances prior to a person obtaining Control of Chaarat Holdings, the directors of Chaarat Holdings may serve notice on Scarborough Minerals plc that all outstanding Options shall be deemed to have been exercised immediately before the acquisition of Control and the Ordinary Shares issued upon exercise of the Options (the "Option Shares") shall form part of the Shares acquired by such person and Chaarat Holdings shall account to Scarborough Minerals plc for an amount equal to the proceeds of sale of the Option Shares.

The Option may be assigned to a Related Body Corporate of Scarborough Minerals plc as that terms is defined in the Chaarat Gold share purchase agreement described in paragraph 7.1(a) above.

7.12 *Lease Agreement*

On 1 April 2007, Chaarat K, Naryn Gold Ltd, Goldex Asia Ltd and Naryn Energy Ltd (the "Tenants") entered into a lease agreement with Dagas City Ltd pursuant to which Dagas City Ltd granted a lease to the Tenants of the office building, garage and parking space at 127 Chokmorova Street, Bishkek, Kyrgyz Republic. The term of the lease is 1 April 2007 to 1 April 2012. The monthly rental payment under the lease is US$ 5,500, of which US$ 4,000 is payable by Chaarat K. Any dispute under the lease agreement shall be settled by reference to the International Arbitration Court at the Kyrgyz Chamber of Commerce. There is no specific governing law provision.

7.13 *Works Agreement between Chaarat K and Poisk Ltd*

On 6 February 2007, Chaarat K entered into an agreement with Poisk Ltd pursuant to which Poisk Ltd agreed to carry out surface drilling and underground boring and measure drill hole azimuth in the Licence Area. The amount payable to Poisk Ltd by Chaarat K under the agreement is approximately US$ 571,994 (the actual amount payable will depend on the exact works executed). The agreement states that all works must commence on 1 June 2007, that surface drilling must be completed by 15 November 2007 and that underground drilling must be completed by 31 December 2007. The agreement provides for an advance payment by Chaarat K to Poisk Ltd of US$ 100,000 to enable Poisk Ltd to purchase and repair the necessary equipment to perform its obligations under the agreement. To secure the advance payment, Poisk Ltd pledges to Chaarat K drilling complex LM-75 and the equipment and materials purchased (the pledge is the subject of a separate pledge agreement between the parties dated 6 February 2007). Any dispute under the agreement shall be settled by reference to the International Arbitration Court at the Kyrgyz Chamber of Commerce. There is no specific governing law provision.

7.14 *Works Agreement between Chaarat K and CJSC Alaurum*

On 5 February 2007, Chaarat K entered into an agreement with CJSC Alaurum pursuant to which CJSC Alaurum agreed to construct access roads for the purpose of performing drilling and mining works, construct pads for drilling rigs and carry out road cleaning in the Licence Area. The amount payable to CJSC Alaurum by Chaarat K under the agreement is approximately US$ 450,000 (the actual amount payable will depend on the exact works executed). The agreement provides for an advance payment by Chaarat K to CJSC Alaurum of US$ 100,000 to enable CJSC Alaurum to purchase and repair the necessary equipment to perform its obligations under the agreement. To secure the advance payment, CJSC Alaurum pledges to Chaarat K equipment complexes M-2C, PR-10 and T-170 and the equipment and materials purchased (the pledge is the subject of a separate pledge agreement between the parties dated 5 February 2007). The agreement remains in force until the obligations of the parties have been fully performed. The agreement states that the date for completion of the road cleaning is 1 June 2007 and the date for completion of all works is 15 November 2007. Any dispute under the agreement shall be settled by reference to the International Arbitration Court at the Kyrgyz Chamber of Commerce. There is no specific governing law provision.

7.15 *Contract of Debt between Chaarat K and CJSC Alaurum*

On 10 February 2006, Chaarat K entered into an agreement with CJSC Alaurum pursuant to which Chaarat K agreed to lend US$ 160,000 to CJSC Alaurum to finance the acquisition by Alaurum of two new bulldozers. Under the agreement, CJSC Alaurum is obliged to repay the loan in US$ 10,000 installments, payable in July, August, September and October in each of 2006, 2007, 2008 and 2009 (but is permitted to repay the loan early). The agreement will

terminate upon final payment of the loan. Any dispute under the agreement shall be settled by reference to the International Arbitration Court at the Kyrgyz Chamber of Commerce.

7.16 *Works Agreement between Chaarat K and Tien Shan Olovo Ltd* ("Tien Shan")

On 6 August 2007, Chaarat K entered into an agreement with TienShan pursuant to which TienShan agreed to carry out adit recovery works, drift of an exploration adit and other specified exploration and drilling works in the Licence Area. The amount payable to TienShan by Chaarat K under the agreement is approximately US$ 636,402 (the actual amount payable will depend on the exact works executed). The agreement provides for an advance payment by Chaarat K to TienShan of US$ 100,000 to enable TienShan to purchase the necessary materials and equipment to perform its obligations under the agreement. To secure the advance payment, TienShan pledges to Chaarat K the equipment and materials purchased. The agreement remains in force until the obligations of the parties have been fully performed. Any dispute under the agreement shall be settled in accordance with Kyrgyz law.

7.17 *Works Agreement between Chaarat K and BurVest Ltd*

On 6 August 2007, Chaarat K entered into an agreement with BurVest Ltd pursuant to which BurVest agreed to carry out surface drilling and underground boring and measure drill hole azimuth in the Licence Area. The amount payable to BurVest Ltd by Chaarat K under the agreement is approximately US$ 291,940 (the actual amount payable will depend on the exact works executed). The agreement provides for an advance payment by Chaarat K to BurVest Ltd of US$ 100,000 to enable BurVest Ltd to purchase the necessary materials and equipment to perform its obligations under the agreement. The agreement also provides for mobilisation and demobilisation costs of US$ 17,740. The agreement remains in force until the obligations of the parties have been fully performed. Any dispute under the agreement shall be settled by reference to the International Arbitration Court at the Kyrgyz Chamber of Commerce. There is no specific governing law provision.

7.18 *Services Agreement between Chaarat K and Genalysis*

On 1 July 2007, Chaarat K entered into an agreement with Genalysis pursuant to which Genalysis agreed to perform laboratory tests on geological samples provided by Chaarat K. The amount payable by Chaarat K to Genalysis under the agreement is AUS$ 10.50 per geological sample, plus a fee for waste disposal of AUS$ 0.50 per geological sample. The term of the agreement is 1 July 2007 to 1 July 2008. The governing law is not stated in the agreement, nor is the forum for dispute resolution.

7.19 *Supply Agreement between Chaarat K and Boart Longyear Pty Ltd* ("Boart")

On 27 March 2007, Chaarat K entered into an agreement with Boart for the purchase by Chaarat K of a CPT Bishkek drilling rig LM75 for exploration drilling. The amount payable by Chaarat K for the drilling rig is US$ 348,471.21. The agreement provides for an advance payment by Chaarat K to Boart of US$ 100,000. Any dispute under the agreement shall be settled by international commercial arbitration (where and with which forum is not stated). There is no specific governing law provision.

7.20 *Agreements between Chaarat K and CSRL*

On 29 May 2006, Chaarat K entered into an agreement with CSRL regarding the performance by CSRL of laboratory tests on geological samples. Payments depend on the type and number of tests. This agreement is subject to Kyrgyz law and disputes are to be referred to the International Arbitration Court with the Kyrgyz Chamber of Commerce.

On 24 November 2006, Chaarat K entered into an agreement with CSRL in accordance with which Chaarat K transferred an advance payment to CSRL of US$ 60,900 for the acquisition of equipment for sample preparatory facilities.

7.21 *Services Agreement between Chaarat Gold and Geoservices Limited ("Geoservices")*

On 14 January 2006, Chaarat Gold and Geoservices entered into a services agreement pursuant to which Geoservices was appointed to provide geological services, including drilling and road construction services, to Chaarat Gold and Chaarat K. There is no minimum term stated in the agreement. In consideration for the services being provided by Geoservices, Chaarat Gold is obliged, inter alia, to pay Geoservices a fee, payable monthly in arrears and calculated in accordance with Schedule I of the agreement. Chaarat Gold is under an obligation to indemnify Geoservices against any loss which may be suffered by Geoservices in connection with the

performance of Geoservices' duties under the agreement save where such loss arises from the fraud, wilful misconduct or gross negligence of Geoservices. Chaarat Gold is also under an obligation to keep Geoservices fully informed as to the business, financial position and prospects of Chaarat Gold and Chaarat K and promptly notify Geoservices of any changes inter alia to the shareholders or directors of Chaarat Gold and Chaarat K. Either party may terminate the agreement without cause upon the expiry of at least three months' notice of termination or immediately in the event of the insolvency or liquidation of the other party, or where the other party commits a material breach and fails to remedy it within 30 days of service of notice requiring the breach to be remedied. The agreement is governed by the laws of Guernsey and the parties submit to the non-exclusive jurisdiction of the Royal Court of Guernsey.

7.22 *Deed Poll*

Prospective purchasers of the Shares are referred to the Deed Poll available for inspection at the offices of the Company. In summary, the Deed Poll contains provisions to the following effect, which are binding on Depositary Interest holders:

Holders of Depositary Interests warrant that the Shares held by the Depositary or the Custodian (on behalf of the Depositary) are transferred or issued free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation and the holders of Depositary Interests shall indemnify the Depositary and keep it indemnified from and against any liability which it may suffer by reason of any breach of any such warranty.

The Depositary and any Custodian must pass on to Depositary Interest holders and, so far as they are reasonably able, exercise on behalf of Depositary Interest holders all rights and entitlements received or to which they are entitled in respect of the Shares which are capable of being passed on or exercised. Rights and entitlements to distributions (cash or otherwise, including bonus issues and distributions arising from capital reorganisations), to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed to the Depositary Interest holders in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

If the Company makes a distribution in specie to the Custodian of an asset which is not readily divisible among holders of Depositary Interests in their due proportion, the Custodian will use reasonable endeavours to sell the relevant asset within a reasonable time at the best price reasonably obtainable in the market and to distribute the net proceeds of such sale appropriately.

The Depositary will be entitled to cancel Depositary Interests and withdraw the Shares in certain circumstances including where a Depositary Interest holder has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Depositary Interests.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of:

(i) the value of the Shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and

(ii) that proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the Depositary Interest holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £10,000,000.

The Depositary is entitled to charge holders fees and expenses for the provision of its services under the Deed Poll.

Each holder of Depositary Interests is liable for and must indemnify the Depositary and any their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of, or Depositary Interests held by, that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent, if such Custodian or agent is a member of the Depositary's group, or, if not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.

The Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary or the Custodian may require from any holder, or former or prospective holder, information as may be necessary or desirable for the purposes of the Deed Poll including information as to the capacity in which Depositary Interests are owned or held and the identity of any other person with any interest of any kind in such Depositary Interests or the Shares and holders are bound to provide such information requested. Furthermore, to the extent that the Company's constitutional documents or an applicable law or regulation in any jurisdiction require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Shares, the holders of Depositary Interests are to comply with such provisions, laws and regulations and with the Company's instructions with respect thereto.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of the Shares, including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Shares as a proxy of the Depositary or its nominated Custodian.

A copy of the Deed Poll can be obtained on request in writing to the Depositary or the Company.

7.23 *Depositary Agreement*

On 25 October 2007, the Company and the Depositary entered into an agreement under which the Company appointed the Depository to constitute and issue for time to time, upon the terms of the Deed Poll, the Depository Interests with each such Depository Interest representing a Share. The Depositary agrees that it will comply, and will procure certain other persons comply, with the terms of the Deed Poll and that it and they will perform their obligations in good faith and with all reasonable skill, diligence and care. The Depositary assumes certain specific obligations, including the obligation to arrange for the Depositary Interests to be admitted to CREST as participating securities and to provide copies of and access to the registers of Depositary Interests. The Depositary warrants that it is and, to the extent necessary, any custodian, agent or other parties appointed by it pursuant to the Deed Poll shall be an authorised person under the FSMA and is duly authorised to carry out custodial and other activities under the Deed Poll. The Company agrees to provide such assistance, information and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the Depositary Agreement. In particular, the Company is to supply the Depositary with all documents it sends to its shareholders so that the Depositary can distribute the same to all holders of Depositary Interests. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution.

The Depositary is to indemnify the Company against claims made against the Company by any holder of Depositary Interests or any person having any direct or indirect interest in any such Depositary Interests or the underlying securities which arises out of any breach or alleged breach of the terms of the Deed Poll or any trust declared or arising thereunder except if such claim arises as a result of the fraud, negligence or wilful default of the Company. The aggregate liability of the Depositary arising out of the Depositary Agreement is limited to the lesser of £1,000,000 or an amount equal to 10 times the total annual fee payable to the Depositary under the Depositary Agreement.

The Company is to indemnify the Depositary against claims made against the Depositary by any holder of Depositary Interests or any person having any direct or indirect interest in any such Depositary Interests or the underlying securities which arises out of the Depositary's performance of its obligations under the Depositary Agreement or the Deed Poll save in respect of any loss, liability, cost and expense (including legal fees) resulting from the negligence, wilful default or fraud of the Depositary.

The agreement is to remain in force for as long as the Deed Poll remains in force. Both the Company and the Depositary may terminate the agreement on 30 days' notice in the event of material breach by the other party or the occurrence of an event of default and otherwise on 45 days' notice. The Depositary is to ensure that any custodian and any person who maintains the registers of Depositary Interests is a member of its group and may not subcontract or delegate its obligations under the Deed Poll without the Company's consent.

For the provision of its services, the Company will pay the Depository:

(iii) a one-off setup fee of £5,000;

(iv) an annual maintenance fee of £1.75 per shareholder account per annum, subject to an annual minimum charge of £2,900; and

(v) a depository and custodian fee of £2,900 per annum,

plus all reasonable out-of-pocket expenses and other related expenses.

7.24 *Registrars Agreement*

On 25 October 2007 the Company and the Registrar entered into an agreement under which the Company appointed the Registrar to maintain the Company's register of members in Guernsey and, where applicable registers of loan stock, debenture and warrant holders (the "Offshore Registers"), and provide certain other services including maintenance of the Offshore Registers in Guernsey and other usual services. The Registrar agrees to follow all reasonable instructions given by the Company with regard to its duties as Registrar and will provide a registration and transfer office in Guernsey where it will keep the offshore registers and perform the services of a registrar with due diligence, reasonable skill and expertise. The Registrar assumes certain specific obligations, including, for example, to receive and register transfers and all other documents needed to maintain the offshore registers, to prepare and issue new share certificates, as the case may be, and to prepare and dispatch dividend and interest warrants. The Company agrees to give such assistance to the Registrar as may be reasonably necessary to enable the Registrar to carry out its obligations under the agreement.

The Company's payments to the Depositary (as set out in the Depositary Agreement at paragraph 7.23) above include the fees of the Registrars.

The Company may terminate the agreement on three months' notice to the Registrar, such notice to expire no earlier than the first anniversary of the date of the agreement. The Registrar may terminate the agreement on three months' notice to the Company. Both the Company and the Registrar may terminate the agreement immediately upon giving notice to the other party if the property of the other party being declared en désastre or that other party becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver being appointed of any of its assets or if some event having equivalent effect occurs, or if the other party has committed a material breach and (if such breach shall be capable of remedy) the other party not making good such breach within thirty days of service upon the party in breach of notice requiring the remedy of such breach or, in the case of the Registrar, being in the opinion of the Directors guilty of fraud, wilful misconduct or gross negligence in the

performance of its duties thereunder. The Company may terminate the agreement immediately upon giving notice in the event of the Registrar ceasing to be permitted to act as Registrar of the Company under any applicable law.

The Company is to indemnify the Registrar against all liabilities that may be suffered arising out of or in connection with the performance of its duties as Registrar except such as may be due to fraud, negligence or wilful default of the Registrar or its agents. The aggregate liability of the Registrar is limited to the lesser of £1,000,000 or an amount equal to 10 times the total annual fee payable to the Registrar and excludes liability for indirect or consequential losses or damage, loss of profit, revenue, actual or anticipated saving and goodwill.

7.25 *Agreement with Resource Development Inc. ("RDI") dated 8 August 2007*

On 8 August 2007 RDI sent to Chaarat K a letter in connection with RDI providing to Chaarat K a program to develop a metallurgical process for the recovery of gold. No minimum term is stated in the letter agreement. The cost of the study is US$28,000 plus an additional US$10,000 to complete the study in a shorter time frame. There is no specific governing law provision.

7.26 *Agreement with Knight Piésold ("KP") dated 29 June 2007*

On 29 June 2007 KP sent to Chaarat K a letter in connection with KP assisting in the preliminary environmental baseline data collection oversight in the Kyrgyz Republic. It is envisioned that the services would last one year from the time of the first data upload. KP will bill on a time and materials basis for the project and the estimated costs are approximately US$69,000 (excluding certain expenses). There is no specific governing law provision.

7.27 *Agreement with Behre Dolbear ("BD") dated 24 July 2007*

On 24 July 2007 BD sent to Chaarat K a letter in connection with BD providing a scoping study of the Chaarat Gold prospect in the Kyrgyz Republic. BD proposes a price of £55,000 for fees (exclusive of expenses estimated at £10,000). Certain fees related to metallurgical test work and metallurgical process selection are not included in the price. The letter agreement shall continue until completion (a period not exceeding one year) or satisfactory completion of the services provided thereunder. The letter agreement is governed by English law and the English courts have jurisdiction to settle any disputes.

8. EMPLOYEES

Chaarat Holdings has no employees other than Terence Cross and Matthew Dorman. Services of other executive Directors of the Company are provided through the Service Providers. Chaarat Gold has no employees and has one consultant, Mr Diner.

As at 31 August 2007, Chaarat K had 13 employees in the following positions, all of which are located in Bishkek:

Number	*Position*
1	Director
2	Deputy Director
3	Executive Director
4	Accountant
5	Deputy Director on Financial Matters
6	Legal Adviser
7	Superintendent
8	Office Manager
9	Geological Equipment Selection Consultant
10	Translator
11	Supplier
12	Cashier
13	Purchaser

As at 31 August 2007 Chaarat K also had 44 consultants providing services to it.

9. LITIGATION

No member of the Chaarat Group is involved in, nor has been involved in, any governmental, legal or arbitration proceedings in the twelve months prior to Admission which may have or

have had in the recent past a significant effect on the Chaarat Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Chaarat Group.

10. RELATED PARTY TRANSACTIONS

In addition to the agreements summarised in paragraphs 5.1 - 5.4, 7.9 to 7.12 and 7.4 of this Part V of this document, the following are considered to be related party transactions:

10.1 *Management and Administrative Services Agreement between Mada and Chaarat Gold dated 14 April 2004*

Under the agreement, Mada was appointed to provide certain management and administration services to Chaarat Gold and Chaarat K for a fee of US$120,000 originally increasing over time. This agreement has been terminated with effect from 20 July 2007 by a letter agreement between the parties dated 16 October 2007 and has been superseded by the agreement described in paragraph 5.1 of this Part V.

10.2 *Management and Administrative Services Agreement between Mada Limited and Chaarat Gold dated 14 April 2004*

Under the agreement, Mada Limited was appointed to provide certain management and administration services to Chaarat Gold and Chaarat K for a fee of US$120,000 originally increasing over time. This agreement has been terminated by a letter agreement between the parties dated 20 September 2007.

Mada Limited is owned by Dekel Golan and his wife equally and is a shareholder in Chaarat Gold and the Company.

10.3 *Service Agreement between Mada and the Company dated 16 October 2007*

This agreement is summarised in paragraph 5.1 of this Part V. As above, Mada is owned by Dekel Golan and his wife equally. Dekel Golan is a director of, and shareholder in the Company (through Mada Limited, a company owned by Dekel Golan and his wife equally).

10.4 *Management and Administrative Services Agreement between Vetan and Chaarat Gold dated 2 December 2005*

Under the agreement, Vetan was appointed to provide certain management and administration services to Chaarat Gold and Chaarat K for a fee of US$6,500 per month originally, increasing over time. This agreement has been terminated with effect from 7 September 2007 by a letter agreement between the parties dated 16 October 2007 and has been superseded by the agreement described in paragraph 5.3 (a) of this Part V. Vetan is wholly owned by Alexander Novak.

10.5 *Service Agreement between Vetan and the Company dated 16 October 2007*

This agreement is summarised in paragraph 5.3 (a) of this Part V.

11. INVESTMENTS

Other than its investments in relation to its subsidiary companies and the Licence, the Company has made no principal investments since incorporation and has not made any firm commitment in respect of future investments, including in relation to the Group.

12. TAXATION

The following comments are intended as a general guide to the UK tax implications applicable to persons who are UK resident and ordinarily resident Shareholders, who are domiciled in the UK, and who hold Ordinary Shares as an investment and not as an asset of a financial or other trade. The comments are based on the law and understanding of the practice of tax authorities in those jurisdictions at the date of this document. All persons are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares**.**

12.1 *BVI taxation*

All dividends, interest, rents, royalties, compensations and other amounts paid by the Company to persons who are not persons resident in the BVI are exempt from the provisions of the Income Tax Ordinance in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of the Company by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

All instruments relating to transfers of the shares, debt obligations or other securities of the Company and all instruments relating to other transactions relating to the business of the Company are exempt from the payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the shareholders.

12.2 *United Kingdom taxation*

The following summary is intended as a general description of certain UK tax consequences relating to the acquisition, ownership and disposition of the Company's ordinary shares by persons who are UK resident (and in the case of individuals, ordinarily resident and domiciled in the UK) for tax purposes. This section may not apply to certain categories of persons such as those who hold Ordinary Shares in the Company as dealing stock, or to persons who (together with associates) have a 10 per cent. or greater interest in the company. This summary is based on laws, regulations, other authorities, existing legislation and current HM Revenue & Customs practice as at the date of this document, all of which are subject to change, possibly with retroactive effect. Any person who is in any doubt as to his tax position, whether in the UK or in any other jurisdiction in which he may be liable to tax, should consult, and rely upon, the advice of his own duly authorised professional adviser.

The Company

It is the Directors' intention to conduct the Company's affairs so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade or establish a permanent establishment in the UK. On this basis, the Company should not be liable for UK taxation on its income and gains other than certain income with a UK source.

Taxation of dividends

Individuals

UK resident Shareholders who are individuals will be liable to income tax (if at all) on dividends at, in the case of starting rate and basic rate taxpayers, a rate of 10 per cent. (for the year 2007/08), or, in the case of higher rate tax payers, the dividend upper rate of 32.5 per cent. (for the year 2007/08). Dividend income from the Company will be treated as forming the highest part of the Shareholder's income.

It should be noted that changes have been proposed which would, in limited circumstances, allow a 10 per cent tax credit to be claimed by a UK resident Shareholder such that the effective tax rate becomes 25 per cent. These changes are not yet finalised or enacted but are expected to take effect from 6 April 2008.

Companies

A UK resident corporate shareholder will generally be subject to UK corporation tax under Schedule D Case V in respect of dividends received from the Company at the usual rate of corporation tax applicable to it (30 per cent. for the year 2007/08 for companies paying the full rate of corporation tax).

Tax Credits

Individuals and corporate Shareholders are not normally able to obtain credit for any underlying tax paid by the Company in respect of its own profits.

In the event that dividends are paid under deduction of withholding tax, UK resident Shareholders may be able to obtain credit for all or part of any tax so withheld, in computing their respective liabilities to UK income tax or corporation tax on such dividend income.

Taxation on disposals

Individuals

A shareholder who disposes of (or who is deemed to dispose of) his Ordinary Shares may be liable to capital gains tax in relation to that disposal at marginal rates up to 40 per cent. (for the year 2007/08) of any chargeable gain thereby realised. In computing the chargeable gain the shareholder should be entitled to deduct from disposal proceeds the cost to him of the Ordinary Shares (together with incidental costs of acquisition and disposal) and may be able to deduct other amounts including all or part of his annual exemption (£9,200 for the year 2007/08) and any capital losses available to him. In certain circumstances, the shareholder's liability to capital gains tax may be reduced by taper relief.

Measures have been announced in the 2007 Pre Budget Report which would abolish taper relief from April 2008. These measures have not yet been implemented as a matter of law, and it is possible that they may not be implemented in the form described, or at all. Shareholders affected by these prospective measures are recommended to obtain specific advice.

Special rules may apply to gains made by individuals at a time when they are temporarily neither resident nor ordinarily resident in the UK.

Companies

A corporate Shareholder which disposes of (or which is deemed to dispose of) its holding of Ordinary Shares may be liable to corporation tax on chargeable gains in relation to that disposal at the usual rates of corporation tax applicable to it (30 per cent. for the year 2007/08 for companies paying the full rate of corporation tax). In computing the chargeable gain liable to corporation tax the Shareholder should be able to deduct from disposal proceeds the cost to it of the Ordinary Shares (together with incidental costs of acquisition and disposal), as increased by indexation allowance, and may be able to deduct capital and certain income losses available to it.

Stamp duty and stamp duty reserve tax ("SDRT")

Issue

No stamp duty, or SDRT, will be payable on the allotment or issue of the Ordinary Shares, provided that they are not issued to a nominee or agent whose business includes the provision of clearance services or the issuance of Depositary receipts.

Transfer

Transfer of Ordinary Shares outside the CREST system will generally be liable to stamp duty on the instrument of transfer at a rate of (currently) 0.5 per cent. of the amount or value of the consideration given for the transfer (rounded up to the nearest £5), but only to the extent that the instrument of transfer is executed in the UK or, if executed outside the UK, the underlying transfer has a connection with the UK. Stamp duty is normally the liability of the transferee of the relevant shares or securities. If the Ordinary Shares are maintained on a UK register, an agreement to transfer Ordinary Shares will generally be subject to SDRT at a rate of (currently) 0.5 per cent. of the agreed consideration. If, however, the agreement is subsequently perfected by an instrument of transfer which is duly stamped before the expiry of six years from the date of the agreement (or, if later, the date upon which it becomes unconditional) any SDRT will be cancelled or, to the extent already paid, will, upon a claim being made, be repaid. SDRT is normally paid by the person to whom the shares will be transferred under the agreement.

No SDRT will be chargeable on an agreement to transfer ordinary shares where the Company's register is maintained outside of the UK.

Entry into CREST

No stamp duty or SDRT should arise on the transfer of the Ordinary Shares to a group company of the Registrars, to hold in its capacity as Depositary, nor on the subsequent issue by the

Depositary of Depositary Interests representing the underlying Ordinary Shares in uncertificated form (which are eligible for settlement through CREST).

Transfers within CREST

Depositary Interests representing Ordinary Shares may be transferred in a paperless form within CREST. Any such transfer will normally be subject to SDRT at a rate of (currently) 0.5% per cent. of the amount or value of the consideration paid for the Depositary Interests. CREST is obliged to collect SDRT from the transferee in relation to transactions settled through the CREST system.

Other United Kingdom tax considerations

An individual shareholder who is ordinarily resident in the United Kingdom should note the provisions of sections 714 to 751 of the Income Tax Act 2007. These provisions aim to prevent individuals avoiding income tax by transferring assets or income to persons (including companies) who are resident or domiciled outside the United Kingdom and may result in such individuals being liable to tax in respect of undistributed income and profits of the company.

Persons who are not resident or ordinarily resident (or, if resident or ordinarily resident are not domiciled,) in the UK, including those individuals and companies which trade in the UK through a branch, agency or permanent establishment, and who subscribe for the Ordinary Shares in the course of that trade, are recommended to seek the advice of professional advisors in relation to their taxation obligations in both the UK and any other jurisdiction in which they may be liable to tax.

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers. Taxation consequences will depend upon particular circumstances.

13. TAKEOVERS AND MERGERS

As a BVI incorporated company, Chaarat Holdings is not directly subject to any restrictions on takeover offers such as those which exist in the UK pursuant to the City Code. However, the Articles contain certain provisions which are based on the principles of the City Code; please see further "Takeover Provisions" at paragraph 3 of Part V if this document.

Generally the merger or consolidation of a BVI incorporated company requires shareholder approval (however a business company's parent company may merge with one or more of its subsidiaries provided that the parent owns at least 90% of the outstanding shares, without shareholder approval). Shareholders dissenting from a merger are entitled to payment of the fair value of their shares unless the company is the surviving company and the shareholder continues to hold a similar interest in the surviving company.

The BCA permits BVI incorporated companies to merge with companies incorporated outside the BVI, provided the merger is lawful under the laws of the jurisdiction in which the non-BVI incorporated company is incorporated. Further, on a merger, shareholders holding 90 per cent of the outstanding shares may direct the company to redeem the remaining 10 per cent of shares.

Under the BCA, following a statutory merger, one of the companies is subsumed into the other (the surviving company) or both are subsumed into a third company (a consolidation). In either case, with effect from the effective date of the merger, the surviving company assumes all of the assets and liabilities of the other entity(ies) by operation of law and the other entities cease to exist.

14. CREST AND DEPOSITARY INTERESTS

The Ordinary Shares are in registered and certificated form. However, upon the listing of Ordinary Shares on AIM and with effect from Admission, Ordinary Shares may be delivered, held and settled in CREST by means of the creation of dematerialised Depositary Interests. Pursuant to a method proposed by Euroclear under which transactions in international securities may be settled through the CREST system, the Depositary issues dematerialised Depositary Interests representing entitlements to Ordinary Shares. The Depositary Interests are independent securities constituted under English law which may be held and transferred through the CREST system.

Pursuant to the Depositary Agreement, the Company has appointed the Depositary to provide the Depositary Interest arrangements.

The Depositary Interests are or will be created pursuant to and issued on the terms of a deed poll dated 25 October 2007 executed by the Depositary in favour of the holders of the Depositary Interests from time to time. Holders of Depositary Interests should note that they have no rights in respect of the underlying Ordinary Shares or the Depositary Interests against Euroclear or its subsidiaries.

Prior to the issue of Depositary Interests, Ordinary Shares representing the amount of Depositary Interests to be issued will be transferred to an account of the Depositary or their nominated custodian and the Depositary will issue equivalent numbers of Depositary Interests to participating CREST Shareholders.

Each Depositary Interest is treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of Depositary Interests any stock or cash benefits received by it as holder of Ordinary Shares on trust for such Depositary Interest holder. Depositary Interest holders will also be able to receive notices of Shareholder meetings and other notices issued by the Company to its Shareholders.

The Depositary Interests have the same security code (ISIN) as the underlying Ordinary Shares and do not require a separate listing on AIM.

15. WORKING CAPITAL

The Company believes, taking account of the net proceeds of the offering of the Placing Shares and assuming the Minimum Subscription is raised, that the working capital available to the Group is sufficient for the Group's current requirements, that is for at least the next 12 months following Admission.

16. GENERAL

16.1 The financial year of the Company will end on 31 December in each year and the first audited accounts will be made up to 31 December 2007.

16.2 The expenses of and incidental to the Admission including registration and London Stock Exchange fees, professional fees and the costs of printing and distribution, are estimated to amount to approximately £1,128,367 (excluding VAT), all of which will be payable by the Company.

16.3 In the last 12 months the aggregate amount of fees paid to related parties is £262,890 whereas £98,530 was paid to Mada, £68,790 was paid to Vetan, £41,940 was paid to CAS and £53,630 was paid to Jed Diner and save as aforesaid and save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers), has:

(a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or

(b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

- fees totalling £10,000 or more; or
- securities in the Company with a value of £10,000 or more; or
- any other benefit with a value of £10,000 or more at the date of Admission.

16.4 Grant Thornton UK LLP has given and not withdrawn its written consent to the issue of this document with the inclusion of its reports in Part IV of this document and references to its reports and name in the form and context in which they appear.

16.5 Canaccord Adams has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which it appears.

16.6 Canaccord International has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

16.7 Watson, Farley & Williams LLP has given and has not withdrawn its written consent to being named in the Corporate Directory of this document as UK solicitors to the Company, but does not make any statements in this document.

16.8 McCarthy Tétrault has given and not withdrawn its written consent to being named in the Corporate Directory of this document as solicitors to the Nominated Adviser and Broker, but does not make any statements in this document.

16.9 SRK Consulting (UK) Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of its Competent Person Report in Part III of this document and references to its Competent Person Report and name in the form and context in which they appear. Furthermore, it has advised that, as informed by the Company, it has not become aware, since the date of its Competent Person Report, of any matter affecting the validity of its Competent Person Report at such date.

16.10 Kalikova & Associates has given and has not withdrawn its written consent to being named in the Corporate Directory of this document as Kyrgyz solicitors to the Company, but does not make any statements in this document.

16.11 Ogier has given and has not withdrawn its written consent to being named in the Corporate Directory of this document as BVI and Guernsey solicitors to the Company, but does not make any statements in this document.

16.12 Capita Registrars (Guernsey) Limited has given and has not withdrawn its written consent to being named in the Corporate Directory of this document as Registrars of the register of members of the Company kept in Guernsey, but does not make any statements in this document.

16.13 Capita IRG Trustees Limited has given and has not withdrawn its written consent to being named in the Corporate Directory of this document as Depositary to the Company in respect of depositary interests issued in respect of the Company's shares under the terms of a trust deed poll issued by them dated on or about admission, but does not make any statements in this document.

16.14 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.

16.15 Save as disclosed in this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

16.16 No paying agent has been appointed by the Company.

16.17 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.

16.18 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.

16.19 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company which has occurred since the date of the latest historical financial information on the Company set out in Part IV Section A of this document, being 31 August 2007.

16.20 Save as disclosed in this document, there has been no significant change in the financial or trading position of Chaarat Gold which has occurred since the date of the interim financial information on Chaarat Gold set out in Part IV Section C of this document, being 30 June 2007.

16.21 Other than the current application for Admission, the Ordinary Shares and Options have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares or Options.

16.22 Where information has been sourced from a third party, including the Competent Person's Report in Part III of this document and the Accountant's Report in Part IV of this document, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16.23 Save as set out in this document, the Company has not sold any products or performed any services during the period covered by the historical financial information and there are therefore no significant trends in the production, sales and inventory costs and selling prices between the end of the last financial year and the date of this document.

16.24 Save as disclosed in this document, so far as the Directors are aware, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

17. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document are available free of charge at the Company's registered office and at the offices of Canaccord Adams, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

2 November 2007