

CHAARAT

Webcast – Chaarat Update

31 July 2019



Agenda

- **Executive Summary**
 - Artem Volynets – CEO and Board Member
- **Operational Update**
 - Darin Cooper – COO
- **Geological Update**
 - Dorian (Dusty) Nicol – SVP Exploration
- **Financial Update**
 - Chris Eger – CFO
- **Closing and Q&A**

Executive Summary


Artem Volynets – CEO

Executive Summary

- **Chaarat has reshaped the leadership capacity and enhanced the portfolio over the previous 18 months**
 - Management team and Board fully reshaped, positioning the Company for growth
 - Acquisition of Kapan transformed Chaarat into a producer
 - Tulkubash development continuing to advance, with the Project Financing process initiated following the completion of an updated BFS in June
- **Strategy remains: Target the growth of gold production**
 - Kapan steady state run-rate of 65 kozpa AuEq
 - Substantial organic growth pipeline
 - The development of Tulkubash will increase production from 65 to 160 kozpa AuEq
 - Option value of the substantial Kyzyltash resource to be unlocked through engineering
 - Chaarat continues to assess opportunities for growth through selective M&A (accretive bolt-on opportunities and transformational consolidation)
- **First move into Armenia via Kapan transaction has been seamless**
 - Smooth completion of acquisition and swift coordination with team on the ground
 - Knowledgeable team with extensive experience across the region ensures harmonious dealings
 - Operational expertise driving improvements throughout the mine including improved employee engagement
 - Best practice corporate governance and ESG commitments helping grow institutional investor confidence
 - Transaction executed with Polymetal on good terms and mutually beneficial commercial partnership between the two companies will continue
- **Operational performance**
 - Despite positive material movement volumes, Kapan has had operational challenges related to grade and subsequent recoveries, resulting in overall performance being lower than anticipated
 - Targeted optimisation interventions are anticipated to deliver improved operational performance, however, Kapan to generate c.\$20m of EBITDA on a run-rate by Q4-2019

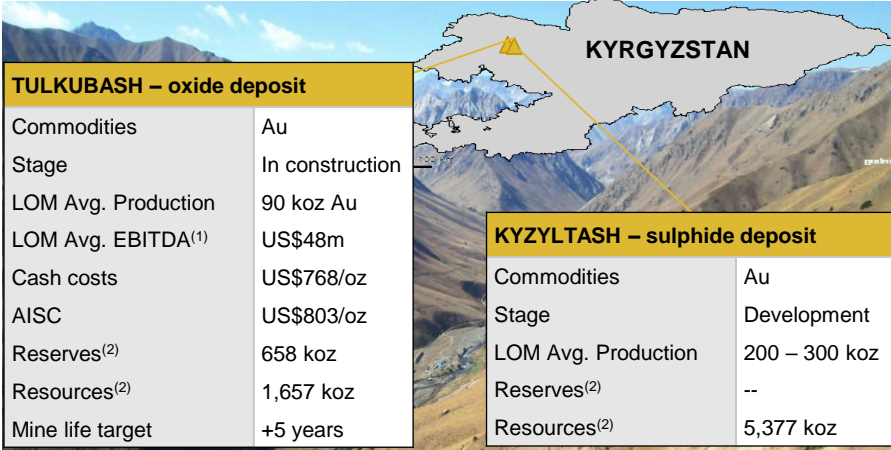
Chaarat's Portfolio is Growing in Emerging Gold Districts

Production



KAPAN	
Commodities	Au, Ag, Cu, Zn
Stage	Producing
LOM Avg. Production	65koz AuEq
LOM Avg. EBITDA	US\$20m
Cash costs	US\$887/oz ⁵
Reserves ^(2,3)	561 koz AuEq
Resources ^(2,3)	1,775 koz AuEq
Mine life target	+10 years ⁶

Construction / Development

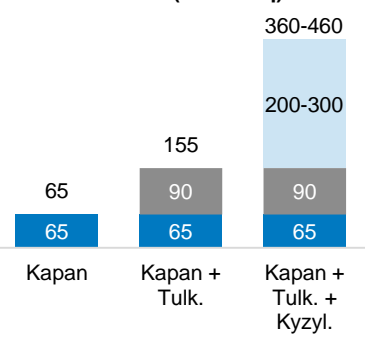


TULKUBASH – oxide deposit	
Commodities	Au
Stage	In construction
LOM Avg. Production	90 koz Au
LOM Avg. EBITDA ⁽¹⁾	US\$48m
Cash costs	US\$768/oz
AISC	US\$803/oz
Reserves ⁽²⁾	658 koz
Resources ⁽²⁾	1,657 koz
Mine life target	+5 years

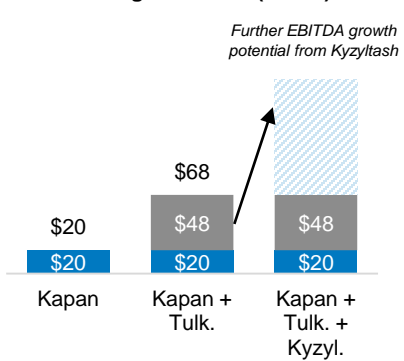
KYZYL TASH – sulphide deposit	
Commodities	Au
Stage	Development
LOM Avg. Production	200 – 300 koz
Reserves ⁽²⁾	--
Resources ⁽²⁾	5,377 koz

Key Proforma Metrics

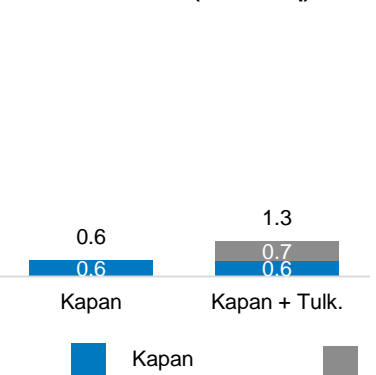
LOM Average Gold Equivalent Production (koz AuEq)



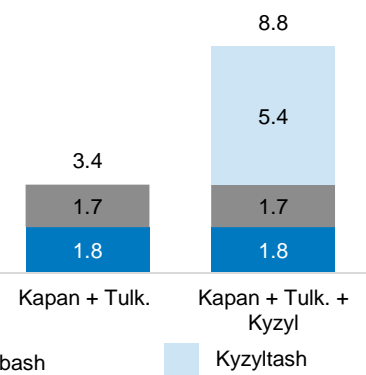
LOM Average EBITDA¹ (US\$m)



JORC Reserves² (moz AuEq)



JORC Resources² (moz AuEq)



1. Tulkubash EBITDA approximated using US\$1,300/oz gold price, US\$678/oz C1 Cash Cost and 90 koz p.a. gold production. Gold production and C1 Cash Costs as per the June 2019 Tulkubash Feasibility Study update.
 2. Resources are shown inclusive of reserves.
 3. Gold Equivalent calculated based on street consensus pricing: US\$1,300/oz Au, US\$18.00/oz Ag, US\$3.00/lb Cu and US\$1.10/lb Zn.

4. 2018 year-end resource update
 5. February – June (inclusive) 2019 – These are preliminary unaudited values.
 6. Using resource to reserve historic ratio

Operational Update

Darin Cooper – COO

Kapan – Feb-June 2019 Review

- **Chaarat acquired Kapan from Polymetal in January 2019**
 - Acquisition elevated Chaarat from developer to producer, however:
 - Inherited more legacy issues and operational challenges than anticipated
 - Chaarat expect that these issues will continue to exert medium-term pressure on Kapan's financial performance
- **Environmental, Social, and Governance (ESG)**
 - Focus on safety – all Kapan workers (including contractors) now included in the safety management programme
 - Tailings facility reinforcement work commenced to ensure stability in dynamic conditions
 - A full, independent assessment of the longer-term work requirements is in progress
- **Operational performance (vs. same period in 2018)**
 - Despite equipment availability constraints, run-of-mine (ROM) production and mill throughput were higher than the corresponding timeframe in 2018
 - Cu concentrate production was 13% higher, while Zn concentrate production decreased 10%
 - However, lower mill head grades and recoveries (-5%) resulted in lower profitability than anticipated in the period
- **Grade and recovery impacted profitability**
 - Lower grades and recovery resulted in lower metal content in concentrate which negatively impacted revenue and costs
 - Due to the above, Kapan is forecast to produce on a \$20m run rate by end of Q4-2019
- **Mineral Resource Estimate updated, with Mine Plan update currently in progress**
 - Improved geological understanding, which will be reflected in a more robust mine plan (due end-Q3 2019)

Chaarat have seamlessly integrated into operating the Kapan asset, with encouraging ore production levels. Lower grade and recoveries have impacted on profitability, and remain a focus of management

Kapan – Operating Metrics

KEY OPERATIONAL PARAMETERS¹

	Units	H1 2018	H1 2019	Delta	Comment
Ore Mined	tonnes	255,323	276,378	+8%	
Mine Head Grade	AuEq g/t	3.76	3.25	(14%)	1
Mill Throughput	Tonnes	261,750	321,538	+23%	2,3
Mill Head Grade	AuEq g/t	3.74	3.24	(13%)	1
Cu Conc Prod	Tonnes	3,505	3,925	+12%	4
Zn Conc Prod	Tonnes	5,213	4,689	(10%)	4
Contained Metal	AuEq oz	24,931	26,947	+8%	4
Recoveries (AuEq)	%	81.6	81.4	(0%)	5
Cash Cost	US\$/oz ²	919	887	(3%)	

COMMENTS

- 1) Grade interventions:
 - 1) Mine plan update (due end-Q3-2019)
 - 2) Targeting areas of confirmed higher grade
- 2) On run-rate for 700ktpa tonnes milled
- 3) Mill throughput increased to maintain metal production levels
- 4) Contained metal on track for 65 koz AuEq run rate by Q4-2019
- 5) Lower recoveries related to lower head grade and poor equipment condition. Interventions include:
 - 1) Improving head grades,
 - 2) Upgrading the secondary grind cyclone packs,
 - 3) Optimising the reagents

Lower grades negatively impacted production, however, contained metal is on target to achieve a run rate of 65 koz AuEq by Q4 2019

¹ All values are preliminary and unaudited

Kapan – Improvement Programmes and Guidance

- **Mine tonnes**
 - Truck rebuild programme to improve fleet availability and provide mining flexibility
- **Grade**
 - Building on improved geological certainty from the updated MRE process, a review of mining methods and mine planning is underway to identify ways to improve ore grade and reduce dilution
 - Grade and blast control processes to reduce dilution
- **Recoveries**
 - Mill improvements through improved grind and reagent selection
- **Costs**
 - A cost reduction program is underway to review all major expenditure areas and identify operational efficiencies
 - Renegotiating service and supplies contracts based on Chaarat's long-term commitment to Kapan
- **Alternative ore sourcing**
 - Identifying options to utilise existing Mill capacity to treat value adding third party feeds
- **Guidance**
 - With the above interventions, Kapan is anticipated to generate \$20m EBITDA on an annual basis
- **Capex guidance (for 2019 and 2020)**
 - Achieving the \$20m Ebitda run rate assumes no significant future capital expenditures
 - Therefore, sustaining capex guidance is anticipated to be \$1-2m for 2019 and \$2-4m for 2020

8% improvement on mine tonnes achieved with only 6 of 8 haul trucks operational

5% increase in Mill head grade increases EBITDA by \$4M p.a

1% improvement in recovery increases EBITDA by \$1M p.a.

Approximately 50kt spare mill capacity that can be used to generate additional revenue and EBITDA

Improvement programmes have been identified across Kapan's value chain, targeting sustainable increases in reliability, productivity, and efficiency and reductions in costs

Geological Update

Dusty Nicol – SVP Exploration

Kapan – Mineral Resource Estimate Update

MINERAL RESOURCE ESTIMATE^{1,2}

Class	Tonnes (Mt)	Grade					Metals				
		Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	AuEq (g/t)	Au (koz)	Ag (koz)	Cu (t)	Zn (t)	AuEq (koz)
Measured	0.65	4.01	74.88	0.88	3.44	9.01	83	1,550	5,645	22,167	186
Indicated	8.27	2.57	51.70	0.59	2.37	5.99	681	13,725	48,726	195,835	1,589
M&I	8.92	2.67	53.38	0.61	2.45	6.20	764	15,275	54,370	218,002	1,775
Inferred	8.69	2.30	50.78	0.56	2.07	5.42	641	14,164	48,298	179,995	1,513

- **Updated Mineral Resource Estimate has extended the mine life, as well as improved geological confidence**
 - New resource model is fully JORC-compliant
 - Incorporation of over 69,000 meters of additional underground drilling since previous MRE
 - Improved (more accurate) grade control model developed based on revision of sampling methodology and practices
 - Chaarat will continue to seek improvements to the grade model by reconciliation of mine to mill data
 - An updated reserves statement is being developed as part of the Midyear LoM planning process, and will be issued when completed
 - The MRE gives Management confidence based on historical resource to reserve conversion rates at Kapan that the mine will continue to replace mined reserves and should continue to extend mine-life for several years beyond the current life of the mine
 - Multiple defined exploration targets proximal to current workings

Chaarat have delivered a JORC-compliant M&I Resource of 8.92 Mt at 6.2 g/t AuEq for 1.78 Moz AuEq, providing a robust platform on which to develop the reserves and mine plan

1. The results are reported at a cut off of 2.5g/t AuEq. The AuEq is calculated as 10 June 2019 at AuEq = Au + Ag/84 + Cu/0.6 + Zn/1.3 based on the relative value and recoveries (as determined at site) of the contributing metals

2. Minor discrepancies in values may occur due to rounding and exclusion of Pb in the table

Tulkubash: Outstanding Resource and Grade Growth

- **Continued exploration success increasing Au inventory**

- 2017 campaign added 42% Au following >17,000m of drilling
- 2018 campaign added 67% Au following >20,000m of drilling
- In 2018, the exploration cost per Au ounce added into inventory was an outstanding \$11.40/oz

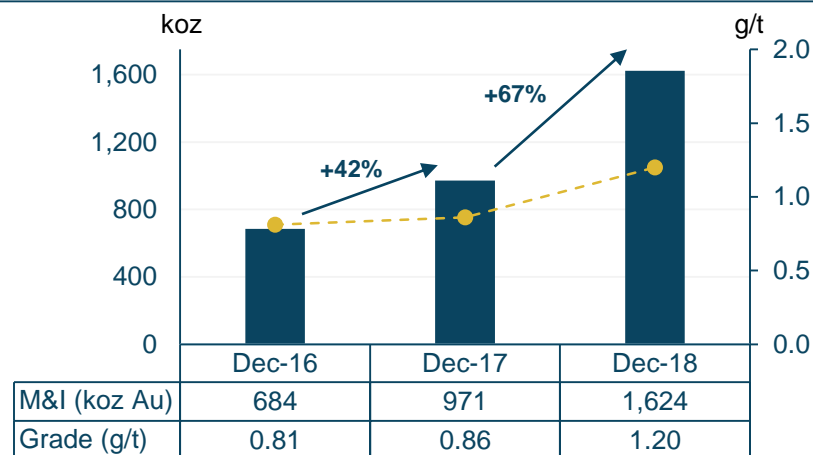
- **Exploration success underpins life of mine upside**

- Significant geological structures identified over 24km, of which only 4km has been drill tested
- Current life of mine is 5.3 years is based on 2P Reserves of 658 koz Au
- Continued exploration success creates potential to extend mine life and develop the potential of the asset

- **2019 Exploration campaign underway³**

- 2019 campaign to drill 20,000m, with c. 9,000m completed
- Initial drilling results encouraging, with highlights including:
 - DH19T478: 19.5m at 2.20 g/t Au from 27m
 - DH19T466: 16.5m at 1.49 g/t Au from 114m

RESOURCE GROWTH SINCE 2016



RESOURCES AND RESERVES^{1,2}

Classification	Tonnes (kt)	Grade (g/t Au)	Gold (koz Au)
2P reserves	22,180	0.92	658
Measured	5,660	1.35	246
Indicated	36,300	1.18	1,378
Total M&I	41,960	1.20	1,624
Inferred	2,330	0.46	33

Rigorous exploration methods generating significant increases in Resources at attractive discovery costs of \$11.40/oz

1. Reserves as of updated Feasibility study 04 June 2019 and Resources as of 31 December 2018

2. M&I Resources are inclusive of reserves

3. Link to the 18 June 2019 Exploration Update RNS ([here](#))

Financial Update

Chris Eger – CFO

Financial Update

- **Since January 2019, Chaarat has:**
 - Closed a \$40m financing package to acquire the Kapan asset
 - In April, raised equity of \$2.7m
 - Signed JV term sheet with Ciftay to sell 12.5% of Chaarat's mining projects Tulkubash and Kyzyltash for \$31.5m
- **Tulkubash Project Financing underway**
 - Targeting close by end of 2019
 - Chaarat currently engaged in discussions with multiple funding sources
- **Polymetal agreement of Kapan reconciliations**
 - Polymetal has agreed to exchange its \$10m of Convertible Bonds (and accrued interest) in the Company in return for the allotment and issue of 14,638,020 new ordinary shares (approximately \$5m in value at today's share price)
 - Reduction in overall debt levels
- **Unfortunately, potential investor fails to deliver cash investment in 2021 Convertible Bond**
 - Chaarat is exploring legal recourse on the matter
 - Lack of performance is not expected to impact the Company's near-term cash-flow or to affect operations
- **Chaarat benefits from ample liquidity as a result of:**
 - Labro working capital facility
 - Cash on hand
 - Free cash flow from Kapan

Consolidated Debt Profile (Current)

	Units	Value
Loan Facility	US\$k	10,000
2021 Convertible Bonds	US\$k	19,680
Kapan Loan Facility	US\$k	38,000
Labro Working Capital Facility	US\$k	3,000
Total	US\$k	70,680

Chaarat continues to evaluate opportunistic capital opportunities to either refinance existing financing facilities and/or reduce its overall cost of capital

Closing Remarks

Chaarat Focus Areas

- **Kapan**
 - Optimise the performance of the asset
 - Generate cashflow to the Group – achieve the \$20m Ebitda run rate in Q4-2019
 - Mine Plan update (end Q3-2019)
- **Tulkubash**
 - Continue exploration programme
 - Progress pre-construction
 - Close the Project Financing process (end 2019)
- **M&A**
 - Chaarat continues to assess opportunities for growth through selective M&A (accretive bolt-on opportunities and transformational consolidation)
- **Financing**
 - Maintain a robust balance sheet, and continue to evaluate sources of capital that improve cost of capital and/or debt profile

Q&A