

**CHAARAT**

# Investor Briefing Materials

March 2019



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## Management Team and Majority-Independent Board Fully Reshaped in the Last 18 Months

### Senior Management


**Martin Andersson – Executive Chairman**

*Appointed October 2016*

- Extensive business experience across the CIS region
- Company's largest shareholder and since becoming Chairman, has reset the strategy under a new management team


**Artem Volynets – CEO (Board Member)**

*Appointed March 2018*

- Senior mining industry executive with over 20 years of experience and having managed transaction worth in excess of US\$30bn
- Formerly the CEO of a natural resource company in FSU region with over \$25bn in assets and over 100,000 employees


**Chris Eger – CFO**

*Appointed July 2018*

- Extensive financial, M&A and commercial expertise related to the Metals & Mining sector gained over a 20-year career in investment banking, metals trading and private equity
- Previously CFO of Nyrstar NV


**Robert Benbow – COO (Board Member)**

*Appointed July 2017*

- Over 40 years' experience developing green field projects
- Responsible for development of Alacer's Çöpler heap leach project in Turkey


**Dorian (Dusty) Nicol – Senior Vice President, Exploration**

*Appointed November 2017*

- Over 45 years of experience managing successful gold exploration around the globe
- Leads exploration strategy deployment across Chaarat's asset portfolio


**Martin Wiwen-Nilsson – Senior Advisor**

*Appointed October 2016*

- A former Partner of Goldman Sachs managing the emerging markets and global commodities businesses

### Independent Board Members (Audit, Remuneration, ESG Committees are chaired by independent directors)


**Gordon Wylie – Sr. Independent Director & Deputy Chairman**

*Appointed November 2017*

- Over 41 years' experience in the global mining industry with experience in growing companies from exploration to production


**Hussein Barma – Independent Non-Executive Director**

*Appointed December 2018*

- An experienced senior executive having spent 15 years at Antofagasta as CFO
- Extensive knowledge and experience of the global mining industry, regulations, strategy, finance, audit, accounting and IR


**Robert Edwards – Independent Non-Executive Director**

*Appointed September 2018*

- 27 years of experience in the global natural resource industry primarily focused on frontier and emerging markets
- Former chairman of Global Mining at Renaissance Capital, previously with HSBC and RBC


**Warren Gilman – Independent Non-Executive Director**

*Appointed March 2019*

- Chair and CEO of CEF Holdings (mining investment JV between Cheung Kong Holdings and CIBC) for over 10 years
- Chairman, Founder and CEO of Queen's Road Capital Ltd, previously chairman Co-founder of CIBC's Global Mining Group in 1988

### Leadership in Countries of Operations


**Peter Carter – Operations Manager and VP ESG**

*Appointed February 2018*

- 30+ years' experience in open pit engineering, mine management. Leadership roles in the construction and operation of the Kumtor mine in the Kyrgyz Republic and Boroo mine in Mongolia


**Davron Vakhobov – Project Manager (Kyrgyz Republic)**

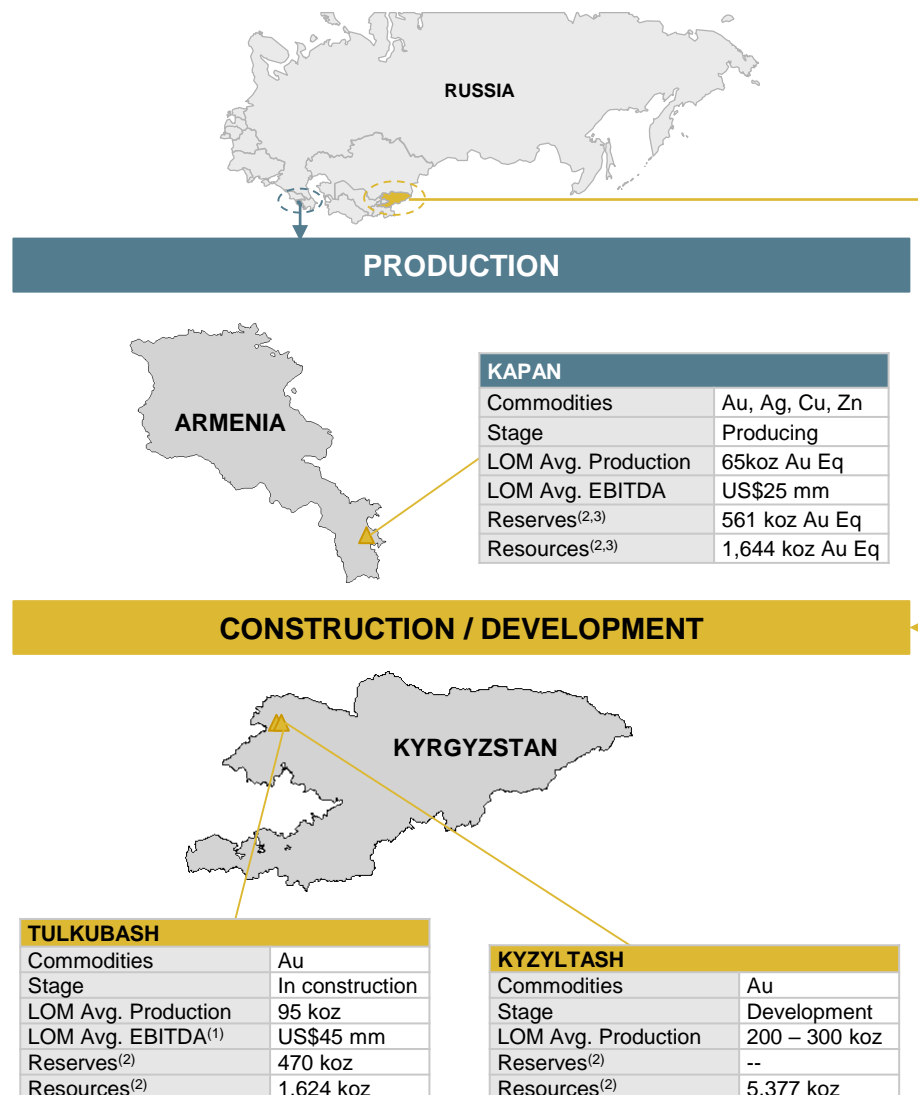
- Long term experience in project development, experience in original mine construction at the Çöpler mine and subsequent plant and heap leach expansion projects


**David Tovmasyan – General Director - Kapan (Armenia)**

- 20 years of Operations management and engineering: ore processing, underground mining and open pit. Previously worked at Freeport McMoRan, Zangezur CMC and Dundee Precious Metals (Kapan)

## Chaarat: Who We Are

- ✓ **FSU focused gold producer**
- ✓ **One producing mine generating EBITDA of over US\$25 million per year**
- ✓ **Two high quality development assets**
- ✓ **Asset base across two jurisdictions**
- ✓ **2019E production of 65koz Au Eq**
- ✓ **Reserves: 1.0 mmoz Au Eq  
Resources: 9.1 mmoz Au Eq**
- ✓ **Significant organic growth potential**
- ✓ **High quality pipeline of accretive bolt-on and transformational consolidation / M&A opportunities**



1. Tulkubash EBITDA approximated using US\$1,250/oz gold price, US\$726/oz C1 Cash Cost and 95koz p.a. gold production. Gold production and C1 Cash Costs as per the April 2018 Tulkubash Feasibility Study.

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.



# Executing on transformational strategy to create a leading emerging markets gold company

5 key steps to value creation with minimal dilution to shareholders:

- ① Disciplined M&A
- ② Exploration upside
- ③ Operational efficiencies
- ④ Synergies
- ⑤ Reduction in cost of capital

Organic Growth	Selective & Transformational M&A	Management Alignment with Shareholders
<ul style="list-style-type: none"> <li>• <b>KAPAN</b> <ul style="list-style-type: none"> <li>■ <b>Operational Improvements</b></li> <li>■ <b>Production debottlenecking</b> <ul style="list-style-type: none"> <li>■ Currently producing 65koz</li> <li>■ Current EBITDA of US\$25mm</li> </ul> </li> </ul> </li> <li>• <b>TULKUBASH</b> <ul style="list-style-type: none"> <li>■ <b>Update Feasibility Study</b></li> <li>■ Bring the project to production</li> <li>■ Deliver low cost ounces from the project to deliver value to shareholders                             <ul style="list-style-type: none"> <li>■ Target production of 95koz</li> <li>■ Target EBITDA of US\$45mm</li> </ul> </li> <li>■ Extension of mine life</li> </ul> </li> <li>• <b>KYZYLTASH</b> <ul style="list-style-type: none"> <li>■ Update the Feasibility Study</li> <li>■ <b>Turn resources into reserves</b></li> <li>■ Bring the project to production</li> <li>■ Deliver low cost ounces                             <ul style="list-style-type: none"> <li>■ Target production of 200-300koz</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Disciplined M&amp;A</b> with focus on:                             <ul style="list-style-type: none"> <li>■ Delivering above on the “5 Steps”</li> </ul> </li> <li>• <b>Transformational and add-on deals</b> to achieve growth                             <ul style="list-style-type: none"> <li>■ FSU region</li> <li>■ Gold</li> <li>■ Producing Assets</li> <li>■ Accretive Transactions</li> <li>■ Strong Deal Pipeline                                     <ul style="list-style-type: none"> <li>■ 15+ transactions, both add-on and transformational</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Chaarat’s management</b> is incentivized to find the best funding options for the company                             <ul style="list-style-type: none"> <li>■ +40% of the company is owned by the management and the Chairman</li> <li>■ Chaarat will focus on minimizing dilution for shareholders</li> <li>■ Management 3 year bonus and incentive program entirely paid in locked-in shares and options at 42p/share, not cash</li> </ul> </li> </ul>

Chaarat

**Chaarat’s vision is to become a leading FSU low cost gold producer with a sound organic growth strategy supported by selective M&A**

# Focus on practising best international health & safety, governance, social and environmental standards

In addition to compliance with **national mining and environmental legislation**, Chaarat is committed to meeting the **expectations of good international industry practice**, including recommendations set out by the **IFC Performance Standards on Environmental and Social Sustainability**

## ENVIRONMENTAL

- Chaarat Zaav ("CZ")<sup>(1)</sup> complies with all local environmental regulations
  - Tulkubash Project is based on international industry-standard practice and supported by Kyrgyz and international standard ESIA's
  - The Tulkubash Project design follows International Cyanide Management Code guidelines
- Kapan: immediate focus after acquisition to improve environmental standards:
  - Improvements to Tailings Management Facility design and water treatment system are being implemented at Kapan
  - Kapan has engaged SRK to conduct an IFC-compliant environmental audit
  - Kapan maximizing water recycling and upgrading tailings line

## SOCIAL

- CZ workforce comprises of more than 80% Kyrgyz nationals
- CZ contributes over \$210,000 annually in social aids to Chatkal
- CZ supports local economy by creating indirect job opportunities
- Kapan workforce comprises > 98% Armenian nationals
- Strong, long-established relationship with community at Kapan
- In 2019, Kapan plans to fund the reconstruction of two kindergartens in the community

## GOVERNANCE

- ESG role established for corporate reporting
- Senior and Operations management rigorously enforce FCP policies
- Chaarat encourages its employees to use its whistle-blower policies
- Supportive substantial shareholder with majority of independent board members

## HEALTH & SAFETY

- Hazard recognition emphasized in CZ safety training
- International Health & Safety best practices used throughout operations and construction sites
- New Safety Manager driving change to a behavioural-based safety culture at Kapan
- Kapan safety reporting being integrated and aligned with Charaat Standards

1. Entity incorporated in Kyrgyzstan.

## ESG Outreach

Chaarat, with the EBRD, sponsors an annual conference in London promoting the benefits of doing business in the Kyrgyz Republic

Work with EBRD and others to promote responsible FDI in the Kyrgyz Republic

Ongoing support of local communities through:

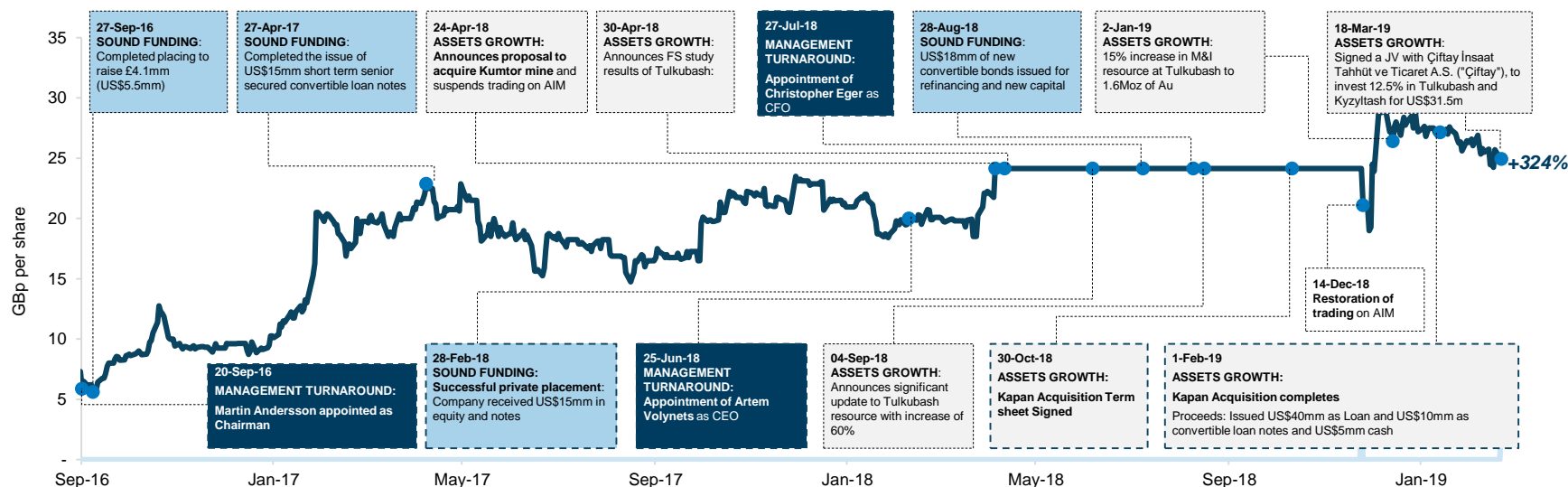
- Infrastructure development
- Healthcare
- Education / skill building
- Job creation
- Community facilities
- Micro-finance

Regional Consultation Group established to facilitate communication and consultation with local communities



Chaarat Committed to the Highest International ESG Standards

# Chaarat value creation is supported by accretive funding solutions



- ✓ **Funding strategy:** "New Chaarat" has focused on deploying a mix of financing solutions to fund its development resulting in minimal equity dilution
- ✓ The Company went through a full turnaround in the last 18 months, developing a new vision and strategy, establishing a new board (now majority independent), completely changing its management team, completing its first M&A deal and transforming the Company from a developer to a producer

Chaarat

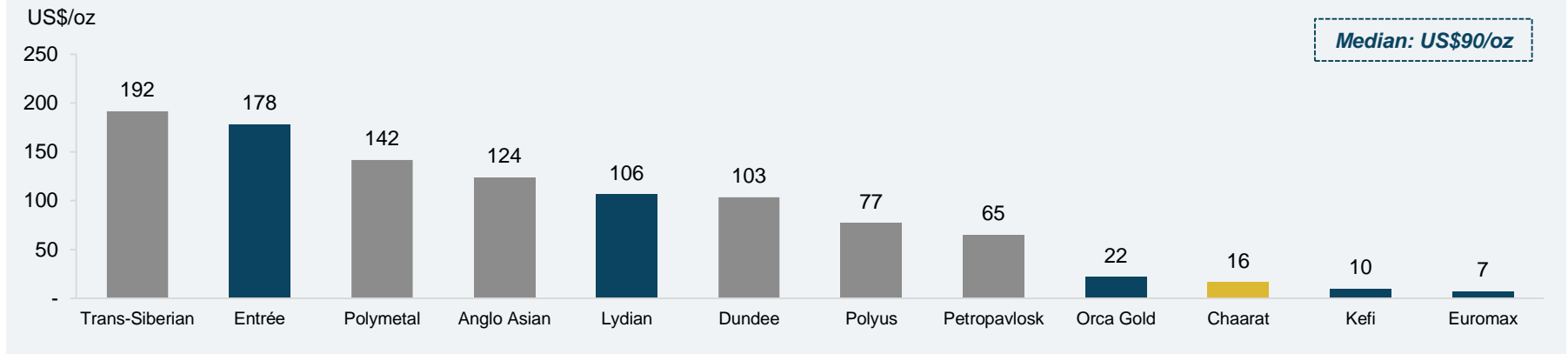
Chaarat's focus on assets and resource growth combined with a sound and diversified funding strategy has been a key focus of the reinvigorated management team and board



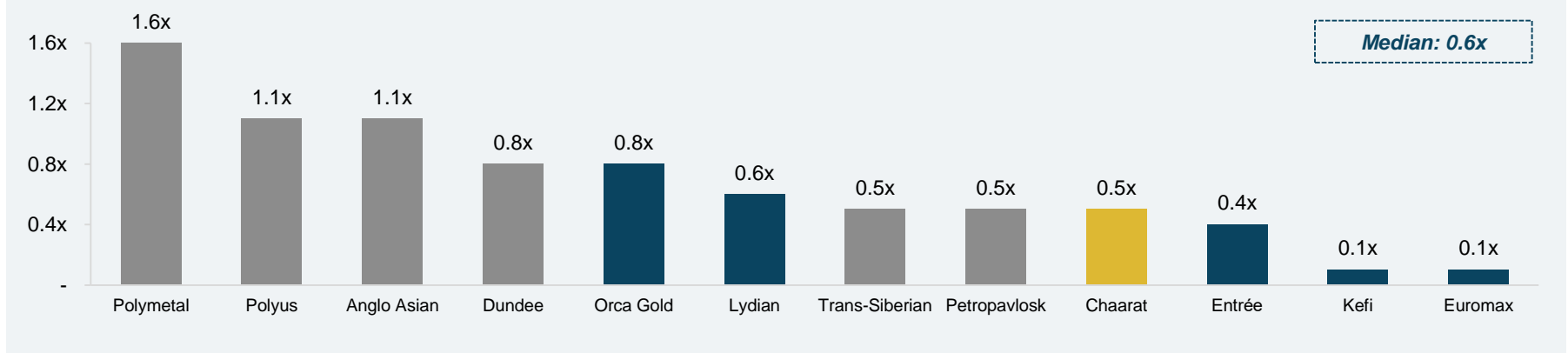
# Chaarat valuation in context

Peer EV/Resources and P/NAV multiples suggest Chaarat is undervalued

## EV / Resources of FSU players



## P / NAV of FSU players



**Chaarat**

**Chaarat is undervalued as the market has yet to recognize a) the growing free cash flow at Kapan; b) the resource size (Kapan + Tulkubash + Kyzyltash); and c) the NAV expansion story**

Source: Capital IQ as of 14 March, SNL, Company filings, broker reports; Note: Resources are inclusive of reserves and inferred resources.  
1. Based on Kapan LOM Average EBITDA of US\$25m.

Pre-production Producing companies

# Current market value represents an attractive entry point

Broker consensus estimated target price of 45p represents an average 80% premium to current share price levels<sup>1</sup>

## REASONS WHY CHAARAT SHOULD RE-RATE

- ✓ Mine life extension and free cash flow pipeline growth from Kapan to deliver shareholder value
- ✓ Tulkubash reserves and resource base growing and construction plan well on track
- ✓ Kyzyltash resource base supportive long term growth with construction on track for 2022-2025
- ✓ Further M&A growth to be expected

BROKERS ESTIMATE THE FAIR VALUE OF THE STOCK AT AN AVERAGE 80% PREMIUM TO ITS CURRENT TRADING PRICE<sup>1</sup>

Date	Broker	Rating	Target price (GBp)	Premium to current price (%)
4-Jan-19	Numis	Buy	40	62%
18-Mar-19	Pareto	Buy	50	100%

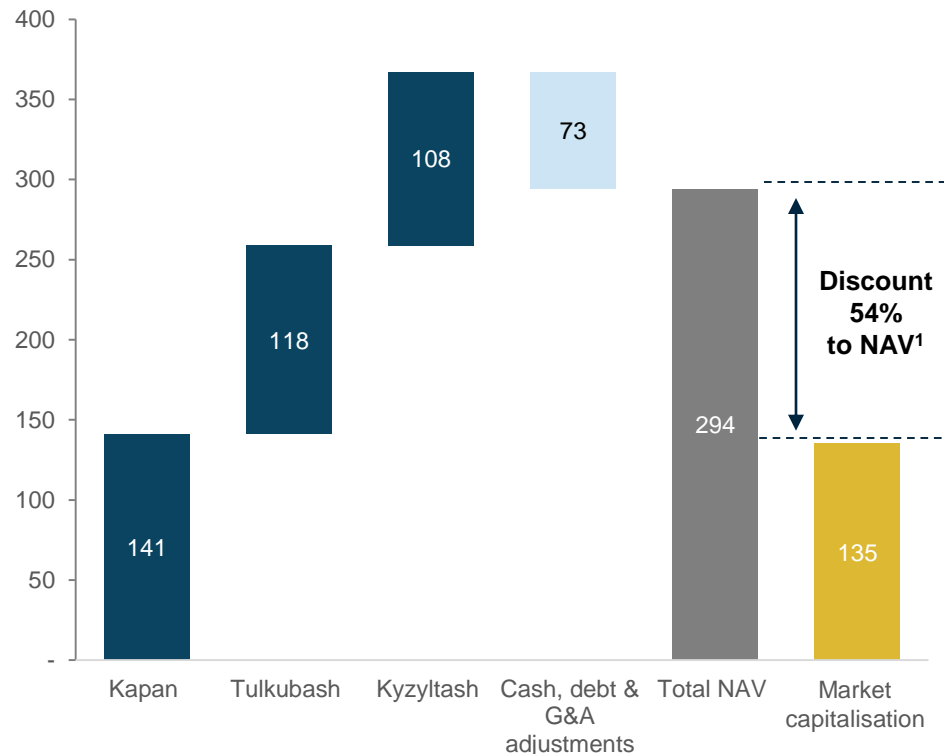
**Average**

**45**

**80%**

## BROKERS NAV SHOWS UNDERVALUATION

US\$m



**Chaarat**

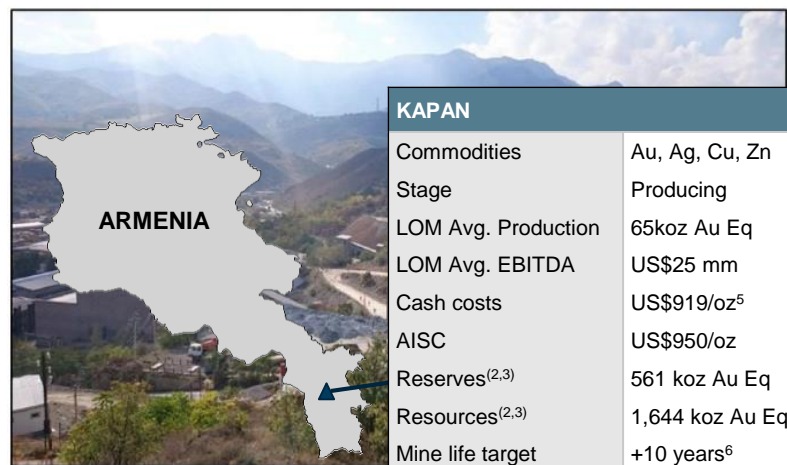
**Significant potential share price upside implied by broker consensus NAV estimates**

# Assets

# Chaarat's portfolio is growing in emerging gold districts

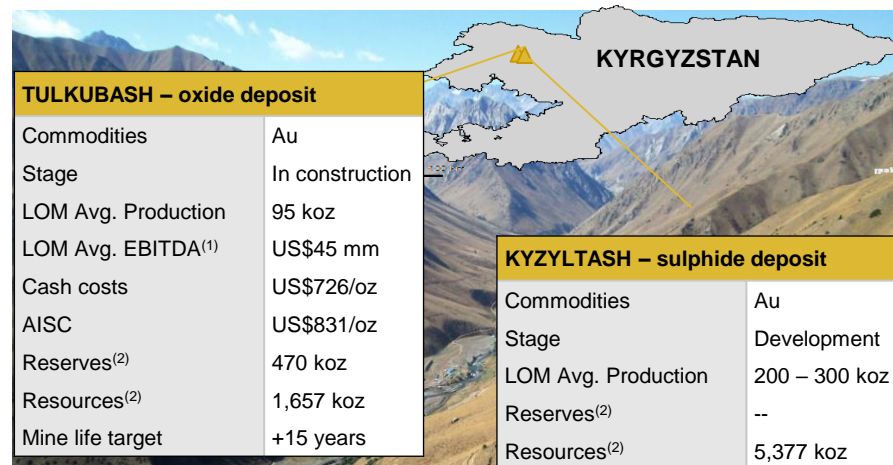
## PRODUCTION

Chaarat acquired Kapan from Polymetal



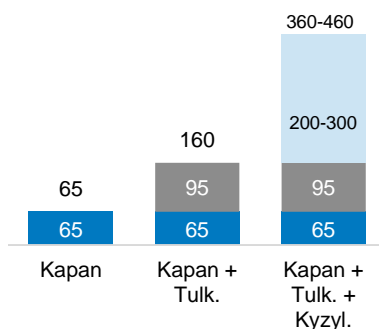
## CONSTRUCTION / DEVELOPMENT

Resources permitted for development

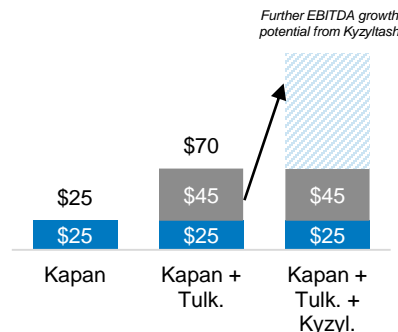


## Key Proforma Metrics

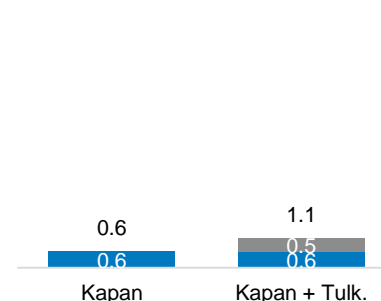
LOM Average Gold Equivalent Production (Koz Au Eq)



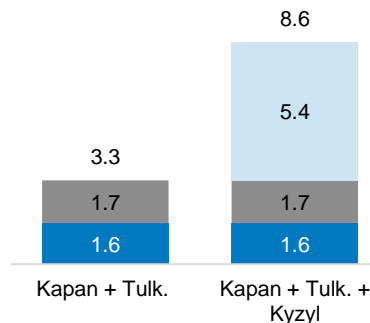
LOM Average EBITDA<sup>1</sup> (US\$mm)



JORC Reserves<sup>2</sup> (mmoz Au Eq.)



JORC Resources<sup>2</sup> (mmoz Au Eq.)



■ Kapan ■ Tulkubash ■ Kyzyltash

1. Target Tulkubash EBITDA approximated using US\$1,250/oz gold price, US\$726/oz C1 Cash Cost and 95koz p.a. gold production. Gold production and C1 Cash Costs as per the April 2018 Tulkubash Feasibility Study.  
 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. H1 2018  
 6. Using resource to reserve historic ratio

# Kapan acquisition (Jan-19): Chaarat is delivering on its strategy

## KAPAN TRANSACTION RATIONALE

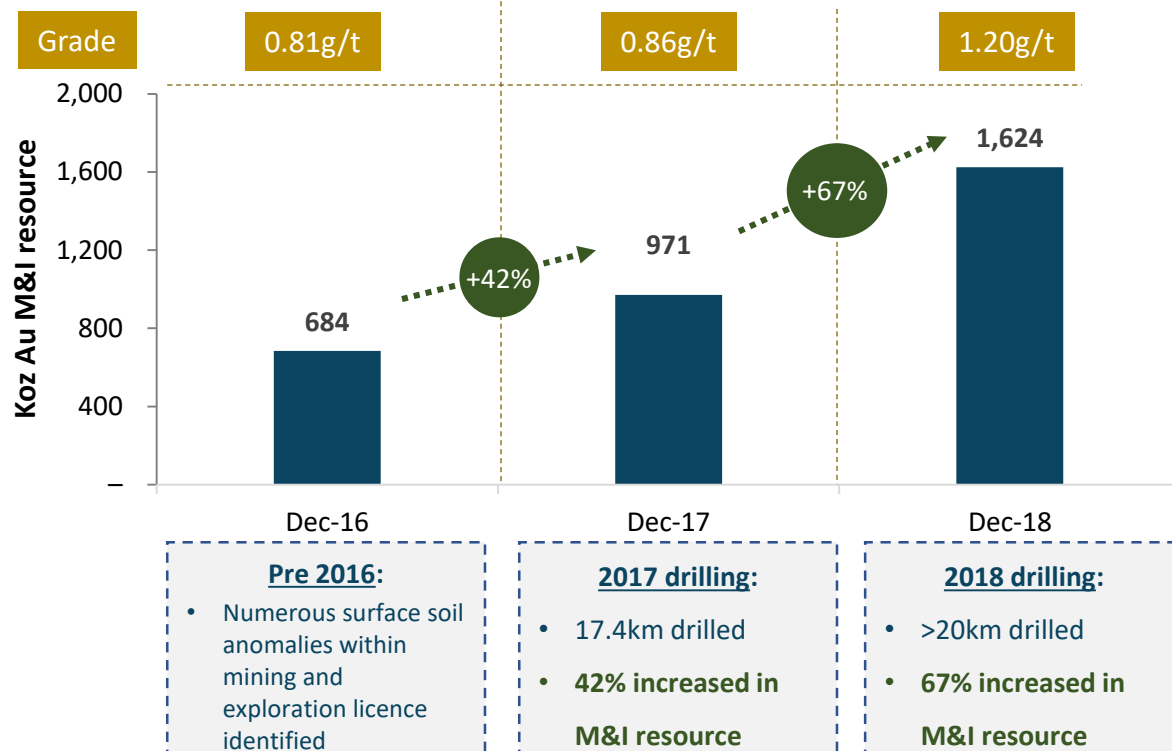
- **Accelerates Chaarat's transformation from a developer to a producer, providing a catalyst for a potential re-rating**
- **Strengthens the Company's portfolio of assets**
  - Geographical and commodity diversification
  - 2019E production of ~65 koz Au Eq
- **Highly accretive acquisition and financing metrics**

Selective M&A		Kapan is meeting Chaarat's objective	
Chaarat strategy	<b>Disciplined M&amp;A</b>	<ul style="list-style-type: none"> <li>• Kapan was acquired at attractive valuation: Implied P / NAV of 0.53x Implied 2.2x EV / LOM EBITDA</li> </ul>	
	<b>Asset with mine life extension potential</b>	<ul style="list-style-type: none"> <li>• Applying historical resource to reserve conversion ratios, the asset should deliver an additional 6 years of LoM</li> </ul>	
	<b>Operational efficiencies</b>	<ul style="list-style-type: none"> <li>• At Kapan, Chaarat sees opportunities to improve: a) management systems, b) mine planning programs, c) maintenance programs, d) metallurgically driven mill operations and e) behavioral health and safety</li> </ul>	
	<b>Regional synergies</b>	<ul style="list-style-type: none"> <li>• As Chaarat develops regional cluster of assets, potential for operational synergies</li> </ul>	
	<b>Reduction on cost of capital and increased financing flexibility</b>	<ul style="list-style-type: none"> <li>• Transition from developer to producer allows for overall lower cost of capital</li> <li>• Current US\$40m acquisition debt represents 1.6x leverage on Kapan EBITDA, resulting in future debt capacity for Chaarat business or growth</li> </ul>	



# Tulkubash: Outstanding resource and grade growth since 2016

M&I RESOURCE GROWTH SINCE 2016:

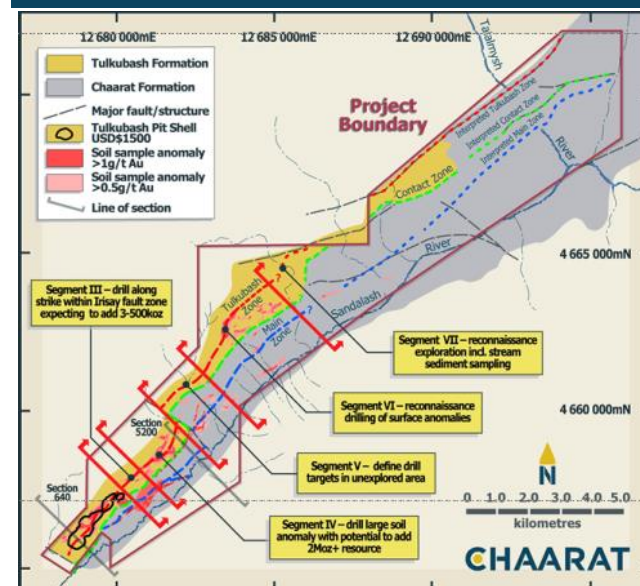


TOTAL RESOURCES – 31 JANUARY 2019:

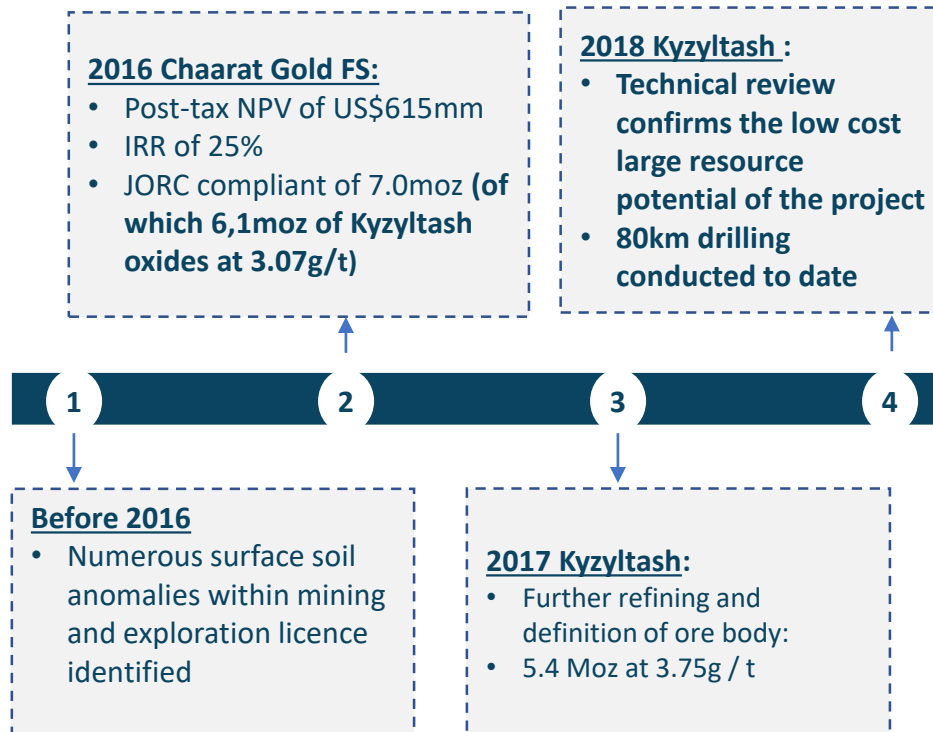
Classification	Tonnes (kt)	Grade (g/t Au)	Gold (koz Au)
Measured	5,660	1.35	246
Indicated	36,300	1.18	1,378
<b>Total Measured &amp; Indicated</b>	<b>42,000</b>	<b>1.20</b>	<b>1,624</b>
Inferred	2,330	0.46	33

## Near-term development plans:

- Q2 2019: Updated FS
- Q2 2019: Complete Ciftay JV
- Summer 2019: Project earthworks contractors fully mobilised
- Detailed engineering underway
- Q3 2019: Complete Project Finance
- Begin heap leach pad construction in Q3 2019
- Install plant and facilities in 2020-2021
- Q3 2021: First gold



# Kyzyltash: overlooked high-value opportunity

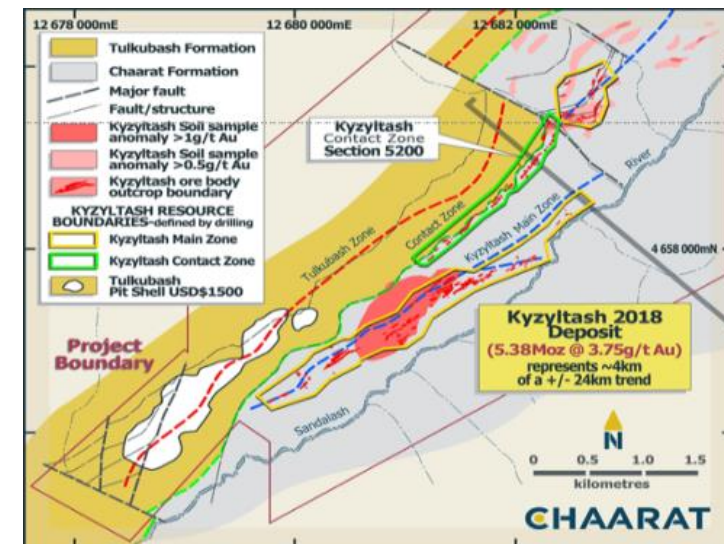


## Near-term development plans:

- 3,300 metres of drilling to obtain fresh metallurgical samples (Q3 2019)
- Systematic metallurgical testing to identify optimum processing flow sheet (G's 3 and 4, 2019)
- Pilot scale test work once optimum process is identified in 2020
- Update Feasibility Study in 2020-2021
- Begin detailed engineering in 2021
- Begin construction in 2022
- 30-36 month construction period depending on final process

## Latest resource statement – 0.2g/t cut off

Classification	Tonnes (kt)	Grade (g/t Au)	Gold (Moz Au)
Measured	6,722	3.26	0.7
Indicated	32,794	3.79	3.9
<b>Total Measured &amp; Indicated</b>	<b>39,516</b>	<b>3.70</b>	<b>4.5</b>
Inferred	6,611	4.05	0.8



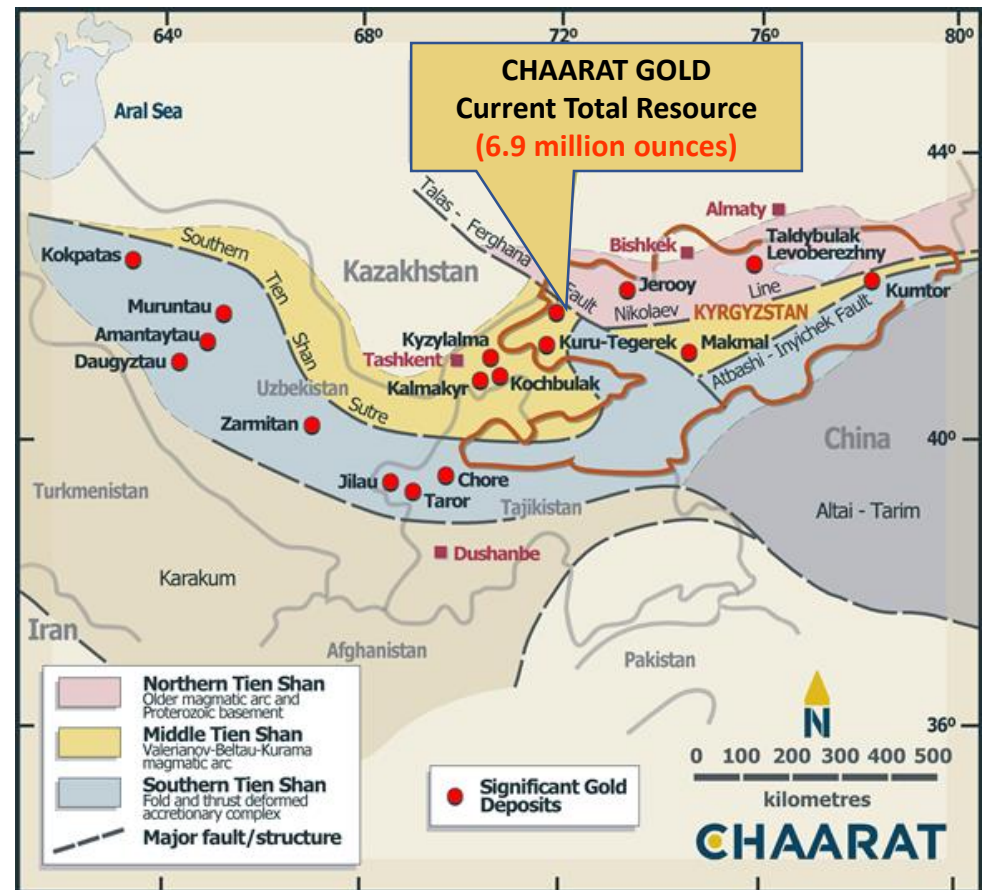
## Next milestones

Category	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
▪ M&A review and execution (ongoing)																				
▪ Kapan operational, reserves and mine plan update																				
▪ Completion of Ciftay JV																				
▪ Tulkubash feasibility study update																				
▪ Tulkubash project finance																				
▪ Tulkubash update in resource and mine life																				
▪ Tulkubash construction																				
▪ Tulkubash first gold pour																				
▪ Kyzyltash FS update																				
▪ Kyzyltash detailed engineering and construction																				
▪ Kyzyltash production																	1H 2025			

# M&A OPPORTUNITIES

# Location – A Great Neighbourhood

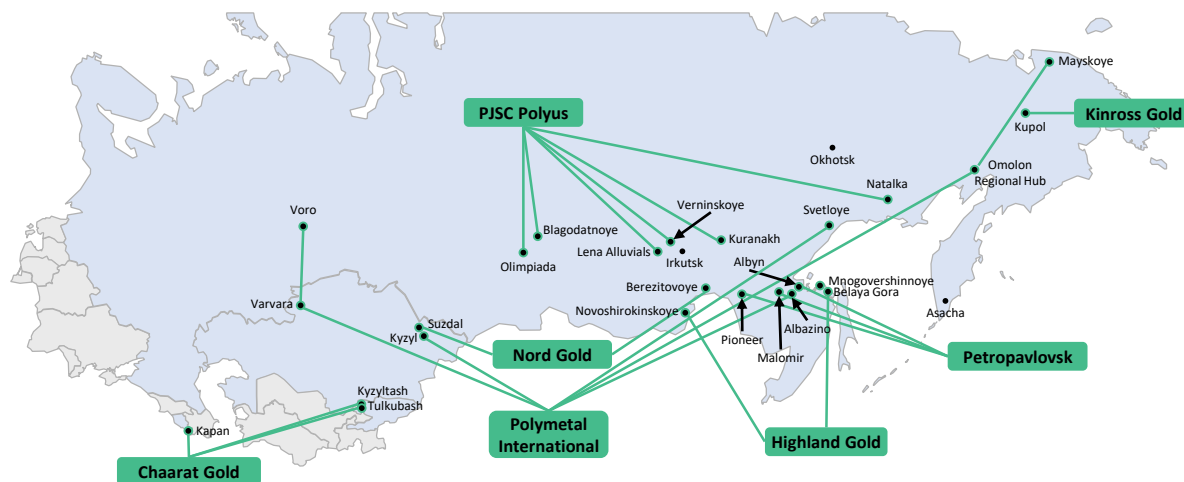
- Located in the Tien Shan Gold Belt, Central Asia
- Belt contains numerous large scale deposits and operating mines including 175Moz Muruntau, the largest gold mine in the world
- China's Belt and Road Initiative expected to upgrade infrastructure in the region bringing significant advantages for long-term development



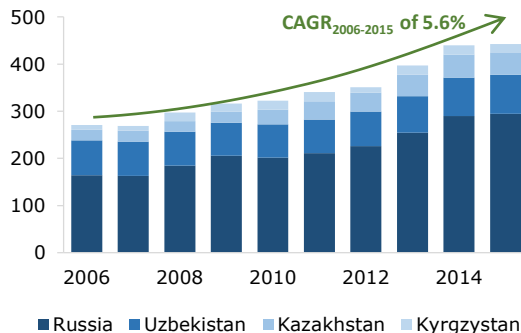


# Central Asian / FSU Gold Sector – Ripe for Consolidation

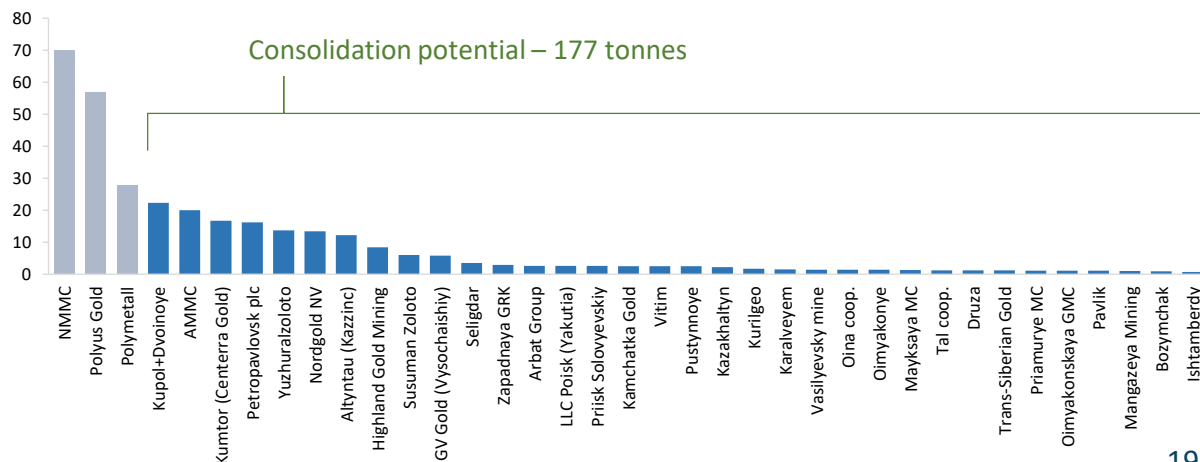
- Central Asia and the FSU region have all the prerequisites for global gold mining industry leadership given its extensive resource base and production potential



Central Asia and FSU gold mine output (mt)



Central Asia and FSU gold miners (mt of output)

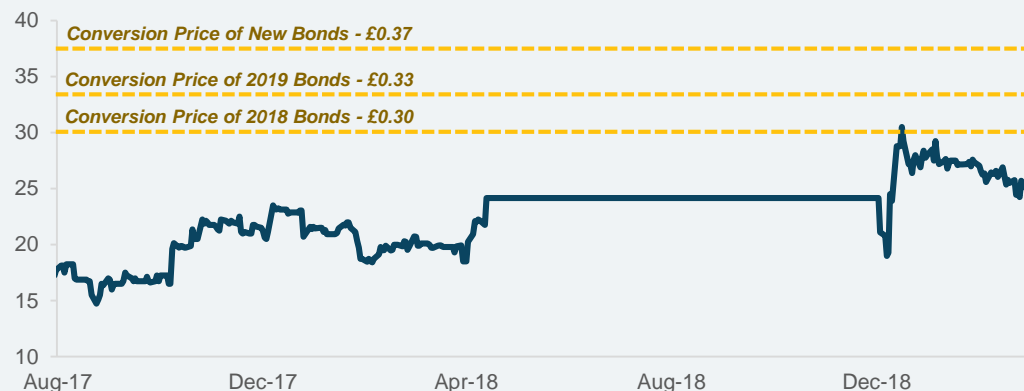


# Appendices

# Corporate Overview

## SHARE PRICE PERFORMANCE

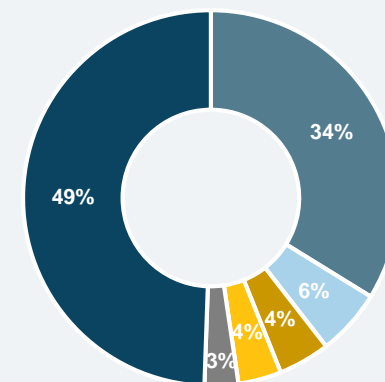
GBP per share



## CAPITAL STRUCTURE

<b>Market cap (£m)</b>	<b>£108.0</b>
Market cap (US\$m)	142.8
<b>Shares outstanding (mm)</b>	<b>395.417</b>
Loans and borrowings	40.0
Convertible loan notes	28.6
Loan issued	10.0
Issue of new convertibles on 21-Dec-18	0.4
<b>Total debt (US\$m)</b>	<b>79.0</b>
Cash & cash equivalents as of 14-Dec-2018	15.1
Issue of new convertibles on 21-Dec-18	0.4
<b>Total cash &amp; cash equivalents (US\$m)</b>	<b>15.5</b>
<b>EV (US\$mm)</b>	<b>206.3</b>

## MAJOR SHAREHOLDERS



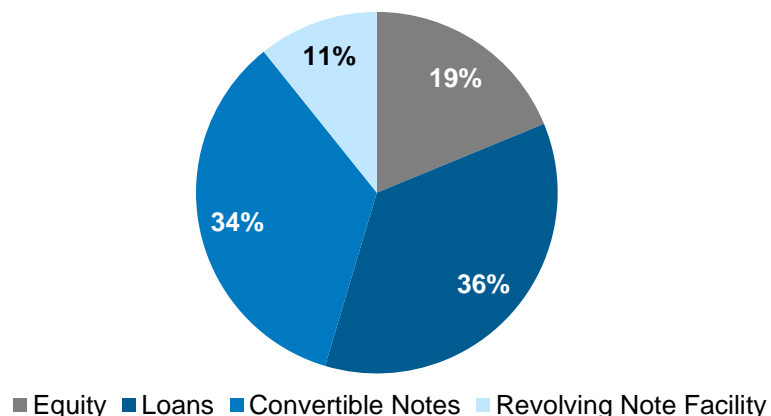
- Labro Investments Ltd.
- China Nonferrous Metals Int'l Mining Co. Ltd
- Sarastro Group Ltd.
- UBS Group AG
- Other Directors
- Free Float

# Our financing philosophy

## FINANCING NOW AND IN THE FUTURE

- Chaarat finances its projects such that shareholders are protected from significant dilution
- In the past 4-5 years financing consisted of US\$26.2m equity vs \$113.3m in debt (term loan, convertible loan notes, revolving loan facilities) while maintaining a healthy balance sheet
- **Chaarat intends to apply its past financing philosophy to the future with continued accretive funding to shareholders**

## PAST FINANCING SOURCES – 19% EQUITY VS 81% DEBT



## PAST FINANCINGS OVERVIEW

Date	Type	Amount (US\$mm)	Use of Proceeds
30-Jan-19	Term Loan	40.0	• Fund Kapan acquisition
30-Jan-19	Convertible Loan Notes	10.0	• Fund Kapan acquisition
14-Dec-18	Revolving Loan Facility	15.0	• General corporate purposes
15-Nov-18	Loan	10.0	• Fund Kapan acquisition • General corporate purposes
28-Aug-18	Convertible Notes	17.0	• Fund Kapan acquisition • Tulkubash development
18-Dec-17	Convertible Loan Notes	5.0	• Development of the Tulkubash heap leach project
	Equity	6.4	
12-Apr-17	Convertible Loan Notes	15.0	• Finance Tulkubash Heap Leach project
27-Sep-16	Equity	5.5	• Complete Bankable FS

Chaarat

Funding in the future will come for M&A or opportunistic capital raising

# 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) 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.

A copy of the Company's Admission Document may be accessed from this link.

<https://www.chaarat.com/wp-content/uploads/2018/12/Re-Admission-Document.pdf>

For the purposes of this Presentation, risk factors in Part III of the Admission Document are deemed fully incorporated herein but are only intended to give potential investors in the Company an indication of the types of operational and general risk factors that investors should consider. It is the responsibility of all potential investors to satisfy themselves as regards any particular risks by consulting their own professional advisers.

The risks set out in Part III of the Admission Document 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.



## Contact

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Artem Volynets (CEO)