# Chesterfield Resources Plc

14 September 2020

## Sponsored Research – Mining

## Copper & Gold in Cyprus

### Key Data

| | |
|---|---|
| Listing: | LON |
| Ticker: | CHF |
| Shares Outstanding: | 73.9m |
| Share Price: | £0.0635 |
| Market Cap: | £4.7m |
| Estimated Valuation: | n/a |
| Asset Location: | Cyprus |
| Listing: | LON |

### Introduction

Fox-Davies Capital is initiating coverage of Chesterfield Resources Plc ("Chesterfield"), a company that has been exploring for copper and gold in Cyprus since 2018. The company is backed by top geologists who have contributed to key copper discoveries in major mining companies including First Quantum, Lundin Mining and Rio Tinto. Therefore, whilst a junior explorer, Chesterfield has adopted a "best in class" approach to exploration normally used by far larger companies.

### Copper in Cyprus

Cyprus has been exploited for copper as far back as the Phoenicians and the Romans. Until the 1950's, mining contributed circa 25% of GDP. Following the Turkish invasion in 1974, mining mostly stopped, with little exploration in recent decades. Most of the mining conducted historically was on ore bodies that were discovered because they outcropped, suggesting there are numerous non-outcropping orebodies still to be found beneath relatively shallow cover. Since exploration ceased 45 years ago, exploration techniques have improved radically, emphasized by the 30+ targets that Chesterfield has discovered to date.

### Catalysts for 2020

The catalyst for 2020 will be a high intensity integrated AMT survey, percussion drilling and a diamond drilling programme due to commence in early September. The first six holes, approximately 1,000m, have been identified and are drill ready, with access infrastructure already established. Some of these holes will twin previously drilled percussion holes. The second 1,000m of diamond drilling has been kept flexible and will be firmed up after initial diamond drilling, with further percussion drilling where necessary.

### Troodos West – Several Drill Ready Targets

Chesterfield has focused on the West Troodos area since it is a prospective geological area with historic mining sites and readily available data. The orebodies in this area tend to be smaller but with many of the targets grouped within a 5km radius of each other, several orebodies could potentially feed a central mill. Based on the completed percussion drilling in this area there are four drill ready targets, including a large anomaly at KinValley.


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# Investment Case

**World class geological team**

- Chesterfield has assembled a world class geological exploration team, drawn from some of the world's best-known exploration and mining companies. This is highly unusual for such a small junior exploration company.

- Neil O'Brian was previously Head of Exploration for Lundin Mining. He was one of the longest serving employees at Lundin Mining, and he is a leading authority on the Tethyan belt and VMS deposits. Neil is Technical Consultant to Chesterfield.

- Chesterfield's Managing Director, Mike Parker, had a 20-year career with First Quantum Minerals (FQM) and was instrumental in two major copper discoveries for FQM, the Lonshi and Frontier mines. He was also their Country Manager for the DRC and then Peru and managed a team of over 100 exploration personnel.

- The technical team also includes Dave Cliff who was previously Head of Exploration Europe, Rio Tinto. Dave worked for Rio Tinto for 26 years. He played a leading role in the discovery of the Copler gold mine in eastern Turkey, which has reserves of 3.7M ounces. As well as being a geologist, Dave is also a chartered engineer and a member of the Institute of Materials, Minerals and Mining.

**Cyprus has not been exposed to modern exploration**

- There has been little exploration in Cyprus in the past forty-five years, since the 1974 Turkish invasion. Prior to this, the only deposits mined were those discovered because they outcropped. Although not understood at that time, these deposits were VMS in origin, which tend to occur in clusters. Chesterfield are looking for those orebodies that do not outcrop, and have the opportunity to find several orebodies that could feed a central processing plant.

**Looking for shallow VMS style deposits**

- VMS deposits have the potential for long term production due to the formation of clusters of deposits or ore lenses in close proximity, and the polymetallic nature of the ore. Typically, several deposits feed a central mill, creating economies of scale. The Cyprus deposits tend to be copper rich, with by-product credits generated from the production of different metals, specifically gold and silver, but potentially also zinc, which enhances the cash cost profiles for the mining companies and thus benefits their investors. Target depths are near between 50 and 200m.

**Initial percussion drilling was very successful**

- The initial percussion drilling was very successful, with the first three targets drilled yielding excellent results. This was particularly true for Evlim, where a 40m thick band of sulphides was discovered over a strike length of 140m with three percussion holes. However, percussion drilling on the exhalative style targets was less successful with the holes experiencing mechanical problems before reaching the target depth.

**Diamond drilling the key catalyst for 2020**

- Diamond drilling has been delayed by Covid-19 but is now forecast to commence in early September 2020. The sites for the first six holes, comprising approximately 1,000m have been identified and are drill ready, with access infrastructure already established. Some of these holes will be at the Evlim target and twin previously drilled percussion holes. The second 1,000m of diamond drill targeting has been kept flexible and will be firmed up after initial diamond drilling, with further percussion drilling where necessary.

**High priority targets**

- Chesterfield has identified four high priority targets. In order of current priority, these are KinValley, Hillside, Evlim, and Prince. In tier 2, where there are a further eight targets.

**West Troodos leases**

- Exploration studies have focused on Troodos West as it is the area with the most historical mining and available information and is considered more akin to "brownfield" exploration. Further, there is a plethora of potential targets lying in a 5km by 5km area. This is important, as any discovery is unlikely to be substantial but part of a cluster, therefore, it is anticipated that multiple discoveries, albeit modest, will be needed to facilitate a processing plant.

**Discovery South**

- This is the next area set for intensive desktop studies and work will move to this area as drilling becomes dominant at Troodos West. Nine prospects have been identified by Chesterfield while archival data is currently being digitised. There is one especially interesting target in this area, called Perapedhi. This was drilled by the United Nations in 1980 and intersected 1% copper over 15 to 20m.

**Improving copper prices**

- The Covid shutdowns have done much to reduce global $CO_2$ emissions, however temporary, and the western world is seeing the benefits of less pollution. This is expected to give the green revolution additional impetus, speeding up the electrification of energy and transportation. The copper price has strengthened by around 20% to US$3/lb in the current quarter, primarily on reduced output from Chile and Peru, where the mines have been impacted by Covid. Copper is emerging as a V shaped recovery from the Covid crisis. With Rio Tinto estimating that the world will need to consume more copper in the next 25 years than it did in the past 500 years this recovery in the copper price is anticipated to continue well into the future.

**Gold to be an important focus**

- In many VMS deposits, gold is a valuable revenue stream, sometimes being recovered as dore, but more often as a precious metal credit in the copper concentrate. Historically gold was relatively unimportant in the mining operations in Cyprus, probably because they had largely closed before the gold price took off in the early 1970's. However, Chesterfield have reported many gold intercepts and should any significant discoveries be made, gold is set to play an important role of the revenues from the discoveries.

**An excellent jurisdiction**

- Cyprus is in the EU, and has excellent infrastructure and mining regulations. English is widely spoken and the jurisdiction is based on English common law. It has extensive ties with the UK. The exploration area is sparsely populated and mining friendly.

**Valuation**

- As Chesterfield is an exploration company, and so far has only developed targets for drilling, we have not attempted to value the company as there is nothing to value at the moment. However, much progress has been made and it is expected that the upcoming diamond drilling will yield positive results and that value will start to accrue. With the current market capitalization of only £4.7M, there is significant leverage on the upside for any potential discovery.

# Company History

Chesterfield Resources Plc ("Chesterfield") obtained seven granted Prospecting Permits and a further six applications for Prospecting Permits through a takeover of a private local company, HKP and renamed Chesterfield Resources Cyprus. Chesterfield's granted Prospecting Permits are in their second year of tenure and cover an area of approximately 3,211 ha, whilst Chesterfield's Prospecting Permit Applications cover an area of approximately 2,779 ha and are expected to be granted later in 2020. By November 2019, the number of new licences applied for had grown to 19, covering an area of 235km$^2$ of some of the most prospective ground available in Cyprus. Of these, six had been granted, taking the 100% owned permits to 50km$^2$, with applications covering a further 186km$^2$.

The enlarged portfolio divides into four project areas: the Troodos West, Discovery South, Troodos North and the Troodos East projects. All projects have evidence of historical exploration and mining. Chesterfield's granted Prospecting Permits form the Troodos West Project, comprising seven almost contiguous 100% owned Prospecting Permits in the western foothills of the Troodos Mountains and cover ca. 3,211ha along a 14 km southwest trend extending from the abandoned Limni Mine to near the village of Anadhiou. Chesterfield's granted Prospecting Permits cover the abandoned Limni, Kinousa, Uncle Charles and Evloimeni Mines and a number of known prospects where there has been previous exploration.

**KEY HISTORICAL EVENTS**

| DATE | EVENT |
|---|---|
| 03 Jul 2018 | Admission to Official List and trading on LSE |
| 27 Jul 2018 | Appointment of Executive Chairman |
| 05 Sep 2018 | Operational Update |
| 11 Jan 2019 | Appointment of Chief Operating Officer |
| 04 Feb 2019 | Significant Expansion of Exploration Programme |
| 04 Mar 2019 | Applications more than triple land position |
| 16 Apr 2019 | New exploration targets identified via satellite |
| 05 Jun 2019 | Commencement of Geophysics programme |
| 03 Jul 2019 | Successful completion of IP programme, New target defined at Evlim |
| 25 Jul 2019 | New drill targets identified in Troodos West |
| 14 Jan 2020 | Percussion drill programme |
| 03 Feb 2020 | Successful results from percussion drilling |
| 25 Feb 2020 | Drilling Update |
| 21 Apr 2020 | Gold Prospectivity |
| 08 Jun 2020 | Managing Director appointed |
| 10 Jul 2020 | Further drill intersections on the Evlim target |
| 16 Jul 2020 | Percussion drilling to re-commence |
| 20 Aug 2020 | Diamond drilling to commence in early September 2020 |
| 01 Sep 2020 | AMT Geophysics Survey |

Source: Chesterfield Resources Plc

# Location

Cyprus is located at the eastern end of the Mediterranean sea, south of Turkey; west of Syria and Lebanon; north of Egypt, Israel, and the Palestinian region of the Gaza Strip; and southeast of Greece.

Chesterfield are exploring in the southern half of the island, which is independent and a member of the EU, and more specifically on either side of the Troodos mountains.

**EXHIBIT 1: LOCATION OF CYPRUS**


Source: Chesterfield Resources Plc

# Mining in Cyprus

In 1878, Cyprus was rented to the British by the Turks. During the Turkish occupation, there was no mining activity at all on the island. When the British came, things started changing. They started issuing prospecting permits and showed some interest in mining.

## Development of the Cyprus Mines Corporation

In 1912, an American prospector, Charles G. Gunther was sent to Egypt by the owners of an American company to find the sources of the pharaohs' gold. During his trip, as he was approaching Egypt, there was a storm, so his ship took refuge for a few days in Cyprus. He thought that it might be a good idea to see if there was any interesting mineral wealth in the island. He rented a few camels, put all the exploration equipment on them, and started looking around Cyprus. He asked the local people if they knew of any mining activity.

At that time, Cyprus was a wholly reliant on agriculture. He was finally told that there was a place called Skouriotissa. In the Greek language, it means the place of slag. He went to that place and found a monastery just outside the mine and a church called "Our Lady of the Slag". He parked his camels and equipment and started exploring. He put all his money and effort in this venture and he finally discovered the ancient Voukassa ore body.

In 1916, supported by two American investors, they established the Cyprus Mines Corporation to develop the Skouriotissa mine and other deposits. These included Mavrovouni, which is one of the richest deposits found anywhere in the world. This company was fast growing and active in building installations for processing the ore, then opening new mines, hiring and training people, and in this way, introducing technology to the island. It became the leading industry in Cyprus and then it expanded in the United States.

As of 1955, the company's copper mines in Cyprus had become the island's largest industry, exporting nearly a million tons of copper and supported 2,000 of the island's inhabitants and provided more than 25 percent of the island's entire annual revenue. Cyprus Mines paid its employees 15–20 percent above the island average. The company ran a modern 65-bed hospital for its employees, built scores of low-cost houses for them to live in, and helped to run schools, sports clubs, welfare centres, and summer camps for their families

In 1974, following the Turkish invasion, the Cyprus Mines Corporation pulled out of Cyprus and the Mavrovouni mine and processing plant remained in an area not controlled by the government of the Republic of Cyprus. In 1979, Cyprus Mines Corporation was acquired by Amoco Corporation.

Cyprus is dominated by two mountain ranges; the Troodos Mountains in the central part of the island, rising to 1,952m (Mount Olympus) and the Pentadaktylos Mountains (Kyrenia Range) in the north of the island, rising to 1,085m. Unglaciated through the last ice age, the Cyprus landscape and topography has been shaped by tectonic upheaval, erosion and mass transport, as well as deep incision by rivers.

Many of the exposed massive sulphide deposits around the Troodos Mountains in Cyprus have been mined for copper since the earliest Bronze Age and small-scale copper production continues at the Hellenic Mining Company owned Skouriotissa Mine. Modern mining commenced in Cyprus in the 1920's with more than 74 Mt of massive ore extracted from about 30 deposits in the following 50 years. Production focused on pyrite, copper, gold and silver, although some of the Cyprus deposits also contain appreciable amounts of zinc. The largest known deposit in Cyprus is Mavrovouni where 16.5 Mt at approximately 4.5% Cu was officially reported as extracted between 1929 and 1974.

Copper mining in Cyprus was significantly disrupted and essentially curtailed in the 1970's after Cyprus was partitioned following the Turkish invasion. This was further compounded by adverse changes to global supply and demand in the copper market. However, for an area that had been so productive and that offers such prospectivity, the paucity of modern exploration and investment is startling. In addition to copper, many of the deposits host appreciable primary gold. Indeed, the weathered zones above many deposits are strongly enriched with gold and silver.

In 2017, Hellenic Mining Company started extracting gold from oxide material in a small gold circuit at Skouriotissa. The primary pyrite ores now offer economic viability with the addition of widespread gold. Additionally, zinc, whilst not considered significantly historically, may today make a reasonable addition to the economics of the deposits.

Interestingly, although many of the orebodies contain gold, and Chesterfield frequently encountered gold in mineralised intersections in its 2018 drilling campaign, historical records of gold, either contained or produced are scant. One possible reason for this is that prior to World War II, there was little trade in copper concentrates and custom smelters were very reluctant to pay for the precious metal content of the concentrates. This changed after the war when competition for concentrates commenced.

# Geology

The island of Cyprus is in the eastern part of the Mediterranean Sea along the southern margin of the Anatolian Tectonic Plate. The area of interest for mineral exploration is a geological feature known as the Troodos Ophiolite, a fragment of seafloor which erupted in a marginal intra-arc basin above a north-dipping subduction zone in the Tethys Ocean about 92 Ma. Volcanism stopped as the Troodos seafloor collided with the Anatolian Plate and the entire Troodos domain was rotated about 90° counterclockwise before these rocks were subsequently overlain by various calcareous marine sediments. During the Middle Miocene (ca. 14 Ma) the Troodos Mountains started to rise with uplift accelerating over the last million years.

Definitive lithostratigraphic zones within the extrusive part of the ophiolite sequence are identified for each volcanic cycle, in order from youngest to oldest, as:

- Cover Sequence Sedimentary Rocks: Two discrete sedimentary sequences:

    1. Recent (<3 Ma) coarse grained alluvial sediments; and

    2. Cretaceous to Miocene (<100 Ma) sedimentary sequence (0.2 km thick) composed mainly of limestone, chalk and marl. This sequence conformably overlies the volcanic-intrusive ophiolite sequence.

- Extrusive Sequence Rocks (Volcanic): Two discrete sequences of basaltic pillow lavas are identified, which comprise an Upper Pillow Lava (UPL) and Lower Pillow Lava (LPL) as follows:

    1. The UPL (200-400 m thick) contains abundant olivine crystals and rare dykes. The top of the sequence is marked by a thin (<20m thick), Mn-rich chemical sediment known locally as “umber”; and

    2. The LPL (ca. 500 m thick) lacks olivine and contains abundant dykes.

    The UPL and LPL are also differentiated by their very distinct geochemical compositions, and both units contain thin, discontinuous sedimentary units within and between the volcanic units. Volcanic-Hosted Massive Sulphide (VHMS) mineralisation is commonly found in the transition zone between the LPL and the UPL.

- The Sheeted Dyke Complex (Intrusive): ca. 2km thick, and chiefly composed (50 - 100%) of steeply dipping mafic dykes (each dyke ca. 0.5 to 1.0m thick) which intrude either gabbro (lower part of unit) or basalt lava flows (upper part); and

- The Plutonic Complex: Comprising a lower, ultramafic (Harzburgite) unit and an upper mafic (Gabbro) unit separated by an interlayered mafic/ultramafic unit. The lower unit represents the uppermost mantle, and the middle and upper units represent lower oceanic crust components. The thickness of the overall unit is estimated to be at least 5km. Minor, more evolved (e.g. plagiogranite) intrusive rocks are also recognised as part of this package.

Cyprus VMS deposits are composed of pyrite with varying contents of chalcopyrite and sphalerite, with rare galena. Marcasite, pyrrhotite, rutile, gold and silver are also present, with silver strongly associated with chalcopyrite. Clay and silica form primary alteration haloes around these deposits. Many of the deposits have been weathered with copper oxides, chalcocite, covellite, bornite, digenite, vallerite, tenorite, as well as jarosite, magnetite and hematite as the main secondary minerals. Defined according to the style of pyrite mineralisation and amount of contained sulphur there are three different types of sulphide ore defined within Cypriot VMS orebodies. Most ore bodies comprise Zone A mineralisation with either Zone B or Zone C making up the remainder of the orebody. Rarely are all three zones present.

- Zone A forms in the upper part of the VHMS deposits and is massive with >40% S. It is commonly composed of a further two ore types: conglomeratic ore and underlying compact ore. The conglomeratic ore is a fragmented zone with pillow shaped or spheroidal blocks of sulphides in a sugary, friable Fe-disulphide matrix dominated by pyrite. The size and proportion of the sulphide blocks increases downward, and the underlying compact ore is much less porous than the overlying conglomeratic ore. Large blocks of pyrite are commonly coated with chalcopyrite, with covellite forming along fractures.

- Zone B underlies Zone A and is a pyrite-quartz zone grading from 40% S at the top to 30% at the base. Cu values are typically 1-2%.

- Zone C is the stockwork zone, and underlies Zones A, and B if present. The stockwork zone contains <30% sulphur, and contains vein hosted as well as disseminated pyrite.

The mineralogy and chemistry of the massive sulphide bodies varies between localities. Some contain up to 4.5% Cu and were previously mined for copper. Others were mined historically for sulphur and iron, or occasionally their gossans for precious metals. VMS deposits and occurrences in Cyprus are likely to be associated with gossans and other useful exploration vectors such as umbers, exhalites, limonite and ochres. The presence and concentration of secondary copper sulphides are also indicative of the proximity of primary VHMS mineralisation.

# What are VMS Deposits?

Volcanogenic Massive Sulphide (VMS) deposits are one of the richest sources of metals such as copper, lead, and zinc globally. VMS deposits can also produce economic amounts of gold and silver. Currently, global metal production from VMS deposits accounts for 22% of zinc, 9.7% of lead, 6% of copper, 8.7% of silver and 2.2% of gold. VMS deposits occur around the globe and often form in clusters or camps, following the tectonic plate boundaries in areas of ancient underwater volcanic activity.

Despite VMS orebodies having been mined for well over 100 years, they were only officially designated in 1983.

Natural processes underway today are forming the VMS deposits of tomorrow. This gives scientists an incredible advantage in witnessing how VMS deposits form and gives a special advantage to geologists as to what to look for. The geological processes that form VMS deposits occur at the depths of the ocean and are associated with volcanic and/or sedimentary rocks.

At sections where the Earth's crust is thin due to faulting or separation of tectonic plates, the magma heats up the ocean floor.

As the Earth's crust heats up, the ground softens and allows heated magma to escape towards the ocean or crust contact, the early beginning of a volcano and the deposition of minerals into the ocean floor from magma. Also, the heated ground cracks and begins a process that draws sea water into the crust which becomes super-heated and imbued with minerals. Black and white smokers expel this seawater back to the surface.

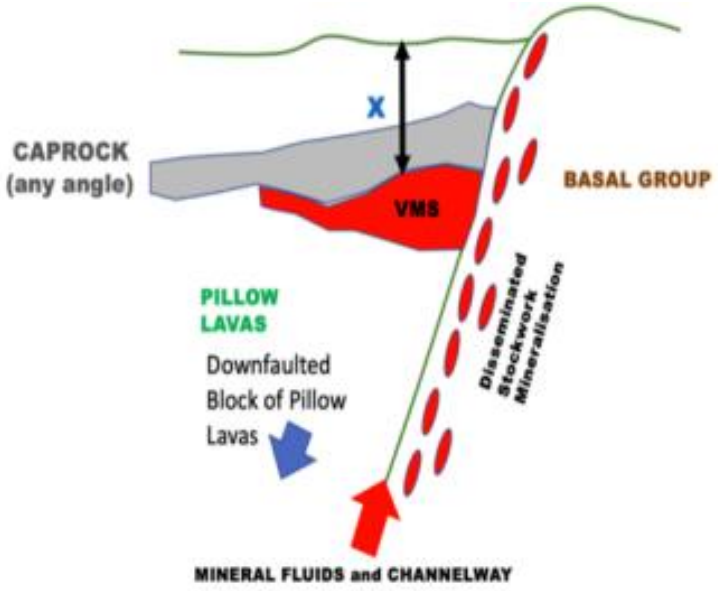
Black and white smokers exhale a mineral rich-plume that spreads out over the ocean floor. As it moves farther and farther away from its heat source, the plume precipitates minerals onto the ocean floor. Over time, the continual activity of the smokers and their mineral rich plumes create mineralized beds that become VMS deposits. With the movement of the Earth's tectonic plates, these mineral rich beds are transposed and can be found on land that was once underwater.

Current resource and historical production figures from 904 VMS deposits around the world average roughly 17Mt, comprising approximately 1.7% copper, 3.1% zinc, and 0.7% lead. A few giant mineral deposits (greater than 30Mt) and several copper-rich and zinc-rich deposits of median tonnage (~2 Mt) skew the averages.

Several large VMS camps are known in Canada, including the Flin Flon, Bathurst and Noranda camps. The high-grade deposits within these camps are often in the range of five to 20 Mt of ore and can be much larger. VMS mines typically have mine lives of around 10 years, but continually find and develop new orebodies. The impact of this is that they appear to have short mine lives but remain in operation for decades. Prime examples of such mines are Rosebery in Tasmania which has been in operation since 1936 and Zinkgruven in Sweden which has been in production since 1857.

There are two types of mineralisation models appropriate for Cyprus. The Stratabound and the Exhalative types. Exhalative deposits are formed by the smokers described above, and then become covered by either volcanic lava flows, or by sediment building up on the sea floor. By contrast, stratabound deposits are formed by mineralisation getting trapped below the sea floor by cap rocks, such as an igneous intrusion. In the examples illustrated below, a fault has contributed to constraining the deposit. Geologists exploring for both types of deposit will focus on recognising an entire ore system, understanding faulting, overburden and trapping mechanisms.

**EXHIBIT 2: MINERALISATION MODEL – STRATABOUND TYPE**

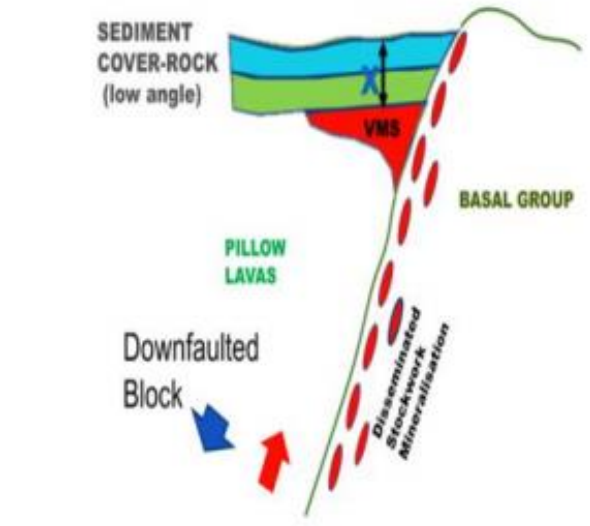



| Indicative depth to potential mineralisation in meters | |
|---|---|
| EVLOIMENI | 0 to 10 |
| ORCHARD | 50 to 75 |
| COPSE EAST | 50 to 70 (?) |
| EVLIM | 60 to 100 |
| WESTLINE | 80 |
| PRINCE | 100 (?) |
| PRINCESS | 100 (?) |
| HILLSIDE NORTH | 100 (?) |
| HILLSIDE | 135 |
| HILLSIDE SOUTH | 150 (?) |
| EMBAYMENT | > 125 (?) |

| | |
|---|---|
| RED | - MINE |
| GREEN | - DRILL INTERCEPT |
| BLACK | - TARGET |

Source: Chesterfield Resources Plc

**EXHIBIT 3: MINERALISATION MODEL – EXHALATIVE TYPE**




| | |
|---|---|
| RED | - MINE |
| GREEN | - DRILL INTERCEPT |
| BLACK | - TARGET |

| Indicative depth to potential mineralisation in meters | |
|---|---|
| LIMI | 0 to 10 |
| UNCLE CHARLES | 10 to 20 |
| POURNAJI | 10 to 20 |
| KINVALLEY | 25 to 50 (?) |
| KINOUSA U/G | 60 to 100 |
| REEF COVER | 50 (?) |
| SCARP | 75 (?) |
| SLIVER | 50 (?) |
| COPSE WEST | > 100 (?) |
| KINPLANE | > 150 (?) |
| WESTLINE EXTN | 75 (?) |
| COVER 2 | > 75 |
| WESTLINE COVER | > 75 |
| COVER 1 | > 100 |
| SOUTH COVER | > 50 |
| CAPROCK | > 75 |
| VILLAGE | > 75 |
| SOLAR | > 40 |
| SOLAR WEST | > 40 |

Source: Chesterfield Resources Plc

# Top Tier Exploration Approach

Chesterfield has adopted a top tier exploration approach in a junior company by virtue of its highly qualified team. It has several exploration advantages over the historical exploration that has been conducted in Cyprus. While many orebodies have been mined throughout the history of the island, they believe there are many more yet to be discovered. To achieve this, Chesterfield believes that it has five advantages over historic explorers:

1. The ability to drill efficiently near old mines looking for mine extensions. From Phoenician times until the mining industry halted in the mid-1970's, copper explorers in Cyprus relied on surface outcrops of copper mineralisation to locate ore bodies. They would then start to mine around the outcrop and follow the ore bodies down until they were exhausted. Even in the 1970's, exploration drilling was still expensive and slow. There was, therefore, little exploration in the vicinity of large historic mines, which provides an opportunity for a modern exploration company such as Chesterfield.

2. Using advanced techniques to track and locate deep mineralised deposits under basalt flows. Large areas of the mineralised belt are covered by ancient sheets of basalt. There is, therefore, an extremely high likelihood that many ore bodies are buried under this basalt "cover". Because there is no surface outcrop, previous explorers would not have been able to locate these orebodies. Chesterfield can use satellite analysis to analyse where faulting systems can be seen moving undercover. Geophysics is then used to "look" under the layers of cover rock for anomalies that indicate mineralisation. Geophysical techniques include magnetic surveys, IP (induced polarisation) and airborne surveys such as helicopter VTEM and Mag drones.

3. A greatly improved understanding of where and which faults and traps may host deposits. The understanding of Cyprus geology has advanced considerably in the last 45 years. Chesterfield now have a much better idea of how hot metal-bearing fluids would have flowed into faulted systems, so-called "permissive pathways" and then become trapped. Advanced structural geological thinking has replaced many of the traditional theories about the formation of Cyprus style deposits.

4. A substantial exploration toolbox to provide co-incident target evidence. Chesterfield has a substantial exploration toolbox at its disposal. Once a target has been identified, it is mapped, various types of surveys are run, and historical archive evidence gathered. All this data is combined on a computer system called GIS. It is the over-lapping co-incidence of this evidence that gives strength to the final targeting decision and the specific location of the test holes to be drilled. Chesterfield also puts considerable emphasis on geochemistry, especially soil sampling. This involves digging many shallow holes and analysing soil samples for traces of metals that may have found their way to the surface over many years from the rocks below. While this may appear rudimentary, it is still an effective technique to gather evidence of what is happening below the surface. Chesterfield has also put a substantial amount of work into finding and analysing information in the Cypriot Government mines services archives. This can include mining information from when the industry was active, and numerous exploration surveys and academic reports which had been completed on the island since. The industry closed 45 years ago which means there are still several geologists alive from that period. Chesterfield has built good relationships with prominent local geologists which has helped greatly with the knowledge of prior exploration and production, and their potential use as a vector to identify VMS style deposits.

5. A disciplined approach to target ranking, prioritisation and development. Chesterfield has a very disciplined approach to reducing the search area on its land packages to identifying a series of targets. These targets are then ranked, prioritised and resources allocated to them accordingly. The ranking of the targets will change as evidence is gathered and analysed. The company puts a great deal of effort into developing these targets, running various surveys and analysing data before selecting the best targets to test with diamond drilling.

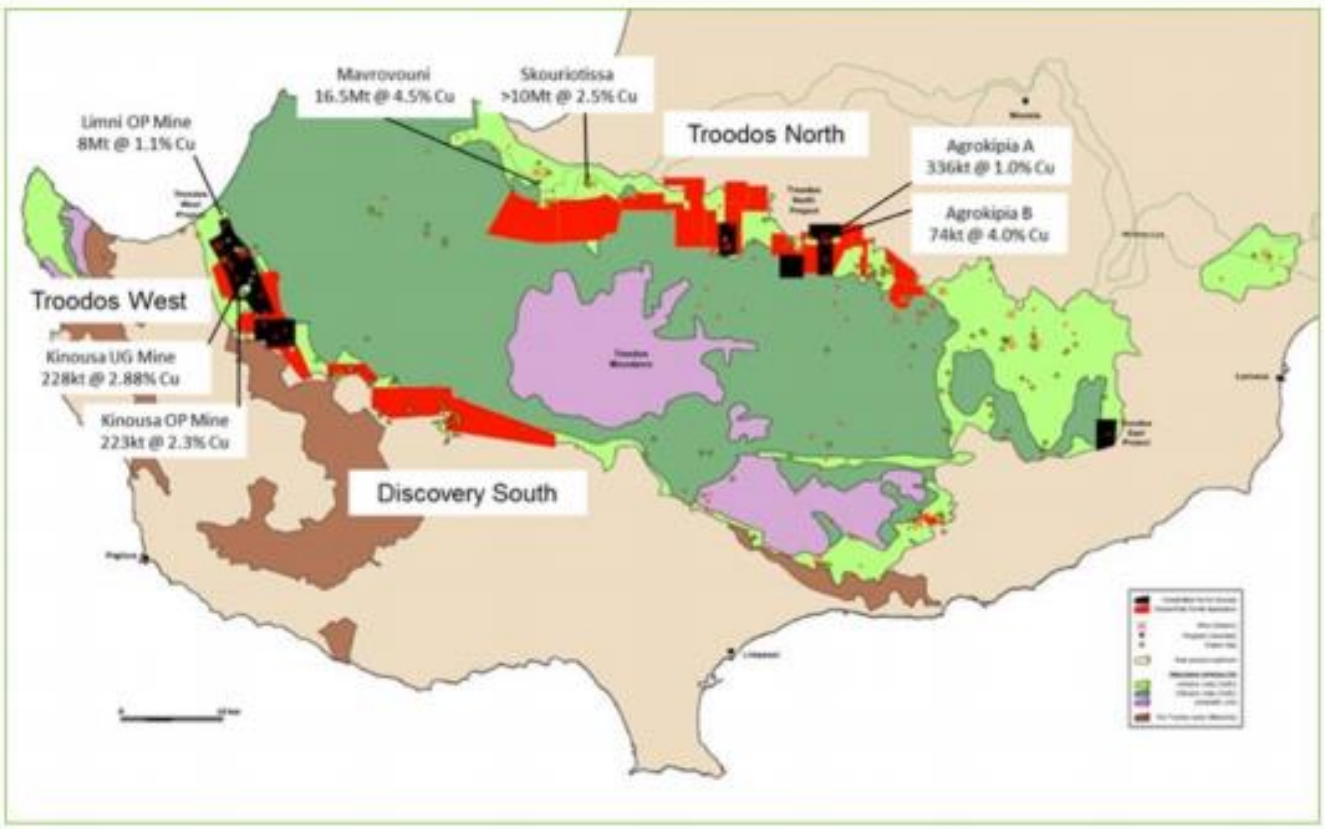
6. Chesterfield regards percussion drilling as a cost-effective and rapid method of investigating targets to a depth of 200m. Drill costs are around 15% of those of diamond drilling, with no mobilisation costs. It is also quite rapid, with a hole usually being drilled in a day. The drilling produces rock chips from wide diameter holes that yield good data for geological logging, including the presence of mineralisation, its extent and potential thickness. XRF analysis is used on site, but the suitability of the chips for assay is limited.

Chesterfield regards percussion drilling as an excellent final test prior to diamond drilling (coring) programmes. If the percussion drills through sulphides this helps greatly in planning diamond drill holes. Important information is learned about structures, traps and the causes of anomalies. This results in diamond drill holes that can be efficiently planned to encounter the mineralised sulphides that they are seeking.

The areas were then divided into four zones, the combination green field and brownfield exploration programme in Troodos West, the greenfields exploration at Discovery South and the greenfield exploration targets in Troodos North and East. The current focus is on Troodos West and the Kinousa fault, where a number of closely located targets have been delineated.

# Location of the Projects

**EXHIBIT 4: LOCATION OF THE PROJECTS IN CYPRUS**




Source: Chesterfield Resources Plc

# The Troodos West Projects

The initial focus area is the Troodos West licence group, which comprises eight (8) granted Prospecting Permits covering 3,474 hectares (34.74 $km^2$) on the western side of the Troodos Mountains. Within the Troodos West project area there are four (4) abandoned mines, other prospects with exposed sulphide mineralisation and some ancient slag piles.

Chesterfield has a combination of drilling permits and exploration licences in application. All are 100% owned and have been purchased directly from the government. As Exhibit 5 shows, this is a highly prospective area containing numerous historic mines.

Further permits are under application. Once a permit is applied for, Chesterfield has exclusivity over the tenement during the application period.

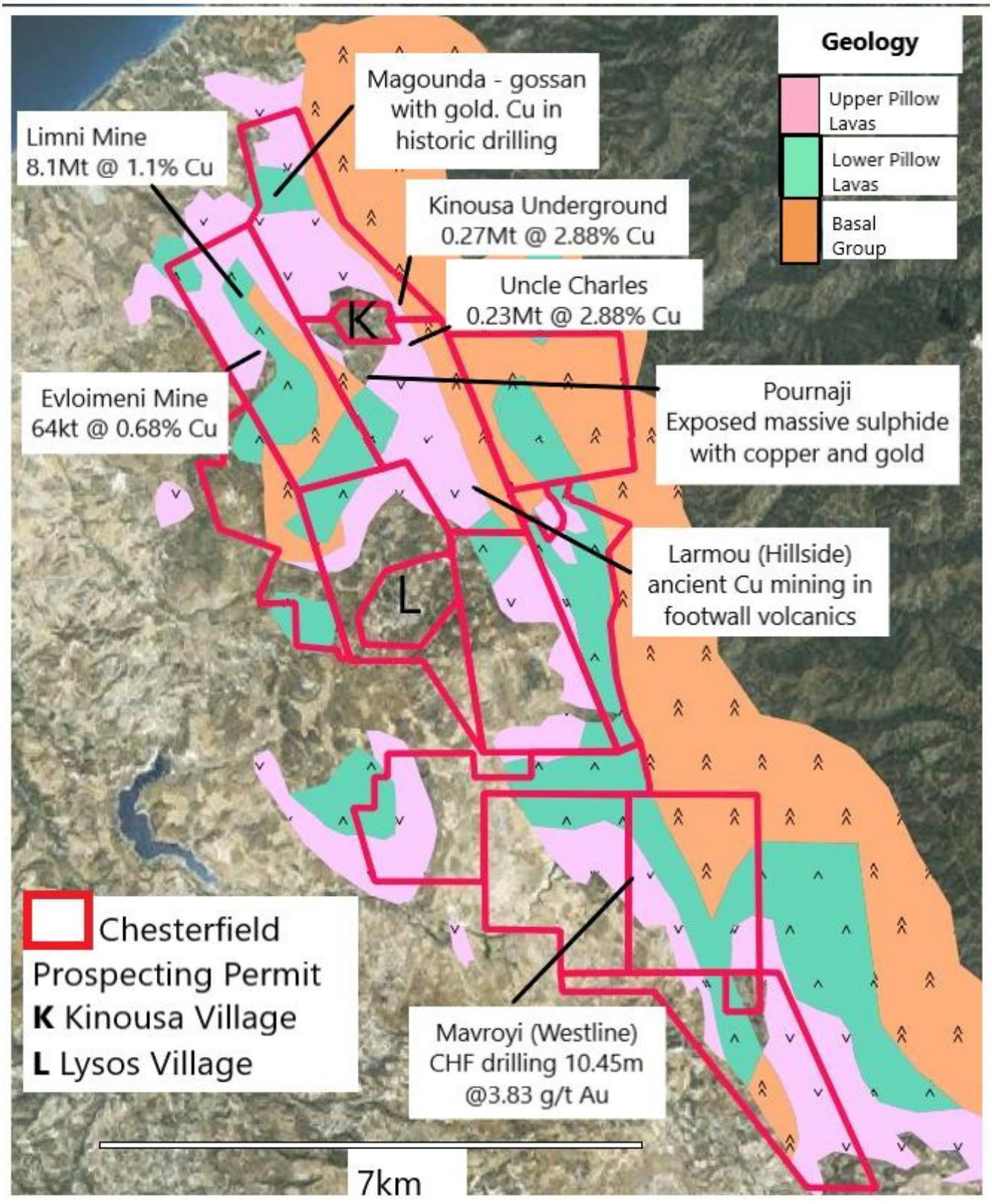
The recorded production from the historic mines on these leases was:

| | | |
|---|---|---|
| Limni | Open cast | 8.1Mt @1.11% copper and 15% Sulphur |
| Kinousa | Underground | 271kt @ 2.88% copper and 42% sulphur |
| Uncle Charles | Open pit | 299kt @ 2.23% copper and 47% Sulphur |
| Evloimeni | Open pit | 63kt @ 0.68% copper and 19% sulphur |

The Troodos West Project area is considered highly prospective for new discoveries because:

- There is extensive direct evidence for copper mineralisation, such as outcrops of primary copper-pyrite-sulphide, malachite staining and ancient slag piles.
- There are potential extensions around known mines and prospects.
- Prospective host rocks are only exposed over approximately 50% of the area but have already yielded four mines and numerous prospects. Modern exploration techniques should be able to locate blind deposits beneath the shallowly covered areas.
- Umber and ochre vectors have been mapped in the area.
- Previous exploration work identified new prospects with potential high-grade copper-gold-silver-zinc mineralisation that have not been fully evaluated.

**EXHIBIT 5: THE TROODOS WEST LEASES**




Source: Chesterfield Resources Plc

# The Initial Exploration Programme

Chesterfield commenced their exploration programme in September 2018, with the initial focus of advancing the Troodos West Project.

## Historical Drilling

Historical drilling by Cyprus Copper Corporation in the 1950s highlighted:

- CD-E1: sulphide mineralisation from 4.6m (beneath "surface wash") to end-of-hole at 76.2m including:16.8m @ 0.69 g/t Au, 3.74 g/t Ag, 0.94% Cu, 1.04% Zn from 4.6m and 9.1m @ 0.8 g/t Au, 3.62 g/t Ag, 1.27% Cu, 1.34% Zn from 10.7m

- CD-E15: 44.2m; sulphide mineralisation from surface (beneath a thin "oxidised capping") to end-of-hole, but strongest from 1.5 - 22.9m including: 30.5m @ 0.55% Cu, 2.2% Zn from 1.5 m incl. 21.3m @ 0.72% Cu, 2.93% Zn from 1.5m incl. 10.7m @ 0.89% Cu, 4.56% Zn from 1.5m

Further, publicly reported drilling in 2011 highlighted:

- 11EV01: 42.0m @ 0.66 g/t Au, 1.86 g/t Ag, 0.11% Cu, 0.11% Zn from 8.4m, incl. 24.3 m @ 1.0 g/t Au, 2.74 g/t Ag, 0.11% Cu, 0.11% Zn from 8.4m

## Chesterfield's 2018 Drill Programme

The first round of drilling by Chesterfield, a total of 3,097.5m, produced the following results:

Double 7

- 18DS01 - 18.90m @ 1.29 g/t Au, 13.18 g/t Ag, 0.62% Cu and 0.49% Zn from 45.10m; Incl. 2.4m @ 2.99g/t Au and 1.80% Cu from 49.00m and incl. 6.4m @ 1.47 g/t Au and 1.10% Cu from 56.00m

- 18DS02 - 11.10m @ 1.29 g/t Au, 7.42 g/t Ag, 0.18% Cu and 0.42% Zn from 81.05m

Evloimeni

- 18EV01 - 27.93 m @ 0.97 g/t Au from 13.20m

- 18EV02 - 29.80 m @ 1.10 g/t Au, 0.28% Cu from 8.75m incl. 11.50m @ 1.9g/t Au from 11.30m and 6.10m @ 1.25% Cu from 25.30m

Mavroyi

- 18MV05 - 20.20m @ 0.89 g/t Au from 56.00m

- 18MV06 - 3.75m @ 2.28 g/t Au, 17.82 g/t, Ag, 2.36% Cu and 0.47% Zn from 90.65m

- 18MV06 - 10.45m @ 3.83 g/t Au, 24.11 g/t Ag, 0.14% Cu and 1.12% Zn from 100.00m

Following this drilling, Chesterfield filed for additional applications of 182.96km$^2$ in 20 mineral exploration permits. If granted, these would take the total size of the Company's exploration land package in Cyprus to 237.61 km$^2$. Importantly, these

applications were contiguous with Chesterfield's existing land package. An additional two exploration licences were also granted, Anglesidhes in Troodos East and Xyliato in Troodos North, which were permitted for drilling. This in addition to the three licence permits granted in February 2019. The current permitted portfolio now totals 12 licences covering 50.65 $km^2$.

## Satellite Surveys - 2019

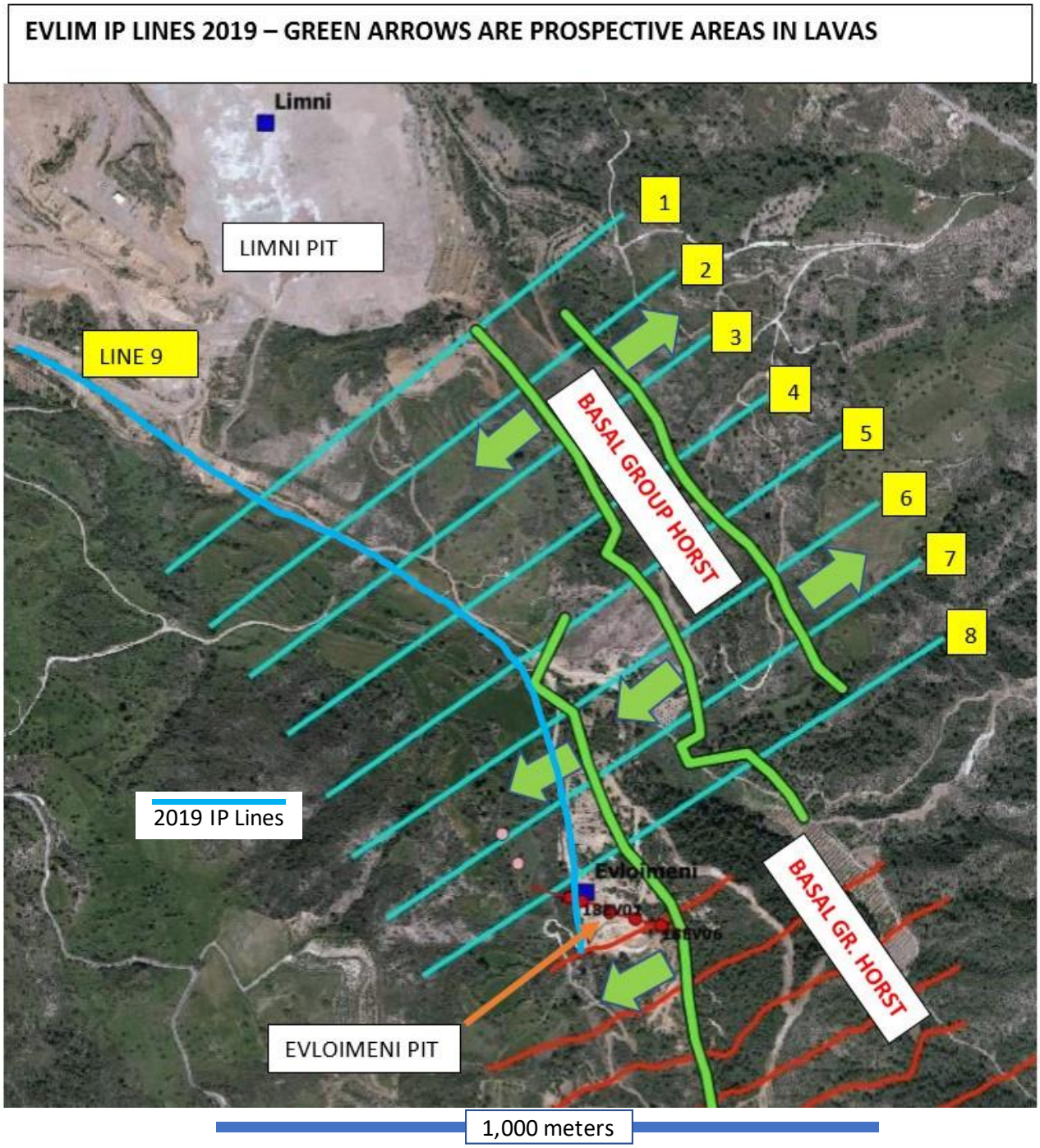
In early 2019, data was acquired from the Aster and Sentinel 2 satellite platforms. The survey uses both high resolution photography and the non-visible spectrum to analyse alterations in rock structures from space. Sentinel 2, owned by the European Space Agency, is particularly suited to identifying Cyprus-type mineralisation by using specially calibrated sensors. The information acquired from these satellites was quickly used to narrow down the search areas on this large land package to a number of specific targets. Chesterfield has since run an IP survey over the area between the Limni pit and Evloimeni, that has proved up a drill target.

## IP Survey - 2019

Chesterfield released the results of its IP (induced polarisation/resistivity) geophysical survey on its exploration ground in Cyprus and initial results have been analysed.

The survey was conducted on a prospective target area called Evlim close to the large abandoned open pit mine of Limni. There are indications that Evlim contains a satellite deposit related to the Limni mine, and may contain significant quantities of gold, as well as copper. During Q4 of 2018, the Company drilled an adjacent mined area called Evloimeni and encountered significant zones of gold mineralisation including 29.8m at 1.10g/t (from 13.2m) and 27.9m at 0.97g/t (from 8.75m). Evloimeni was mined for copper which overlaid this gold mineralisation. As a result of the gold encounter at Evloimeni, the Company conducted mapping and geochemical surveys of adjacent areas. It has identified a significant nearby structure that suggests this copper and gold system was faulted down and so continues at depth. The IP survey was commissioned in the area between Evloimeni and Limni (abbreviated to Evlim) to test this.

**EXHIBIT 6: THE IP LINES BETWEEN EVLOIMENI AND LIMNI**

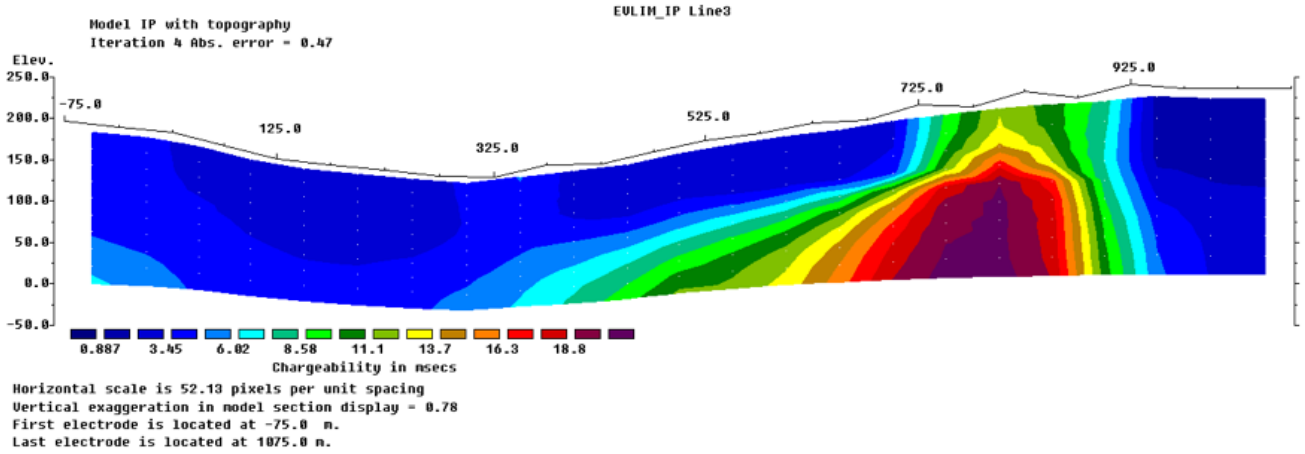



Source: Chesterfield Resources Plc

The initial results of the IP survey were encouraging with a significant anomaly identified in the vicinity of the fault. Combined survey and archival information suggest that the Evloimeni deposit continues at depth under the cover of adjacent pillow lavas at Evlim.

Section line 3 of the IP study shows the extent and size of the anomalies, suggesting a considerable sulphide presence.

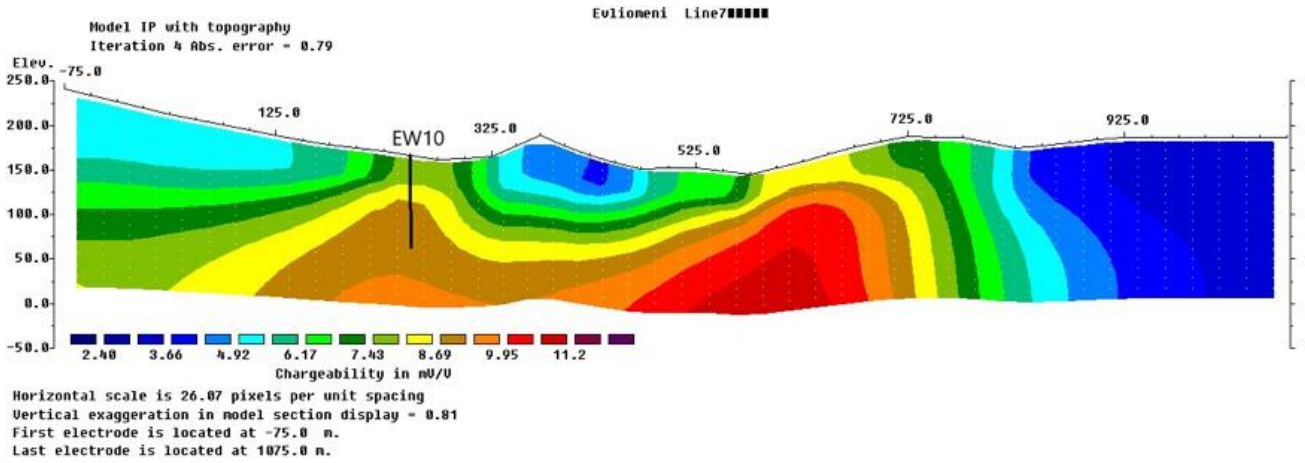
**EXHIBIT 7: SECTION LINE 3 OF THE IP STUDY**




Source: Chesterfield Resources Plc

Section line 7 shows the historic non-compliant hole EW10 which intercepted 0.8% copper over 11m from 45m to 56m. There is an encouraging correlation between the copper intersection from EW10 and the IP anomaly.

**EXHIBIT 8: SECTION LINE 7 OF THE IP STUDY**




Source: Chesterfield Resources Plc

## Percussion Drilling – Commenced January 2020

In January 2020, Chesterfield announced that it had commenced a percussion drilling programme on its Troodos West copper/gold exploration licences in Cyprus.

Percussion drilling is a cost effective and rapid method to investigate targets at depths of up to 200m. Drilling costs are about 15% of those of diamond drilling, with no mobilization costs. A hole can normally be drilled in a day.

Rock chips from percussion drilling yield strong data for geological logging including the presence of mineralisation, its extent, and potential thickness. Due to the unconstrained nature of the drilling method any analyses produced from the chips are indicative only. Percussion is an invasive tool that allows the potential of targets to be assessed, and substantially de-risks follow-up diamond drilling (coring) programmes.

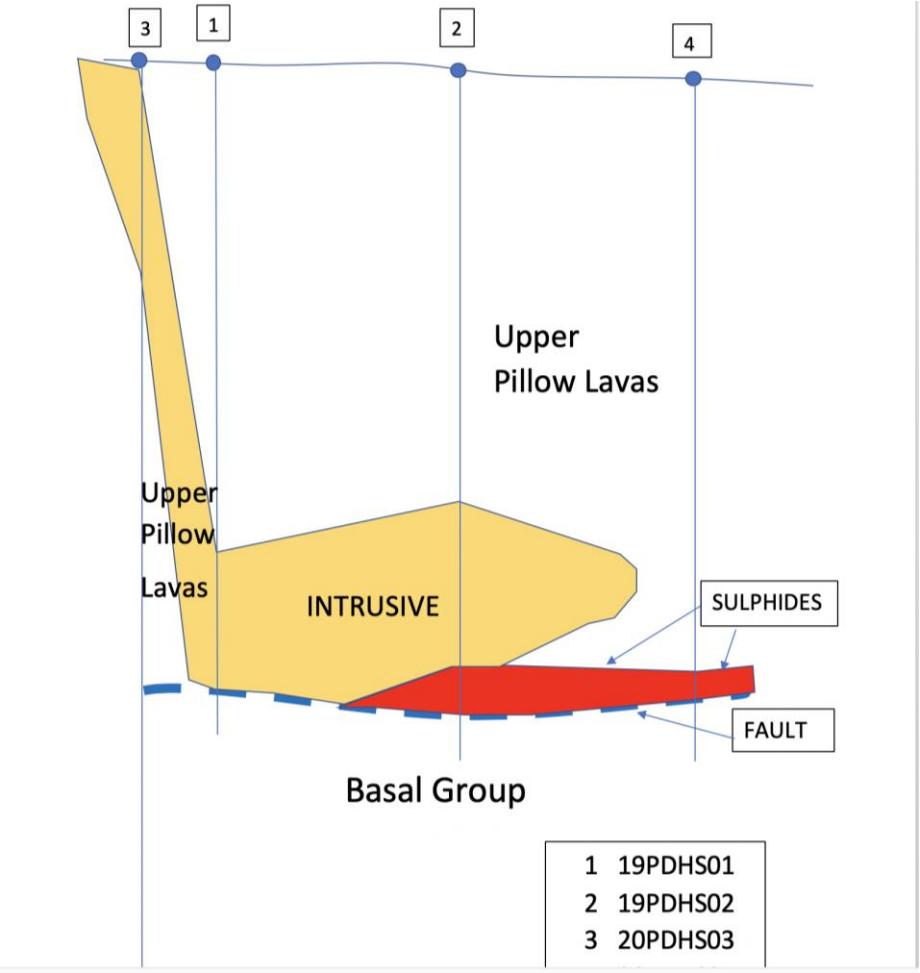
Despite exceptionally heavy rainfall and muddy conditions in early 2020, which severely limited access to some of the drill sites, Chesterfield was able to test two of its targets, Hillside and Embayment. Sulphide mineralisation was encountered at both targets, with half the holes returning positive indications.

This successful trial percussion drilling, or "proof of concept" will enable Chesterfield's diamond drill campaigns to be effectively designed increasing the likelihood of intersecting VMS-style mineralisation. Percussion drilling has proven a highly effective underground target screening tool and is being deployed at other Troodos West targets prior to diamond drilling.

With sulphide mineralisation being encountered at both targets, the company's diamond drill campaigns can now be accurately planned with a high level of confidence of intersecting VMS-type sulphides. The percussion drilling is being employed as the final phase of exploration and target vectoring prior to diamond drilling. Four holes were drilled on each target and sulphides encountered in two holes at each target.

At Hillside, concentrated sulphide mineralisation was reported in two holes collared approximately 50m apart at expected stratigraphic target horizon and with the presence of gold, zinc, and copper, which is the typical revenue metal signature for Cyprus VMS deposits. These results are strongly indicative of VMS type mineralisation and prioritize the Hillside target for follow-up diamond (core) drilling. The other two holes missed the VMS deposit but provided valuable information about an igneous intrusive that is likely trapping the deposit as a cap rock. Further percussion holes are planned at Hillside and the adjoining target of Hillside South which indicates similar geological characteristics.

**EXHIBIT 9: PERCUSSION DRILLING AT HILLSIDE**




Source: Chesterfield Resources Plc

At Embayment, a complex geological target, the presence of sulphides with enriched zinc values was noted on the south-western end of a large (1000m strike-length) target. The central portion of the target remains untested due to difficulty of access in the wet weather.

The percussion drilling intersected sulphides at relatively shallow depths, covered by overlying cap rocks, and represents a significant advance in the geological knowledge of the district.

As a result of this work, the Evlim target was prepared for drilling. Unfortunately, drilling was delayed by bad weather and the Covid-19 crisis. The results of the first percussion hole were announced on July 1, 2020, when two intersections of sulphide mineralization were encountered. The first zone of sulphides was encountered from approximately 33m to 54m with the second encountered between 74m and 93m.

The Evlim target is around 1km from the historic Limni open pit mine from which an estimated 150,000 tons of copper was mined up to the 1970's. The target is adjacent to an old satellite copper mine at surface. In late 2018 Chesterfield drilled beneath this mine and encountered significant gold mineralisation underlying the worked-over area in a feeder zone. Intersections included:

- 29.8m @ 1.10g (from 13.2m)
- 27.9m @ 0.97g (from 8.75m)

After a short pause to access the results, step-out drilling encountered two further significant intersections of sulphide mineralization. The first step-out hole sulphides were encountered from approximately 84 m to 123m, while at the second hole sulphides were encountered from approximately 120m to 150m. The two holes were stepped-out approximately 100m and 140m respectively to the west of the original hole.

The next 6 percussion holes were drilled on Exhalative type targets, where there was a tendency for the depth of the potential mineralization to have been estimated much shallower than it actually was.

At Sliver, hole 20PDSLN01 did not encounter pillow lavas until 126m and then encountered extremely strong aquifers causing the hole to collapse and be abandoned at 165m. Hole 20PDSLN02 did not reach pillow lavas, with dry sediments collapsing into the hole and causing it be abandoned at 175m. Sliver therefore remains untested as the drilling did not reach the target horizon at depth.

At Reef Cover, drilling ran into limestone blocks subsiding into underlying clays which resulted in two blocked holes at shallow depths (less than 36m). A third hole at the same site reached 127m before it too was abandoned due to clays collapsing into the hole.

At Copse West, two holes were drilled to 150m and 105m. No mineralisation was encountered at the target horizon nor at further depth in the lavas. However, the Copse West target is approximately 1km long and two thirds of this target has yet to be tested.

## The BRGM "Find"

An historic BRGM document discovered in the Government archives, significantly added to the knowledge regarding the Evlin target.

This archived research shows that the Limni pit produced an estimated 150kt of copper before closing in 1979. Discussions with Cypriot geologists from the 1970's revealed that the Evloimeni pit was also mined for copper on the surface and that the

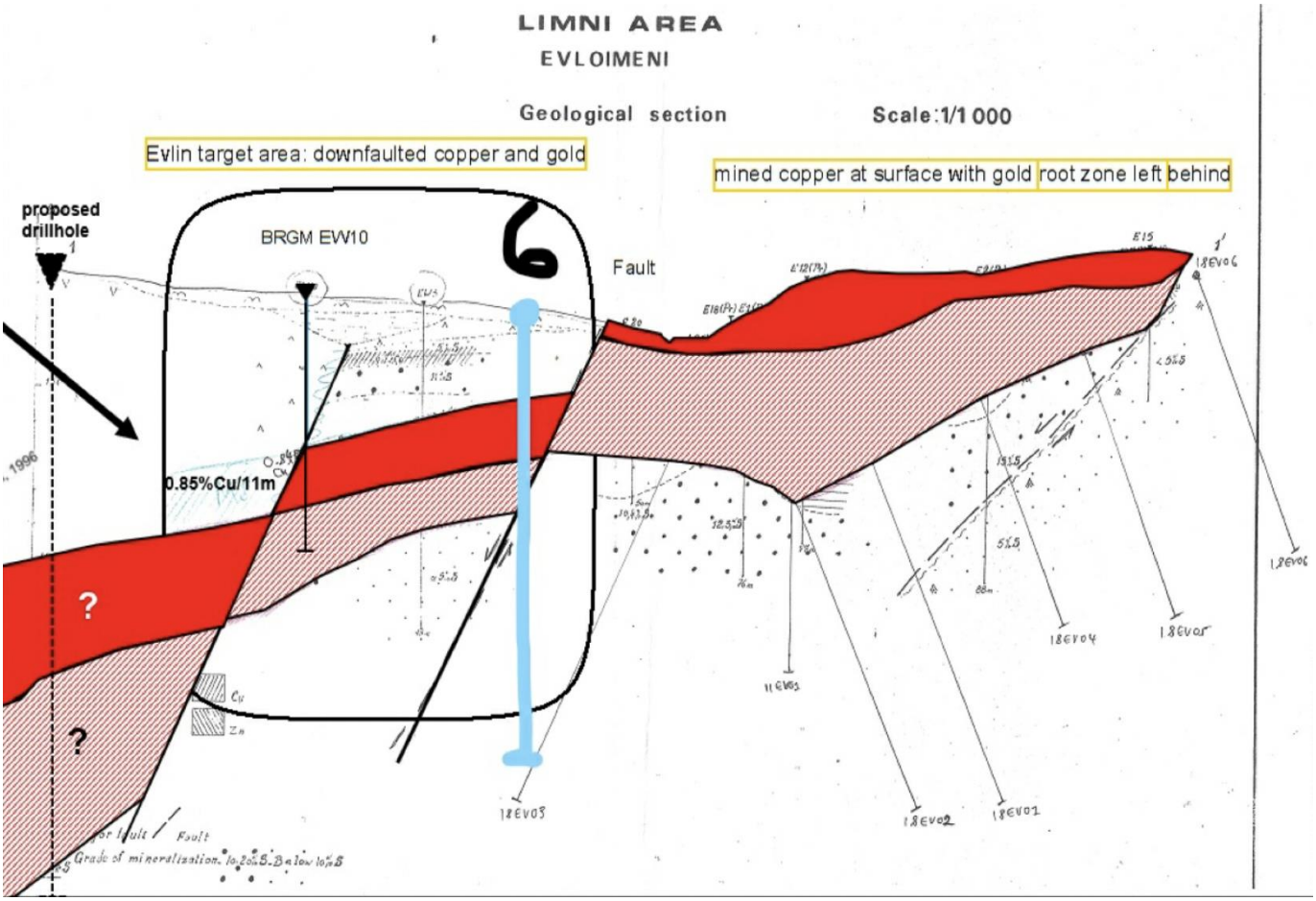
gold deposit may have been left behind (due to low metal prices and the poor quality gold assays on the island). When Chesterfield drilled the old Evloimeni workings in the fourth quarter of 2018, the drill core assays confirmed significant gold mineralisation underlying the mined pit. (The results are shown on page 23) Mapping has also provided evidence that an extension to Evloimeni has faulted down with the copper and gold continuing at depth under the basal cover.

The right hand side shows where copper bearing sulphides have been mined and remnant root zones were drilled by Chesterfield in late 2018 revealing good gold intercepts.

A fault identified on the left of the diagram would suggest that the whole system has been down faulted. The BRGM hole was drilled seemingly to test this and came back positive. Chesterfield are targeting the copper zone overlying the gold zone.

In the diagram below, Exhibit 10, the blue line with the figure 6 above it represents the percussion drill hole EW6 at Evlim, the results of which were announced on the 1st July 2020 and are discussed under the section on percussion drilling on page 23.

**EXHIBIT 10: BRGM DRILLING SHOWING DOWNFAULTING**




Source: Chesterfield Resources Plc

## The AMT Geophysics Survey

In early September 2020, Chesterfield announced that it has commissioned an AMT (Audio-magnetotellurics) geophysics survey for its Troodos West licence area in Cyprus. This will assist the company in its exploration for copper and gold mineralisation. AMT is an advanced technology that measures the natural electromagnetic signals in the earth's crust, which is generated by lightning strikes, to create a high resolution image of geological features underground.

As was previously announced, Chesterfield will be commencing a new campaign of percussion and diamond drilling at the site. The survey will be run towards the start of this programme, as part of an integrated work-stream, to help direct the drilling. The survey is relatively quick to conduct, and its results can be processed and analysed within a few days of each survey segment.

The AMT survey data is then layered over other types of target evidence, such as geological mapping, soil surveys and historic drilling, to provide a clearer picture of each target area. Typically, these enhanced targets will be tested with a percussion drill, and if sufficient sulphide mineralisation is located, then tested with a diamond drill.

The company's technical team determined that AMT was likely the most accurate and cost-effective survey to identify massive sulphide targets in our project. The technology has been well-proven as a target definition tool in similar VMS (Volcanogenic Massive Sulphide) belts including the Iberian Pyrite Belt.

Audio-magnetotellurics (AMT) is particularly suited to shallower mineral surveys. It is a type of MT survey that measures natural high frequency signals in the audio range (i.e. >1 Hz). These are signals that are generated by lightning strikes that continually hit the earth around the globe. These induce time-varying electric and magnetic fields into the earth's crust and oceans. These currents produce signals which can then be measured over a range of frequencies using probes and magnetic field antennas. Ground resistivity values are then calculated from these AMT measurements, creating a 3D image of the subsurface.

It usually takes just one or two hours to perform each measurement and involves relatively light man-portable sensors. The method is capable of imaging the sub-surface with resolutions good enough to detect features a few meters across.

This is particularly suited to Chesterfield's exploration project in Cyprus. Crucially, the company believes the survey will be able to differentiate between sulphide mineralisation and sedimentary rocks (which can prove difficult with other types of electromagnetic survey) and also provide a useful indication of the depth at which mineralised deposits may occur.

## The Kinousa Fault

The Kinousa Fault runs parallel to a line between the Limni Pit and the Evloimeni Mine extending for 15km. It runs approximately 1km to the east of where the IP study was conducted. It is characterised by:

- Feeder/stockwork characteristics on the fault and in the footwall;
- VMS style mineralisation in the hanging wall;
- Multiple exploration targets in a well exposed geological area; and
- Previous geochemical anomalies have been confirmed and augmented by CHF programmes.

The known areas of mineralisation along the Kinousa Fault include:

- Magounda - a gossan with gold, where historic drilling intersected pyrite with copper;
- Double Seven - gold in massive pyrite where historic drilling includes 70-80 feet at 2.32% copper;
- Kinousa Mine - an underground mine with production of 0.27Mt grading 2.88% copper;

- Uncle Charles Mine - with open pit production of 0.26Mt @ 2.23% copper and where sampling at the base of the pit has found gold;
- Pourmaji - an exposed massive sulphide with copper and gold; and
- Larmou - where there is widespread secondary copper in footwall to the volcanics.

The UN conducted a soil survey in 1983 which yielded results of up to and greater than 3,200ppm copper in an area east of and adjacent to the Kinousa Fault. Chesterfield completed a soil survey in 2019 which confirmed the spatial distribution and copper values of the 1983 survey, and their potential use as a vector to identify VMS style deposits. This area has had its drill permits granted.

Chesterfield has prioritised a further target for drilling in the environs of the Kinousa fault, known as the KinValley target. This previously untested target is interpreted to be a shallowly buried VMS deposit formed within a 2nd order extensional graben within the down-thrown hanging wall of the fault and is preserved in favourable stratigraphy. KinValley is within the same trend as a cluster of the historically mined VMS deposits that include Kinousa and Uncle Charles. A geochemical survey (100m line space, 50m sample interval) was carried out and a total of 128 soil samples were taken resulting in a coincident copper anomaly.

The target is also supported by geophysics whereby a VTEM anomaly coincides with an airborne magnetics anomaly; both with similar amplitude and extents (1km x 2-400m) indicative of a preserved VMS body. KinValley is permitted and is now being prepared for drilling.

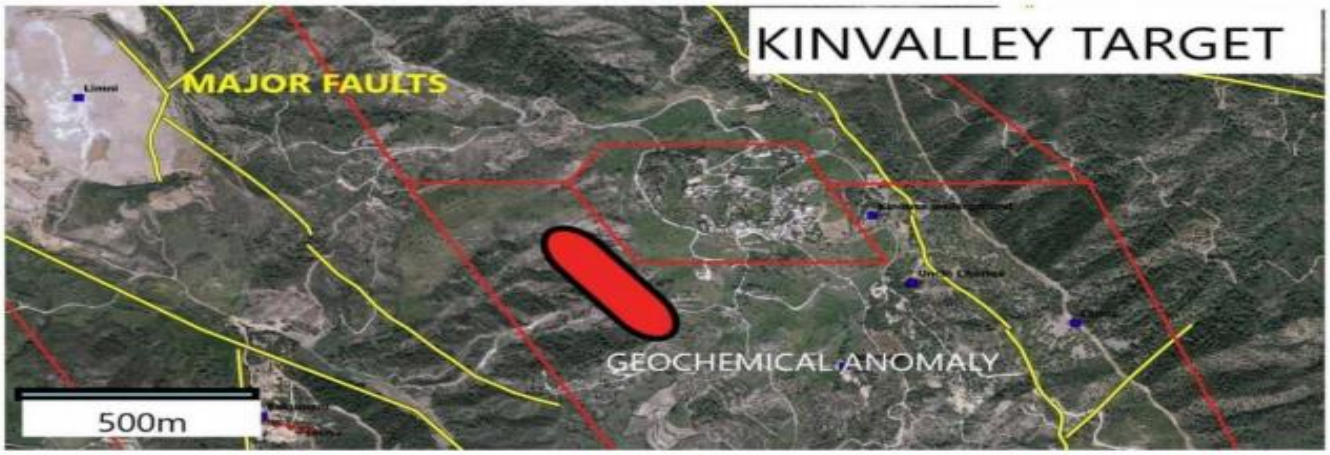
Chesterfield has identified the hanging wall of the Kinousa fault as a structure likely to host further massive sulphide deposits. Several preliminary targets have been identified on the fault and work is ongoing to ascertain whether there is enough evidence to elevate these targets to drill targets.

**EXHIBIT 11: VIEW OF THE KINOUSA FAULT IN THE UNDULATING FOOTHILLS OF THE TROODOS MOUNTAINS**

Source: Chesterfield Resources Plc

There are two parallel trends in this area. These are the Limni-Evloimeni-Agia Saranta-Mavroyi, and the 15km Kinousa Fault zone to the east of the former trend. The best interpretation is the uplifted basal group horst as this can be seen at Limni. In an ideal world, Chesterfield would probably have run IP along trend from Limni to Mavroyi, a distance of approximately 11km. However, this would have been a major undertaking that would require a material budget not appropriate for a junior company.

**EXHIBIT 12: THE KINVALLEY TARGET**

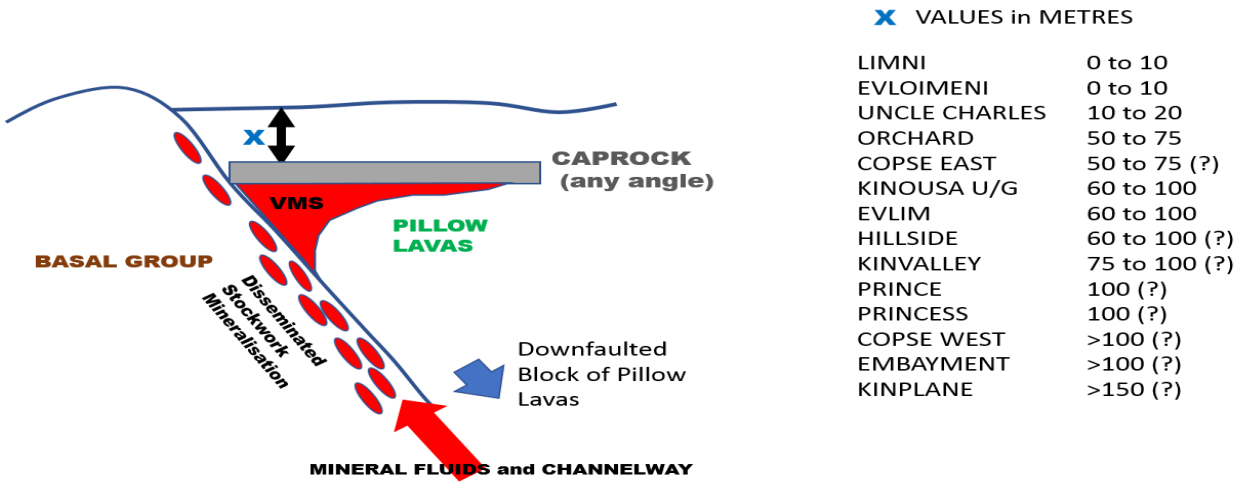



Source: Chesterfield Resources Plc

# The Exploration Model

Using the results of the two satellite surveys, the IP work, field work and drilling plus much historical work which includes an IP survey conducted by the UN and drilling by at least 3 other parties, Chesterfield have put together a mineralisation model.

**EXHIBIT 14: MINERALISATION MODEL**




Source: Chesterfield Resources Plc

Combining all the information that has been gleaned since they commenced exploration in Cyprus, has enabled Chesterfield to put together a list of prioritised targets. The focus has been on Troodos West as that is where the main body of historical results are available. These occur in an area dominated by a 10km long structure with multiple targets in various settings either at the top of the volcanic pile (exhalative) or within the volcanic pile (stratabound).

To explore its large licence areas, Chesterfield are focusing on identifying the most favourable positions within the volcanic units to host VHMS deposits. In particular, the proximity to primary fault systems is considered important to form large VHMS systems. Another important consideration for targeting the mineralisation is unravelling the post-volcanic deformation (rotation and tilting). Some basic exploration constraints for VHMS exploration in Cyprus can be highlighted:

- The largest and highest-grade deposits will be in volcanic rocks.
- The massive pyrite bodies are likely to be buried by later volcanic eruptions, so understanding the local eruption-hydrothermal cycle will constrain favourable stratigraphic intervals.
- Chemical sediments (umber, ochre) are direct proxies for a hydrothermal eruption but are deposited distal to associated massive pyrite bodies. They provide useful stratigraphic constraints.
- Ancient seafloor topography (e.g. rift valleys) would have greatly influenced the site of deposition and subsequent preservation of the massive pyrite bodies. It is critical to understand the rotation of fault blocks during sea-floor rifting.
- Alteration zones are expected in the footwall to massive pyrite bodies and may be prospective themselves.
- Larger alteration zones indicate larger, more persistent hydrothermal systems and should develop larger massive pyrite bodies.

- Identification of the primary rift faults is important given that Troodos was rotated ca. 90° counter- clockwise, such that the primary rift faults are now orientated north-south.
- Dolerite dyke intrusion should be broadly sub-parallel to the main rift faults.
- Later faulting has clearly shuffled the Troodos rocks such that deposits may have been translocated.

## Ranking the Targets

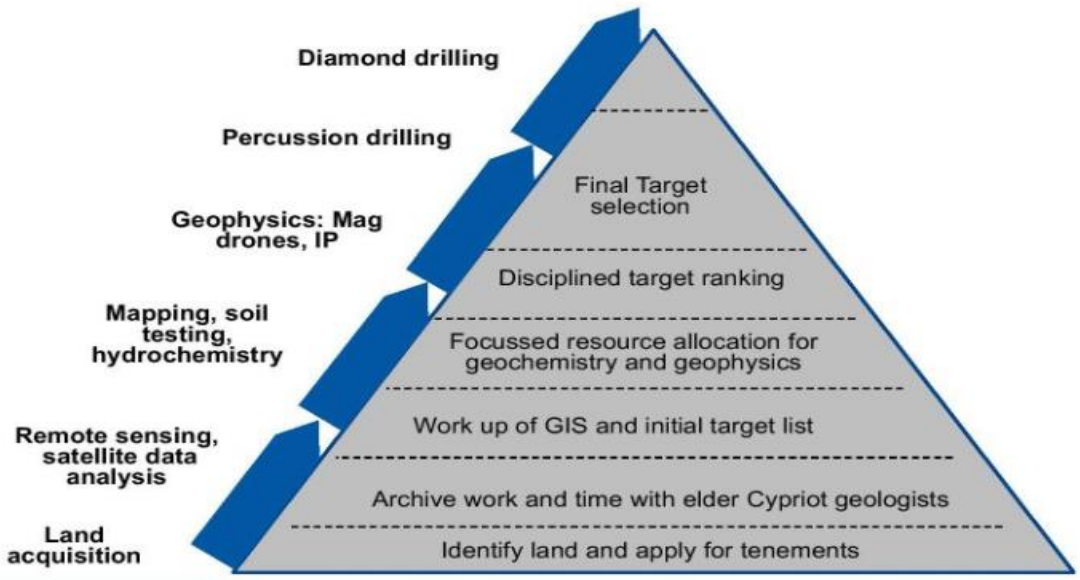
Currently, the list contains over 30 targets for buried VMS deposits. The first five targets are currently considered priority 1, with targets 6 to 12 ranking in the second tier. Whilst there is scope for some of these priorities to move within the ranking, it is currently doubtful the top three will be displaced.

This approach is also aided by the strength of Chesterfield's highly experienced exploration team. While many orebodies have been mined throughout the history of the island, they believe there are many more yet to be discovered. To achieve this, Chesterfield believes that it has numerous advantages over historic explorers in its exploration toolbox:

1. Satellite remote sensing
2. Archived data
3. The analysis of fresh core
4. Mapping and XRF surveys
5. Soil sampling
6. Stream sampling
7. Mag drones and IP
8. GIS data collection and interpretation

The pyramid graphic below illustrates the exploration process from identifying land packages to diamond drilling. It is a multi-stage target development process, and far more exacting than many junior explorers, and a huge advance on the historical approach to exploration.

**EXHIBIT 13: GEOLOGICAL ASSESSMENT PYRAMID**



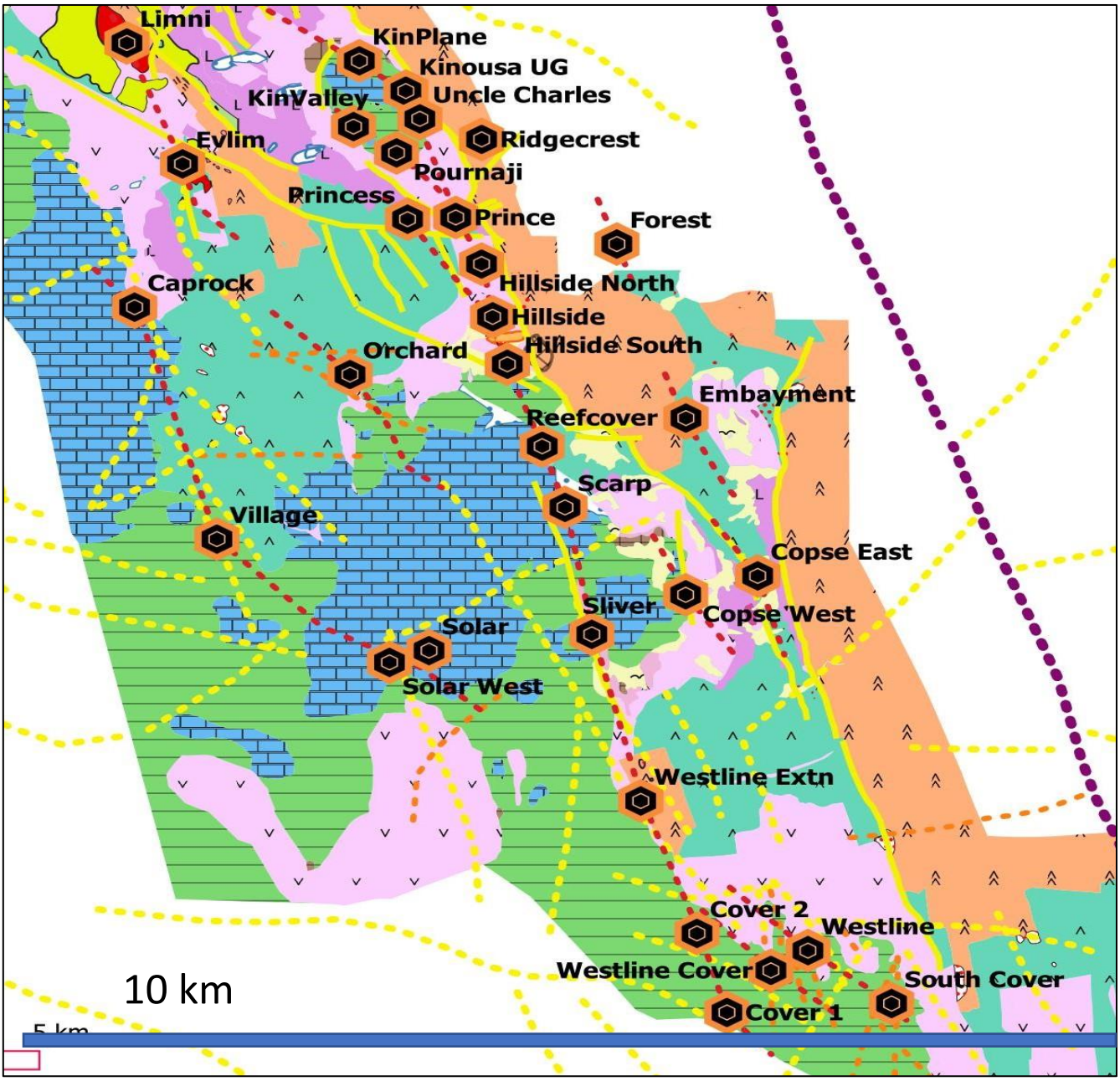

Source: Chesterfield Resources Plc

# Exploration Targets at Troodos West

An extensive target list has been drawn up for the Troodos West area representing the culmination of 18 months' work in the field, archives and on desktop. The fact that the targets are closely grouped supports the idea of a centralized processing plant.

The area is dominated by a 10km long structure with multiple targets in various settings at the top of the volcanic pile (exhalative) or within the volcanic pile (stratabound), however, many of the targets occur in an area 5km by 5km.

**EXHIBIT 15: THE TROODOS WEST MAIN TARGET AREA**




Source: Chesterfield Resources Plc

Currently, the list contains 12 priority targets. The first 4 targets are currently considered priority 1, with targets 5 to 12 ranking in the second tier. Whilst there is scope for some of these priorities to move within the ranking, it is currently doubtful the top three will be displaced.

## Tier 1 – High Priority

**KinValley** is an 800m magnetic anomaly coincident with EM conductor anomalies and AMT conductor anomalies in prospective pillow lavas. It is a steeply dipping target and probably continues to Pournaji since the 1st vertical derivative magnetics show a connection. The KinValley-Pournaji structure is parallel to the KinPlane-Kinousa UG-Uncle Charles structure.

**Hillside,** including Hillside North and South, is an anomaly consisting of three discrete zones of EM conductor anomalies 1400m in length, with one coincident with a magnetic anomaly. The EM anomalies are in the highly prospective hanging wall of the Kinousa Fault in pillow lavas, directly associated with highly copper anomalous Basal Group dykes (analogous to Uncle Charles, 2km northwest). Anomalies appear to be controlled by later cross-faults resulting in a favourable structural setting. The anomalies indicate potential mineralisation of a larger tonnage than Uncle Charles.

**Evlim** is a 500 to 700m long EM conductor anomaly to the west and north of the Evloimeni pit. There is a coincident IP anomaly, discovered in 2019 in the southern portion of the target with historical drilling that intercepted copper and zinc mineralisation. It is also coincident with an AMT resistivity anomaly and the target has been shown to be around 60 to 100m below the surface.

**Prince** is a grouping of EM targets 800m long and up to 400m wide. It is located in the highly prospective hanging wall of the Konousa Fault as per the Hillside targets. It is along strike from UN hole KIN3, drilled 100m up-dip from the main target, reported 0.24% Cu, 2.09% Zn, and 3.86g/t Au over 6m indicating mineralisation on the margins of a potential cupriferous orebody (high Zn and Au, sporadic occurrences).

## Tier 2

**Orchard** is a 400m long soil anomaly with a largely coincident EM conductor anomaly in prospective lavas. It has been drilled previously with the 5 drill holes showing that it is very structurally complicated. Chesterfield drilled this target in 2019 with one hole that intersected alteration and mineralisation characteristic of the margins of a VMS. Any future drilling will be from the south-west but closer than the first hole.

**Princess** is a 1000m long EM cluster in highly prospective pillow lavas and it is located on a parallel structure to the Kinousa fault. The northern 600m are more prospective as they are in the hanging wall of the fault. The whole structure is heavily faulted. This target is likely to rise in the rankings.

**Embayment** is a 1000 by 600m grouping of EM conductor anomalies in prospective pillow lavas. There are partially coincident magnetic anomalies and it is adjacent to the altered and anomalous Basal Group dykes. It is the biggest grouping of EM anomalies discovered today in Troodos West. It could potentially be drilled using percussion drilling. This is another target with the potential to rise in the rankings.

**Copse West and East** are two parallel zones. Copse East is a 1500m zone of EM anomalies that appear to be a continuation of the Kinousa fault. The anomalies are in prospective lavas in the hanging wall of fault and, particularly in the south, adjacent to classical Basal Group enrichment in copper with excellent vectoring of drill targets. To further develop this target an IP study is needed which would be followed by a re-evaluation of its priority. Copse West also shows good potential. It is a 1000m zone of EM anomalies that are quite strongly grouped. It is distinguished from the conductive sediments by an Xcoil signature. This indicates the presence of a fault that downthrow the sediments to the west, in prospective lavas with EM

conductor anomalies. This area is very enticing as it has never been explored and is thought to be only 20m deep under the caprock. The next step with this prospect is geological mapping.

**Ridgecrest**. This target is also known as Loana. The soil survey conducted in 2019 confirmed the spatial distribution and copper values of the 1983 survey. A study of the VTEM line crossing the main Ridgecrest anomaly revealed no EM anomaly, but the geochemical anomaly is very significant. The target occurs in a forest reserve which while complicating exploration, does not make it off limits. With no conductors, the target is thought to be disseminated within the feed zone and would probably be open pittable.

**Kinplane** formerly Kinousa NW is a 700m long contiguous EM conductor anomaly and is a direct extension of the Kinousa underground and Uncle Charles deposits. Little to no drilling has been conducted on this target. It plunges deeper down dip to the north west along the plane of the Kinousa Fault hanging wall. Half of this anomaly is located under the Kinousa village which could pose problematical if the target does become an orebody. This target will gain in importance if KinValley develops positively.

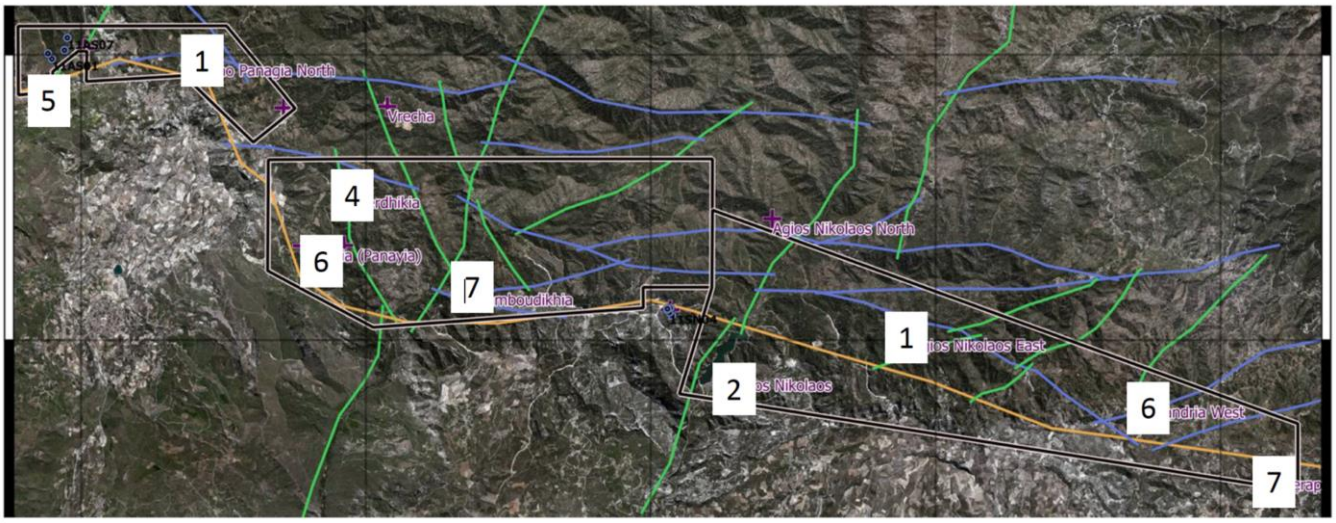
**Forest**, formerly known as Larmou East. Chesterfield has applied for an exploration permit for this area. It is an 800m long EM conductor with a strong coincident magnetic anomaly. The geology is favourable in that it is a structurally complex set of pillow lavas. The target is located in Natura 2000, which is a bird protected area which limits the drilling season.

**Triple L** is a 1000 by 1250m block of anomalies in highly prospective pillow lavas, with some probable feeder zones within the structures. It is located within very difficult terrain, with many hills and valleys. Whilst the target needs mapping, ideally it also needs an additional IP survey.

## Discovery South

The eastern end of the Troodos West Zone was renamed Discovery South mid-2019. This is a newly defined prospective area on volcanic units with multiple mineralised occurrences. It was previously explored by the UN. Nine prospects have been identified by Chesterfield while archival data is currently being digitised. Desk studies and first pass field assessment started in Q3 2019.

**EXHIBIT 16: THE 9 PROSPECTS AT DISCOVERY SOUTH**



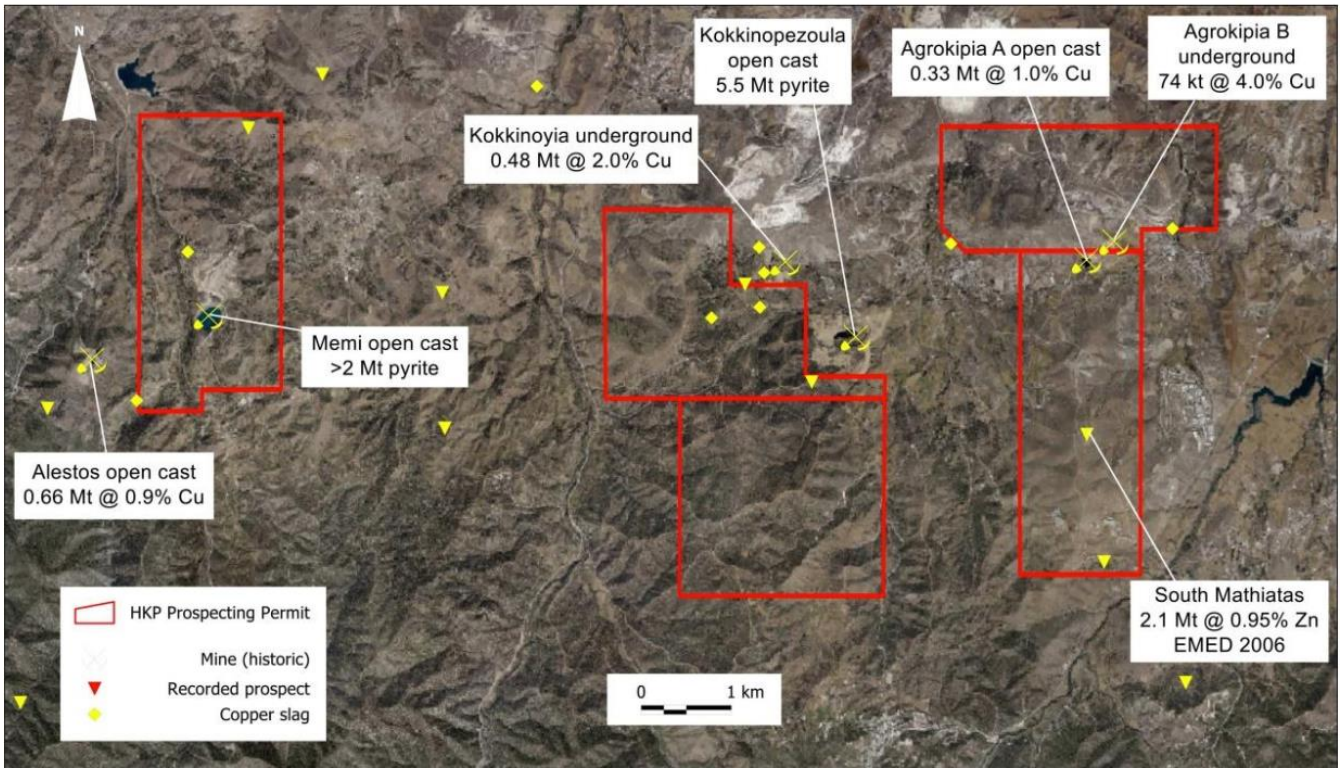

Source: Chesterfield Resources Plc

## Troodos North

Chesterfield's Troodos North Project originally comprised five (5) Prospecting Permit applications on the northern flanks of the Troodos Mountains. These licences cover a zone 35km long that is highly prospective for gold-copper mineralisation.

The two largest orebodies mined in the history of Cypriot mining were in the North Troodos region. The area is much less structurally disturbed than the West which means the orebodies are better preserved.

**EXHIBIT 17: THE TROODOS NORTH LEASES**




Source: Chesterfield Resources Plc

One of the key attraction of Troodos North is that historically, this is the area where the largest copper deposits were found, including the Mavrovouni mine which produced nearly 750kt of copper until its closure in 1974 and the Skouriotissa mine which has produced 294kt of copper and is still producing minor amounts of copper from leach pads. Chesterfield's licences include prospective ground bordering both the Skouriotissa and Mavrovouni mines.

Chesterfield's Prospecting Permit applications include the abandoned Agrokipia A/B and Memi mines and are adjacent to the abandoned Kokkinoyia, Alestos and Kokkinopezoula mines. The abandoned Mitsero copper floatation treatment plant is about 1.5 km north of the Troodos North Project area.

Recorded production in and adjacent to the Troodos North Project was:

| | | |
|---|---|---|
| Agrokipia A | Open cast | 333k @ 1.0% copper and 30-44% S |
| Agrokipia B | Underground | 74kt @ 4.0% Cu and 40% S |
| Memi pyrite | Open cast | 2.1Mt @ 30-40% S |
| Kokkinoyia | Underground | 481kt @ 2.0% Cu and 30-40% S |

| | | |
|---|---|---|
| Alestos | Open cast | 661kt @ 0.9% Cu |
| Kokkinopezoula pyrite | Open cast | 5.5Mt @ 24% S |

The Troodos North Project is considered prospective for new discoveries because:

- There is widespread direct evidence for copper mineralisation, such as outcrops of primary copper-pyrite-sulphide, malachite staining and ancient slag piles;
- The high-grade copper at the Agrokipia A and Kokkinoyia mines demonstrates grade potential, whereas the two large pyrite mines at Memi and Kokkinopezoula demonstrate the size potential in the area;
- There are potential extensions around known mines and prospects; and
- The permit area includes the South Mathiatas prospect where in 2006 EMED Mining reported a 2.1 Mt @ 0.95 % Zn inferred resource (JORC 2004).

Xyliato contains the Memi Mine which was centred on a 3Mt pyritic massive sulphide lens. A north-south trending structure will be investigated for further massive sulphides and potential gold and base metal content. Further, it is believed to contain high grade but non-compliant resources left in the ground at Agrokipia B

## Troodos East

The Troodos East Project comprised one Prospecting Permit application surrounding the Anglesidhes Prospect on the eastern edge of the Troodos Mountains.

Anglesidhes was in production in the 1930's when 9,836 tons of pyrite with 5.98% Cu, 1,336t with 24.5 g/t Au and 86.4 g/t Ag, were mined. In addition, the Government drilled a non-compliant hole in 1970 which is recorded at 15.3m @ 2.3% Cu.

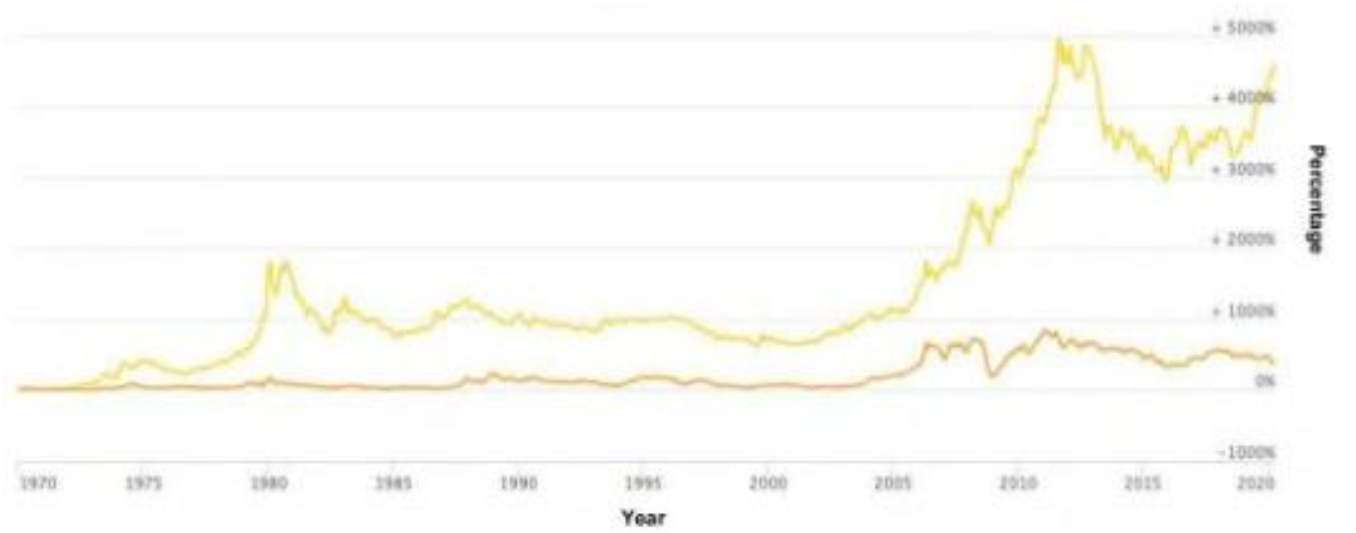
The Troodos East Project area is positioned to test the north and south extension of the Anglesidhes prospect where the target rocks are shallowly covered by recent sediment. Chesterfield has not completed any work at the Troodos East Project except for starting a desk-top review of available archival material.

# Gold

The mining of gold was not considered during the mining boom in the 1960's and 1970's because the price of gold was fixed at US$35 per ounce until 1971 and the mining of gold on Cyprus was uneconomic. However, US$46M's worth, at today's prices, of gold oxide and silver were exported in 1938. Whilst undeniably the focus of attention in Cyprus was on copper, gold was probably produced in the copper concentrates but it was not until the 1960's when Japan became a significant importer of copper concentrates that smelters had to compete to buy concentrates and started paying for contained precious metals. Prior to that, concentrates tended to be processed "in house" and the precious metal content was essentially a transfer payment from the mine to the smelter.

The gold price disconnected from the copper price around 1974, see Exhibit 18, which was coincidently the year that Turkey invaded Cyprus and most mining halted. The gold price then started its 45-year rally that saw its price increase fifty-fold.

**EXHIBIT 18: GOLD VS COPPER SINCE 1970**

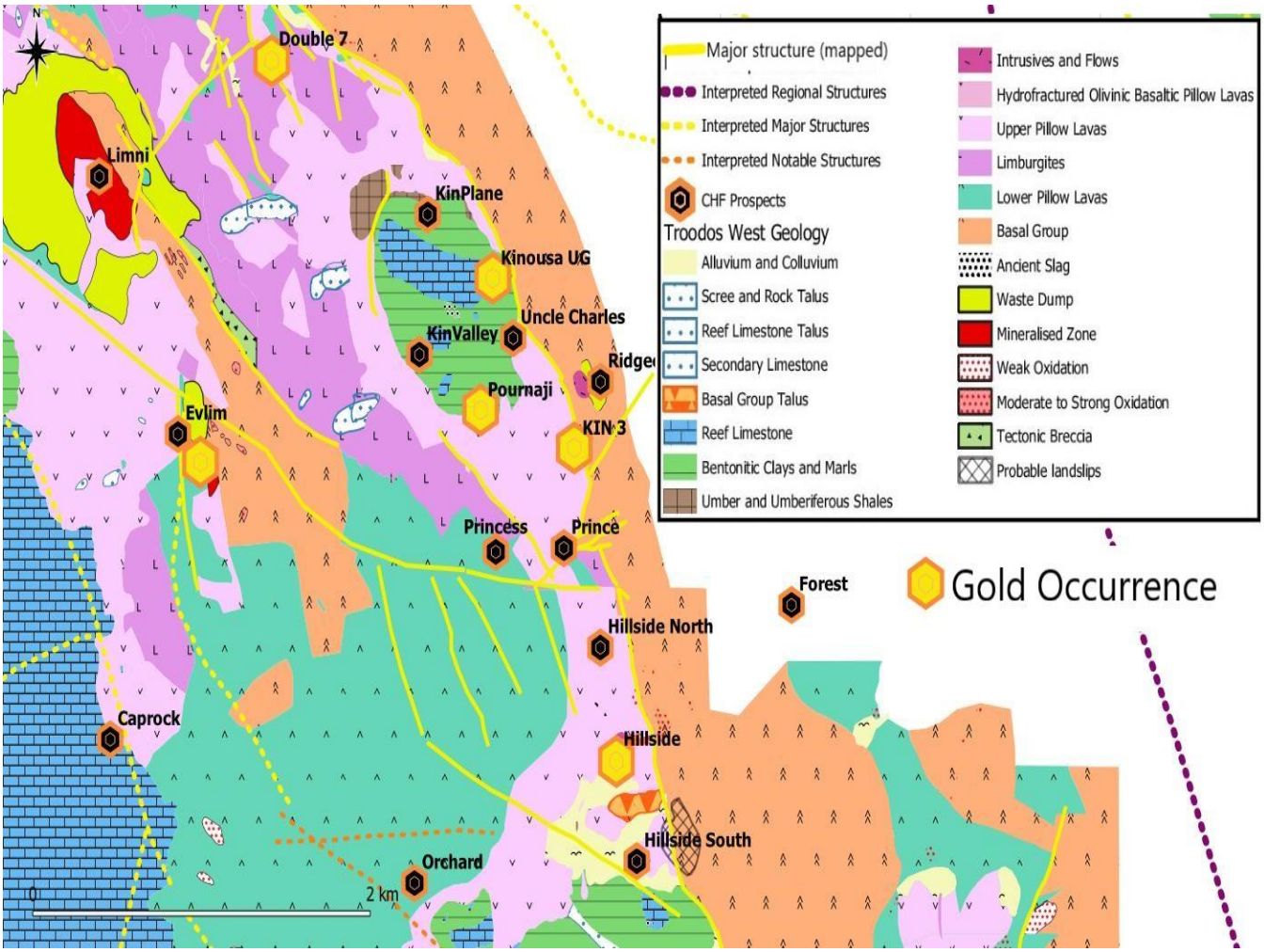



Source: Chesterfield Resources Plc

Because Cyprus was still considered risky after the Turkish invasion, the country did not benefit from the new wave of explorers searching both for buried new deposits and gold associated with copper. This hiatus has presented Chesterfield with added exploration opportunities.

As mentioned earlier in this report in the exploration section, first pass exploratory drilling recorded strong gold results and gold was recorded in the January 2020 percussion drilling. Currently, gold has been reported in 5 of the target areas. These include the historic results from the Kinousa Underground, 2.57g/t and 6.48g/t and Loana with 6m grading 3.89g/t. Drilling by Chesterfield encountered gold at Double 7, 11.1m and 18.9m thick grading 1.29g/t and sample intervals up to 2.99g/t, Poumaji where grades of 2.82g/t and 5.59g/t were recorded in association with copper and zinc values and at Hillside where significant intersections of zinc rich VMS sulphides contained >1g/t gold.

**EXHIBIT 19: GOLD OCCURRENCES IN TARGET AREAS**




Source: Chesterfield Resources Plc

Evlim, one of the Tier 1 targets, is a good example of co-incident target development. Archives reveal that the Limni Pit produced an estimated 150,000 tonnes of copper before it closed in 1979. Discussions with Cypriot geologists from the 1970's revealed that the Evloimeni pit was also mined for copper on the surface, but that gold deposits may have been left behind.

In Q4 2018, Chesterfield drilled the old Evloimeni workings and confirmed significant gold mineralisation under the mined pit. Intersections included:

- 29.8m at 1.10g/t from 13.2m, and
- 27.9m @0.97g/t from 8.75m

Subsequent mapping has provided evidence that an extension to Evloimeni has faulted down with copper and gold continuing at depth under basal cover.

As discussed earlier, Evlim was drilled with 3 percussion holes in July 2020 and they all intersected significant widths of sulphides, between 30m and 40m thick at relatively shallow depths. The target is now a high priority for diamond drilling.

# Royalties & Taxation

The current government royalty, calculated on the Free-On-Board (FOB) price, is 1% for metals and alloys; 2.5% for enriched minerals, cemented metals, salts or compounds of metals; and 5.0% for raw minerals. Cyprus has a corporate tax rate of 12.5%.

# Comparative Companies Listed in London

## Pembridge Resources

Although Pembridge is a "re-start" story, whereas Chesterfield is an exploration story, there are many similarities. The Pembridge story is about the restart of Minto Mines, in the Yukon, Canada, which is a conglomerate of smallish orebodies grading between 1.5% and 2% copper. These orebodies are all enriched with gold and silver and feed a central processing plant. The area is also highly prospective for finding more orebodies close to the existing workings and at depth. There are outcropping orebodies, but these tend to be lower grade and oxidised, yielding much lower recoveries.

Although the Minto orebodies are not VMS in origin, Chesterfield presents a similar opportunity. Instead of the outcropping orebodies being oxidised and lower grade, they have all been mined. Whilst we doubt that the underground orebodies that Chesterfield is exploring for will be higher grade than mined out orebodies, we do expect that they will be better than 1% copper. Further, despite little history of precious metal credits, Chesterfield are finding gold and silver in every hole they drill. Whilst probable not economic on their own, they would certainly add substantial value to any future copper concentrates produced. Further, the size of the orebodies Chesterfield are seeking are probably going to be very similar in size to those at Minto. There are however three major differences:

- Pembridge currently owns only 11% of Minto Mines whereas Chesterfield will currently own 100% of any orebody it finds;
- The gold produced by Minto Mines is largely hedged, restricting upside to the current rally; and
- Chesterfield's current exploration areas are significantly closer to the coast, reducing transport costs to the ship loading facilities.

## KEFI Minerals

Whilst KEFI is primarily known for its ownership of the Tulu Kapi gold deposit in Ethiopia, it is also exploring for VMS deposits at Hawiah in Saudi Arabia. In this regard it is further progressed than Chesterfield as it has completed its first pass drilling and, on the 19th August 2020 announced its maiden resource. KEFI declared an Inferred Resource of 19.3Mt grading 0.9% copper, 0.8% zinc, 0.6g/t gold and 10.3g/t silver. The grades of the resource are likely to increase as there are high grade zones of mineralization outside of the current mineral resource that will be targeted in the next round of drilling. The resource also remains open along strike and at depth. Currently, KEFI owns 34% of the joint venture company, Gold and Minerals Co. Limited, where KEFI is the operating partner. Unfortunately, KEFI has been diluted down from its original 40% interest due to lack of funds to meet its share of the exploration costs. The project will almost certainly benefit from low energy costs and the joint venture company is a very large company that FDC anticipates will have no problem funding its share of the development, and we expect it to be fast tracked as the Saudi government has recently approved a new mining investment law and wishes to diversify the economy away from oil and gas.

## Arc Minerals

Arc Minerals, through its subsidiaries in Zambia, has a controlling interest in several licenses in the North-Western province in Zambia located in the Domes region of the Zambian copper belt near world-class mines such as First Quantum Minerals' Sentinel and Kansanshi copper mines and Barrick's Lumwana mine. Zamsort Limited, where Arc has a 66% interest, has 407 $km^2$ of exploration ground under license, whilst Zaco Investments Limited, where Arc has 42.5% interest, has 465 $km^2$ of exploration ground under license. In total these licence areas cover 872 $km^2$ and include the advanced Kalaba copper-cobalt project.

Arc Minerals announced in July 2020 that its two subsidiaries, Zamsort and Zaco, have signed a confidentiality and 6 month exclusivity agreement with a subsidiary of Anglo American ("Anglo American") in respect of its copper exploration licenses in Zambia. During the exclusivity period, Anglo American will be permitted to conduct a technical review which, if satisfactory, may result in an extension of the exclusivity and the negotiation of a commercial transaction. Arc will continue with its existing drilling programme during the period of the agreement.

These are not VMS deposits that are being explored, but copper-cobalt resources.

# Investment Risks

## Exploration

Chesterfield is an exploration company, i.e. a company looking for assets. Although it has had a number of successful drill holes, it has yet to discover an orebody. Further, orebodies in Cyrus tend to be small. The probability is that Chesterfield has to find a number of relatively close orebodies that would feed one central processing plant. However, this fits the concept for VMS orebodies and Cyprus has only ever mined the outcrops historically, so there is good potential to find deeper and as yet unmined deposits.

Since mining ended around 1974, little exploration has been conducted in Cyprus. Indeed, VMS deposits were only recognised as such in 1979 and since that time the geology of such deposits has improved substantially. This means that old data from brownfields sites can be reappraised. Further, exploration technology has improved significantly since the 1970's making it far easier to find orebodies that were missed 50 years ago. Lastly, drilling was much slower and less effective in the 1970's when mainly churn drills were used.

## Geology

With several known historic copper mines on the leases currently held by Chesterfield, the geology is known to host copper occurrences and the exploration of such areas should be seen as relatively low risk. However, whether leases will be granted to Chesterfield going forward, is an unknown risk.

## Country

Cyprus had a history of copper mining and it trying to diversify its economy away from services. However, the discovery of huge gas resources to the south of the Greek sector has come to the attention of Turkey who are making mild threats. A substantial copper find, close to the "Green Line" could raise significant political tensions which would have the potential to delay development. Further, should Chesterfield find and develop a mining operation it will subject to the taxes and regulations of Cyprus, which may change.

Following the GFC in 2009, Cypriot banks suffered badly. Similarly, with the Covid-19 pandemic, the tourist industry has been hit hard, giving added impetus to diversify the economy.

## Financial

Chesterfield is unlikely to be generating cash flows in the near future and will probably have to raise further finance to continue exploration. Most exploration projects do not result in the discovery of commercially mineable deposits, and with large exploration leases to be worked, there may be several financial raisings going forward. Balancing this, so far Chesterfield's exploration efforts have been highly successful and a fund raising was recently successful. Diamond drilling is about to start in order to prove up Evlim as an orebody and this has the potential to consume funds at a faster rate than previously experienced.

## Commodity

Chesterfield is looking for VMS deposits which are polymetallic. It is known that the orebodies they are looking for contain copper, zinc and gold, with good gold results obtained so far. This breath of commodities will help to reduce the commodity risk.

## Political

Turkey is becoming increasingly belligerent as the president seeks to divert attention away from its ailing economy. Currently it is trying to muscle-in on the recent gas finds around Cyprus. This has taken the form of attempting to drill in areas claimed by Greece, especially around islands in the Eastern Mediterranean that are in fact closer to the Turkish mainland than Greece. Given the historic intervention of Turkey in Cyprus, the political risk of the area, although not of immediate concern needs to be considered.

# Appendix A – Corporate Structure & Shareholders

## Corporate Structure

**EXHIBIT 20: CHESTERFIELD CORPORATE STRUCTURE**


Source: Chesterfield Resources Plc

## Current Shareholders

The substantial shareholders with more than a 3% shareholding as at 4 May 2020 are shown below:

| | | |
|---|---|---|
| Claudio Ciavarella | 4,400,000 | 7.1% |
| Leo Berezan | 4,201,334 | 6.76% |
| Kingfisher Distribution Company Limited | 3,350,000 | 5.41% |
| Martin French | 3,000,000 | 4.84% |
| Fahad Al Tamimi | 2,333,333 | 3.77% |
| Glenn Olnick | 2,075,000 | 3.35% |
| Wentworth Ltd | 2,000,000 | 3.23% |
| 1770120 Ontario Inc | 1,925,000 | 3.11% |

# Appendix B – Directors & Senior Management

## Martin French – Executive Chairman

Mr French has over 30 years of experience in capital markets, investment banking and mining. He began his career at Merrill Lynch, and was country manager for Credit Lyonnais Securities Asia (CLSA) in various locations in Asia, before setting up its business in Latin America. Mr French was also Managing Director of North River Resources plc from December 2012 until January 2015 and took its Namibia-based brownfield lead-zinc project through to bankable feasibility study and sourced a strategic funding partner. The project is now under construction.

## Michael Parker – Managing Director

Mr Parker has over 30 years' experience as an exploration geologist, including a 20-year career with First Quantum Minerals (FQM). While at FQM he was Country Manager for DRC, where he managed over 100 exploration personal and played a key role in two major copper discoveries, the Lonshi and Frontier mines. He was more recently appointed Country Manager with responsibility for FQM's operations in Peru and Argentina.

## David Cliff –Non-Executive Director

Mr Cliff has over 50 years in exploration and mine geology. Previously he had over 26 years at Rio Tinto including five as Exploration Manager Europe. He has a BSc Hons in Geology and a Chartered Engineer, Member of the Institute of Materials, Minerals and Mining.

## Peter Damouni – Non-Executive Director

Mr. Damouni has over 17 years of experience in investment banking and capital markets, with expertise in mining and oil and gas. Throughout his career, Mr. Damouni has worked on and led equity and debt financings valued over $5 billion. He has comprehensive experience in equity financing, restructuring, corporate valuations and advisory assignments.

# Research Disclosures

## Peter Rose

Peter has 34 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital, formerly Fox-Davies Capital for 13 years before rejoining Fox-Davies Capital. Prior to that he spent 11 years with Deutsche Bank in Australia, 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, 7 of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

Contact: peter@fox-davies.com

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|---|---|
| Chesterfield Resources Plc | 1, 2, 3, 7 |

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