

KAISER REEF LIMITED QUARTERLY REPORT

For the Period ending 31 December 2020

28 January 2021

Company Announcements - Australian Securities Exchange

Quarterly Report for the Period Ending 31 December 2020

Kaiser Reef Limited (ASX: KAU) (**Kaiser** or the **Company**) is pleased to report on its quarterly activities for the period ending 31 December 2020. During the quarter Kaiser completed its maiden drilling program at the Stuart Town Project in NSW and entered into an agreement to acquire the producing A1 gold mine and Maldon exploration Project in Victoria (Figure 1). Trading of KAU shares was suspended for the entire quarter due to the statutory acquisition process.

Highlights

Material Acquisition of High-Grade Victorian Gold Projects and Processing Plant

As announced on 1 October 2020, Kaiser has agreed to a transaction which, following settlement, will provide the Company with the opportunity to become a high-grade gold producer through the acquisition of operating gold mining assets and a processing facility owned by Centennial Mining Ltd (subject to Deed of Company Arrangement). The assets acquired are located in the Victorian Goldfields, collectively known as the Project and comprise:

- Four granted Mining Leases, three in the Bendigo Block and one at Woods Point, with proven gold endowment; including
- The Maldon Goldfield with historic production of 1,740,000 ounces of gold at an average grade of 28 g/t gold
- The producing A1 Gold Mine with historic production high grade production since 1861
- The Porcupine Flat gold processing plant (located at Maldon)

The transaction was completed subsequent to the end of the quarter, as well as a Prospectus Offer raising an additional \$7.5M before expenses, with trading expected to resume on 28 January 2021.

The Board believes that this transaction will allow the Company to capitalise on the strong gold price with the goal being to deliver future returns for shareholders. Full details of the transaction are outlined in the Prospectus (lodged with the ASX on 7 December 2020).

The Board of Kaiser believes that the opportunity is enhanced by the talented and dedicated Australian operational team working at the mine and processing plant. The transaction will deliver Kaiser a 100% interest in the operating A1 Gold mine, Maldon gold processing plant and Maldon gold exploration project. In addition to the opportunity to become a gold producer, the Company remains focussed on continued exploration activities in NSW and will embark on exploration programs at the tenements located in Victoria, the subject of the proposed acquisition.

The Project holds two historic goldfields that have an exceptional production history and yet remain very poorly tested by modern exploration. The Victorian goldfields are now supporting high grade and highly profitable operations (such as Fosterville & Stawell). The acquisition will include the historic Nuggetty Mine which was one of the highest-grade gold mines in Victoria, having produced 301,000 ounces at an extraordinary average grade of 187 g/t gold. A plan of the Maldon Goldfield is shown in Figures 2 and 3.

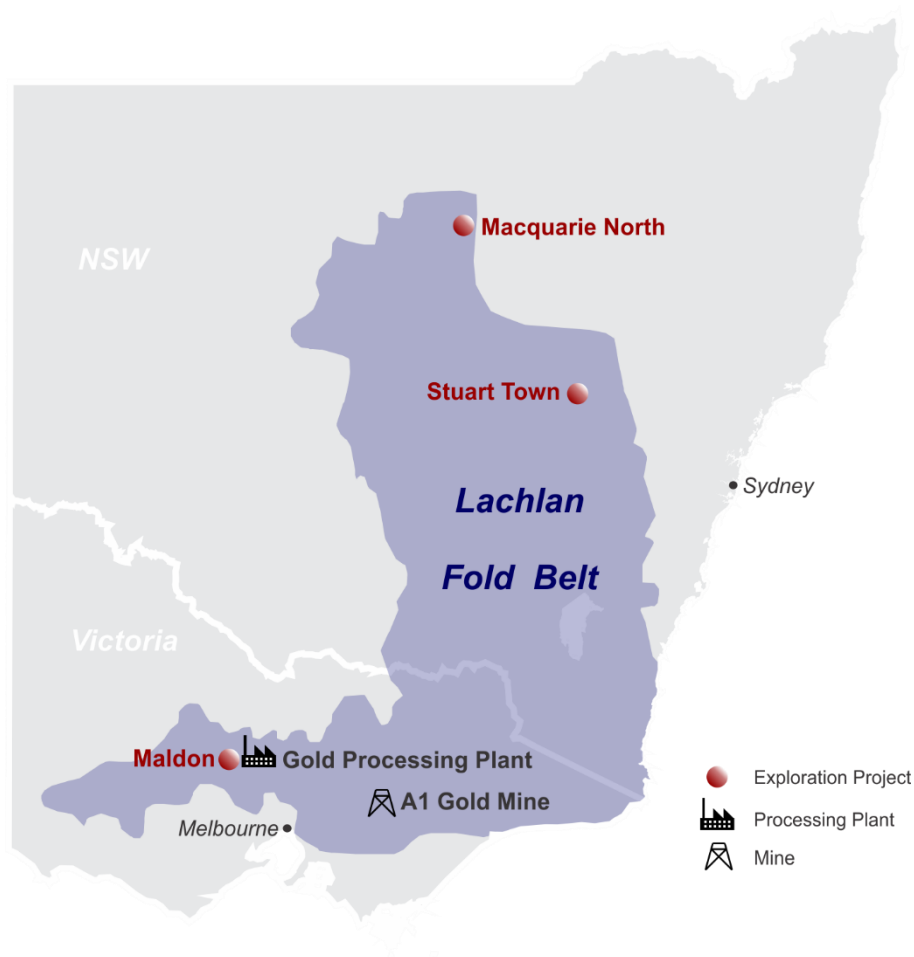


Figure 1: Location of Kaiser Reef's NSW and Victorian Projects.

Kaiser will also have immediate gold production from the operating A1 gold mine, see Figure 4 & 5. Upon completion Kaiser would also own a fully permitted and operating gold treatment plant, Figure 5, utilising crush, grind and CIP processing to produce gold dore on site.

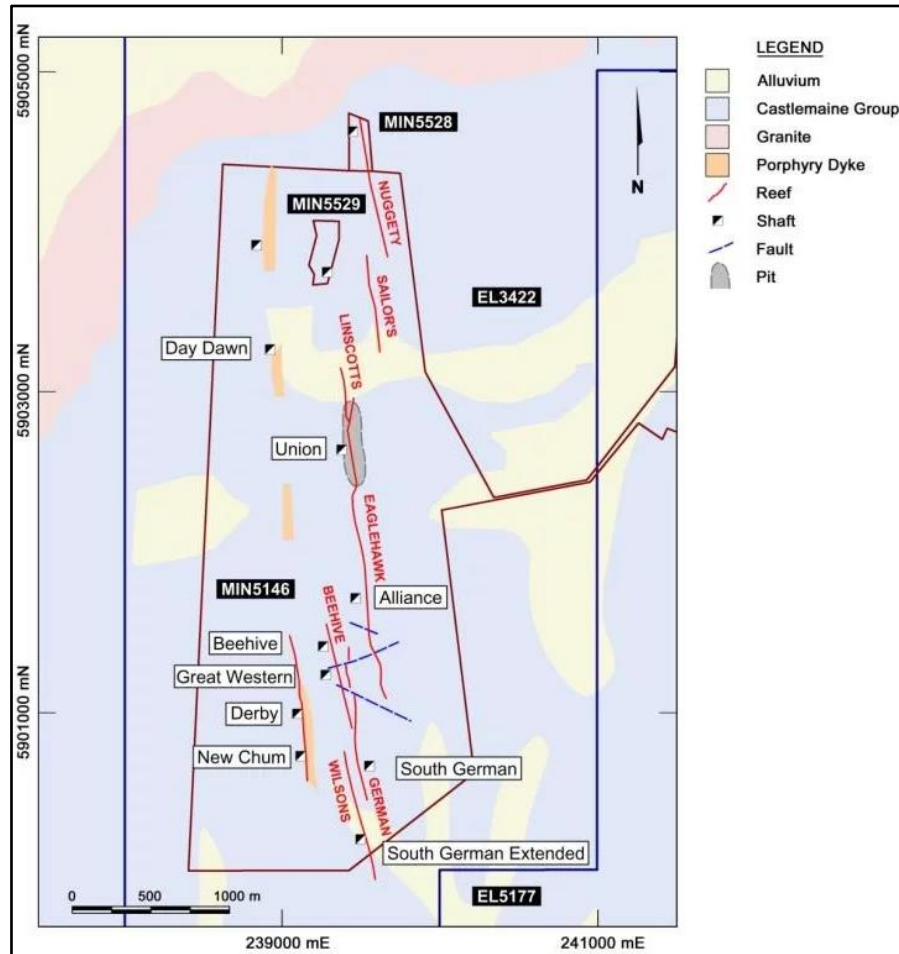


Figure 2: Plan view of the Maldon goldfield

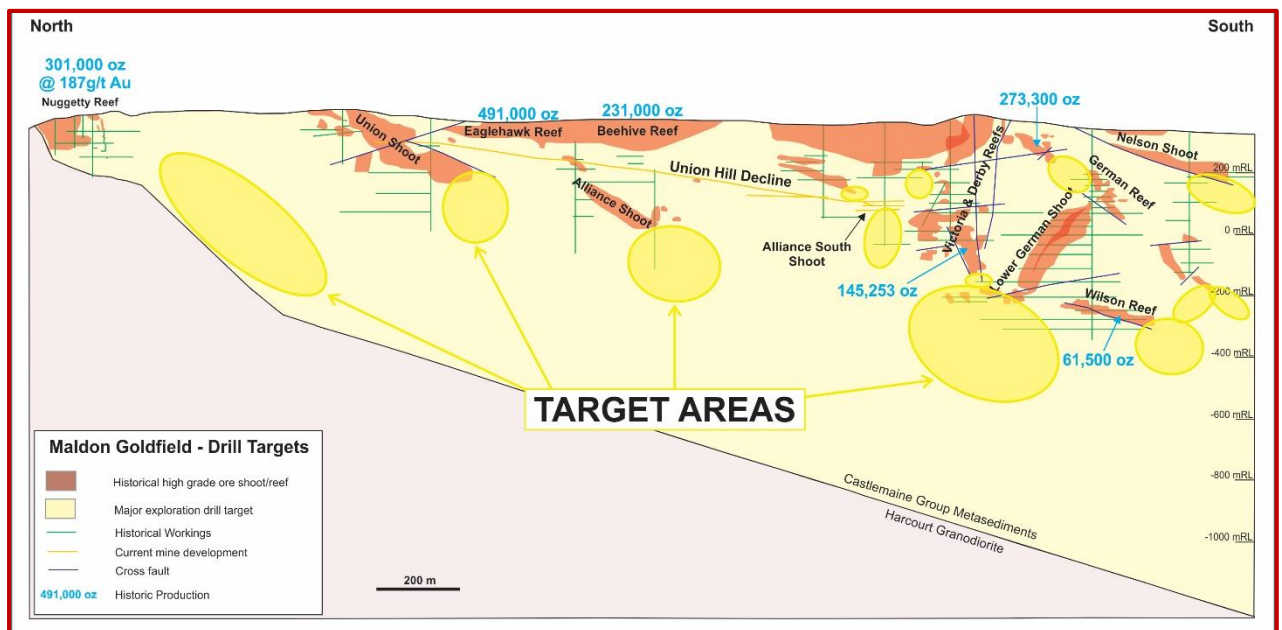


Figure 3: Long section looking west at previous exploration targets at Maldon

The fully permitted and operating processing plant is also considered a valuable strategic asset for ongoing production in the Victorian goldfields and supports the possible rapid production of any future discoveries made in the region.

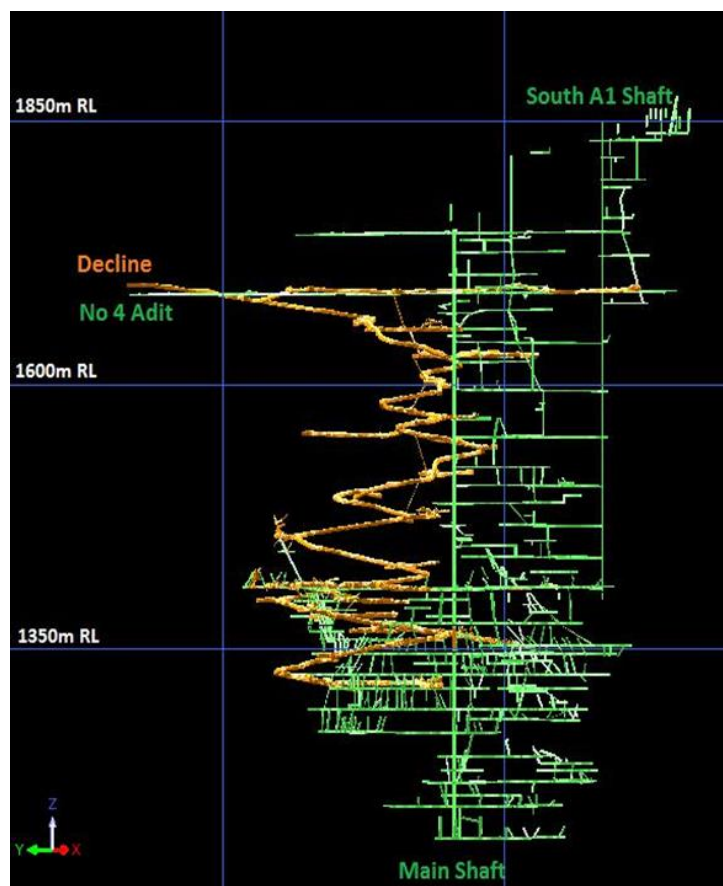


Figure 4: Longitudinal view of development headings in the A1 Gold Mine

Kaiser intends to benefit from detailed drilling and mine planning before expanding production and expects to further benefit substantially from the strong Australian gold price. Kaiser preliminary review work has identified the potential at the A1 Mine.



Figure 5: Left: Portal to the A1 mine, Right: High grade quartz vein with visible gold, 1410-880 air leg stope.

Capital Raising

A capital raising for a total of \$7.5M at 30c/share for a further 25,000,000 was completed. The funds will provide working capital and allow Kaiser to conduct immediate exploration at both Maldon and at the A1 mine. These additional funds will complement the cash balance held by Kaiser.

NSW Drilling

The initial drilling programme at Stuart Town commenced in September 2020 and was completed during the quarter. Seven holes were completed in the program, three reverse circulation (RC) holes at Rockdale; three RC holes at Specimen Hill and one deep diamond hole in the Quartz Hill – Specimen Hill mine area (Figure 6).

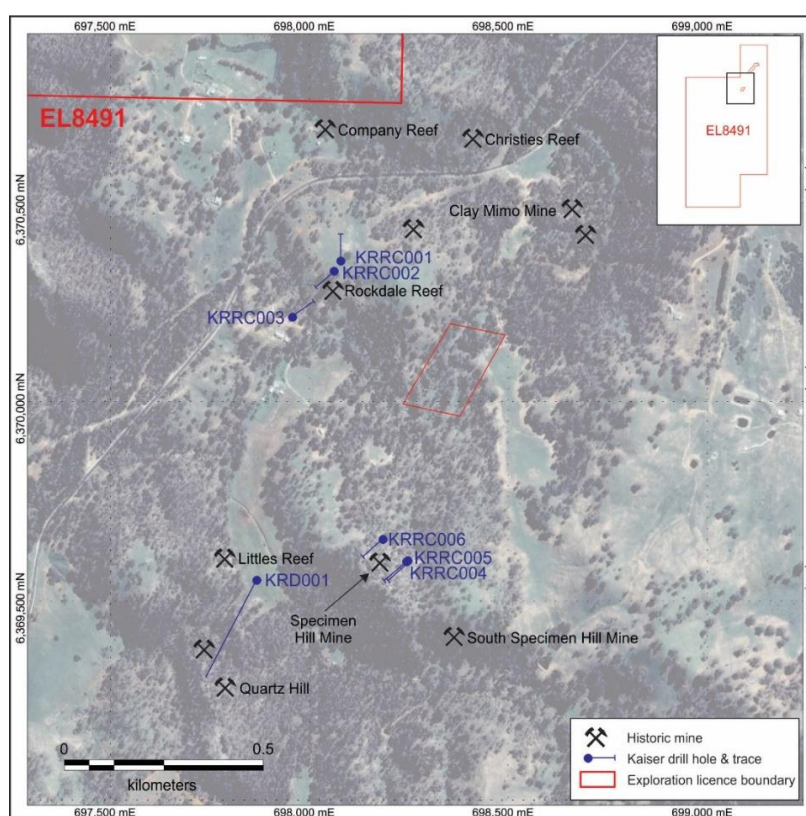


Figure 6: Drill hole collar locations

Gold mineralisation encountered in all three drill holes at Specimen Hill:

- KRRC004: 2m @ 0.99 g/t gold from 53m
- KRRC005: 2m @ 0.80 g/t gold from 59m
- KRRC006: 13m @ 1.1 g/t gold from 25m

The first RC hole, KRRC001, was directed beneath the historic Rockdale mine. The drillhole KRRC001 returned an anomalous gold result of 0.53 g/t gold over a 3-metre interval in a composite sample from 24m downhole. Holes KRRC002 and KRRC003 tested a North-South

trending structure identified in the geophysical survey. The structure was intercepted in the drilling and returned an anomalous result of 0.25 g/t gold in KRRC003 over a 3-metre interval in a composite sample from 97m downhole. A further three RC drillholes were directed deep beneath the workings at the Specimen Hill historic gold mine. Encouragingly, each hole returned mineralisation.

The geological host has been mapped as a variably brecciated porphyritic andesite. This lithology is considered a prospective host for large scale gold mineralisation. Coarse gold was identified in the drill samples and assay was consequently conducted using the screen fire assay technique, returning an assay for the >75µm fraction and the remainder of a pulverised sample. Full results are contained in the ASX announcement released on 2 November 2020.

A deep diamond hole was drilled just to the south of the Specimen Hill mine, targeting the modelled intrusive unit beneath the Quartz Hill historic mine (Figures 6 & 7). The hole was completed at 603m depth; results are pending.

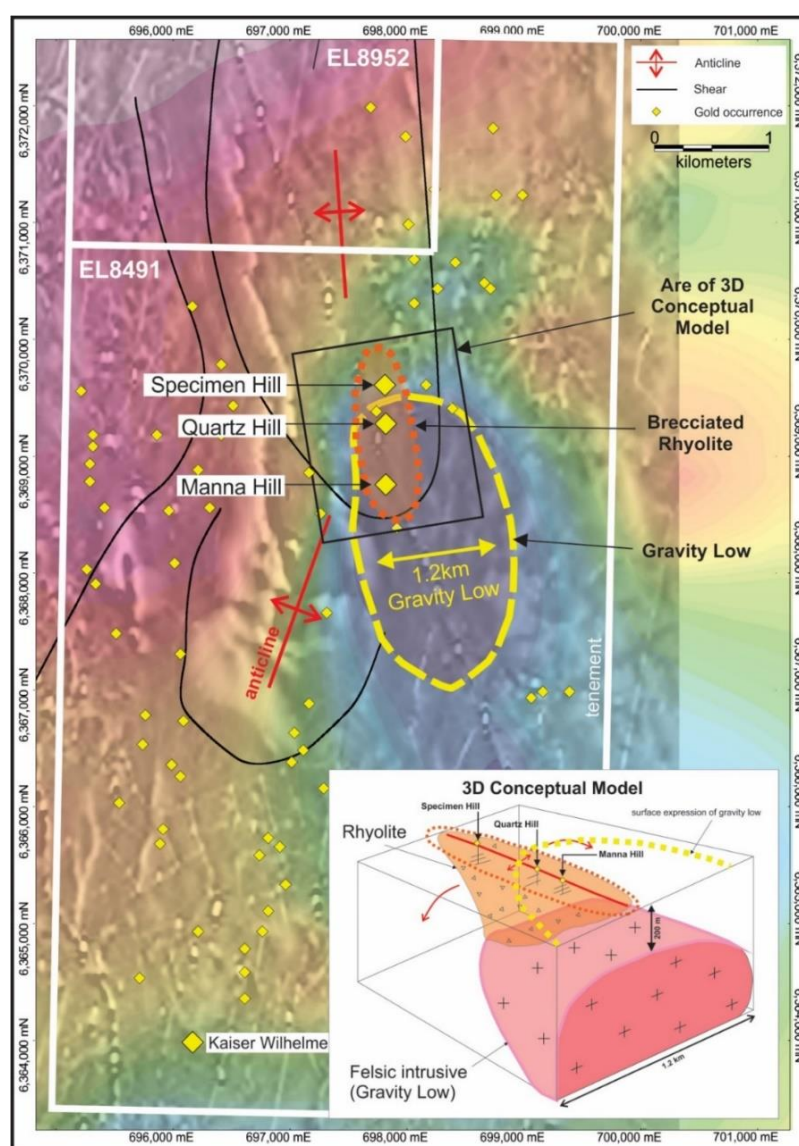


Figure 7: Coloured gravity survey over greyscale magnetic survey (1VD).

Use of Funds

In line with obligations under ASX Listing Rule 5.3.4, Kaiser Reef Limited provides the following information with respect to its Use of Funds Statement set out in its Prospectus dated 5 December 2019 and its actual expenditure since ASX admission on 26 February 2020.

The Company notes that it lodged a Prospectus dated 4 December 2020 to raise \$7.5M as part of the Material Acquisition of High-Grade Victorian Gold Projects and Processing Plant. Due to the capital raising and acquisition being completed subsequent to quarter end, the Company has provided actual expenditure to 31 December 2020 against the Use of Funds Statement set out in its initial public offer Prospectus dated 5 December 2019.

Expenditure Item	Use of Funds (5.12.19) '000	Actual Expenditure (26.02.20 – 31.12.20) '000	Variance '000	Note
Opening cash	410	195	(215)	1
Proceeds from the Offer	4,500	4,500	-	
Total	4,910	4,695	(215)	
Expenses of the Offer	420	316	104	2
Exploration expenditure	2,500	555	1,945	3
Administration costs	1,000	656	344	3
Working Capital	990	411	579	
Total	4,910	1,938	2,972	
Remaining Cash	-	2,757	2,757	

1. Cash balance on 5.12.19 varies to cash balance on 26.02.20 due to payments towards expenses of the Offer and administration costs over this period.
2. Expenses of the Offer paid for the period 26.02.20 – 30.06.20 totalled \$316k. Expenses of the Offer paid prior to 26.02.20 were \$132k giving a grand total of \$448k. Actual expenses of the Offer are materially consistent with the use of funds budget, with variances related to timing not quantum.
3. Variances in exploration expenditure and administration costs are due to timing with the Company being admitted on the ASX for approximately 10 months as at 31.12.20 as well as the impacts of COVID-19.

Exploration

ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$354k. Full details of exploration activities during the Quarter are set out above. ASX Listing Rule 5.3.2: There were no mining production and development activities during the Quarter.

Related Party Payments

Pursuant to item 6 in the Company's Appendix 5B – Quarterly Cashflow Report for the quarter ended 31 December 2020, the Company made payments of \$70k to related parties which relate to existing remuneration arrangements (director fees and superannuation).

For further information please contact: admin@kaiserreef.com.au

Authorised by:
Jonathan Downes
Executive Director

Schedule of Tenements

SCHEDULE OF INTEREST IN MINING TENEMENTS				
Project	Tenement Number	Location of Tenement	Beneficial interest at end of the quarter	Change in the quarter
Stuart Town	EL8491	New South Wales	100%	-
Stuart Town	EL8952	New South Wales	100%	-

Competent Persons Statement

The information included in this report that relates to Exploration Results & Mineral Resources is based on information compiled by Ms Elizabeth Laursen (B. ESc Hons (Geol), GradDip App. Fin., MSEG, MAIG), a contractor of Kaiser Reef Limited. Ms Laursen has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Laursen consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Competent Persons Disclosure

Ms Laursen is a contractor of Kaiser Reef Limited and currently holds securities in the company.