

Kaiser Reef Limited

ASX: KAU

Shares on Issue
33,450,001

Directors & Management

Chairman
Adrian Byass

Executive Director
Jonathan Downes

**Non Executive Director &
Company Secretary**
David Palumbo

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1 October 2020

Company Announcements
Australian Securities Exchange
Level 40, Central Park,
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PERTH WA 6000

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

Kaiser Reef Limited (ASX: KAU) (**Kaiser** or the **Company**) is pleased to announce that it has entered into an agreement with Golden River Resources Pty Ltd (**GRR** or **Golden River**) pursuant to which it has conditionally agreed to acquire the following material assets in the Victorian Goldfields, collectively known as the **Project**:

- Four granted Mining Leases, 3 in the Bendigo Block and one at Woods Point, with proven gold endowment.
- The Maldon Goldfield with historic production of 1,740,000 ounces of gold at an average grade of 28 g/t gold.
- The A1 Gold Mine with historic production of 620,000 ounces of gold since 1861. The A1 Gold Mine is fully permitted and currently operating.
- The Porcupine Flat gold processing plant (located at Maldon) which is fully permitted and currently operating at reduced capacity under administration (collectively the "Acquisition").

If completed, the Acquisition will propel Kaiser into the highly sought after Victorian high-grade gold district. The Project has goldfields that have an exceptional production history and yet remain very poorly tested by modern exploration. The Victorian gold fields are now supporting high grade and highly profitable operations. The Acquisition will include the Nuggetty Mine which was one of the highest-grade gold mines in Victoria, having produced 301,000 ounces at an extraordinary average grade of 184 g/t gold. A plan of the Maldon goldfield is shown in Figures 1 and 2.

Kaiser will also have immediate gold production from the fully permitted A1 Gold Mine, see Figures 3 and 4. Upon completion of the Acquisition, Kaiser will also own a fully permitted and operating gold treatment plant, see Figure 5, utilising crush, grind and CIL processing to produce gold dore on site at the Porcupine Flat gold processing plant.

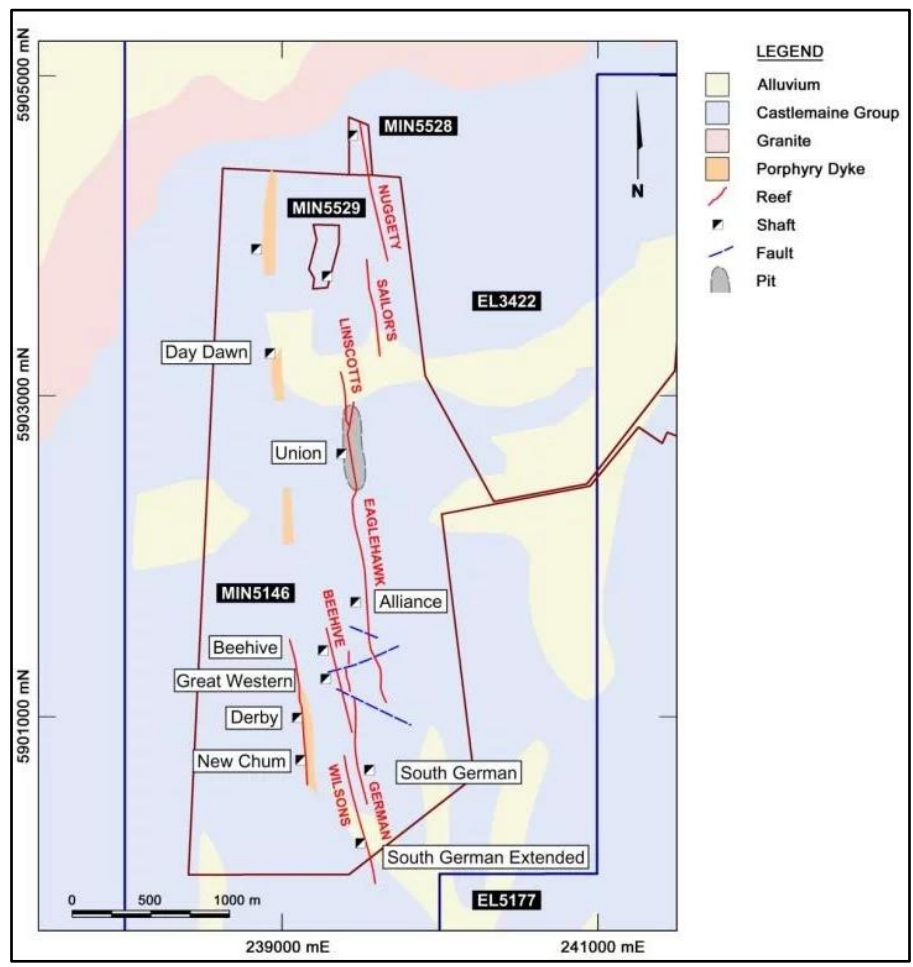


Figure 1. Plan view of the Maldon goldfield.

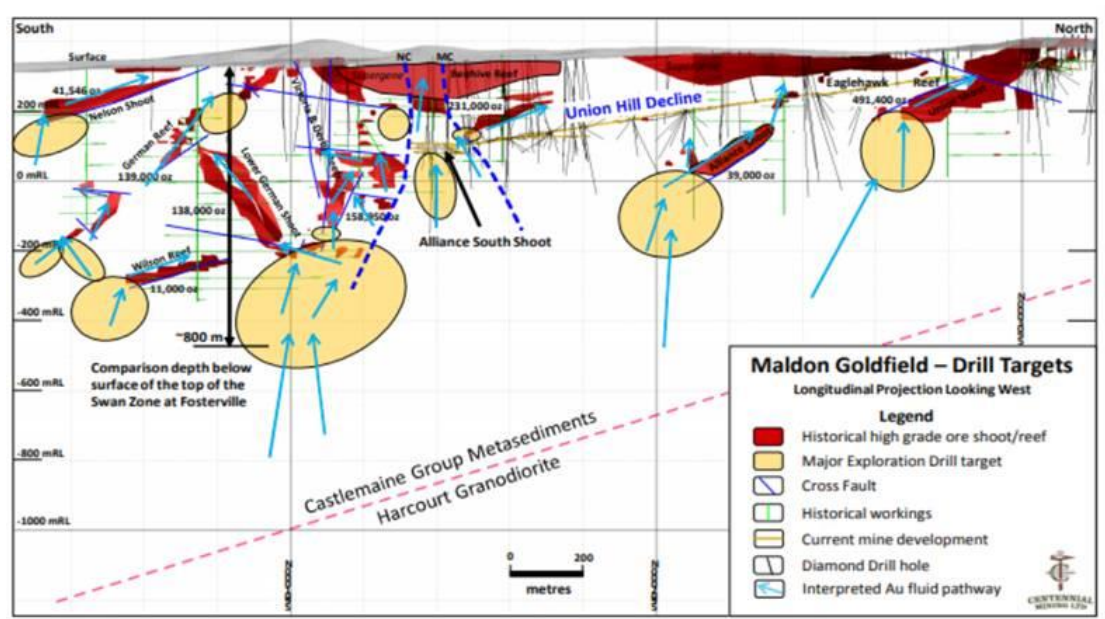


Figure 2. Long section looking west at previous exploration targets at Maldon.

The assets which form the Project provide an exceptional opportunity for Kaiser to embrace the current strong gold price and supports Kaiser's vision to become a profitable gold producer.

The Board believe that the Acquisition of the Project is a compelling and value accretive purchase to Kaiser shareholders. The addition of two high-grade and significant goldfields, also located on the Lachlan Fold Belt, adds substantial exploration opportunity and de-risks the current exploration being conducted at the Stuart Town project in New South Wales, where the inaugural drilling programme is ongoing. In addition, the currently operating A1 Gold Mine has potential to be substantially expanded with further drilling and geological modelling.

The fully permitted and operating processing plant which forms part of the Project is also considered a valuable and strategic asset for ongoing production and supports the rapid and low capital cost production of any future discoveries made in the region.

The Project is currently held by Centennial Mining Limited (subject to Deed of Company Arrangement (**DOCA**)) (**Centennial** or **CTL**). During the time that Centennial has held the Project, it has encountered difficulties since development of the Union Hill mine at Maldon as a result of insufficient drilling or working capital at substantially lower gold prices and at a time when the equity markets were struggling with the performance of several prominent gold operations which limited access to further capital.

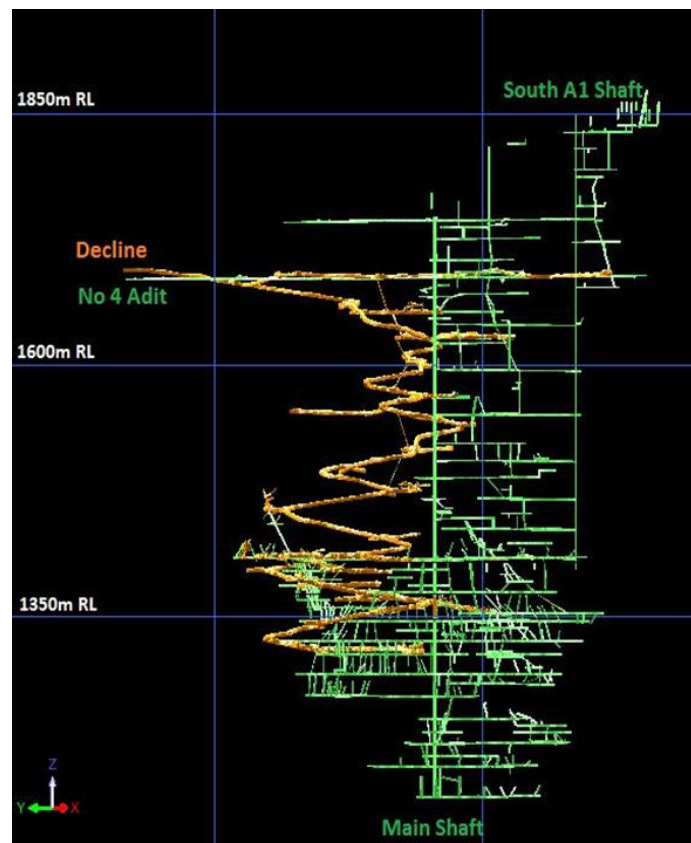


Figure 3. Longitudinal view of development headings in the A1 Gold Mine.

Kaiser conducted due diligence on Centennial between 12 August and 21 September 2020. Several independent consultants and groups were engaged by the Company to conduct physical and desktop work as part of this process. The due diligence was completed on 21 September.

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

Further and substantially more comprehensive details on the Project will be provided in due course in the Notice of Meeting and under a Prospectus that is currently being prepared by Kaiser for the purpose of the Capital Raising (defined below).

Shareholders will have the opportunity to vote on the Acquisition of the Project and the associated shareholder approvals at an upcoming general meeting of Kaiser shareholders. Specifically, Listing Rule 11.1.2 applies to the Acquisition. The Acquisition may not proceed if this approval is not received.

In addition, Kaiser is required to re-comply with ASX's requirements for admission and quotation, therefore the Acquisition may not proceed if those requirements are not met. ASX has an absolute discretion in deciding whether or not to re-admit Kaiser to the official list and to quote its securities, the Acquisition may not proceed if ASX exercises this discretion.

Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's shares.



Figure 4: Left: Portal to the A1 underground mine, Right: High grade quartz vein with visible gold, 1410-880 air leg stope.

The Acquisition

Kaiser has entered into a conditional option agreement (**Agreement**) with the founding shareholders of Golden River Resources (ACN 643 877 767), Bath Resources Pty Ltd ACN 643 937 713 and TYF Holdings Pty Ltd ACN 606 569 144 (**Founding Shareholders**) pursuant to which the Company has been granted an exclusive and binding option to acquire that proportion of the issued capital of Golden River held at Settlement from the Founding Shareholders (**Acquisition**).

GRR is an Australian special purpose vehicle entity that recently raised \$13.5 million in cash and acquired senior debt position and stepped into the DOCA proponent role to ultimately acquire the Project from the Administrators of Centennial.

A summary of the material terms of the Agreement are as follows:

- **Acquisition:** The Founding Shareholders have granted Kaiser an exclusive option (**Option**) to purchase the GRR shares the Founding Shareholders respectively hold in consideration for payment of a non-refundable \$50,000 option fee.
- **Consideration:** Subject to exercise of the Option and satisfaction of the Conditions (as set out below), Kaiser will issue 53,333,333 fully paid ordinary shares (**Shares**) in Kaiser (at a deemed issue price of \$0.30 per Share) for a total deemed consideration of \$16,000,000, which will be issued pro rata to all of the GRR shareholders based on their interest in GRR.
- **Conditions:** Settlement under the Agreement is subject to and conditional upon the satisfaction (or waiver by Kaiser) of the following conditions precedent by 31 December 2020:
 - Kaiser making separate offers, under a more short form agreement, to each Golden River vendor (other than the founding shareholders) and each of those Golden River vendors agreeing sell their respective GRR shares to Kaiser pursuant to the separate offer; and
 - effectuation having occurred under the DOCA such that GRR has acquired the entire issued capital of Centennial on terms acceptable to Kaiser;
 - Kaiser obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules and Corporations Act, including shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Consideration Shares and the KAU Broker Shares and ASX Listing Rule 11.1.2;
 - Kaiser receiving valid binding and irrevocable applications for not less than \$5,000,000 pursuant to a capital raising for the issue of 16,666,667 fully paid ordinary shares at an issue price of \$0.30 per KAU Share, or such other terms as agreed between Kaiser and GRR;
 - Kaiser obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to lawfully complete the matters set out in this Agreement, including receipt of ASX conditional approval to reinstate the securities of Kaiser to official quotation on ASX, subject to Kaiser's re-compliance with Chapters 1 and 2 of the ASX Listing Rules, on terms and conditional reasonably acceptable to Kaiser; and

- There being no material adverse change in the circumstances of Golden River and Centennial and none of the warranties given by GRR and the Founding Shareholders becoming untrue, incorrect or misleading each prior to the date of satisfaction (or waiver) of all other Conditions.

The Agreement otherwise contains terms and conditions considered standard for an agreement of its nature, including indemnities and warranties provided by each party.

It is also noted that:

- Subject to shareholder approval, Empire Capital Partners Pty Ltd, the corporate advisor to the Acquisition, will also be issued an additional 1,921,143 Shares in Kaiser and 1,344,800 unlisted options exercisable at 50c on or before the date that is three (3) years from issue.
- Subject to shareholder approval, certain brokers who assisted with the Acquisition and the Capital Raising, will be issued an aggregate of 2,700,000 Shares at a deemed issue price of \$0.30 (**KAU Broker Shares**).
- On completion of the Acquisition, Centennial will be acquired on a debt free basis*.

*Except for employee entitlements and environmental liabilities of up to a maximum of \$1,000,000

Capital Raising

In connection with the Acquisition, Kaiser will undertake a capital raising by the issue of 25,000,000 Shares at \$0.30 per Share to raise a total of \$7.5M (**Capital Raising**). The Capital Raising will ensure Kaiser has adequate funds to conduct immediate exploration at both Maldon and at the A1 Gold Mine and have sufficient working capital. A priority offer under the Capital Raising will be included in the prospectus to provide an opportunity, but not an obligation, for existing shareholders to participate in the Capital Raising. The additional funds raised under the Capital Raising will complement the currently healthy cash balance held by Kaiser of over \$3.5M. Strategic cornerstone investors will have the right to take up to A\$3.7M worth of Shares under the Capital Raising.



Figure 5. Porcupine Flat gold processing plant

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

In connection with the Acquisition, Kaiser has been advised by the Australian Securities Exchange (**ASX**) that the Acquisition (once completed) will result in a change in the nature and scale of Kaiser's activities and that Kaiser will be required under ASX Listing Rule 11.1.3 to re-comply with Chapters 1 and 2 of the ASX Listing Rules. Accordingly, Kaiser is preparing and will lodge a Notice of Meeting to convene a meeting of shareholders to consider and approve the resolutions required to complete the Acquisition. The expected date for the shareholder meeting is early December 2020. Further details are set out in the Indicative Timetable below.

The anticipated effect of the Acquisition and the Capital Raising on the capital structure of the Company is set out in the table below. It is not anticipated that any

individual will hold more than 20% of the issued capital in Kaiser following completion of the Acquisition and the Capital Raising.

	Shares	Options
Current issued capital	33,450,001	10,500,000
Capital Raising¹	25,000,000	Nil
Consideration Shares²	53,333,333	Nil
Broker Shares³	2,700,000	Nil
Corporate Advisor Securities⁴	1,921,143	1,344,800
Total	116,404,477	11,844,800

Notes:

1. Assumes a \$7,500,000 capital raising at \$0.30 per Share.
2. Assumes a deemed issue price of \$0.30 per Share for total Share consideration of \$16,000,000.
3. Kaiser will issue 2,700,000 Shares at a deemed issue price of \$0.30 each at Settlement directly to parties notified to Kaiser by Golden River prior to Settlement.
4. Securities to be issued to Empire Capital Partners Pty Ltd as a success fee in consideration for Empire's services in relation to the Acquisition. Shares will be issued at a deemed issue price of \$0.35 per Share and Options exercisable at \$0.50 on or before that date which is 3 years from the date of issue.

Pro forma Statement of Financial Position

A pro forma Statement of Financial Position reflecting completion of the Acquisition and the Capital Raising is set out at Annexure A.

Changes to Board and Senior Management

Kaiser does not propose to make any changes to its board or senior management in connection with the Acquisition.

Indicative Timetable

Kaiser's securities will remain suspended from quotation until it has completed re-compliance with Chapters 1 and 2 of the Listing Rules. Reinstatement to quotation is in the absolute discretion of ASX and therefore the Acquisition may not proceed if ASX exercises its discretion not to reinstate the Company.

The Company's current timetable to complete the Acquisition is as follows. This is an indicative timetable only and subject to change.

Event	Date
Send notice of shareholders' meeting	6 November 2020
Lodge Prospectus with ASIC and apply to ASX for re-admission	9 November 2020
Shareholders' meeting	7 December 2020
Close Prospectus	9 December 2020
Receive conditional re-admission decision	11 December 2020
Completion of Acquisition	21 December 2020
Re-admission to official list and re-quotation of securities	24 December 2020

ASX takes no responsibility for the contents of this announcement.

The Company is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

Authorised by:

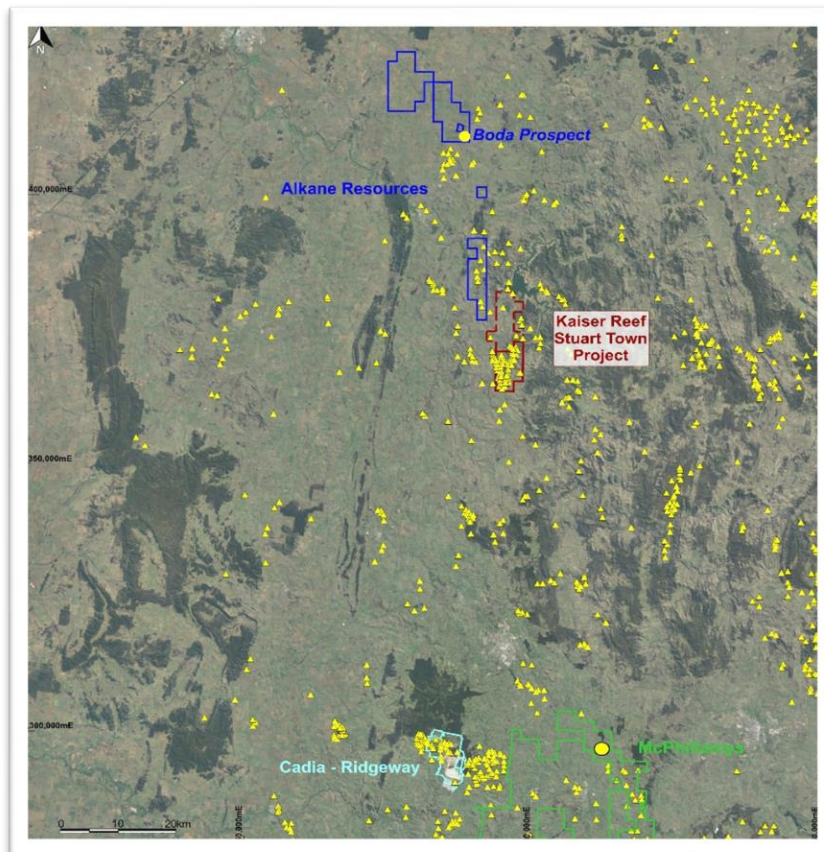
Jonathan Downes
Executive Director

About Kaiser

The New South Wales Lachlan Fold Belt is an extensive and prospective geological unit that is currently enjoying an exploration renaissance. Kaiser considers that the wholly owned Stuart Town Project located between Cadia and Alkane's new gold discovery – the Boda project, and within the Lachlan Fold Belt is highly prospective. The view that the project is prospective for gold is supported by the extensive number of historic gold mines located in the region.

Kaiser also holds the “Macquarie North” project over the northern extent of the highly endowed and prospective Macquarie Arc. The Macquarie Arc is also located within the Lachlan Fold Belt.

The licences cover 80 kilometres of interpreted strike of the Macquarie Arc, identified as being prospective for copper-gold porphyry mineralisation. The project lies to the north of licences held by FMG Resources Pty Ltd and Kincora Copper Australia Pty Ltd. The prospective target rocks are intrusive igneous rocks associated with copper and gold mineralisation in the belt and are overlain by sediments of variable depth with negligible historic exploration, despite being located in a Tier 1 low sovereign risk terrain.



Stuart Town Gold Project location in New South Wales

Annexure A – Pro-Forma Statement of Financial Position as at 30 June 2020

STATEMENT OF FINANCIAL POSITION	Consolidated Total 30 June 2020 - Audited	Acquisition of Golden River Group	Facilitator Fees	Capital raising (\$7.5m net of 6% fees)	Total
<u>Current Assets</u>					
Cash & Cash Equivalents	\$4,027,770	-	-	\$7,050,000	\$11,077,770
Trade & Other Receivables	\$40,299	-	-	-	\$40,299
Total Current Assets	\$4,068,069	-	-	\$7,050,000	\$11,118,069
<u>Non-Current Assets</u>					
Plant & Equipment	\$3,997	-	-	-	\$3,997
Right of Use Asset	\$29,342	-	-	-	\$29,342
Mine Properties		\$16,810,000	-	-	\$16,810,000
Exploration & Development Expenditure	\$1,388,987	-	-	-	\$1,388,987
Total Non-Current Assets	\$1,422,326	\$16,810,000	-	-	\$18,232,326
Total Assets	\$5,490,395	\$16,810,000	-	\$7,050,000	\$29,350,395
<u>Current Liabilities</u>					
Trade & Other Payables	\$93,578	-	-	-	\$93,578
Lease Liability	\$12,023	-	-	-	\$12,023
Provisions	\$3,796	-	-	-	\$3,796
Total Current Liabilities	\$109,397	-	-	-	\$109,397
<u>Non-Current Liabilities</u>					
Trade & Other Payables	\$17,791	-	-	-	\$17,791
Total Non-Current Liabilities	\$17,791	-	-	-	\$17,791
Total Liabilities	\$127,188	-	-	-	\$127,188
Net Assets	\$5,363,207	\$16,810,000	-	\$7,050,000	\$29,223,207
<u>Equity</u>					
Issued Capital	\$5,494,956	\$16,810,000	\$672,400	\$7,050,000	\$30,027,356
Reserves	\$187,250	-	\$207,032	-	\$394,282
Accumulated Losses	(\$318,999)	-	(\$879,432)	-	(\$1,198,431)
Total Equity	\$5,363,207	\$16,810,000	-	\$7,050,000	\$29,223,207