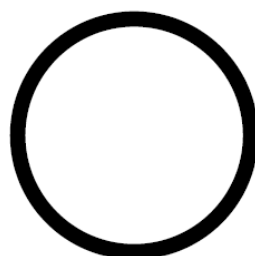
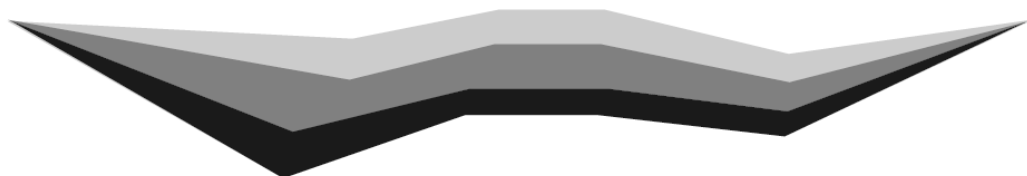


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Kaiser Reef Limited



Quarterly Report

For the period ending 30 June 2021

30 July 2021

Company Announcements - Australian Securities Exchange

Quarterly Report for the Period Ending 30 June 2021

Kaiser Reef Limited (ASX: KAU) (**Kaiser** or the **Company**) is pleased to report on its quarterly activities for the period ending 30 June 2021. During the quarter Kaiser progressed towards ramping up production from the A1 Gold Mine while still operating at a reduced mining rate from the mining of ore at the A1 Mine and processing at the Maldon gold processing plant. Significant resource definition drilling was conducted during the quarter to support future production plans at the A1 Mine. The appointment of an exploration team to support the Maldon high priority exploration initiative was made and permits were achieved with drilling at Maldon commencing subsequent to this reporting period.

Substantial long-term initiatives were conducted during the quarter including the decline extension towards the Queens Lode, a larger high-grade ore body as well as ventilation studies and upgrades, mining fleet purchase at A1, and tailings dam storage capacity expansion at the plant.

Highlights

- Strong uplift in June revenue for the A1 Gold Mine
- Mining at the recently accessed 19 Intermediate Level has delivered strong early production
- A1 Mine delivered 5,920 tonnes at 7.8 g/t gold
- Processed 5,819 tonnes with a recovery of 94.4% through the Maldon processing plant to produce 1,432 ounces
- Approved and commenced the decline to develop the Queens Lode and opened new development headings
- Transitioned to owner- operator with the purchase of the mining fleet, excavator and drilling rig
- Secured senior appointments including a highly credentialed Mine Manager and a Company Secretary and numerous other high calibre appointments
- Expanded the tailings facility to support processing into the future
- Improved ventilation and electrical upgrading (work ongoing)
- Conducted significant underground exploration and resource definition diamond drilling at the A1 Mine
- Prepared the Maldon site for drilling including appointments and permits (commenced drilling subsequent to this reporting period)

Encouraging diamond drilling results returned during the quarter included:

- A1UDH-424 19.1m @ 11.9 g/t gold
- A1UDH-419 21.0m @ 5.03 g/t gold
- A1UDH-413 0.6m @ 67.9 g/t gold
- A1UDH-422 9.6m @ 7.4 g/t gold

- A1UDH-420 3.1m @ 7.2 g/t gold
 - A1UDH-426 9.1m @ 10.6 g/t gold
 - A1UDH-422 6.3m @ 7.8 g/t gold
- (for full results refer to 24 May ASX release)

March Quarter 2021 Operational Summary

A1 Mine Operations

Safety is a key focus for Kaiser. Appointment of new management initiated a series of reviews and improvements to safety processes following the period of administration. During the quarter there were two Lost Time Injury's and new safety measures were introduced.

The A1 mine is currently undergoing a ramp up plan prepared by Kaiser that is designed to access increased production sources from airleg and mechanical mining methods.

At this stage, ore is being extracted using air-leg mining methods. The ore is then treated at the Company's wholly owned CIL processing facility at Maldon. Production during the March quarter was constrained while upgrades to mine power and ventilation infrastructure were implemented and new production fronts are developed. Sustaining infrastructure investment, decline extension and lateral development to open new ore headings had been run down during the administration period.

Kaiser benefited from an uplift in revenues for the A1 Gold Mine during the month of June. The revenues exceeded the mine operating costs and bodes well for the Company's ongoing ramp up strategy.

Mining at the recently accessed 19 Intermediate Level ("19INT") has delivered a strong early production. Accessing the 19INT is significant as it is the first new level and ore to be accessed in several years. This provides growing confidence that the operations will continue to deliver high-grade ore to Kaiser's processing plant at Maldon, where ramp-up planning and staffing has also commenced in anticipation of stronger production.

Kaiser's production during June processed ore which also included some liberated gold from a mill reline.

Kaiser is pleased to commence the new financial year on a strong footing and is continuing with the ramp up to access the potential for the A1 Mine to continue to mine and process high grade gold ore although the mining operations have been subject to some impact from ongoing and irregular COVID-19 related staffing issues.

Production for the June 2021 quarter was 1,351 ounces of gold. 5,920 mine dry tonnes was put through the mine at an average grade of 7.8g/t.

Kaiser has developed a strategy to ramp up production in the short and medium term, targeting an advanced exploration target called the Queens Lode. The Queens lode is anticipated to allow mechanised mining to increase the production rate overall. The Queens Lode is currently the subject of a resource delineation drilling programme.

Maldon Process Plant

There were no reportable safety or environmental incidents recorded at the Maldon processing facilities, during the past quarter and no reportable injuries recorded over the last financial year.

Gold production for the June quarter improved over the previous quarter, with higher tonnages and grades delivered from the A1 mine. During the June quarter a total of 5,819 tonnes of ore were treated at a reconciled grade of 8.30 g/t and 94.6% gold recovery which resulted in 1,468 Oz of gold recovered and 1,352 Oz gold smelted into bullion.

Mill tailings continues to be discharged into TSF No 5. Construction of the next lift of the TSF facility (TSF Lift 5C) commenced in March 2021 and was approximately 65% complete at the end of June 2021. The 1.5m lift is expected to be completed in August/September 2021.

A draft Community Engagement Plan (CEP) was presented to Environmental Review Committee (ERC) members in May 2021 and feedback has been requested from ERC members. A gap analysis is currently in progress to measure performance against the plan and prioritize action plans to improve engagement with the community.

During the quarter water from the Union Hill underground was used for process operations and excess water was directed to the Nuggetty Water Management Group. Maldon Staff have visited local neighbours and new pipe was purchased to re-establish waterlines to dams on neighbouring properties close to the Maldon processing plant.

Maldon Urban Landcare Group planned further working bees to conduct maintenance of the Eaglehawk Open Cut Pit revegetation site in Maldon, but work was hampered by bad weather and Covid restrictions.

The power agreement for supply of power to Maldon Resources (including Union Hill) was re-negotiated during the Quarter which will result in significant cost savings in the power consumption. The new agreement will come into effect on the 1 October 2021 when the switch from the current provider occurs.

A new full time and highly credential Process Manager, Dylan Morgan, was appointed to Maldon Resources subsequent to the quarter (in July) and the appointee will reside with his family in the region.

Another maintenance technician was also recruited during the quarter and preparations around being made for increased production that will see more appointments later in 2021

Decline Commenced with New Development Headings

Kaiser approved and commenced the development of a decline towards the Queens Lode. The Queens lode is currently the subject of an infill drilling program and has so far indicated wide lodes of mineralisation that remains open to the South and at depth. This style of mineralisation has been mined previously and provides a larger tonnage source of ore than provided by the narrow-vein lode currently being mined. At the date of this report the underground drilling remains ongoing.

The Queens Lode mineralisation has a greater thickness hosted by intense mineralisation that lends it to mechanical mining styles. The first results from the Queens Lode drilling are encouraging and have the potential to support an increased production profile in line with Kaisers internal planning.

During the quarter the decline reached, and “opened up” the 19 Intermediate Level (19INT), which is approximately midway between the 18 and 19 Levels. The 19INT has opened up mining opportunities targeting known ore sources from the Empire Reef, 17 Reef, Moore's Reef and other associated structures. This new level access has provided the first new source of ore for mining for many years at the A1 Gold Mine. This has been possible through the continued decline development towards the Queens Lode, which Kaiser intends to exploit through higher-volume, mechanical stoping methods during the December 2021 Quarter.

During the nearly two years of Administration, mining has largely been confined to an area of limited vertical extent centred on the 17 & 18 Levels. The decline advancement commenced from the historical 18 Level (approximately 1300mRL), representing the first new level in several years, and is a key initiative implemented at A1 since Kaiser took control of the Project during the March 2021 Quarter. The decline development is a substantial and confident investment by Kaiser in the future of the A1 Mine.

Initial investigations of the 19INT are encouraging and identified visible gold in the interpreted lode locations where intersected. The decline continues to advance beyond the 19INT towards the Queens Lode that extends vertically below the 19 Level.

To accelerate the decline development towards the Queens Lode, a night shift development team was implemented. Kaiser Reef anticipates that the decline will access the Queens Lode which is planned to provide a production step change to the operations by allowing the implementation of mechanical stope production. The mine plan is based on the 19INT level continuing to be developed laterally to provide supplementary high grade airleg stope mined ore.



Figure 1: A1 mining staff examine exposed mineralisation at the Empire Reef, 19INT (19 Intermediate)

Move to Owner Operator

To optimise operational activity at A1, the final equipment hire agreement covering mining fleet has been terminated to take full ownership of the mining equipment (including some typical items shown in Figures 2 & 3). This transition complements the existing wholly owned equipment currently on site and in operation. This is an important step as Kaiser moves to achieve lower operating costs as well as secure the required equipment to commence the ramp-up to mechanical mining of the Queens Lode in the coming months.

Some of the recent equipment purchased includes:

1. 1x Caterpillar R1300 Underground Loader
2. 2x Elphinstone R1700 Underground Loader
3. 1x Elphinstone R1700 Underground Loader
4. 1x Kempf Diamond Drill
5. 1x Jumbo Twin Boom Drill
6. 1 x Shotcrete sprayer



Figure 2: Twin Boom Jumbo



Figure 3: Underground Loader

Tailing Facility Upgrade

The mill tailings are discharged into TSF No 5. The design for the next wall-lift of the tailing storage facility (TSF5C) was approved by Earth Resources Regulation of Victoria and construction is well advanced but with some minor delays due to periods of wet weather. This important investment in the future of the business is progressing well and remains on schedule for completed in 4Q 2021.

Ventilation and Power Upgrades

Independent contractors have been working with Kaiser on engineering improved restrictive power supplies and ventilation.

Power supply solutions are still under review but the movement of most of the decline development and exploration drilling to night shift has been very useful. Ventilation initiatives have included flow mapping and the construction and establishment of vent doors and larger fans.

Results from A1 Exploration Drilling

Kaiser drilled 24 diamond drill holes for 1,792 metres during the quarter with drilling ongoing (see Figure 4). Kaiser reported results for holes with assays returned with the drilling programme previously returning exceptional results such as (ASX: 1 February, 22 February and 26 March 2021):

- 3.7m @ 68.6 g/t gold
- 12.1m @ 24.3 g/t gold
- 8.5m @ 9.26 g/t gold (Queens Lode)

Encouraging drilling results from the A1 Mine reported during the quarter included:

- **A1UDH-424 19.1m @ 11.9 g/t gold**
- **A1UDH-419 21.0m @ 5.03 g/t gold**
- **A1UDH-413 0.6m @ 67.9 g/t gold**
- **A1UDH-422 9.6m @ 7.4 g/t gold**
- **A1UDH-420 3.1m @ 7.2 g/t gold**
- **A1UDH-426 9.1m @ 10.6 g/t gold**
- **A1UDH-422 6.3m @ 7.8 g/t gold**

The bulk of the drilling targeted the Queens Lode mineralisation and some of the drilling targeted the development drive and are important to determine the position of the dyke, provide geotechnical data and the position and grade of the mineralised reef systems. The Queens Lode is not dissimilar in mineralogy or composition (diorite) to the main A1 Dyke but the intensity of mineralisation and greater thicknesses encountered lend it to mechanical mining styles. The broader drilling results returned from the Queens Lode drilling are encouraging and will form a key part of the ongoing ramp-up strategy. The drilling program is continuing to expand into resource definition for short and medium term production horizons. The initial program has now drilled approximately 3,000 metres out of the 4,000 metre initial drilling program. This will represent more drilling at A1 in a four-month period than the three years prior and will be instrumental for the planning and development of an expanded mining operation.



Figure 4: Underground diamond drilling at the A1 Mine remains ongoing.

Maldon Exploration (Union Hill)

Kaiser announced the appointment of the Maldon exploration team with a new focus on commencing exploration at the Maldon Goldfield, one of the most significant historic hard-rock historic gold fields in Victoria. Maldon has had little modern exploration since the 1800's despite recording historic production from hardrock sources of **1.74Moz at 28 g/t gold**, including the Nuggety Reef mine that produced **301,000 oz at 187 g/t gold**.

Kaiser has an exceptional advantage over most exploration companies to capitalise on exploration success with the nearby, wholly owned gold processing plant, substantial existing infrastructure including power, established decline, water and granted Mining Tenure at Maldon.

Additionally, Kaiser also has the ability to draw on its skilled mining team and now wholly owned mining equipment fleet. This would facilitate a rapid and cost-effective mining implementation following exploration success and subsequent decision to commence mining at Maldon.

New South Wales

Three exploration licences centred on the Molong Volcanic Belt between Cadia and Boda copper/gold discovery (Alkane) were granted to Kaiser at the end of the quarter.

These licences are within a terrane actively being explored for copper/gold porphyry deposits by major international copper-gold mining companies. This section of the MVB is one of the most richly endowed global porphyry belts and is a blue-chip addition to Kaiser's exploration portfolio. Two high priority exploration targets have already been identified and will supplement the ongoing Stuart Town exploration programme in the region.

Corporate and Finance (unaudited)

During the June quarter, the Company sold 1,434 ounces in the quarter at an average realised gold price of A\$2,360. A further 152 ounces of gold was held in safe at the end of the quarter.

Total cash held at bank as of 30 June 2021 was \$4.8M excluding \$1.2M restricted cash.

No debt owing by the Company.

Use of Funds

In line with obligations under ASX Listing Rule 5.3.4, The Company provides the following information with respect to its Use of Funds Statement set out in its Prospectus dated 7 December 2020 and its actual expenditure since ASX admission on 28 January 2021.

Expenditure Item	Use of Funds	Actual Expenditure (28.01.21 – 30.06.21)	Variance
	\$'000	\$'000	\$'000
Opening cash	3,335	1,911	(1,424)
Proceeds from the Offer	7,500	7,500	-
Total	10,845	9,411	(1,424)
Expenditure on Victorian Projects	(4,821)	(822)	3,999
Infrastructure costs	(2,267)	(1,061)	1,206
Expenditure on NSW Projects	(667)	(216)	451
Cash expenses of the Acquisition	(1,350)	(964)	386
Administration and working capital	(1,730)	(1561)	169
Total	(10,835)	(4,624)	6,211
Remaining cash balance			4,787
Cash balance excludes restricted cash			1,184

Authorised for release to the market by Executive Director, Jonathan Downes.

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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%	-
Stuart Town	EL9203	New South Wales	100%	100%
Stuart Town	EL9198	New South Wales	100%	100%
Stuart Town	EL9199	New South Wales	100%	100%
A1	MIN5294	Victoria	100%	-
Maldon	MIN5146	Victoria	100%	-
Maldon	MIN5529	Victoria	100%	-
Maldon	MIN5528	Victoria	100%	-
Maldon	EL7029	Victoria	100%	-