



# **Kaiser Reef Limited**



## **Quarterly Report**

**For the period ending 31 March 2021**

30 April 2021

Company Announcements - Australian Securities Exchange

## Quarterly Report for the Period Ending 31 March 2021

Kaiser Reef Limited (ASX: KAU) (**Kaiser** or the **Company**) is pleased to report on its quarterly activities for the period ending 31 March 2021. During the quarter Kaiser completed its acquisition of the A1 gold mine, Maldon gold processing plant and Maldon exploration Project in Victoria. The trading of Kaiser shares was suspended in the prior quarter due to the statutory acquisition process which required an effective relisting of the Company.

### Highlights

#### **Acquisition of High-Grade Victorian Gold Mine, Processing plant and high-grade exploration project comprising:**

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

#### **Maiden extraordinary underground drilling results, including:**

- **3.7m @ 68.6 g/t gold**
- **12.1m @ 24.3 g/t gold**
- **8.5m @ 9.26 g/t gold**

#### **Production ramp up initiatives and planning commenced, including:**

- **Mining and production continued at reduced rate as ramp up and development investment initiatives are implemented (decline extension and new development headings)**
- **Decline bypass completed**
- **Production for the first two months of ownership continued with 754 ounces of gold production, 759 ounces of gold sold at an average price of AUD\$2,224 per ounce**

#### **Health, Safety and Environment**

- **During the 2 months of transition and ownership 1 LTI occurred**
- **Safety improving initiatives underway (A new shotcrete sprayer was purchased following identifying safety concerns)**
- **Power and Greenhouse reduction initiatives commenced including ventilation and power optimisation**

**Key Executive Appointments including a Mine Manager, Chief Financial Offer and Executive Director**

## March Quarter 2021 Summary

### Introduction

This reporting period was transformative for Kaiser as the transition was successfully made from a gold explorer to a gold producer. On 28 January 2021, Kaiser completed the acquisition of operating gold mining assets and a processing facility owned by Centennial Mining Ltd (previously subject to Deed of Company Arrangement). The assets acquired are located in the Victorian Goldfields, collectively known as the Project.

During the previous quarter, the acquisition was completed as well as a Prospectus Offer raising an additional \$7.5M before expenses, with trading resuming this quarter on 28 January 2021.

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 included 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.

The A1 Mine has historically produced at least 495,000 oz gold at an average grade of 25.7 g/t gold and been in operation since 1864.

### Operations

Safety is a key focus for Kaiser. The appointment of new management initiated a series of reviews and improvements to safety processes following the period of administration. During the quarter there was one LTI involving a hand injury.

#### A1 Gold Mine

The A1 Mine has continued to operate on a reduced mining basis (as it has for the past 18 months) after a brief shutdown over Christmas. This was followed by a restart and handover to Kaiser on January 28. The 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 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. During the reporting period Kaiser expended \$421,000 dollars on growth capital, including the underground drilling program. Kaiser spent \$56,000 on sustaining capital.

The Queens Lode is expected to support a higher mining rate through mechanical stoping (Prospectus dated 4 December 2020). To advance this development, a decline bypass was required to provide access for the larger equipment to mine the stockwork style of mineralisation associated with the Queens Lode. The decline bypass has been completed with the mining crews breaking through and allowing access to the lower levels for the larger mining equipment. Figure 1 shows an ore zone being marked out for sampling.



**Figure 1: Ore block marked for sampling.**

The decline extension (commenced subsequent to this reporting period) that provides access to the Queens Lode is also planned to intercept several high-grade gold reefs as encountered in the most recent drilling programmes, including the interpreted lower extension of the Apollo Reef that has previously provided very high-grade gold ore. It is planned that these reefs will be exploited by air-leg mining techniques to supplement the planned bulk mining of the Queens Lode.

Kaiser has started to address operations issues such as power upgrades and the work is ongoing to provide the required support to increased production from the anticipated Queens Lode mining operation. Additionally, Kaiser has commenced a program to improve ventilation effectiveness.

## Porcupine Flat Gold Processing Plant

The Porcupine Flat processing plant at Maldon is scheduled to undergo a complete ball mill relining in June 2021. The condition of the installed liner is known to retain gravity gold that will be recovered when the liner is replaced. That gold inventory is expected to be recovered into Q4 gold production.

The Porcupine Flat processing plant continues to operate well and return excellent gold recoveries of 94-95%. 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 in progress, (Figure 2). This is an important investment in the future of the business, which is expected to be completed during 4Q 2021.

Major capital expenditure was limited whilst the assets were in administration. A number of refurbishment and improvement projects have been completed at the plant in order to address safety issues, maintain standards, reduce operational risk, and sustain production. Improvements implemented included the installation of a new elution heater and elution carbon stripping column, modifications to reagent mixing and storage, additional structural support for the leach tanks, a new gas line along with the replacement equipment throughout the plant. The installation of the bulk acid storage vessel was completed after the quarter end.



**Figure 2: Tailings expansion initiative.**

## **Exploration**

Kaiser began a programme of underground drilling in late December 2020 immediately prior to handover in January, see Figure 3.

The drilling programme has most recently provided encouraging results with the return of exceptionally high grade intercepts (Released on the 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)**

The Queens Lode is not dissimilar in mineralogy or composition (diorite) to the main A1 Dyke but the intensity or mineralisation and greater thicknesses encountered lend it to mechanical mining styles. The first results from the Queens Lode drilling are encouraging and will form a key part of the ongoing ramp-up strategy.

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

### New South Wales

Only minor work was conducted in NSW during the Quarter with planning to commence further exploration to be determined in the next quarter.



**Figure 3: Underground diamond drilling at the A1 Mine.**

### **Corporate and Finance (unaudited)**

During the Q3 Mar FY21 quarter, the Company acquired Centennial Mining and raised an additional \$7.5M cash for working capital.

The Company sold 759 ounces in the quarter at an average realised gold price of A\$2,244. A further 179 ounces of gold was held in safe at the end of the quarter.

Total cash held at bank as of 31 March 2021 was \$7.8M excluding \$1,184K in restricted cash, of which \$450K is expected to be released to the Company in the next quarter.

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.

<b>Expenditure Item</b>	<b>Use of Funds</b>	<b>Actual Expenditure</b>	<b>Variance</b>
		<b>(28.01.21 – 31.03.21)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening cash	3,335	1,911	(1,424)
Proceeds from the Offer	7,500	7,500	-
<b>Total</b>	<b>10,845</b>	<b>9,411</b>	<b>(1,424)</b>
Expenditure on Victorian Projects	(4,821)	(83)	<b>4,738</b>
Infrastructure costs	(2,267)	(253)	<b>2,014</b>
Expenditure on NSW Projects	(667)	(150)	<b>517</b>
Cash expenses of the Acquisition	(1,350)	(964)	<b>386</b>
Administration and working capital	(1,730)	(673)	<b>1,057</b>
<b>Total</b>	<b>(10,835)</b>	<b>(2,123)</b>	<b>8,712</b>
<b>Remaining cash balance</b>			<b>7,839</b>
Cash balance excludes restricted cash			1,184

The variance is due to timing difference of the Prospectus forecast over 2 years vs. 2 months actual spend.

## Appointments

Kaiser also announced a series of highly experienced and well qualified Victorian based appointments to Kaiser. The appointments include:

- **Chief Financial Officer** – **Andy Tran**
- **Mine Manger** – **Tony Thomas**
- **Director to the Board** – **Stewart Howe**

These appointments highlight the dynamic nature of Kaiser's vision to add to the existing talented team and build a profitable and substantial gold business focussed on the Lachlan Fold Belt (LFB) and Victorian Goldfields.

**Andy Tran**

Bachelor of Economics, MBA, CPA, AICD, CMA

Andy is a mining experienced financial manager with exceptional computer skills. Andy was most recently Group Manger Finance for St Barbera Ltd and held senior roles at ANZ, Newmont and the Reservoir Group. Andy's skills will be invaluable as Kaiser seeks corporate growth opportunities to become a significant gold producer.

**Tony Thomas**

Bachelor of Engineering (Mining Engineering) MAusIMM

Tony is a career mining engineer with a wealth of relevant experience in mining gold and base metals in Australia and abroad. Tony has held senior positions with groups including, but not limited, to Pasminco, Zinifex, Ivanhoe, Evolution, FMR and Consolidated Tin Mines. Tony's skill will be invaluable as Kaiser seeks to establish profitable and safe mining operations from its resource base.

**Stewart Howe**

Bachelor of Engineering (Chemical), Master of Engineering (Mining), Master of Applied Finance, FAusIMM, FAICD

Stewart Howe has been instrumental in working with the Board on the Centennial acquisition. During the past ten years Stewart has provided advisory roles to Board, private equity and financiers related to restructuring and acquisition of mining assets. We believe that Stewart's expertise is complementary to the Board and will provide both support and input into Kaiser's growth ambitions.

For further information please contact: [admin@kaiserreef.com.au](mailto:admin@kaiserreef.com.au)

Authorised by:

Jonathan Downes

Executive Director

*Schedule of Tenements*

<b>SCHEDULE OF INTEREST IN MINING TENEMENTS</b>				
<b>Project</b>	<b>Tenement Number</b>	<b>Location of Tenement</b>	<b>Beneficial interest at end of the quarter</b>	<b>Change in the quarter</b>
Stuart Town	EL8491	New South Wales	100%	-
Stuart Town	EL8952	New South Wales	100%	-
A1	MIN5294	Victoria	100%	100%
Maldon	MIN5146	Victoria	100%	100%
Maldon	MIN5529	Victoria	100%	100%
Maldon	MIN5528	Victoria	100%	100%
Maldon	EL7029	Victoria	100%	100%