



Corporate Governance Statement – Kula Gold Limited.

The Board is committed to ensuring that Kula Gold Limited ("Kula" or the "Company") is properly managed to protect and enhance shareholder interests, and that Kula Gold, its directors, officers and employees operate in an appropriate environment of corporate governance.

Accordingly, the Board has adopted corporate governance policies and practices (the majority of which are in accordance with ASX's Corporate Governance Principles and Recommendations (ASX Recommendations) designed to promote the responsible management and conduct of Kula Gold. Where the Company's practices do not correlate with the ASX Recommendations, Kula Gold is working towards compliance but does not consider that all practices are appropriate for the size and scale of Kula Gold's operations. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

Details of Kula Gold's key policies and charters for the Board and each of its committees are available upon request to the Company secretary via cosec@kulagold.com.au

Principle 1. Lay solid foundations for management and oversight.

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board is ultimately responsible for setting policies regarding the strategic direction and goals for the business and affairs of Kula Gold.

In discharging their duties, directors are provided direct access to and may rely upon senior management and outside advisers. The Board collectively, the Board committees and individual directors may seek independent professional advice at Kula Gold's expense, subject to prior consultation with the chairman, for the purposes of the proper performance of their duties.

Role of the Board

The responsibilities of the Board as outlined in the Board charter include:

- overseeing the business and affairs of Kula Gold;
- undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director;
- appointing the managing director and other senior executives and determining their terms and conditions, including remuneration and termination;
- driving the strategic direction of Kula Gold, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- overseeing and reviewing the Company's occupational health and safety systems;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half-yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in Kula Gold;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved; and
- meeting with the external auditor, at their request, without management being present.

Role of Company secretary

The Board will appoint a suitable Company secretary who will report directly to the Board through the chairman on all matters concerning the proper functioning of the Board.

Role of senior executives

The Board delegates day-to-day management of Kula Gold's resources to management, under the leadership of the **Chairman**, to deliver the strategic direction and goals determined by the Board.

Companies should undertake appropriate checks before appointing a person, or putting forward a person for election, as a director, and provide material information relevant to an election of that person.

The Remuneration and Nomination Committee is responsible to the Board for these matters.

When there is an appointment or election of a director, material information about the proposed director is disclosed in the Company's announcements.

There should be written agreements with each director and senior executive setting out the terms of their appointment.

It is the practice of the Company to enter into written agreements with all of its senior executives and any executive directors. It has not been considered necessary to have written agreements with non-executive directors of the Company as their role is sufficiently covered by the Company's constitution and its written policies and procedures, particularly the Board Charter, Corporate Code of Conduct, Securities Trading Policy and Definition of Independence.

Companies should disclose the process for evaluating the performance of senior executives.

Kula Gold aims to have a clear process for evaluating the performance of senior executives. The Board has delegated to the remuneration and nomination committee the responsibility to arrange annually a performance evaluation of the Company's senior executives. The evaluation is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved and the development of management and personnel.

Principle 2. Structure the Board to add value.

It is a policy of Kula Gold that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to its objectives. The composition of the Board is reviewed periodically to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

Currently the Board comprises four directors, being a Non-executive chairman, and three Non-executive directors. The directors have a broad mix of skills, experience and knowledge to enable them to effectively and efficiently discharge their responsibilities and duties. Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the directors' report in the Annual Reports and on the Kula Gold website.

A majority of the Board should be independent directors.

The Board has adopted specific principles in relation to directors' independence, principles that are in line with those suggested in the ASX recommendations. The Board considers an independent director to be a Non-executive director who is not a member of Kula Gold's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles.

The Board is currently comprised of all Non-executive directors. The chairman is a Non-executive director.

The Board considers that the existing Board structure is appropriate for Kula Gold's current operations and stage of development.

The Chair should be an independent director.

The Chairman of the Company for the full financial year is considered an independent director in accordance with recommendation 2.1 of the ASX recommendations.

The roles of Chair and Chief Executive Officer should not be exercised by the same individual.

The roles of Chairman and Chief Executive Officer have never been occupied by the same individual. The Company is cognisant of the distinct difference between these roles and the need to keep them separate.

The Board should establish a nomination committee.

The Board has an established remuneration and nomination committee. The remuneration and nomination committee has a written charter defining the role and responsibility of the committee. The responsibilities of the remuneration and nomination committee include matters relating to succession planning and recommend candidates for election or re-election to the Board. The committee will periodically assess the appropriate mix of skills, experience and expertise required on the Board and assess the extent to which the required skills and experience are represented on the Board.

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board Charter provides for a review each year of the performance of the Board as a whole, the committees of the Board and individual directors. There have been open communications between directors about issues of performance and discussions with major shareholders about the structure of the Board.

Companies should have a program for inducting new directors and provide opportunities for directors to develop their skills and knowledge.

There is a Director's Pack of Key Documents to be provided to any new director. The turnover of directors has not been sufficient to warrant a formal induction program. Directors periodically attend mining industry conferences.

Principle 3. Promote ethical and responsible decision-making.

Companies should establish a code of conduct.

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of Kula Gold.

The Board has adopted a code of conduct which sets out Kula Gold's commitment to maintaining high levels of integrity and ethical standards in its business practices. The code of conduct sets out for all directors, management and employees the standards of behaviour expected of them.

The code of conduct sets out Kula Gold's policies on various matters, including, conflicts of interest, public and media comment, use of Kula Gold resources, security of information, intellectual property/copyright, discrimination and harassment, corrupt conduct, occupational health and safety and insider trading.

In addition to their obligations under the *Corporations Act 2001* in relation to inside information, all directors, employees and consultants have a duty of confidentiality to Kula Gold in relation to confidential information they possess.

The Company has a trading policy which outlines the restrictions, closed periods and processes required when directors and employees trade Company securities. Broadly the policy states that directors and employees are prohibited from dealing in the Company's securities during closed periods. These periods are one week prior to release of the Company's quarterly, half-yearly or annual results or the release of a disclosure document offering securities in the Company. However should price sensitive information, which is not available to the market, be in possession of a director or employee, they must not deal in the Company's securities.

Prior to trading in the Company's securities a director or employee must obtain the approval of the chairman. All share trades must be notified to the Company secretary within two business days of the transaction.

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

The Board has adopted a diversity policy that outlines the Group's commitment to equality and the treatment of all individuals with respect.

The Board considers that diversity within the Group refers to characteristics or factors such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference.

The Company's diversity policy states the Group is to do the following:

- Attract and retain a skilled and diverse workforce from the communities in which its operations are located.
- Promote and maintain a work environment that values and utilises the contributions of employees with diverse backgrounds, experience and perspectives.
- Take action against inappropriate workplace behaviour including discrimination, harassment, bullying, victimisation and vilification.
- Set measurable objectives for gender diversity that will be monitored and reviewed annually.
- Provide employees with opportunities to develop skills and experience for career advancement.
- Ensure appropriate selection criteria are used when hiring new staff, including Board members, which do not contain any direct or inferred discrimination.
- Ensure that applicants and employees of all backgrounds are encouraged to apply for and have a fair opportunity to be considered for, all available roles.
- Develop flexible work practices to meet the differing needs of employees.
- Comply with equal opportunity and anti-discrimination legislation (where applicable).

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

The Board have been unable to adopt the objectives for gender diversity due to the size of the company, and that most activities are contracted out. The existing directors remain in office, and the total number of full time employees has reduced to 2, which are both male.

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

The directors' report each year sets out the number of women employees in the whole organisation, senior positions and on the Board.

Principle 4. Safeguard integrity in financial reporting.

The Board should establish an audit committee.

The Board has an established audit committee.

The audit committee should be structured so that it:

- consists only of Non-executive directors
- consists of a majority of independent directors
- is chaired by an independent director, who is not Chair of the Board
- has at least three members

The audit committee consists of two Non-executive directors both of whom are independent directors and is chaired by an independent director who is not Chair of the Board. The chairman satisfies the test of independence. The Board is of the opinion the composition of the audit committee with the two independent directors is appropriate given the relatively small size of the current Board.

The current members of the audit committee are M Stowell (Chairman) and M Bojanjac .

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report.

The audit committee should have a formal charter.

The audit committee has a written charter defining the role and responsibility of the committee. The role of the audit committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Board should disclose whether it has received assurance from the Chief Executive Officer (CEO or equivalent) and the Chief Financial Officer (CFO or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Each year, the Board requires a declaration and assurance in these terms from the CEO (or equivalent) and the CFO (or equivalent) before it approves the annual financial statements included in the Company's Annual Report.

Principle 5. Make timely and balanced disclosure.

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Kula Gold is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence.

The Company secretary has been nominated as the persons responsible for communications with the Australian Securities Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX.

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

Principle 6. Respect the rights of shareholders.

Companies should provide information about itself and its governance to investors via its website.

The Company has a professionally designed website on which sets out or provides links to public information about the Company. The website is updated regularly with copies of the Company's ASX announcements, periodic reports, annual financial reports and presentations at conferences.

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board aims to ensure that shareholders are informed of all major developments affecting the Company. Shareholders are updated on the Company's operations via ASX announcements, "Quarterly Activities Reports", "Quarterly Cash Flow Reports" and other disclosure information. All ASX announcements are available on the Company's website at www.kulagold.com.au, or alternatively, by request via email, facsimile or post.

Notices of all shareholder meetings are announced on the ASX and are available on the Company's website, providing adequate lead time for shareholders to make the necessary arrangement to participate in all shareholder meetings.

In addition, a copy of the annual report is distributed to all shareholders who have elected to receive it.

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

This is done to a limited extent through Link. As the Company does not have a large number of shareholders, it has not been considered necessary to expand electronic communication facilities at this time.

Principle 7. Recognise and manage risk.

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Kula Gold has a process for the identification, monitoring and management of risks associated with its business activities and the implementation of practical and effective control systems to manage them.

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Board is responsible for ensuring that sound risk management strategy and policies are in place. The Board has established a risk committee. The Board has delegated to the risk committee responsibility for identifying and overseeing major risk areas and that systems are in place to manage them, and report to the Board as and when appropriate.

The role of the risk committee is to assist the Board with the identification and management of business and operational risks faced by the Company. The committee has primary responsibility for overseeing the Company's risk management systems, practices and procedures and reviewing periodically the scope and adequacy of the Company's insurance to cover these risks.

The risk committee has developed and maintains a risk register which identifies the risks to the Company and its operation and assesses the likelihood of their occurrence. The risk register is updated periodically and is normally presented to the Board for its consideration once a year. The risk committee reviewed and updated the risk register in the previous calendar year.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back to the risk committee on whether those risks are being managed effectively.

The risk committee is comprised of three members and under its charter may include both executive and Non-executive directors. The committee is chaired by a Non-executive

director who is not the Chair of the Board and currently consists of all Non-executive directors.

The current members of the risk committee are M Bojanjac and M Stowell (Chairman).

Details of these directors' qualifications and attendance at risk committee meetings are set out in the directors' report in the Annual Reports and on the Company website.

Companies should if it does not have an internal audit function and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. Physical and financial risks are considered and reviewed periodically by the Risk Management Committee. Occupational health and safety issues are a key responsibility of management which reports on them to the Board on a monthly basis.

Companies should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it intends to manage those risks.

Economic risks are dealt with in the Company's annual financial report, in accordance with applicable accounting standards.

Principle 8. Remunerate fairly and responsibly.

The Board should establish a remuneration committee.

The Board has an established remuneration and nomination committee. The remuneration and nomination committee has a written charter defining the role and responsibility of the committee.

The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by one of its members, who is not the Chair of the Board
- has at least three members

The role of the remuneration and nomination committee is to attend to matters relating to Kula Gold's remuneration policy to enable Kula Gold to attract and retain executives who will create value for shareholders and to oversee remuneration packages for executive directors and senior management of Kula Gold.

Companies should clearly distinguish the structure of Non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive directors receive director's fees in agreed amounts . These are set out in the directors' report.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report".

Companies which have an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.

The Company does have an equity-based remuneration scheme – its Option Plan for employees. Participants in the Plan are also subject to the Company's Security Trading Policy. The Option Plan contains a restriction on disposal which, in summary, provides that options under the Plan or any interest in such options cannot (without the approval of the Board) be disposed of or dealt with.