

**KULA GOLD LIMITED
2017 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS**

My fellow shareholders,

At this meeting last year, I said that your Board was endeavouring to find a co-participant, either as a partner to advance the Woodlark Island Gold Project or as a joint venturer to do further exploration on Woodlark Island. With the signing of a deal with Geopacific Resources Limited (**Geopacific**) in July 2016, the Board delivered on that intention.

This was preceded by a Board review of its strategy for the Company and the consideration of a number of options, one of which was the proposal from Geopacific. That proposal, which was in summary to spend up to A\$18.65 million on further exploration and development work on Woodlark Island, in three stages, to earn an interest in the Project of up to 75%, was considered to be superior to other proposals and options. Geopacific's objectives are to increase the Ore Reserves to 1.2 million ounces of gold and produce a revised bankable feasibility study showing a clear path to production for the Project.

A Binding Term Sheet was signed with Geopacific on 7 July 2016 and Geopacific commenced work immediately. After the initial investigation stage, and the formulation of a program for the further exploration and development work, Geopacific elected on 5 October 2016 to proceed with the second stage, thereby entitling it to a 5% interest in the Project. Under this second stage, Geopacific must either expend A\$8 million and complete 15,000 metres of diamond drilling on Woodlark to earn an additional 35% (taking its Project interest to 40% interest) or achieve the Reserve target of 1.2 million ounces of gold to earn an additional 46% (taking its Project interest to 51%). Geopacific was keen to commence its program and started work notwithstanding that the formal agreements with Kula and our subsidiary, Woodlark Mining Limited (**WML**), were still under negotiation.

Two diamond drilling rigs to begin the drilling program arrived on Woodlark Island on 1 December 2016 and a third rig (an RC rig) about three weeks' later. Drilling has been ongoing since that time and, as evidenced by our announcements during the past four months, the drilling and engineering work has already produced some impressive results. The formal Farm-in Agreement and Shareholders Agreement between Kula, Geopacific and WML were signed on 25 January 2017. This confirmed Geopacific as a

5% shareholder of WML and the manager of the Project during the farm-in period, as a result of which it has assumed responsibility for all the costs of WML on Woodlark Island.

The Company (through WML) continued during 2016 to manage community and social issues through its community relations department on Woodlark Island, and the focus on these issues has been carried on this year by WML under Geopacific management. WML continues to maintain excellent relations with the local communities. People from the local communities have been significant beneficiaries of the new burst of activity on the Island, which has provided them with renewed employment and business opportunities. Also, it is pleasing to note that WML has been able to fully re-open the health clinic at the Bomagai camp for the benefit not only of its employees but also other people from the local communities. The only other health clinic on Woodlark Island is the one run by the Government at Guasopa, about 30 kilometres away on the eastern end of the Island.

In Papua New Guinea, most land is owned by the local people as customary land. On Woodlark Island, this was not the case. Large portions of the land had been alienated during colonial times and was therefore owned by the State as Government land, and was the subject of State leases for agricultural purposes. In July and August 2016, three large portions of land aggregating 60,440 hectares (representing about 75% of the land on Woodlark Island) were declared by the Minister for Lands and Physical Planning to be customary land once again, and were returned to the local people. Importantly for the Woodlark Island Gold Project, this included the land to be used for relocation of some of the local villagers when the Project proceeds.

Kula and WML have always recognised the indigenous people as the custodians of the land on the Island and have supported their requests for conversion of the Government land to customary land; that is, land owned by the Woodlark Islanders under customary law. The change in land ownership has no impact on the ownership of the Project's exploration licences and mining tenements by WML. Rather, it provides a sound basis for WML (and through it, Geopacific) to continue its close working relationship with the local people on Woodlark Island.

The Boards of Kula and WML continue to be appreciative of the support received from the Woodlark Island local government and the Milne Bay Provincial Government. We also thank the Minister for Mining, the Honourable Byron Chan, and the Mineral Resources Authority for their understanding of the need to make adjustments to the Project to meet changed circumstances.

The Board is also appreciative of the ongoing support shown by its shareholders. In the first half of 2016, the Company raised an additional A\$298,000 from its shareholders

through a share purchase plan, and a further A\$207,700 through a placement of shares to the Pacific Road Resources Funds. These funds have provided the Company with the working capital it needs, and have been further supplemented in the last couple of months by A\$626,097 raised through the Company's underwritten and full-subscribed rights issue of shares.

The Board is strongly of the view that significant value can be realised from the Woodlark Island Gold Project; and that the work being undertaken by Geopacific under its earn-in obligations to increase the resources and reserves available for the Project, and to review the costs in the feasibility study, are the way to do this. However, the work needs to be completed in order to unlock the full potential value.

In these circumstances, the announcement by Geopacific on 5 April 2017 of its intention to launch a takeover of our Company is viewed by your Directors as opportunistic and undervalued. The draft Bidder's Statement had in our view a number of errors and misconceptions in it, which were raised with Geopacific. We are currently waiting to see the final Bidder's Statement, and shortly after it is despatched to you with the offer for your shares the Directors will be issuing the Company's Target Statement. You are strongly urged to TAKE NO ACTION until you have had an opportunity to read our Target Statement and to consider any recommendation your Directors might wish to make.

Finally, I wish to take this opportunity to express my thanks on behalf of all shareholders to Louis Rozman, who resigned as a non-executive director in March this year to focus on his other business responsibilities. He had been a director of Kula as a public company since its IPO in October 2010 and made a huge contribution at board level. We valued his input as an experienced mining engineer and also as a professional director with wide-ranging commercial experience.

The coming months may be transformational for Kula Gold Limited and the Woodlark Island Gold Project. Rest assured that your Directors are working to deliver the best possible result for all shareholders.

David Frecker
Chairman