Kula Gold Limited

ABN 83 126 741 259

Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by Geopacific Resources Ltd (ABN 57 003 208 393) (**Geopacific** or **GPR**) for all of the fully paid ordinary shares in Kula Gold Limited (**Kula, KGD** or the **Company**), which Geopacific does not already own or control.

Kula's Directors unanimously recommend that you REJECT the Offer and TAKE NO ACTION

The Independent Expert has concluded that the Offer is NOT FAIR AND NOT REASONABLE to Kula Shareholders

Legal Adviser

Corporate Adviser

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

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KEY DATES

Date of Geopacific's Offer	6 June 2017
Date of this Target's Statement	12 June 2017
Close of Offer Period (unless extended or withdrawn)	5:00 pm (WST) on 6 July 2017

ENQUIRIES

Further information relating to the Offer can be obtained from the ASX website (**ASX Code: KGD**) at www.asx.com.au or from Kula's website at www.kulagold.com.au.

Should you have any queries contact the Kula Gold Limited office on (08) 6144 0588 or email info@kulagold.com.au.

IMPORTANT NOTICES

Nature of this document

This is a Target's Statement issued by Kula under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Geopacific for all of the fully paid ordinary shares in Kula.

ASIC lodgement

This Target's Statement is dated 12 June 2017 and was lodged with ASIC and given to ASX on that date. Neither ASIC, nor ASX, nor any of their respective officers take any responsibility for the contents of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Kula Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Kula operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Kula, Kula's officers and employees, any persons named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Geopacific contained in this Target's Statement has been prepared by Kula using publicly available information. The information in this Target's Statement concerning Geopacific, has not been independently verified by Kula. Accordingly, Kula does not, subject to the Corporations Act, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside of Australia.

Privacy

Kula has collected your information from its register of members for the purpose of providing you with this Target's Statement. The type of information Kula has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Kula. Without this information, Kula would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Kula Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Kula's Related Bodies Corporate and external service providers (such as the share registry of Kula and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and the ASX. If you would like details of information about you held by Kula, please contact the Company. Calls to the Company may be recorded.

Kula Gold Limited
ACN 126 741 259

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12 June 2017

Dear Shareholder,

GEOPACIFIC'S OFFER FOR YOUR SHARES – OPPORTUNISTIC, INADEQUATE AND RISKY

You will have received the Bidder's Statement from Geopacific Resources Limited ASX: GPR (**Geopacific**) offering shares in Geopacific in return for your shares in Kula Gold Limited (**Kula**) (1 Geopacific share for every 1.4723 Kula shares) (**Offer**). The Offer values Kula at only about A$9 million based on Geopacific's share price as at 9 June 2017[1]. Your Directors unanimously recommend that you **REJECT** the Offer and **TAKE NO ACTION**.

To reject the Offer, simply do nothing and take no action in relation to all documentation and communications sent to you by Geopacific.

Offer is opportunistic

Geopacific is Kula's joint venture partner in the Woodlark Island Gold Project (**Project**). Geopacific is part way through the second earn-in period under which it must spend A$8 million and complete 15,000 metres of diamond drilling, or increase the Project Reserves to 1.2 million ounces of gold (**Gold Reserve Target**), before it is entitled to an increased interest in the Project of 40% (or 51% if it achieves the Gold Reserve Target). Kula is generally satisfied with the way the joint venture is proceeding and wants it to continue.

"Woodlark is a fully-permitted gold project situated on an Island in Papua New Guinea. It is viewed as one of the last multi-million ounce, permitted, unmined gold projects in the world." (Geopacific's *Annual Report 2016* p.3)

By its take-over Offer for Kula shares, Geopacific is endeavouring to get control of this Project **before** it has spent the money to earn its larger interest in the Project under the joint venture and **before** an expected up-lift in the value of the Project as a result of their expenditure and drilling.

The Offer is opportunistic for this reason.

Offer is inadequate

Kula currently owns 95% of the Project and is entitled to receive the proceeds from the sale to the PNG Government of a 5% equity interest in the Project (currently estimated at approximately A$6 million). The value of these assets is assessed in the Independent Expert's Report (see Annexure A) and is compared with the Offer.

The Independent Expert has concluded that the Offer is **not fair and not reasonable** to Kula shareholders. The Independent Expert reaches this conclusion even if Geopacific completes

[1] Based on the closing price of Geopacific Shares on 9 June 2017, being $0.034.

its second earn-in obligations and Kula's Project interest is reduced to 55% (that is, 60% minus the 5% to be purchased by the PNG Government).

As at 9 June 2017, the Offer equates to a value only **2.3 cents per Kula share**[2], whereas the Independent Expert has equated Kula's net asset value to approximately **15.74 cents per Kula share** (if Geopacific completes its current earn-in obligations and increases its Project interest to 40%) or **25.32 cents per Kula share** (if Geopacific's Project interest remains at 5%).

If Geopacific completes its current expenditure and drilling obligations and increases its Project interest to 40%, under the joint venture Kula will still have a 60% interest. If Geopacific achieves the Gold Reserve Target, Kula's interest will reduce to 49% but the Project, with the increased Reserves, would then be worth more.

Geopacific is endeavouring to circumvent the joint venture by offering Kula shareholders just 18% of the Geopacific shares for all of Kula – giving Kula shareholders an indirect interest of only 17% in Woodlark after a 5% equity interest is sold to the PNG Government.

The Offer is inadequate for these reasons.

Offer carries risk for Kula shareholders who accept it

Based on Geopacific's own Quarterly Report for the period ended 31 March 2017 and its rate of expenditure since then, Kula predicts that Geopacific will need to raise capital in August or September this year. It may not be able to complete its current earn-in obligations under the joint venture without doing so. As such, Geopacific has a looming funding gap.

If the takeover proceeds, Kula shareholders receiving Geopacific shares will face the probability of a capital raising by Geopacific. If this is done by a share placement to Geopacific's major shareholders, it could be highly dilutive for other shareholders (including former Kula shareholders); if it is done on a pro rata basis, former Kula shareholders will have to contribute to the capital raising to maintain their relative percentage in Geopacific.

Furthermore, if you accept the Offer and swap your Kula shares for Geopacific shares, Kula shareholders could end up with a much smaller indirect percentage interest in the Project than if they had retained their shares in Kula.

The Offer carries these risks for any Kula shareholders who accept it.

Conclusion

Your Directors have carefully considered Geopacific's Offer, and **recommend that you reject it** because it is an opportunistic attempt to gain control of Kula and the Project for inadequate consideration and has undisclosed risks for Kula shareholders who accept it.

You should read this Target Statement in its entirety (including the Independent Expert's Report in Annexure A) and consider the Offer having regard to your own personal risk profile, investment strategy and tax circumstances. If you are in doubt as to whether to accept the Offer, you should seek your own independent professional advice. **Remember, to reject the Offer, simply do nothing and take no action in relation to all documentation and communications sent to you by Geopacific.**

Yours sincerely

David Frecker
Chairman

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[2] Based on the closing price of Geopacific Shares on 9 June 2017, being $0.034.

YOUR DIRECTORS' RECOMMENDATION

After taking into account each of the matters described in this document, in particular the reasons to **REJECT** the Offer set out in section 1 and the Independent Expert's Report included in Annexure A of this Target's Statement, each of your Directors recommends that you **REJECT** the Geopacific Offer and **TAKE NO ACTION**.

Details of the interest of your Directors' shareholdings are set out in section 8 of this Target's Statement.

HOW TO REJECT GEOPACIFIC RESOURCE'S OFFER

To **REJECT** this unsolicited, conditional and inadequate Offer, **TAKE NO ACTION** by ignoring all documents sent to you by Geopacific.

You should read this Target's Statement in full before making any decision, including the detailed reasons why your Directors recommend to **REJECT** the Offer.

If you have any questions in relation to the Offer, please contact the Kula Gold Limited office on (08) 6144 0588 or email info@kulagold.com.au.

If you accept the Offer, you will forfeit the opportunity to benefit if a third party makes a superior proposal. You will not be entitled to the benefit of a superior offer price from a third party if you have already accepted the Offer or have otherwise sold your Kula Shares.

Once you have accepted the Offer from Geopacific, other than in exceptional circumstances, you CANNOT withdraw your acceptance. Your Board recommends that you TAKE NO ACTION in relation to any material sent to you by Geopacific.

1. WHY YOU SHOULD REJECT THE OFFER

In summary, the key reasons why the Kula Directors recommend Kula Shareholders **REJECT** the Offer are:

1. The Offer is valued at approximately 2.3c per Kula share based on the trading price of Geopacific Share of 3.4c (as at close of market on 9 June 2017), versus 15.7c per Kula share being the preferred valuation established by the Independent Expert.
2. The Offer seeks to have Kula Shareholders on Geopacific's share register prior to Geopacific's imminent need to raise capital so that Kula shareholders contribute further funds or dilute.
3. The Offer aims to acquire Kula cheaply before completing its expenditure and consequent results pursuant to the Farm-in Agreement and adding value to the Project.

1.1 GEOPACIFIC'S OFFER IS INADEQUATE

Kula currently owns 95% of Woodlark which in turn owns 100% of the Project (Resources 2.1 million ounces of gold, Reserves 766,000 ounces of gold[3]) and is entitled to receive the proceeds from the sale to the PNG Government of a 5% equity interest in the Project (currently estimated at approximately A$6 million). The value of these assets is assessed in the Independent Expert's Report (see Annexure A) and is compared with the Offer.

Independent Expert's conclusion

The Independent Expert has concluded that the Offer is **not fair and not reasonable** to Kula Shareholders.

As at 9 June 2017, the Offer equates to a value of only **2.3 cents** per Kula share[4], whereas the Independent Expert's Report has equated Kula's net asset value to approximately **15.74 cents per share (if Geopacific completes its current earn-in obligations on Woodlark and increases its Project interest to 40%)** or **25.32 cents per share (if Geopacific's Project interest remains at 5%)**.

Circumvention of joint venture

Based on the reported performance of Geopacific to date, it is most likely that Geopacific will complete its current expenditure and drilling obligations and by so doing will increase its Project interest to 40%; and under the joint venture Kula will still have a Project interest of 60%. If Geopacific achieves the Reserve target of 1.2 million ounces of gold (**Gold Reserve Target**), Kula's interest will reduce to 49% but the Project with the increased Reserves would then be worth more.

Geopacific is endeavouring to circumvent the joint venture by offering Kula shareholders just 18% of the issued Geopacific Shares for all of Kula – giving Kula Shareholders an indirect interest of only 17% in the Project after the PNG Government has purchased a 5% equity interest in the Project. Should the Farm-in Agreement run its course and Geopacific achieves the Gold Reserve Target, Kula will retain a 25% interest in the Project.

[3] Refer to page 61 of Kula's annual report for the year ended 31 December 2016.
[4] Based on the closing price of Geopacific Shares on 9 June 2017, being $0.034.

Exchange ratio compared with Project interest

The relative ratio of the ownership of Woodlark is currently 95% Kula, 5% Geopacific. It is expected that Geopacific will meet the earn-in requirement for a 40% Project interest by the end of September 2017. At that time Geopacific may well require further funding to continue earning an interest in the Project under the Farm-in Agreement, assuming an ongoing spend of about A$1.2 million per month, based on continued drilling and expenditure at the current rate to reach the required 15,000 metres of diamond drilling by the end of September. Kula's interest in the Project will then be 60%.

The takeover in comparison to the respective interests of Geopacific and Kula in the Project (on the basis that the Project is the main asset of both companies) is set out below:

Share ratio	Geopacific Shares for 1 Kula share	Kula Shareholders' Shares in Combined Entity	Total Combined Group Shares	Kula % in Combined Group Post Takeover
1 Geopacific for 1.4723 Kula (Offer)	0.6792	255,150,464	1,410,894,048	18.1%
1 Geopacific for 1 Kula	1.0000	375,658,028	1,531,401,612	24.5%
60% Kula / 40% Geopacific	4.0611	1,525,581,531	2,542,635,885	60.0%

As can be seen above, the takeover only provides for Kula Shareholders to hold an 18% interest in the Combined Entity.

At a ratio of Kula 60% : Geopacific 40%, which is where the Project interest are likely to be in the coming months, Kula Shareholders should be receiving about 4 Geopacific Shares for one Kula Share for relative equity in the Project. This would provide Kula Shareholders with 60% of the Combined Group **BEFORE** a capital raising to continue drilling and advancing the Project to mining.

For these reasons the Offer is inadequate.

1.2 GEOPACIFIC'S OFFER CARRIES RISK

Funding gap

Based on Geopacific's Quarterly Report at the end of March and its rate of expenditure since then, Kula predicts that Geopacific will need to raise capital in August or September this year. It may not be able to complete its current earn-in obligations under the Farm-in Agreement without doing so. As such, Geopacific has a looming funding gap.

If the takeover proceeds, Kula Shareholders receiving Geopacific Shares will face the probability of a capital raising by Geopacific. If this is done by a share placement to Geopacific's major shareholders, it could be highly dilutive for other shareholders (including former Kula Shareholders); if it is done on a pro rata basis, former Kula Shareholders will have to contribute to the capital raising to maintain their relative percentage in Geopacific.

Carrying value of Geopacific's other assets

There is also a significant risk that the value of Geopacific's shares may be affected by future impairment charges in its financial statements. The Cambodian and Fijian exploration are presently carried in Geopacific's balance sheet at A$46.9 million being the aggregate of historic expenditure on exploration and evaluation of A$33.2 million plus prepayment expenses of A$13.7 million (which appear to relate to the Cambodian project).

This carrying value may not be sustainable, particularly in relation to the Cambodian project which has title pending. Geopacific's 2016 Annual Report discloses that it is awaiting the reissue of the licences for Kou Sa and that further expenditure on this project is "subject to pending licence renewals".

Based on Kula's review of publicly available information and discussions with its advisors, Kula considers that an independent valuation on these assets in accordance with the Accounting Standards may result in a material impairment.

As such, there is a risk that the trading price of Geopacific Shares may be affected by future material impairment charges in its financial statements.

Share consolidation

Geopacific's capital structure is becoming unwieldy with currently over 1.1 billion shares on issue, and many more to be issued if the Geopacific Offer is successful. A share consolidation in the future is therefore likely, which may adversely affect the market in Geopacific Shares.

The Offer carries these risks for any Kula Shareholders who accept it.

1.3 GEOPACIFIC'S OFFER IS OPPORTUNISTIC

Geopacific is Kula's joint venture partner in the Project through the current Farm-in Agreement. Geopacific is part way through the second earn-in period under the Farm-in Agreement.

In order to successfully complete the second earn-in period, Geopacific must spend A$8 million and complete 15,000 metres of diamond drilling, or increase the Project Reserves to 1.2 million ounces of gold, before it is entitled to an increased interest in the Project of 40% (or 51% if it achieves the Gold Reserve Target).

Timing of Offer

At present, Geopacific only holds a 5% interest in the Project and by its take-over Offer for Kula, Geopacific is endeavouring to acquire control of the Project **before** it has spent the money to earn its larger interest in the Project under the Farm-in Agreement and **before** an expected up-lift in the value of the Project as a result of the expenditure and drilling currently being undertaken by Geopacific (at its sole cost).

Under the Farm-in Agreement, Kula is not required to contribute towards Project expenditure. Should the Farm-in Agreement run its course, Kula will not need to raise funds to advance the Project until either Geopacific has spent A$18 million in total expenditure or Geopacific has achieved the Gold Reserve Target and produced an updated Definitive Feasibility Study.

Information not up-to-date

Based upon reports and information received by Kula, Geopacific has, up to the end of April, completed approximately 6,800 metres of diamond drilling and 7,100 metres of RC drilling on the Project under the Farm-in Agreement; but results of far less drilling has been reported to the market. In particular, there have been no new drilling results announced to the market since 10 May 2017 although drilling has continued unabated before and after that date.

For these reasons the Offer is opportunistic.

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Your Directors unanimously recommend that you REJECT Geopacific's unsolicited, conditional and inadequate Offer and

TAKE NO ACTION.

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2. CONCERNS ON GEOPACIFIC'S BIDDER'S STATEMENT

Geopacific's Bidder's Statement contains a number of concerns, which Geopacific has refused to amend or address or has inadequately amended or addressed following correspondence sent by Kula.

Kula has set out these statements and its responses below for the benefit of Kula Shareholders.

Geopacific Statement	Kula Concern
"Under the Farm-in Agreement… Geopacific may earn an additional 35% interest in Woodlark Mining Limited… (resulting in an aggregate interest of 40%) by… causing WML to incur and spend a minimum of $8,000,000 in undertaking the minimum work program, meeting expenditure requirements and exploration activities on the Project's tenements held by WML, including but not limited to completing at least 15,000m of diamond drilling at the Woodlark Project…".	The Bidder's Statement does not disclose the status of the spend and diamond metres drilled by Geopacific in order to earn up to a 40% interest in the Project, The Bidders statement does not disclose sources of the funding (including the timing and pricing of any capital raising) required by Geopacific to complete its commitments in the second earn-in period and thereafter to carry out is commitments if it elects to proceed with the third earn-in period, plus working capital.. There is no disclosure or explanation in the Bidder's Statement of this major issue, or how it will be rectified, and its impact on Kula Shareholders accepting the bid.
"You will gain exposure to additional exploration upside through Geopacific's other exploration properties in Cambodia and Fiji." *"Consolidated Financial Position as at 31 December 2016" for Geopacific refers to "Non-Current Assets" of "$46,980,244".*	With reference to the carrying value of the Cambodian Kou Sa and Fijian assets, being capitalised exploration and evaluation expenditure and prepayments totalling $46.9 million as stated in the audited financial statements of Geopacific as at 31 December 2016 in its 2016 Annual Report: 1. The title to Kou Sa is not included in the list of tenements on page 57 of the Annual Report of Geopacific. Note 20(a) in the Annual Report discloses that Geopacific is waiting for the reissue or renewal of licences before proceeding with work at Kou Sa. The current situation should be disclosed in full in the Bidder's Statement, including whether the Kou Sa licences have been renewed, and whether there are additional payment obligations and holding costs for Geopacific in relation to that project. 2. Clause 18 of AASB 6 (Exploration for and Evaluation of Mineral Resources) states "Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount".

Geopacific Statement	Kula Concern
	There is a risk that an independent geological valuation in accordance with the Accounting Standards may result in a material impairment in the future and such assessment has not been disclosed in the Bidder's Statement.
"Kula's interest [in the Woodlark Project] is further diminished by the PNG Government's 5% interest."	The PNG Government has elected to take a 5% interest in the Project to be divided between the Milne Bay Provincial Government and the Woodlark landowners. This will be purchased form Kula. The Bidder's Statement contains no reference to the consideration that would be payable to Kula for the PNG Government's 5% interest. The consideration payable by the PNG Government for its 5% interest pursuant to the terms of the exploration licence from which the Mining Lease was derived will be determined based on a pro rata proportion off the exploration and development costs to the time of purchase. Costs to date indicate that Kula will receive a sum of approximately A$6 million from the PNG Government in consideration for a 5% interest in the Project.
"Kula has a declining interest in the Woodlark Project, as Geopacific earns up to an 80% interest."	It is Kula's present intention to fund its share of equity funding of mining operations, in which case Geopacific would have no right to earn more than 75% interest in WML under the Woodlark Agreements.

3. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Kula Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is Geopacific's Offer for my Kula Shares?	Geopacific is offering 1 GPR Share for every 1.4723 Kula Shares that you hold. You may accept the Offer only in respect of all, and not part, of the Kula Shares that you hold.
What choices do I have as a Kula Shareholder?	As a Kula Shareholder, you have the following choices in respect of your Kula Shares: • reject the Offer by doing nothing; or • accept the Offer; or • sell your Kula Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance). There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5.9 of this Target's Statement.
What are the Kula Directors recommending?	Each Kula Director recommends that you **REJECT** the Offer. The reasons why your Directors are recommending that you **REJECT** the Offer are set out in section 1of this Target's Statement.
What do the Directors of Kula intend to do with any Kula Shares that they hold?	Each Kula Director has advised that they intend to **REJECT** the Offer in respect of any Kula Shares that they own or control.
What does the Independent Expert say?	The Independent Expert has concluded that the Offer is **NOT FAIR AND NOT REASONABLE**. A copy of the Independent Expert's Report is contained in Annexure A of this Target's Statement.
How many Kula Shares does Geopacific already own?	On the day immediately preceding the date of this Target's Statement Geopacific had a Relevant Interest in 56,219,886 Kula Shares. Geopacific voting power is therefore 14.97% as at the date of this Target's Statement. See section 8.4 of the Bidder's Statement for further details on Geopacific's interest in Kula.
How do I **REJECT** the Offer?	Simply do nothing. Ignore all documents sent to you by Geopacific. Do not fill in or send any documents to Geopacific.

What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Kula Shares on the ASX or otherwise deal with your Kula Shares while the Offer remains open. The effect of acceptance is set out in section 15 of the Bidder's Statement. Kula Shareholders should read this section in full to understand the effect that acceptance will have on their ability to exercise rights attaching to their Kula Shares and the representations and warranties they give by accepting the Offer.
If I accept the Offer, can I withdraw my acceptance?	You only have limited rights to withdraw your acceptance of the Offer. See section 6.8 of this Target's Statement and sections 13.2(b) and 15.5 of the Bidder's Statement for further details.
When does the Offer close?	The Offer is presently scheduled to close at 5:00 pm (WST) on 6 July 2017 but the Offer Period can be extended in certain circumstances. Please be aware that there is no guarantee that Geopacific will extend the Offer Period beyond 5:00 pm (WST) on 6 July 2017. Accordingly, your Kula Directors recommend that you should assume that the Offer Period will not be extended beyond this date. See section 6.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.
What are the conditions to the Offer?	The Offer is subject to a number of Offer Conditions. The key outstanding Offer Conditions, as at the date of this Target's Statement, are summarised in section 6.2 of this Target's Statement. Unless all of the Offer Conditions are freed or fulfilled, the Offer will not proceed.
What happens if the Offer Conditions are not satisfied or waived?	If the Offer Conditions are not fulfilled or freed (that is, if any of the Offer Conditions are not satisfied or waived) before the Offer closes, the Offer will lapse. You would then be free to deal with your Kula Shares even if you had accepted the Offer. However, Geopacific can at its discretion waive the conditions (including in particular the 90% acceptance condition) and take the Kula shares for which it has received acceptances.
Can Geopacific withdraw the Offer?	Geopacific may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Geopacific may withdraw the Offer with the written consent of ASIC and subject to conditions (if any) specified in such consent.

When will I be sent my consideration if I accept the Offer?	In the usual case, you will be issued your consideration on or before the earlier of: • the day that is one month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to an Offer Condition, one month after the Offer becomes, or is declared, unconditional; and • the day that is 21 days after the end of the Offer Period. See section 6.9 of this Target's Statement for further details on when you will be sent your consideration.
What are the tax implications of accepting the Offer?	A general outline of the tax implications of accepting the Offer is set out in section 11 of the Bidder's Statement.
What will happen to Kula following the end of the Offer Period?	Geopacific has stated that, if the Offer is completed successfully by Geopacific acquiring 100% of the issued capital in Kula, its present intention in relation to Kula is to convert Kula to a proprietary company and have it delisted from the Official List of the ASX. See section 10 of the Bidder's Statement for further details.
Can I participate in the Offer in respect of my Kula Options?	No. The Offer does not extend to Kula Options. However, the Offer extends to any Kula Shares that are issued after the Register Date and during the Offer Period as a result of the exercise of Kula Options that are on issue at the Register Date.
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer, please contact the Kula Gold Limited office on (08) 6144 0588 or email info@kulagold.com.au.

4. DIRECTORS’ RECOMMENDATIONS AND INTENTIONS

4.1 Directors’ recommendations

After taking into account each of the matters in this Target’s Statement and in the Bidder’s Statement, each of the Kula Directors recommends that you **REJECT** the Offer and **TAKE NO ACTION**.

The Kula Directors’ reasons for their above recommendation are set out in the Chairman's letter and section 1 of this Target’s Statement.

In considering whether to accept the Offer, the Kula Directors encourage you to:

(a) read the whole of this Target’s Statement (including the Independent Expert’s Report) and the Bidder’s Statement;

(b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;

(c) consider the choices available to you as outlined in section 5.9 of this Target’s Statement;

(d) carefully consider section 5.11 of this Target’s Statement; and

(e) obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

4.2 Intentions of the Kula Directors in relation to the Offer

Each Kula Director who owns Kula Shares has advised that they intend to **REJECT** the Offer in respect of any Kula Shares that they own or control.

Details of the previously announced direct and indirect holdings of each Kula Director in Kula Shares are set out in section 8.1 of this Target’s Statement.

5. IMPORTANT MATTERS FOR KULA SHAREHOLDERS TO CONSIDER

5.1 The Offer

Geopacific announced its intention to make the Takeover Bid for Kula on 5 April 2017. A summary of the Offer is contained in section 6 of this Target's Statement.

The Offer is open for acceptance until **5:00 pm (WST) on 6 July 2017**, unless it is extended or withdrawn (sections 6.5 and 6.6 of this Target's Statement describe the circumstances in which Geopacific can extend or withdraw its Offer).

5.2 Information about Geopacific

Geopacific was incorporated in New South Wales on 15 December 1986. Geopacific was listed on the ASX on 9 May 2006 as Geopacific Resources Ltd.

The directors of Geopacific are:

(a) Milan Jerkovic (Chairman);

(b) Ron Heeks (Managing Director);

(c) Philippa Leggat (Executive Director – Corporate);

(d) Mark Bojanjac (Non-Executive Director); and

(e) Ian Clyne (Non-Executive Director).

Sections 5 and 6 of the Bidder's Statement contain further information regarding Geopacific.

5.3 Value of the Offer

For further information on the value of the Offer, see section 1 of this Target's Statement and the Independent Expert's Report attached as Annexure A of this Target's Statement. Kula's Directors recommend that you read the Independent Expert's Report in full.

5.4 Minority ownership consequences

The Geopacific Offer is subject to a minimum acceptance condition of 90%, which can be waived by Geopacific in its sole discretion.

Depending upon the number of Kula Shareholders that accept the Offer, this may have a number of implications for Kula Shareholders who do not accept the Offer, including:

(a) Geopacific may be in a position to significantly influence the composition of Kula's Board and senior management and control its strategic direction;

(b) the liquidity of Kula Shares may be lower than at present; and

(c) if the number of Kula Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then Geopacific may seek to have Kula removed from the official list of the ASX rather than rectify the matter. If this occurs, Kula Shares will not be able to be bought or sold on the ASX.

5.5 Possibility of a superior proposal emerging

You may consider that a third party may emerge with a superior proposal. If you accept the Offer, you will **NOT** be able to accept your Kula Shares into any superior proposal such that you will not be able to obtain any potential benefit associated with that superior proposal (if any). Your Directors are not currently aware of any superior proposal.

5.6 Kula Share price absent the Offer

While there are many factors that influence the market price of Kula Shares, your Directors point out that, following the close of the Offer, there is a risk that the market price of Kula Shares may fall if Geopacific's Offer fails (and there is no alternative to the Offer), if Geopacific acquires more than 50% (but less than 90%) of the Kula Shares or if the takeover is otherwise unsuccessful.

5.7 Other alternatives to the Offer

The Kula Board considers that the best alternative to the Offer in the absence of a superior offer recommended by your Board, is to retain your Kula shares and let Geopacific uplift Project value from their work under the Farm-in Agreement.

5.8 Taxation consequences of a change in control in Kula

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. For some Kula Shareholders, the availability of CGT rollover relief may be important. A general outline of the Australian taxation considerations of accepting the Offer is set out in section 11 of the Bidder's Statement. This describes the qualifying conditions for CGT rollover relief (including that Geopacific must become the owner of 80% of the voting shares in Kula as a consequence of the Offer).

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

5.9 Your choices as a Kula Shareholder

Your Kula Directors unanimously recommend that you REJECT the Offer.

However, as a Kula Shareholder you have the following choices currently available to you:

(a) Reject the Offer

Kula Shareholders who wish to reject the Offer should **TAKE NO ACTION**.

Kula Shareholders should note that if Geopacific has a Relevant Interest in at least 90% of the Kula Shares during or at the end of the Offer Period, Geopacific will be entitled to compulsorily acquire the Kula Shares that it does not already own (see section 6.12 of this Target's Statement for further details).

If Geopacific acquires more than 50% but less than 90% of the Kula Shares then, assuming all other Offer Conditions are fulfilled or freed, Geopacific will acquire a majority shareholding in Kula. In these circumstances, Kula Shareholders who do not accept the Offer will become minority shareholders in Kula. The potential implications of becoming a minority Kula Shareholder are discussed in section 5.4 of this Target's Statement.

(b) Accept the Offer

Kula Shareholders may elect to accept the Offer. Details of the consideration that will be received by Kula Shareholders who accept the Offer are set out in the Bidder's Statement.

You should be aware that if you choose to accept the Offer:

(i) you will not be able to accept a superior proposal from any other bidder if such an offer is made, or benefit from any higher price in the market;

(ii) you will lose the opportunity to receive future benefits as a Kula Shareholder; and

(iii) you may incur a tax liability as a result of the sale.

Kula Shareholders should be aware that if they accept the Offer, they may be liable for Capital Gains Tax on the disposal of their Kula Shares. However, they will not incur a brokerage charge.

The Bidder's Statement contains details of how to accept the Offer in section 2 of the Bidder's Statement.

(c) Sell your Kula Shares on market

During a takeover, shareholders of a target company who have not already accepted the bidder's offer may still sell these shares on market for cash.

On 9 June 2017, Kula's share price closed at $0.03. The latest price for Kula's Shares may be obtained from the ASX website: http://www.asx.com.au/.

You should be aware that if you choose to sell your Kula Shares during the currency of the Offer (that is, other than by way of accepting the Offer):

(i) you will not be able to accept a superior proposal from any bidder if such an offer is made, or benefit from any higher price in the market;

(ii) you will lose the opportunity to receive future benefits as a Kula Shareholder;

(iii) you may incur a tax liability as a result of the sale; and

(iv) you may incur a brokerage charge.

5.10 Kula Optionholders

If you are a Kula Optionholder, the Offer does not apply to your Kula Options. However, the Offer extends to any Kula Shares that are issued after the Register Date and during the Offer Period as a result of the exercise of Kula Options that are on issue at the Register Date.

5.11 Risk factors relating to Kula

In considering this Target's Statement, Kula Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of Kula and the value of Kula Shares. Many of these risks are relevant to Kula Shareholders today and will be relevant to Kula Shareholders who remain as Kula Shareholders following the completion of the Offer.

Many of these risks are outside the control of Kula and the Kula Board. There can be no certainty that Kula will achieve its stated objectives or that any forward looking statements will eventuate.

Additional risks and uncertainties not currently known to Kula may have a material adverse effect on Kula's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect Kula.

Kula Shareholders should read this Target's Statement in its entirety and carefully consider the following risk factors in deciding whether to accept the Offer.

(a) Gold Price

The success of the Company's Woodlark Island Gold Project, located on Woodlark Island, Papua New Guinea (**Project**) will be primarily dependent on the price of gold as substantially all of the Company's potential revenues will be derived from the sale of gold. Gold prices are volatile and may fluctuate as a result of numerous factors, which are beyond the control of the Company.

The possible adverse consequences of future declines in the gold price could include the following:

(i) the Project may become uneconomical because the projected future revenues no longer justify the cost of development;

(ii) the Company may be unable to raise finance to construct or complete the Project on acceptable terms, or at all;

(iii) after production has commenced, the Company's revenues may decline to a point at which its operations are unprofitable, as a result of which the Company may cease production;

(iv) the value of the Company's assets may decline, causing it to write down asset values and thereby incur losses;

(v) the Company may be required to restate its ore reserves; and

(vi) the Project may experience delays while the Company reassesses the economics of the Project under different gold price assumptions.

Any of these effects could result in a decline in the Company's share price or even the loss of your investment.

(b) Farm-in and Shareholders Agreements

As announced on 30 January 2017, the Company entered into Farm-in and Shareholders Agreements (**Woodlark Agreements**) with Geopacific under which Geopacific has a right to earn an interest in Woodlark Mining Limited (**Woodlark**), the Company's subsidiary that holds the Project (**Project**).

Under the Farm-in Agreement, Geopacific has committed to the second period of the farm-in and will sole fund Woodlark by spending at least $8 million and completing 15,000 metres of diamond drilling or achieving the target of 1.2 million ounces of gold reserves, in a two year period, to earn up to 51% in Woodlark. Should Geopacific proceed to the third period of the farm-in, it will sole fund Woodlark by spending a further $10 million or achieving the target of 1.2 million ounces of gold reserves and completing a bankable feasibility study, over a further two year period, to progress Woodlark to bankable feasibility and in so doing earn up to 75% of Woodlark.

During the term of the Farm-in Agreement, Geopacific will be solely responsible for managing the Project. The Company has limited rights in relation to Geopacific's management of the Project during this time and is therefore reliant on Geopacific management for the success of the Project during the earn-in phase of the Farm-in Agreement. Woodlark is also party to various contracts in relation to the development of the Project and is reliant on funding from Geopacific under the Woodlark Agreements to meet its payment obligations under these contracts.

Geopacific is entitled to withdraw from the Woodlark Agreements at any time and, if Geopacific elects to do so, the Company will resume all management of Woodlark and the Project and the Company will be responsible for its share of the costs of the Project. Should this eventuate, the Company will be required to raise additional capital to meet the costs of managing the Project and any such capital, to the extent raised through equity, may dilute Shareholders.

The Company's interest in the Project will be decreased to the extent that Geopacific earns an interest in Woodlark.

(c) Mineral Resource and Ore Reserve estimates

The ore quantities and grades reported by the Company for the Project are estimates and may not prove to be an accurate indication of the quantity or grade of the ore that will be extracted by Woodlark.

Estimating the size and/or grade of an ore body depends on interpreting and extrapolating a limited amount of geological data, including drilling samples and assays. Many complex geological and metallurgical judgments are required in order to estimate Resources, including the interpretation of observable geological structures, the location, spacing direction and depth of drill holes, the application of sampling techniques and the statistical controls to apply to the resulting data. As a result, resource estimates are inherently uncertain, and there can be no assurance that the resources of the Project will not be subject to future downward revision.

In addition, investors should be aware that the inclusion of material in a resource estimate does not require a conclusion that the material may be economically extracted at the yield indicated or at all. Investors should not assume that resource estimates are capable of being directly reclassified as reserves under the 2012 JORC Code. The inclusion of resource estimates should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on resource estimates.

Converting a resource into a reserve requires additional judgments and assumptions, including estimates of mining techniques and costs, infrastructure and processing costs, metallurgical recoveries, transport costs, taxes and royalties and the price at which Woodlark will be able to sell its production. Such estimates and judgments may prove to be inaccurate and are subject to changing circumstances. As Woodlark commences mining, it will gain additional geological and production data, which may result in revision to the assumptions on which the Company has estimated the reserves of the Project. In addition, future changes in circumstances, such as increased costs, changes in taxes or regulations or lower gold prices may alter the economic assumptions on which the reserve estimates are based, which may result in a downward revision.

Any material reductions in estimates of resources and reserves, or of Woodlark's ability to extract these reserves, could have a material adverse effect on the Company's prospects, value, business, results of operations and financial condition. In addition, a reduction in reserves could impact depreciation and amortisation rates, asset-carrying values and provisions for closedown, restoration and environmental clean-up costs.

(d) Development and Exploration drilling

The Company is dependent in significant part on the success of Woodlark's drilling programs to expand resources and reserves at the Project. Resource drilling is an inherently speculative endeavour and there can be no assurance that commercial quantities of ore remain to be discovered on Woodlark's exploration tenements. In addition, explorative efforts can be hampered by the unpredictable nature of mineral deposits, unforeseen and adverse ground conditions, inclement weather, poor equipment availability and cost overruns from unforeseen events.

(e) Development

The Company's future profitability will depend on the economic returns and the costs of developing the Project, which may differ significantly from its current estimates.

Feasibility studies estimate the expected or anticipated project economic returns. These estimates are based on assumptions regarding future gold and other metal prices, anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed, anticipated recover rates of gold from the ore, anticipated capital expenditure and cash operating costs; and the required return on investment. Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. Operating costs and capital expenditure are determined particularly by the costs of the commodity inputs, including the cost of fuel, chemical reagents, explosives, tires and steel consumed in mining activities. There are a number of uncertainties inherent in the development and construction of any new mine and mineral processing facility. In addition to those discussed above these uncertainties include the:

(i) timing and cost, which can be considerable, of the construction of mining and processing facilities;

(ii) availability and cost of skilled labour, power, water and transportation facilities;

(iii) need to obtain necessary governmental permits and the timing of those permits; and

(iv) availability of funds to finance construction and development activities.

The Project is located in a remote location, which may increase the costs, timing and complicities of mine development and construction. Mining operations at Woodlark Island could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur. Finally, operating costs and capital expenditure estimates could fluctuate considerably as a result of changes in the prices of commodities consumed in the construction and operation of mining projects. Accordingly, the development of the Project may be less profitable than currently anticipated or may not be profitable at all.

(f) Exploration and mining tenements

Exploration licences do not confer authority to develop the Project. In order to move into development and production, Woodlark, as the Project company, needs to hold mining tenements over all areas that may potentially be affected by the Project (a mining lease together with associated leases for mining purposes and/or mining easements to cover mining infrastructure not included in the mining lease).

Woodlark has applied for and been granted Mining Lease 508 (**ML508**) covering the Project area and all associated mining tenements currently anticipated as necessary for the Project. However, the work being undertaken on the Project will require an extension or variation of ML508, and a revised feasibility study may show that other mining tenements are necessary.

ML508 is subject to a condition which requires completion and construction of a mine by 3 July 2017. Woodlark has submitted an application to extend this condition. Should the application to extend be unsuccessful, the Minister for Mining may after following due process, cancel ML508 (particularly if Woodlark is unable to show cause why it should not be cancelled), in which case the land will revert back to the underlying exploration licence owned by Woodlark, and Woodlark will be required to apply for a new Mining Lease at the appropriate time.

The grant and variation of mining tenements is subject to the relevant mining legislation. Mining tenements granted on the terms and conditions that the PNG Minister for Mining considers appropriate and any variations must be approved by the Minister. There is a risk that ML508 will not be extended or varied, or that additional mining tenements that are required may not be granted, or granted in a timely manner, which may delay the development of the Project, or that they will be varied or granted with unexpected and possibly adverse conditions attached that affect the potential profitability of the Project. In addition, once granted, mining tenements are liable to forfeiture upon the breach of any conditions.

(g) Exchange rates

The Company's future revenue from gold sales will be received in US dollars while a significant portion of its operating expenses will be incurred in Australian dollars and PNG Kina. Because the Company's financial statements are in Australian dollars, appreciation of the Australian dollar against the US dollar, without offsetting improvement in US dollar denominated gold prices, could adversely affect the Company's reported profitability and financial position.

(h) Local community relations, compensation and relocation

The development of the Project will depend in significant part on the ability to maintain good relations with the local community on Woodlark Island. Under the Mining Act, a tenement holder is liable to compensate landowners for its entry onto and occupation of the land and for loss and damage caused by exploration, mining or related activities. To this end, compensation arrangements have already been entered into with the local community. Part of these arrangements cover the relocation of the village at Kulumadau. Although the Company believes that the local communities generally welcome the Project and perceive that it will bring benefits to them, no assurance can be given that negotiation with local communities about the benefits they will derive from the Project, covering compensation, royalties, equity participation, employment and local business, will be successful. Any failure to adequately manage community and social expectations may lead to local dissatisfaction with the Project, which in turn may lead to disruptions of the Project's proposed operations.

(i) Political risk

The Project is Located on Woodlark Island in Papua New Guinea, which is a developing country that has experienced political instability and economic uncertainty. The formulation or implementation of PNG Government policies may be unpredictable on certain issues including laws, policies and regulations that impact the Company's operations. The Company's exploration and mining operations are and will be subject to various PNG laws, policies and regulations governing the ownership, prospecting, development and mining of Reserves, taxation and royalties, exchange controls, import and export duties, currency transfers, restrictions and foreign currency holding and repatriation of earnings, investment approvals, environmental matters, employee and social community relations and other matters.

The possibility that the current, or a future Government may adopt substantially different policies with regard to the economy, taxation or the operation or regulation of nationally important assets such as mines cannot be ruled out. If the Company were not able to obtain or maintain necessary permits, authorisations or agreements to implement the Project under conditions or within time frames that make such plans and operations economic, or if legal, ownership, fiscal (including all royalties and duties), exchange control, employment, environmental and social laws and regimes, or the governing political authorities change materially, resulting in changes to such laws and regimes, the Company's results of operations and its financial condition could be adversely affected.

(j) Asset concentration

The Project accounts for all of the Company's Resources and Reserves and the potential for the future generation of revenue. As the Company's operations are not diversified, any adverse development affecting the progress of the Project may have a material adverse effect on the Company's financial performance and results of operations. Factors such as demand for commodities, unusual and unexpected geological formations, variations in grade deposit size, density and other geological problems, unanticipated regulatory changes, environmental and weather related issues, labour disruption, project financing difficulties, equipment shortages, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery. There is no assurance that the development of the mineral interests currently held by the Company in the Project will result in the development of an economically viable mine.

(k) Insurance

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures and natural phenomena such as inclement weather conditions (including cyclones), floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties and the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance will not cover all of the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover those risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from any of these events may cause the Company to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

(l) Licences, Permits and Approvals

Mining companies must obtain numerous licences permits and approvals issued by various PNG governmental agencies and regulatory bodies that regulate operational, environmental and safety matters in connection with gold mining in Papua New Guinea. The applicable rules and regulations are complex and may change over time.

Although the environment permit for the Project has already been obtained, there is a risk that all necessary licences, permits and approvals will not be granted, may be granted on terms not satisfactory to the Company, or may be granted by not within the timeframes anticipated by the Company.

(m) Environment

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products. Laws and regulations involving the protection and remediation of the environment and the government policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. If environmental compliance obligations for the Project alter as a result of changes in laws and regulations, or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions arise at its operations, its expenses and provisions would increase. If material, these expenses and provisions could adversely affect the Company's results and financial condition.

Despite the Company's best intentions and best efforts, there remains a risk that environmental and/or community incidents may occur that may negatively impact the Company's reputation or Woodlark's licence to operate.

(n) Occupational health and safety

Woodlark's operations are subject to a variety of industry specific health and safety laws and regulations which are formulated to improve and to protect the safety and health of employees. Mining operations are inherently dangerous, and in particular the identification of cavities in the proposed open pits resulting from the old underground mine will be important in ensuring a safe working environment. While Woodlark will implement training strategies on site to improve the existing health and safety culture of local workers, the occurrence of any industrial accidents, workplace injuries or fatalities may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

5.12 Risk factors relating to Geopacific

(a) Issue of Geopacific Shares as consideration

Kula Shareholders are being offered specific quantities of Geopacific Shares as consideration under the Offer. As a result, the value of the consideration will fluctuate depending upon the market value of Geopacific Shares at any given time. Accordingly, the market value of the Geopacific Shares at the time Kula Shareholders receive them may vary significantly from their market value on the date of acceptance of the Offer.

(b) Tax Rollover relief

If Geopacific does not acquire a Relevant Interest in at least 80% of Kula Shares, scrip-for-scrip CGT rollover relief will not be available to Kula Shareholders.

(c) Acquisition of less than 90% of Kula Shares

It is possible that Geopacific could acquire a Relevant Interest in less than 90% of the Kula Shares on issue and therefore be unable to compulsorily acquire the residue. The existence of a minority shareholding interest in Kula may have an impact on the operations of the Combined Group, although this impact will depend on the ultimate level of Kula ownership acquired by Geopacific.

5.13 General risks

(a) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Kula's activities, as well as on its ability to fund those activities.

(b) Share Market conditions

Share market conditions may affect the value of Kula's quoted securities regardless of Kula's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither Kula nor the Kula Directors warrant the future performance of Kula or any return on an investment in Kula.

(c) Regulation

Government legislation and policy, both within Australia and internationally, including changes to the taxation system may have an adverse effect on Kula's activities.

6. KEY FEATURES OF THE OFFER

6.1 Consideration payable to Kula Shareholders who accept the Offer

The consideration being offered by Geopacific under the Offer is 1 Geopacific Share for every 1.4723 Kula Shares held by the Kula Shareholders that Geopacific does not already own or control.

6.2 Offer Conditions

Geopacific's Offer is subject to a number of Offer Conditions. The Offer Conditions are set out in full in section 15 of the Bidder's Statement.

Subject to section 15 of the Bidder's Statement, the Offer and any contract that results from acceptance of the Offer are subject to fulfilment of the following conditions:

(a) during, or at the end of, the Offer Period, Geopacific has Relevant Interests in more than 90% (by number) of all Kula Shares on issue;

(b) no regulatory action being taken in consequence of, or in connection with, the Offer before the end of the Offer Period;

(c) no material adverse change occurring in relation to Kula before the end of the Offer Period;

(d) no 'prescribed occurrences' occurring in relation to Kula before the date that is 3 Business Days after the end of the Offer Period; and

(e) no material litigation in respect of Kula being on foot or pending before the end of the Offer Period.

6.3 Notice of Status of Conditions

Geopacific must give a Notice of Status of Conditions to the ASX and Kula on a date between 14 and 7 days before the end of the Offer Period (subject to variation in accordance with Section 630(2) of the Corporations Act if the Offer Period is extended), and Geopacific has nominated 29 June 2017 as the date on which it will give such a notice.

Geopacific is required to set out in its Notice of Status of Conditions:

(a) whether the Offer is free of any, or all, of the Offer Conditions;

(b) whether, so far as Geopacific knows, any of the Offer Conditions have been fulfilled; and

(c) Geopacific voting power in Kula.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Geopacific is required, as soon as practicable after the extension, to give a notice to the ASX and Kula that states the new date for the giving of the Notice of Status of Conditions.

If an Offer Condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of

Conditions is required to be given, Geopacific must, as soon as practicable, give the ASX and Kula a notice that states that the particular condition has been fulfilled.

6.4 Offer Period

Unless the Geopacific Offer is extended or withdrawn, it is open for acceptance until 5:00 pm (WST) on 6 July 2017.

The maximum period during which the Geopacific Offer may remain open (in the absence of Geopacific obtaining relief under the Corporations Act) is 12 months from the date that the Geopacific Offer is made to Kula Shareholders.

The circumstances in which Geopacific may extend or withdraw its Offer are set out in section 6.5 and section 6.6 respectively of this Target's Statement.

6.5 Extension of the Offer Period

Geopacific may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 6.2(a) of this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the Offer Conditions are fulfilled or freed), Geopacific may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

(a) Geopacific improves the consideration offered under the Offer; or

(b) Geopacific's voting power in Kula increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.6 Withdrawal of Offer

Geopacific may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Geopacific may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

6.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 15.5 of the Bidder's Statement. Kula Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Kula Shares and the representations and warranties which they give by accepting the Offer.

6.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Geopacific varies the Offer in a way that postpones, for more than one month, the time when Geopacific needs to meet its obligations under the Offer. This will occur if Geopacific extends the Offer Period by more than one month and the Offer is still subject to conditions.

6.9 When you will receive your consideration if you accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

(a) one month after the date the Offer becomes, or is declared, unconditional; and

(b) one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes, or is declared, unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 15.6 of the Bidder's Statement.

6.10 Effect of an improvement in consideration on Kula's Shareholders who have already accepted the Offer

If Geopacific improves the consideration offered under the Offer, all Kula Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

6.11 Lapse of Offer

The Offer will lapse if the Offer Conditions are not freed or fulfilled by the end of the Offer Period, in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Kula Shares as you see fit.

6.12 Compulsory acquisition

(a) Compulsory acquisition within one month after the end of the Offer Period

Geopacific will be entitled to compulsorily acquire any Kula Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

(i) Geopacific acquires a Relevant Interest in at least 90% (by number) of the Kula Shares; and

(ii) Geopacific has acquired at least 75% (by number) of the Kula Shares that Geopacific offered to acquire (excluding Kula Shares in which Geopacific had a Relevant Interest at the date of the Offer and also excluding Kula Shares issued to an Associate of Geopacific during the Offer Period).

If these thresholds are met and Geopacific wishes to exercise its right to compulsorily acquire any outstanding Kula Shares, Geopacific will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Kula Shareholders who have not accepted the Offer. Kula Shareholders have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedure outlined in the Corporations Act, but a successful challenge will require the relevant Kula Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Kula Shares. If compulsory acquisition occurs, Kula Shareholders who have their Kula Shares compulsorily acquired are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

(b) Alternative compulsory acquisition regime

It is also possible that Geopacific will, at some time during or after the end of the Offer Period, either alone or with a Related Body Corporate, hold full beneficial interests in at least 90% (by number) of all the Kula Shares. Geopacific would then have rights to compulsorily acquire all of the Kula Shares that it does not own within six months of becoming the holder of 90% (by number) of all the Kula Shares. The price which Geopacific would have to pay to compulsorily acquire all of the remaining Kula Shares under this alternative compulsory acquisition regime would have to be considered in a report of an independent expert.

Kula Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedures outlined in the Corporations Act, but a challenge would require people who hold at least 10% of the Kula Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If people holding such number of Kula Shares object to the compulsory acquisition, and Geopacific still wishes to proceed with the compulsory acquisition, Geopacific would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Kula Shares. In the absence of a challenge by people holding the requisite number of Kula Shares, Kula Shareholders who have their Kula Shares compulsorily acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

7. INFORMATION REGARDING KULA

7.1 Background information on Kula

Kula was incorporated on 27 July 2007 in Victoria and commenced trading on the Australian Securities Exchange on 16 November 2010 as Kula Gold Limited (ASX: KGD).

The Woodlark Project

Kula is the 95 per cent owner of Woodlark which is the 100% owner of an advanced stage gold Project with significant additional exploration potential on Woodlark Island, located approximately 250 kilometres from the Papua New Guinean mainland. Kula's interests in the Project are subject to Geopacific's rights under the Woodlark Agreements.

7.2 Directors of Kula

As at the date of this Target's Statement, the directors of Kula are:

Name	Position
David Frecker	Independent Chairman
Garry Perotti	Executive Director
Mark Stowell	Independent Non-Executive Director

7.3 Publicly available information about Kula

Kula is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Kula is subject to the ASX Listing Rules which require continuous disclosure of any information Kula has that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of ASX announcements made by Kula are available on the ASX's website at www.asx.com.au (ASX Code: KGD).

7.4 Financial information and related matters

Kula's last published financial statements are for the year ended 31 December 2016 and were released on the ASX on 3 April 2017.

Copies of these reports may be obtained from ASX's website at www.asx.com.au (ASX: KGD).

So far as the Kula Directors are aware, other than in respect of the Entitlement Issue:

(a) the financial position of Kula has not materially changed since the date of the financial report for the year ended 31 December 2016; and

(b) there has not been any matter or circumstance, other than those referred to in the financial report for the year ended 31 December 2016 and this Target's Statement that has significantly affected, or may significantly affect the operations or the financial position of Kula, the results of operations of Kula, or the state of affairs of Kula in future financial years.

Kula Shareholders should consider section 9.1 of this Target's Statement in connection with the potential effect of the Offer on Kula's financing arrangements and material contracts.

7.5 Forecast financial information for Kula

Kula has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Kula Directors have concluded that, as at the date of this Target's Statement, it would be misleading to provide forecast financial information for Kula, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of Kula in any period will be influenced by various factors that are outside the control of the Kula Directors and that cannot, at this time, be predicted with a high level of confidence.

7.6 Geopacific's current interests in Kula

As at the date of this Target's Statement, Geopacific has a Relevant Interest in 56,219,886 Kula Shares, representing 14.97% of the Kula Shares currently on issue.

Further details regarding Geopacific current interests in Kula can be found at section 8.4 of the Bidder's Statement.

8. INFORMATION RELATING TO THE KULA DIRECTORS

8.1 Interests and dealings in Kula securities

(a) Interests in Kula securities

As at the date of this Target's Statement, the Kula Directors had the following Relevant Interests in Kula Shares and Kula Options:

Director	Kula Shares	Kula Options
David Frecker	1,332,581	612,000[1]
Garry Perotti	630,000	Nil
Mark Stowell	6,829,258	291,000[1]

Notes:

1 Exercisable at $0.17 on or before 20 December 2018

(b) Dealings in Kula Shares and Kula Options

In the four (4) month period ending on the date immediately before the date of this Target's Statement, the Kula Directors have acquired a Relevant Interest in Kula Shares as follows:

Director	Purchased under the Rights Issue	Purchased on market
David Frecker	148,065	Nil
Garry Perotti	70,000	Nil
Mark Stowell	490,324	2,416,352[1]

Notes:

1 Mr Stowell (or his Associates) purchased Kula Shares on-market as follows:

(a) 416,352 Kula Shares at $0.024 per Kula Share; and

(b) 2,000,000 Kula Shares at $0.025 per Kula Share.

8.2 Interests and dealings in Geopacific Group securities

(a) Interests in Geopacific Group securities

As at the date immediately before the date of this Target's Statement, Mark Stowell, a Non-executive Director of Kula, held an indirect interest in 600,000 Geopacific shares.

(b) Dealings in Geopacific securities

No Kula Director has acquired or disposed of a Relevant Interest in any Geopacific securities in the four (4) month period ending on the date immediately before the date of this Target's Statement.

8.3 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Kula or related body corporate of Kula.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Kula Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Kula Shares or Kula Options.

(c) Benefits from Geopacific

None of the Kula Directors have agreed to receive, or are entitled to receive, any benefit from any member of the Geopacific Group which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Kula Shares or Kula Options.

(d) Interests of directors in contracts with Geopacific

None of the Kula Directors have any interest in any contract entered into by any member of the Geopacific Group.

9. ADDITIONAL INFORMATION

9.1 Effect of the takeover on Kula's financing and material agreements

9.2 Material litigation

As far as the Kula Directors are aware, Kula is not involved in any ongoing litigation which is material in the context of Kula and its Related Bodies Corporate taken as a whole.

9.3 Kula's issued securities

As at the date of this Target's Statement, Kula's issued equity securities consisted of:

(a) 375,658,028 Kula Shares on issue; and

(b) 28,616,000 Kula Options on issue comprising of:

Unquoted Options exercisable at $0.17 on or before 8 November 2018	3,189,000
Unquoted Options exercisable at $0.017 on or before 20 December 2018	1,427,000
Unquoted Options exercisable at $0.125 on or before 18 August 2018	24,000,000

There are no other Kula Shares or other securities (including equity securities, debt securities or convertible securities) or options or performance rights or other instruments which are convertible into securities in Kula.

9.4 Substantial holders

As at the date of this Target's Statement, Kula is aware from notices filed with the ASX that the following persons have substantial holdings in Kula:

	Name of substantial holder	Number of Kula Shares held	% of total Kula Shares
1.	Pacific Road Holdings NV (and its Associates)	139,621,995	37.17
2.	Franklin Advisers, Inc.	63,247,371	16.84
3.	Geopacific Resources Ltd	56,219,886	14.97*
4.	RMB Australia Holdings Limited (and its Associates)	49,107,933	13.07

- Being part of the Franklin Advisers shares in which GPR has a Relevant Interest pursuant to the Pre-Bid Acceptance Agreement

9.5 Effect of Offer on Kula Options

The Offer extends to new Kula Shares that are issued after the Register Date and during the Offer Period as a result of the exercise of Kula Options on issue at the Register Date.

9.6 Continuous disclosure

Kula is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Kula to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Kula has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Kula Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au (ASX: KGD) or from the Kula website at www.kulagold.com.au. In addition, Kula will make copies of the following documents available for inspection at Kula's offices which are located at 20 Howard Street, Perth, Western Australia (between 9.00am and 5.00pm on Business Days):

(a) Full Year Statutory Accounts for the financial year ended 31 December 2016, lodged with ASX on 3 April 2017; and

(b) any continuous disclosure document lodged by Kula with ASX between the lodgement of its Full Year Statutory Accounts and the date of this Target's Statement.

Copies of documents lodged with ASIC in relation to Kula may be obtained from, or inspected at, an ASIC office.

9.7 Mandate Letter

By a mandate letter between CPS Capital Group Pty Ltd (**CPS Capital Group**) and Kula (**Mandate Letter**), CPS Capital Group has agreed to assist the Company as an advisor in respect of the Geopacific Offer.

CPS Capital Group will be paid a corporate fee of $10,000 on the date of execution of the Mandate Letter, $10,000 one calendar month after that date and thereafter on a monthly basis at the discretion of the Company.

Subject to Geopacific (or a competing bidder, if applicable) declaring the a takeover bid for Kula unconditional and Geopacific (or a competing bidder, if applicable) holding greater than 51% of the Kula Shares, CPS Capital Group will be paid a success fee based on the implied value of a Kula Share (being the share price of Geopacific (or a competing bidder, if applicable) based on a 30 day VWAP to the date of gaining more than 51% of the Kula Shares) multiplied by the final bid ratio (or, the cash bid price, if there is one) rounded down to the nearest cent). On this basis, the success fee (if applicable) will be in the range of $25,000 to $175,000.

9.8 Costs

The total expenses of the Company in relation to the Takeover Bid are estimated to be approximately $131,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

Item	$
Legal fees (Australia)	35,000
Independent Valuation	20,000
Independent Expert's Report	25,000
Corporate Advisory Fees[1]	30,000
Printing and distribution	12,000
Shareholder call service	4,000
Total	**126,000**

1. Assumes a 3 month term and no payment of a success fee. Refer to Section 9.7 for further details.

9.9 Consents

Steinepreis Paganin has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Australian legal advisers to Kula in the form and context in which it is named. Steinepreis Paganin has not advised on the laws of any foreign jurisdiction, and has provided no tax advice in relation to any jurisdiction. Steinepreis Paganin has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

CPS Capital Group has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Company's corporate adviser in the form and context in which it is named. CPS Capital Group has provided no tax advice in relation to any jurisdiction. CPS Capital Group has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

Stantons International has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement and for the Independent Expert's Report to accompany this Target's Statement, and for the inclusion of any statement said in this Target's Statement or the Independent Expert's Report based on a statement by Stantons International, in the form and context in which it is included.

Stantons International:

(a) has not caused or authorised the issue of this Target's Statement;

(b) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Independent Expert's Report and statements in this Target's Statement based on its Independent Expert's Report; and

(c) takes no responsibility for any part of this Target's Statement other than the Independent Expert's Report and statements in this Target's Statement based on the Independent Expert's Report and any reference to its name.

Dunbar Resource Management has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement and for the Independent Technical Specialist Report to accompany the Independent Expert's Report and this Target's Statement, and for the inclusion of any statement said in this Target's Statement or the Independent Technical Specialist Report based on a statement by Dunbar Resource Management, in the form and context in which it is included.

Dunbar Resource Management:

(a) has not caused or authorised the issue of this Target's Statement;

(b) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Independent Technical Specialist Report and statements in this Target's Statement based on its Independent Technical Specialist Report; and

(c) takes no responsibility for any part of this Target's Statement other than the Independent Technical Specialist Report and statements in this Target's Statement based on the Independent Technical Specialist Report and any reference to its name.

Each Kula Director has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to the making of statements in this Target's Statement that they intend to reject the Offer in respect of the Kula Shares held by them or on their behalf (either only in relation to the parcel of Kula Shares that they own, control or represent, or in aggregate with other parcels of Kula Shares owned, controlled or represented by other Kula Shareholders who also intend to reject, or cause to be rejected, the Offer).

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Pursuant to the Class Order, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact the Company.

9.10 Regulatory and other approval, consent or waiver requirements

Kula has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Takeover Bid, nor has Kula been granted any waivers from ASX in relation to the Takeover Bid.

9.11 No other material information

This Target's Statement is required to include all the information that Kula Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

(a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

(b) only if the information is known to any director of Kula.

The Kula Directors are of the opinion that the information that Kula Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

(a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);

(b) the information contained in Kula's releases to the ASX, and in the documents lodged by Kula with ASIC before the date of this Target's Statement; and

(c) the information contained in this Target's Statement.

The Kula Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Kula Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Kula Directors have had regard to:

(a) the nature of the Kula Shares;

(b) the matters that shareholders may reasonably be expected to know;

(c) the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and

(d) the time available to Kula to prepare this Target's Statement.

10. GLOSSARY AND INTERPRETATION

10.1 Glossary

Where the following terms are used in this Target's Statement they have the following meanings:

$ or **Dollar** means Australian dollars.

AASB means Australian Accounting Standards Board.

Announcement Date means 5 April 2017, being the day on which the Offer was announced by Geopacific with the ASX.

ASIC means Australian Securities & Investments Commission.

Associate has the meaning given to that term in sections 10 to 17 of the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

Bid Period has the meaning given to that term in the Corporations Act.

Bidder's Statement means the statement under Part 6.5 of Division 2 of the Corporations Act issued by Geopacific in relation to the Offer, as supplemented.

Business Day means a day that is not a Saturday, Sunday or public holiday or bank holiday in Brisbane, Queensland, or Perth, Western Australia.

CGT means capital gains tax.

Combined Group means Geopacific and its subsidiaries following the acquisition by Geopacific of all, or a portion of, Kula Shares on issue.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Dunbar Resource Management means Jewell Dunbar Pty Ltd (ACN 603 598 741), trading as Dunbar Resource Management.

Entitlement Offer means the pro-rata, non-renounceable entitlement offer of Kula Shares, announced by the Company on 16 March 2017, on the basis of one (1) new Kula Share for every four (4) Kula Shares held by eligible Kula Shareholders on 21 March 2017 at an issue price of $0.015 per new Kula Share.

Farm-in Agreement means the farm-in agreement between Kula, Geopacific and WML dated 30 January 2017, as summarised in section 14.3 of the Bidder's Statement.

GST means Australian goods and services tax.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Independent Expert means Stantons International.

Independent Expert's Report means the report prepared by the Independent Expert attached as Annexure A.

Independent Technical Specialist Report means the report of Dunbar Resource Management attached to the Independent Expert's Report.

Kula, KGD or **Company** means Kula Gold Limited (ACN 008 894 442).

Kula Board or **Board** means the board of directors of Kula.

Kula Director or **Director** means a director of Kula.

Kula Option means an option to acquire a Kula Share.

Kula Share means a fully paid ordinary share in the capital of Kula.

Kula Shareholder means a person who is recorded in Kula's register of members as the holder of one or more Kula Shares.

Geopacific, GPR or **Bidder** means Geopacific Resources Ltd (ABN 57 003 393).

Geopacific Group means Geopacific and its Related Bodies Corporate.

Geopacific Shares or **GPR Shares** means fully paid ordinary shares in the issued capital of Geopacific.

Notice of Status of Conditions means Geopacific's notice disclosing the status of the conditions to the Offer which is required to be given by Section 630(3) of the Corporations Act.

Offer or **Geopacific Offer** or **GPR Offer** means the offer to acquire Kula Shares made by Geopacific in connection with the Takeover Bid.

Offer Conditions means the conditions to the Offer summarised in section 6.2 of this Target's Statement.

Offer Period means the period during which the Offer is open for acceptance.

PNG means Papua New Guinea.

Pre-Bid Acceptance Agreement means the agreements between Geopacific and the Kula Shareholders who have agreed to accept the Offer subject to certain conditions as set out in section 8.4 of the Bidder's Statement.

Project Means the Woodlark Island Gold Project owned by Woodlark Mining Limited.

Register Date means 2 May 2017.

Related Bodies Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given in Section 608 and Section 609 of the Corporations Act.

Shareholders Agreement means the joint venture agreement between Kula, Geopacific and WML dated 30 January 2017, as summarised in section 14.4 of the Bidder's Statement.

Stantons International means Stantons International Securities Pty Ltd.

Subsidiary means a subsidiary within the meaning given to that term in Section 9 of the Corporations Act.

Takeover Bid means the off-market takeover bid made by Geopacific for all of the Kula Shares that Geopacific does not currently own or control.

Target's Statement means this document (including the attachments and annexure), being the statement under Part 6.5 Division 3 of the Corporations Act issued by Kula in relation to the Offer.

Trading Day means a day designated as a trading day by ASX or any other prescribed financial market on which Geopacific Shares are quoted.

Voting Power has the meaning given in section 9 of the Corporations Act.

VWAP means the volume weighted average price as defined in Chapter 19 of the ASX Listing Rules.

Woodlark or **WML** means Woodlark Mining Limited, a PNG incorporated subsidiary of Kula Gold Limited.

Woodlark Agreements has the meaning set out in section 5.11(b).

WST means Australian Western Standard Time.

10.2 Interpretation

In this Target's Statement:

(a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;

(b) words of any gender include all genders;

(c) words indicating the singular include the plural and vice versa.

(d) an expression indicating a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(e) a reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant;

(f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

(g) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement; and

(h) a reference to time is a reference to WST unless otherwise indicated.

11. AUTHORISATION

This Target's Statement has been approved by a unanimous resolution passed by the Directors of Kula.

Signed for and on behalf of Kula Gold Limited

Garry Perotti
Director

Stantons International Securities

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9 June 2017

The Directors
Kula Gold Limited
20 Howard Street
PERTH WA 6000

Dear Sirs

RE: KULA GOLD LIMITED ("KULA" OR "THE COMPANY") (ABN 83 126 741 259) - INDEPENDENT EXPERT'S REPORT RELATING TO THE TAKEOVER OFFER TO THE SHAREHOLDERS OF THE COMPANY BY GEOPACIFIC RESOURCES LIMITED ("GPR" OR "GEOPACIFIC")

<u>Summary of Opinion</u>

After taking into account all of the factors noted in this report and in the absence of a more superior Takeover Offer, we are of the opinion that on an adjusted net asset value basis of valuing the Kula shares and using the recent share prices of a GPR share as traded on the ASX, the proposed Takeover Offer by GPR to the Kula shareholders not associated with GPR is <u>not fair and not reasonable</u> to the shareholders of Kula as at the date of this report.

1. INTRODUCTION

1.1 We have been requested by the Directors of Kula to prepare an Independent Expert's Report in accordance with Section 640 of the Corporations Act 2001 ("TCA") to determine whether the proposed off market bid under Part 6.5 of TCA for all the shares in Kula ("Takeover Offer") is fair and reasonable to the ordinary shareholders of Kula not associated with GPR.

A GPR Bidders Statement was lodged with ASIC and ASX on 1 May 2017 and served on the Company on 1 May 2017. A Replacement Bidders Statement was lodged with ASIC on 19 May 2017 and on the Company on 19 May 2017 after a review of the original Bidders Statement by ASIC and the Company. All shareholders of Kula should read the Replacement Bidder's Statement of GPR and the Target's Statement prepared by Kula to fully understand the terms, conditions and implications of the Takeover Offer.

1.2 Under the Takeover Offer, Kula ordinary shareholders will be entitled to receive <u>one (1) GPR share for every 1.4723 Kula ordinary shares held</u>. GPR currently owns no shares in Kula but GPR has entered into an agreement with Franklin Advisers Inc. ("Franklin") an approximate 16.84% shareholder in Kula whereby Franklin has agreed to sell at least 56,219,886 of its shares in Kula to GPR under the Takeover Offer (and may well end up selling all of its shares in Kula to GPR).

1.3 The Directors of Kula are required to issue a Target's Statement in response to the Replacement Bidder's Statement, which will include their recommendation as to whether the Kula shareholders not associated with GPR should accept the Takeover Offer.

1.4 GPR is a publicly listed company on the Australian Securities Exchange ("ASX"). GPR's focus is mineral exploration in PNG in that it is earning an up to 75% interest in the Woodlark Gold Project in PNG (assumes 5% will be owned by the PNG Government) that is now 95% owned by Kula and 5% by GPR. Further information regarding GPR and its interest in mineral assets can be found in section 5.1 of this report. We have not independently verified the information on GPR.

1.5 Further information regarding Kula can be found in the Bidders Statement at "Section 7 - "Information of Kula and the Kula Group", Section 7 of the Target Statement – "Information on Kula" and the Company's website at www.kulagold.com.au. Information on the Woodlark Gold Project is also noted in Section 4 of the Replacement Bidders Statement, Section 7 of the Target Statement and the valuation report of Dunbar Resource Management attached as Appendix B to this report.

1.6 In assessing the Takeover Offer for Kula, we have had regard to relevant Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111: Content of Expert Reports ("RG 111"). RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect the Takeover Offer.

1.7 An offer (in this case the Takeover Offer made by GPR through the Takeover Offer for all of the shares in Kula) is fair if the value of the offer price or consideration is equal to or more than the value of the securities the subject of the Takeover Offer (for the ordinary shares in Kula). An offer is reasonable if it is fair. In this situation, we are reporting on the proposals to the ordinary shareholders of Kula as to whether the proposed Takeover Offer is fair and reasonable to the ordinary shareholders not associated with GPR. Also refer paragraph 2.1 below.

1.8 The Directors of Kula have requested Stantons International Securities Pty Ltd trading as Stantons International Securities ("SIS") to prepare an Independent Expert's Report providing an opinion on whether the Takeover Offer to the Kula shareholders by GPR is fair and reasonable to Kula shareholders not associated with GPR. The report should not be used for any other purpose. Our independent expert's report will be included in the Target's Statement to be issued to the shareholders of Kula on or about 9 June 2017.

1.9 Apart from this introduction, this report includes the following:

- Summary of opinion
- Implications of the proposed Takeover Offer by GPR
- Profile of Kula
- Profile of GPR
- Methodology
- Valuation of Kula and GPR shares
- Value and Fairness of Consideration Compared to Value of Assets Acquired
- Notionally Combined Equity
- Reasonableness of the Takeover Offer to Kula shareholders
- Conclusion as to Fairness and Reasonableness of the Takeover Offer
- Shareholders Decision
- Sources of information
- Appendices A and B (the Independent Valuation Report of Dunbar Resource Management as noted below) and our Financial Services Guide.

2. SUMMARY OPINION

2.1 In determining the fairness and reasonableness of the Takeover Offer relating to the Kula shareholders we have had regard to the guidelines set out by ASIC in its Regulatory Guide 111. RG 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). An offer is "fair" if the value of the consideration offered is equal to or greater than the value of the securities that are subject to the offer and an offer is "reasonable" if it is "fair", or where it is not fair, it may still be "reasonable" after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

Our report relating to the Takeover Offer by GPR regarding Kula shareholders is concerned with the fairness and reasonableness of the Takeover Offer. The advantages, disadvantages and other factors determined to arrive at our opinions are outlined in detail under Section 11 of this report.

2.2 **After taking into account all of the factors noted in this report and in the absence of a more superior Takeover Offer, we are of the opinion that on an adjusted net asset value basis of valuing the Kula shares and using the recent share prices of a GPR share as traded on the ASX, the proposed Takeover Offer by GPR to the Kula shareholders not associated with GPR is <u>not fair and not reasonable</u> to the shareholders of Kula as at the date of this report.**

SIS's opinion should not be construed to represent a recommendation as to whether or not Kula shareholders should accept the Takeover Offer by GPR. Shareholders uncertain as to the impact of accepting the Takeover Offer should seek separate advice from their financial and/or taxation adviser.

2.3 The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the Independent Valuation Report prepared by Dunbar Resource Management ("Dunbar Valuation Report") dated 31 May 2017 (Appendix B to this report).

3. IMPLICATIONS OF THE PROPOSED TAKEOVER OFFER BY GPR

3.1 As at 21 April 2017, there were 333,918,247 ordinary shares on issue in Kula. In March 2017, Kula announced a 1 for 8 partially underwritten rights issue at 1.5 cents to raise up to a gross $626,097 and if fully subscribed, a further 41,739,871 shares would be issued (36,319,294 to existing shareholders and 5,420,487 shares placed by the underwriters, CPS Capital Group Pty Ltd. These rights issue shares (41,739,781 in total) were issued on 24 April 2017, so at that as at that date and as at the date of this report, there are 375,658,028 ordinary shares on issue in Kula.

3.2 As at 24 April 2017, the top seven fully paid shareholders of Kula as disclosed in the top 20 shareholder report are as follows:

	No. of fully paid shares	**% of issued fully paid shares**
Pacific Road Capital Management G.P. Limited	65,608,866	17.47
HSBC Custody Nominees (Australia) Limited	57,488,527	15.30
Pacific Road Holdings S.A.R.L	43,574,379	11.60
RMB Australia Holdings Limited	28,125,000	7.49
RMB Resources Limited	20,982,933	5.59
Pacific Road Capital B Pty Ltd	15,218,725	4.05
Pacific Road Capital A Pty Ltd	15,218,725	4.05
	246,217,155	65.55

The top 20 shareholders at 21 April 2017 owned approximately 77.30% of the ordinary issued capital of the Company.

The Pacific Road Group own a total of 139,621,695 shares representing an approximate 37.17% shareholding interest in Kula as at 24 April 2017.

The Franklin Templeton Group (noted above as Franklin) have a beneficial interest in a total of 63,247,371shares representing an approximate 16.84% shareholding interest in Kula as at 24 April 2017 and the RMB Group Group own a total of 49,107,933 shares representing an approximate 13.07% shareholding interest in Kula as at 24 April 2017.

Such three shareholder groups as at that date control approximately 67.08% of the shares on issue as at 24 April 2017. Such groups are unrelated to each other.

As noted above, GPR currently owns no shares in Kula but GPR has entered into an agreement with Franklin an approximate 16.84% shareholder in Kula whereby Franklin has agreed to sell at least 56,219,886 of its shares in Kula to GPR under the Takeover Offer (and may well end up selling all of its shares in Kula to GPR).

Details on the Directors' interests in Kula are outlined in the Target's Statement under the heading of Section 8- "Information Relating to The Kula Directors".

3.3 According to the Bidder's Statement, GPR is an Australian public listed company. **The effect of the Takeover Offer by GPR for Kula, if fully successful, is that Kula would become a wholly owned subsidiary of GPR.**

The collective ordinary former shareholders of Kula would own approximately 18.084% of the expanded issued capital of GPR post the completion of the Takeover Offer (assumes 100% Takeover of Kula's ordinary shares on issue as at 8 June 2017 and assumes GPR will not issue any further shares to other parties prior to the acquisition of all of the shares in Kula).

4. PROFILE OF KULA - BACKGROUND

4.1 Principal Activities

Kula is listed on the ASX. Its focus is mineral exploration in PNG. The Kula Group's main significant area of interest is the Woodlark Gold Project in PNG. Further details on this and other projects of Kula are outlined in the Dunbar Valuation Report attached as Appendix B to this report.

In July 2016, Kula announced to the market a Project Earn-In and Joint Venture Binding Term Sheet (dated 6 July 2016) ("PEI") with GPR whereby GPR has the option to fund up to $18,500,000 over 4.5 years to earn a 75% corporate interest in the Woodlark Gold Project (it would own up to 75% shareholding interest in Woodlark Mining Limited ("WML"), a subsidiary of Kula).

GPR is targeting an increase in the Woodlark Gold Ore Reserves to be greater than 1,200,000 ounces of gold. In July 2016, the JORC Resources were announced at 2.1 million ounces of gold and a JORC Ore Reserve of 766,000 ounces of gold, following the completion of a successful Feasibility Study in 2012.

The PEI was replaced by a formal farm-in agreement between Kula, GPR and WML ("Farm-In Agreement") on 25 January 2017.

The PEI and subsequently the Farm-In Agreement is structured in three main tranches.

Tranche 1 – GPR will spend up to $650,000 in under six months to complete due diligence and establish the optimal work programme required to deliver the incentive target of an aggregate Ore Reserve for the Woodlark Gold Project of 1.2 million ounces of gold. For completing this work and committing to Tranche 2, GPR will earn a 5% interest in WML (Kula will hold 95% including 5% for the PNG Government). Before 31 December 2016, GPR earned its 5% interest in WML and this is acknowledged in the Farm-In Agreement).

Tranche 2 (Second Farm-In Period)

- GPR will spend up to $8,000,000 in 24 months undertaking to work programme developed in Tranche 1. If GPR spends the full $8,000,000 within the 24-month period without achieving the incentive target of 1.2 million ounces of gold reserves for the Woodlark Gold Project, it will earn an additional 35% interest in WML giving it a total of 40% (Kula will hold 60% including 5% for the PNG Government); and

- GPR agrees to focus its expenditure on "on-island and study costs" (not corporate costs) and include at least 15,000 metres of diamond drilling;

  or alternatively

- If GPR achieves the incentive target of 1.2 million ounces of gold reserves for the Woodlark Gold Project within the allocated spend and time frame, it will earn an additional 46% interest in WML giving it a total of 51% (Kula will hold 49% including 5% for the PNG Government)

Tranche 3 (on electing to proceed from Tranche 2) (Third Farm-In Period)

- GPR will spend up to $10,000,000 undertaking to work programme developed in Tranche 1 which it aims to do within 24 months of proceeding to Tranche 3 (but GPR will endeavour to do so within 12 months). If GPR spends the full $10,000,000 spend within the period without achieving the incentive target of 1.2 million ounces of gold reserves for the Woodlark Gold Project and without achieving "bankable" status for the Woodlark Gold Project, it will earn an additional 20% interest in WML giving it a total of 60% (Kula will hold 40% including 5% for the PNG Government); <u>or alternatively</u>

- If GPR achieves the incentive target of 1.2 million ounces of gold reserves for the Woodlark Gold Project and achieves "bankable status for the Woodlark Gold Project within the allocated spend, it will earn an additional 15% interest in WML giving it a total of 75% (Kula will hold 25% including 5% for the PNG Government).

Bankable status has been defined as meaning that economic, engineering, and geotechnical inputs to the Woodlark Gold Project have been completed to a degree sufficient so that the Woodlark Gold Project van secure the required development capital and achieve financial close.

Once the bankable status is achieved, Kula has the right to raise its share of the development finance proportionate to its interest in WML. Should Kula be unable to, or elect not to, raise its share of development finance, then GPR will have the right to arrange Kula's share of the development finance and thereby earn an additional 5% interest in WML, takings its interest to 75%.

Under the Mining Lease (ML508) granted by the PNG Government over the Woodlark Gold Project, WML is required to complete construction by 4 July 2017 and this will not be met. The PNG Government needs to take active steps to cancel the ML and if this occurs, the ML may need to fall back to an Exploration Licence. Negotiations are taking place to extend the date that WML completes construction to maintain the ML in good standing.

The agreements with GPR are by way of the Farm-In Agreement, Shareholders Agreement and a GPR Loan Agreement. The funding as noted above is by way of loans made by GPR to WML. To 5 October 2016, GPR had lent WML the sum of $141,134.

Under the GPR Loan Agreement, GPR agrees to make available;

- over the Second Farm-In Period a $8,000,000 (which amount will include any loan advanced by GPR to WML on and from 6 October 2016) or such other amount as may be required for GPR to earn the alternative Second Farm-In Interest; and

- from time to time over the course of the Third Farm-In Period, a loan facility of $10,000,000 or such other amount as may be required for GPR to earn the alternative Third Farm-In Interest.

The draw-downs are to be in accordance with funding requirements under an agreed Development Plan and the relevant monthly reports. Interest shall be charged at a rate to be agreed between the parties. As at 6 June 2017, no agreement has yet been reached on what rate of interest will be charged.

The GPR Loan will be repaid out of revenues from gold production of WML in accordance with the distribution waterfall as set out in Clause 7.13 of the Shareholders Agreement, provided that the GPR loan shall be fully and finally repaid on the earlier of:

(a) the sale of the Woodlark Gold Project by WML; and

(b) the date that is 25 years following the date of the Shareholders Agreement.

The GPR Loan shall be unsecured provided that:

(a) the Shareholders shall be considered first ranking unsecured creditors of WML to the extent of the Shareholder loans;

(b) all Shareholder Loans shall rank equally in all respects; and

(c) any loans to WML from banks or other providers of project finance to fund Mine Development shall rank in priority to the Shareholder Loans in all respects.

If GPR fails to meet the requirements under the Tranche 2 within the Second Farm-In Period, then:

(a) it shall be deemed to have forfeited all of its rights to earn any Second Farm-In Interest or Alternative Second Farm-In Interest;

(b) any loan amounts from GPR to WML given in respect of the Second Farm-In Expenditure will be immediately assigned to Kula (as lender);

(c) all Mining Information held or developed by GPR shall be transferred, and be the property of WML;

(d) Kula shall have the right, exercisable by notice in writing to GPR at any time during the period ending 30 days following;

(i) the Withdrawal Effective Date (as defined) (if a Withdrawal Notice is issued during the Second Farm-In Period);

(ii) or the end of the Second Farm-In Period.

the "First Farm-In Buy Back Period" to acquire the whole of GPR's Shareholder Interest by paying GPR $70,567 (being a sum equal to 50% of the amount advanced by GPR in earning the First Farm-In Interest).

If GPR fails to meet the requirements under the Tranche 3 within the Third Farm-In Period, then:

(e) it shall be deemed to have forfeited all of its rights to earn any Third Farm-In Interest or Alternative Third Farm-In Interest;

(f) any loan amounts from GPR to WML given in respect of the Third Farm-In Expenditure will be immediately assigned to Kula (as lender);

(g) all Mining Information held or developed by GPR shall be transferred, and be the property of WML;

(h) Kula shall have the right, exercisable by notice in writing to GPR at any time during the period ending 30 days following;

(iii) the Withdrawal Effective Date (as defined) (if a Withdrawal Notice is issued during the Third Farm-In Period);

(iv) or the end of the Second Farm-In Period.

the "Second Farm-In Buy Back Period" to acquire the whole of GPR's Shareholder Interest by paying GPR $70,567 (being a sum equal to 50% of the amount advanced by GPR in earning the First Farm-In Interest); and the amount expended by GPR in earning the Second Farm-In Interest (as applicable, and which shall be capped at $8,000,000).

The PNG Government has elected to take a 5% equity in WML (and in effect a 5% equity in the Woodlark Gold Project) and has agreed to pay for its equity. The purchase price for it will be 5% of the accumulated exploration expenditure on ML508 and the EL from which it was derived up and until the date of assignment of the PNG Equity and this consideration will be payable to Kula.

4.2 Share Options

Kula has the following share options outstanding as at 8 June 2017:

- 3,189,000 unlisted share options exercisable at 17 cents each on or before 8 November 2018;

- 1,427,000 unlisted share options exercisable at 17 cents each on or before 20 December 2018; and
- 24,000,000 unlisted share options exercisable at 12.5 cents each on or before 18 August 2018.

No Offer is to be made by GPR to the Kula share option holders. However, existing option holders may, if they wish, exercise their share options within the Offer period and accept the Takeover Offer. As all share options are materially “out of the money”, it is highly unlikely that this will occur.

4.3 Directors and Company Secretary of Kula

The directors of Kula are David Frecker (Chairman), Garry Perotti (executive director and Company Secretary and Mark Stowell (non-executive director).

4.4 State of Affairs

There were no significant changes in the state of affairs of the Company during the year ended 31 December 2016 other than the completion of the 1 for 8 rights issue that raised a gross $626,097 and incurred rights issue raising costs of around $90,066. During this period and to 8 June 2017, the Company made the following more significant announcements:

- Various quarterly reports to 31 December 2015, 31 March 2016, 30 June 2016, 30 September 2016, 31 December 2017 and 31 March 2017 and released its annual report for the year ended 31 December 2016 and half year financials to 30 June 2016;
- A Memorandum of Understanding with Misima Gold Project in February 2016;
- A Share Purchase Plan offer in March 2016;
- Update on the Woodlark Gold Project in March 2016,
- Earn-in Agreement with GPR in relation to the Woodlark Gold Project in July 2016;
- Update on the Woodlark Gold Project in July 2016 and August 2016 (including a proposed development plan);
- Update on the Woodlark Gold Project in December 2016;
- Update on the Woodlark Gold Project in the months of January 2017 to March 2017;
- Renounceable Right Issue (refer above) and updates thereof in March and April 2017;
- Lodgement of Statutory Financial Accounts for the year ended 31 December 2016 on 3 April 2017;
- Announcement of the unsolicited Takeover Offer for all of the shares in Kula by GPR on 5 April 2017;
- Announcement on 10 May 2017 on drilling results on the Woodlark Gold Project with positive assay results;
- The Bidders Statement of 1 May 2017 and the Replacement Bidders Statement of 19 May 2017; and
- Announcement on 31 May 2017 on the progress of the Woodlark Gold Project.

Details of all announcements made by Kula are available from Kula’s website www.kula.com.au.

4.5 Change in Consolidated Net Worth

During the year ended 31 December 2016, the shareholders’ equity decreased by approximately $6.216 million to a balance totalling approximately $35.844 million primarily due to the loss after tax of approximately $6.562 million.

In April 2017, the Company raised a gross $626,097 from the 1 for 8 rights issue and incurred rights issue costs of around $90,066. It is estimated that cash costs of approximately $438,000 (excluding the Rights Issue costs) will be incurred by the Kula Group for the six months ended 30 June 2017 (based on cash expended to 31 March 2017 and estimated to be spent for the 3 months ended 30 June 2017). These costs include costs in relation to the Target Statement estimated at $100,000.

4.6 Financial Position

Set out below is a condensed unaudited statement of financial position of the Kula Group as at 31 December 2016 adjusted for the completion of the rights issue to raise a net $536,031, allowing for estimated exploration and administration/corporate costs to 30 June 2017 of $438,000 and allowing for depreciation to 30 June 2017 of approximately $68,000.

	Kula Unaudited Adjusted 31 December 2016 $000's
Current Assets	
Cash	499
Receivables	104
Inventories	383
	986
Non-Current Assets	
Fixed assets	743
Capitalised acquisition (mineral) costs	34,515
	35,258
Total Assets	36,244
Current Liabilities	
Trade and other payables	185
Total Current Liabilities	185
Non-current liabilities	
Provisions rehabilitation	185
Total non-current liabilities	185
Total liabilities	370
Net Assets	35,874
Equity	
Issued capital	151,562
Reserves	11,343
Accumulated losses	(128,488)
Equity attributable to equity holders of the parent	34,417
Non-controlling interest	1,457
Net Equity	35,874

The unaudited adjusted book net tangible asset backing as at 31 December 2016 (attributable to equity holders of Kula) equates to approximately 9.161 cents per share based on 375,658,028 ordinary shares on issue.

4.7 Financial Performance

The summarised consolidated statements of comprehensive income of Kula for the years ended 31 December 2015 and 31 December 2016 (audited figures) are set out in the table below.

	Audited Year ended 31 December 2016 $000	Audited Year ended 31 December 2015 $000
Interest Income	10	33
Sales revenue	-	-
Revenue from continuing operations	10	33
Other income	-	-
Total revenue	10	33

	Audited Year ended 31 December 2016 $000	Audited Year ended 31 December 2015 $000
Employee benefit expenses	(360)	(658)
Professional and consulting fees	(192)	(237)
Occupancy expenses	(17)	(190)
Insurance expense	(37)	(53)
Impairment of exploration and evaluation expenditure	(5,799)	(29,160)
Other expenses	(182)	(196)
Foreign exchange gain	15	1
(Loss) before income tax	(6,562)	(27,490)
Income tax expense benefit	-	-
(Loss) after income tax	(6,562)	(27,490)
Other comprehensive income- Exchange differences on translation of foreign operations	(1,943)	(2,102)
Total comprehensive income/ (loss)	(8,505)	(29,592)
Loss after tax Attributable to:		
Equity Holders of the parent	(6,562)	(27,490)
Non-controlling interest	-	-
	(6,562)	(27,490)
Total comprehensive loss for the period		
Loss after tax Attributable to:		
Equity Holders of the parent	(8,572)	(29,952)
Non-controlling interest	67	-
	(8,505)	(29,952)

In assessing Kula's financial position, Kula's projects and the various stages of exploration and evaluation, Kula is unlikely to be in a position to pay dividends on the ordinary shares in the near future. The Company will assess whether dividends may be paid in the future if the Woodlark Gold Project enters into production (proposed but not guaranteed) and cash flows are positive.

5. PROFILE OF GPR - BACKGROUND

5.1 GPR is listed on the ASX. GPR's focus is mineral exploration in PNG. The GPR Group's more significant areas of interest are:

- Woodlark Gold Project in PNG: GPR has a 5% interest and may earn up to an 75% interest in total. Currently, GPR is required to spend $8,000,000 of expenditure and complete 15,000 metres of diamond drilling on the Woodlark Gold Project to earn a further 35% interest giving it 40% in total. This will increase to 51% if GPR achieves the Reserve Target of 1,200,000 ounces of gold. Thereafter, GPR can earn a further interest by completing a Bankable Feasibility Study ("BFS") and expending a further $10,000,000, giving it 75% interest in total (if it has also achieved the Reserve Target). GPR are the current operators of the Woodlark Gold Project (the main area of interest of both GPR and Kula) (refer further details below);

- Kou Sa Gold/Copper Project in Cambodia (explored since 2013). The GPR Group is required to make one final payment of US$1,575,000 on completion of a BFS in relation to the Kou Sa Gold/Copper Project., along with a 2% production royalty capped at US$8,425,000. In addition, the GPR Group is committed to spend US$474,000 in aggregate in the 2017 and 2018 calendar years on the Kou Sa Gold/Copper Project in Cambodia subject to pending licence renewals;

- Fijian Gold Projects - 5 in total – the RakiRaki Project that includes the Qalau and Tabuka tenements (50% with Peninsular Minerals Limited), the Nabila Gold Project (includes the Kavukavu tenements) (current renewal application is being processed), the Sabeto Gold Project, the Vudu Gold Prospect current renewal application is being processed) and the Cakaudrove Gold Project. (current renewal application is being processed) and the Kavukavu Gold Project.

5.2 The directors of GPR are Milan Jerkovic (non-executive chairman), Ron Heeks (Managing Director). Mark Bojanjac (non-executive director) Ian Barton Clyne (non-executive chairman) and Philippa Leggat (executive director). The Company Secretary and CFO is Matthew Nigel Smith.

5.3 As at 8 June 2017, there are 1,155,743,584 ordinary shares on issue in GPR (of which all shares are quoted on ASX) with approximately 827 shareholders as at 13 March 2017 (last available public information).

5.4 As at 13 March 2017, the top seven fully paid shareholders of GPR are believed to be:

	No. of shares	% interest in shares
Merrill Lynch (Australia) Limited	398,455,620	34.48
Ndovu Capital IV BV	314,039,174	27.17
J P Morgan Nominees Australia	35,174,907	3.04
Home Ideas Show Pty Ltd	29,581,907	2.56
Orion Mine Finance Fund II LP	29,069,768	2.52
Washington H Soul Pattinson Limited	27,945,098	2.42
HSBC Custody Nominees	10,929,897	1.72
	825,126,123	73.91

The top 20 shareholders at 13 March 2017 owned approximately 82.13% of the ordinary issued capital of GPR. The shareholding of Merrill Lynch (Australia) Limited as at 28 April 2017 includes shares held on behalf of the Resource Capital Group (366,255,220 shares as at 28 April 2017 or approximately 31.69% of the issued capital of GPR). Ndovu Capital is part of the Tembo Capital Group of the Netherlands.

5.5 The following unlisted share options issued are outstanding as at 8 June 2017:

- 1,688,768 share options outstanding in GPR, exercisable at 7.425 cents each, on or before 5 August 2017;
- 800,000 share options exercisable at $2.50 each no later than 5 years after the defining on Faddy's Gold Deposit of a JORC compliant Ore Reserve of over 200,000 ounces of contained gold; and
- 200,000 share options exercisable at $5.00 each no later than 10 years after the defining on Faddy's Gold Deposit of a JORC compliant Ore Reserve of over 1,000,000 ounces of contained gold.

5.6 Based on the 2016 Annual Report of GPR, GPR has an interest in the following subsidiaries:

- Worldwide Mining Projects Pty Ltd (incorporated in Australia) – 100%;
- Eastkal Pte Ltd (incorporated in Singapore) – 100%;
- PT IAR Indonesia Ltd (incorporated in Indonesia);
- Beta Limited (incorporated in Fiji) -100%;
- Royal Australia Resources Ltd (incorporated in Cambodia) – 85%. Petrochemicals (Cambodia) Refinery Ltd ("PCF") owns the remaining 15% and is free carried until a Decision to Mine on the Ku Sa Gold/Copper Project area is made. Following a Decision to Mine, PCF will be granted an option to purchase further shares in Royal Australia Resources Ltd a fair market value to increase its percentage shareholding to 20% and contribute to all costs, expenses and liabilities incurred or sustained in proportion to its shareholding interest in Royal Australia Resources Ltd;
- Geopacific Limited (incorporated in Fiji) and
- Millennium Mining (Fiji) Limited (incorporated in Fiji – 100%.

Further details on the GPR Group and its interest in mineral assets are outlined in Section 5 of the Replacement Bidders Statement ("Profile of Geopacific and the Geopacific Group").

5.7 Financial Performance

The summarised consolidated statements of comprehensive income of GPR for the years ended 31 December 2015 and 31 December 2016 (audited figures) are set out in the table below.

	Audited Year ended 31 December 2016 $000	Audited Year ended 31 December 2015 $000
Interest Income	51	20
Sales revenue	-	-
Revenue from continuing operations		
Other income	-	31
Total revenue	51	51
Employee benefit expenses	(654)	(1,036)
Professional and consulting fees	(937)	(650)
Occupancy expenses	(162)	(141)
Depreciation expense	(61)	(106)
Impairment of exploration and evaluation expenditure	-	-
Administration expenses	(163)	(119)
Foreign exchange gain	-	-
(Loss) before income tax	(1,926)	(2,001)
Income tax expense benefit	(2,219)	-
(Loss) after income tax	(4,145)	(2,001)
Other comprehensive income-Exchange differences on translation of foreign operations	195	643
Total comprehensive income/ (loss)	(3,950)	(1,358)
Loss after tax		
Attributable to:		
Equity Holders of the parent		
Non-controlling interest	-	-
	(4,145)	(2,001)
Total comprehensive loss for the period		
Loss after tax		
Attributable to:		
Equity Holders of the parent	(3,950)	(2,001)
Non-controlling interest	-	-
	(3,950)	(2,001)

5.8 Refer Section 8.2 below for a summarised statement of financial position of the GPR Group as at 31 December 2015.

6. VALUATION METHODOLOGY

6.1 Criteria for assessment of fairness and reasonableness

In forming our opinion as to whether the Kula Takeover Offer by GPR is in the best interest of the shareholders of Kula, we have considered the following definitions of "fair" and "reasonable" outlined in RG 111 issued by the Australian Securities and Investments Commission.

- an offer is “fair” if the value of the offer price or consideration being offered is equal to or greater than the value of the securities that are the subject of the offer; and

- an offer is “reasonable” if it is fair, or where it is “not fair”, it may still be “reasonable” after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

6.2 Under these definitions, the Takeover Offer for all of the ordinary shares in Kula would be considered fair and reasonable to the shareholders of Kula and in the best interests of all such shareholders if the share consideration under the Takeover Offer is an amount that is equal to, or greater than, the assessed value of the ordinary shares in Kula being acquired via the Takeover Offer.

6.3 Valuation Methodology – Kula

In assessing the value of Kula, we have considered a range of valuation methods. RG 111 states that it is appropriate for an independent expert to consider various methods of valuation. The valuation methodologies we have considered in determining a theoretical value of a Kula share are noted below.

6.3.1 Capitalisation of Future Maintainable Earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives. The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

6.3.2 Discounted Future Cash Flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

6.3.3 Net Tangible Asset Value on a Going Concern Basis

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimate the market values of the net assets of an entity, but do not take into account any realisation costs. Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset-based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

6.3.4 Quoted Market Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

6.3.5 Alternative Takeover Offer

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable and to make adjustments accordingly.

7. VALUATION OF KULA SHARES

7.1 Valuation Method Adopted for Kula

The preferred valuation method used to value the shares of Kula is the net asset value method although consideration has also been given to the share price at which Kula shares have transacted in the one - month and three-month period before the announcement of the Takeover Offer. In order to determine the net asset value of Kula, we have instructed an independent technical expert, Paul Dunbar of Dunbar Resource Management specialising in the valuation of mineral assets to provide a range of values for the Kula Group’s mineral assets (“the Dunbar Valuation Report”). The Dunbar Valuation Report dated 31 May 2017 is appended to this report as Appendix B.

The valuation of a target should be based upon a 100% interest in that target which should include a premium for control.

We have not considered the FME and DCF methods as appropriate to value all of the shares of Kula due to the lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity. The Woodlark Gold Project may enter production some time over the next few years but this cannot be assured or guaranteed. However, Dunbar Resource Management has considered potential cash flows in valuing the Woodlark Gold Project (based on existing JORC 2012 Ore Reserves).

It is possible that a potential bidder for Kula could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no other current bids in the market place (other than the bid by GPR), thus the use of this valuation method is not relevant for the purposes of this report. There is always the possibility of another bid emerging however to 8 June 2017 no other Takeover Offer has been made.

We set out in section 7.3 a summary of the fully paid share prices of Kula trading on ASX (on relatively low volumes) since August 2016.

7.2 Adjusted Net Asset Value of Kula Shares

We set out below the Kula Group’s adjusted unaudited net assets as at 31 December 2016 based on Kula being a going concern. The low, preferred and high valuation figures have been adjusted for the technical valuations of the mineral tenement interests of the Kula Group and estimated income and expenditures from 1 January 2017 to 30 June 2017, as noted below. We have disclosed a low, high and preferred valuation (refer below) assuming

- Kula has a 90% interest in the Woodlark Gold Project (this is correct at the date of this report on the basis that the PNG Government will take up and pay for its 5% interest); and
- Kula has a 40% interest in the Woodlark Gold Project that assumes:
    - GPR expends the sum of at least $8,000,000 and has undertaken the minimum diamond drilling obligation of 15,000 metres.
    - GPR has not yet upgraded gold reserves to 1,200,000 ounces.

The 40% interest has not yet been earned at the date of this report and GPR may well have to raise additional equity (cash) to meet its $8,000,000 and 15,000 diamond drilling obligations to earn a 40% interest in the Woodlark Gold Project. If new equity is raised by GPR over the next 3 to 4 months, the percentage interest of the Kula Shareholders in GPR (if the Take Over Offer was 100% successful may well be diluted from the estimated 18.04% (refer paragraphs 9.4 and 9.5 below).

As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We have been advised that Kula has not been involved in any significant (material) transactions subsequent to 31 December 2016 not already referred to in this report or the Target's Statement.

Assuming Kula has a 90% interest in the Woodlark Gold Project

	Ref	Audited 31 December 2016 as adjusted $000	Low Valuation $000	Preferred Valuation $000	High Valuation $000
Current Assets					
Cash assets		499	499	499	499
Trade and other receivables		104	104	104	104
Inventories		383	383	383	383
Total Current Assets		986	986	986	986
Non -Current Assets					
Plant and equipment		743	743	743	743
Deferred exploration expenditure	7.2.2	34,515	60,970	94,330	126,970
Total Non-Current Assets		35,258	61,713	95,073	127,713
Total Assets		36,244	62,699	96,059	128,699
Current Liabilities					
Trade and other payables		185	185	185	185
Provisions		-	-	-	-
Total Current Liabilities		185	185	185	185
Non-current liabilities					
Provisions- rehabilitation		185	185	185	185
Total non-current liabilities		185	185	185	185
Total Liabilities		370	370	370	370
Net Assets		35,874	62,329	95,689	128,329
Less: Non-controlling interests		1,457	1457	1,457	1,457
Net assets attributable to the shareholders of the parent entity		**34,417**	**60,872**	**94,232**	**126,872**
Shares on Issue:		375,658,028	375,658,028	375,658,028	375,658,028

	Ref	Audited 31 December 2016 as adjusted $000	Low Valuation $000	Preferred Valuation $000	High Valuation $000
Value of a Kula Share (in cents)		**9.161**	**16.20**	**25.08**	**34.30**

The audited 31 December 2016 contributed equity (as adjusted) is disclosed at approximately $151,562,000, accumulated losses are approximately at $128,488,000 and reserves approximate $11,343,000 with total net assets of approximately $35,874,000 (of which $1,457,000 relate to equity attributable to equity holders of the parent entity). Thus, the net asset (book value) backing per fully paid share as at 31 December 2016 (as adjusted for the rights issue net proceeds and operating costs estimated to 30 June 2017) attributable to the Kula shareholders was approximately 9.161 cents per share.

On an adjusted fair value basis and assuming a 90% interest in the Woodlark Gold Project, the technical value of a Kula share may fall in the range of 16.52 cents to 34.01cents with a preferred technical market fair value of approximately 25.32 cents (but being a company with minimal cash).

Assuming Kula has a 55% interest in the Woodlark Gold Project (GPR earns a 40% interest in the Woodlark Gold Project)

Net assets attributable to the shareholders of the parent entity as above	60,872	94,232	126,872
Less: interest in the Woodlark Gold Project as above and below	(60,970)	(94,330)	(126,970)
Add: Kula's 55% interest in the Woodlark Project (refer below)	38,850	59,230	79,180
Total Net Assets attributable to the Parent Entity	**38,752**	**59,132**	**79,082**
Value of a Kula Share (in cents)	**10.31**	**15.74**	**21.05**

Notwithstanding that GPR has not yet earned its 40% interest in the Woodlark Gold Project and that GPR may need to raise additional cash funds (and increase the number of GPR shares on issue) to meet its $8,000,000 and 15,000 diamond drilling obligation, **we have assumed that GPR may have a 40% interest in the Woodlark Gold Project for the purposes of ascertaining whether the Take Over Offer by GPR for all of the shares in Kula is fair and reasonable**.

7.2.1 The following further adjustments were made to the 31 December 2016 audited consolidated statement of financial position (as adjusted for forecasted administration, corporate and exploration expenses of approximately $438,000 for the period 1 January 2017 to 30 June 2017, the raising of a net $536,031 relating to the 1 for 8 Rights Issue and further depreciation to 30 June 2017 of $68,000) to arrive at the range of valuations.

7.2.2 Deferred exploration expenditure is adjusted to reflect the values indicated by the Dunbar Valuation Report. Dunbar Resource Management was commissioned by us in April 2017 to provide a market valuation of Kula Group's Mineral Assets in order to assist us in assessing the market value of a Kula share when considering the Takeover Offer by GPR. Dunbar Resource Management (principal author, Paul Dunbar) has provided three market indications as to the potential value of the mineral projects, which have been disclosed in the table above. Accordingly, the consolidated statement of financial position has been adjusted to reflect the valuation ranges.

The range of values (in US dollars) of the Woodlark Gold Project as summarised from the Dunbar Valuation Report is as follows:

	Low US$M	Preferred US$M	High US$M
Woodlark Gold Project (excluding exploration potential outside the reserve area)	44.9	70.2	94.8
Exploration potential	2.5	5.0	7.6
Total Value	**47.4**	**75.2**	**102.4**

The Australian dollar equivalent values using an exchange rate of US$0.75 =AUS$1 are:

	Low AUS$M	Preferred AUS$M	High AUS$M
Total Value	**63.2**	**100.26**	**136.53**

The current interest in the Woodlark Gold Project held by Kula is 90% (assuming the PNG Government will acquire a 5% interest in the Woodlark Gold Project by reimbursing Kula 5% of the exploration and evaluation expenditures incurred on such project - the minimum amount is approximately $6 million but well may be higher but we have net present valued this to approximately $4,095,000). Because this re-imbursement of approximately a gross $6,000,000 is part of the embedded value of Kula for its existing shareholders, it needs to be added to the valuation for the purposes of the current Take Over Offer.

Thus a 90% interest in the Woodlark Gold Project (5% GPR) along with assuming a net present value minimum of $4.095 million that should be received from the PNG Government is as follows:

	Low AUS$M	Preferred AUS$M	High AUS$M
Total Value to Kula	**60.97**	**94.33**	**126.97**

Thus a 55% interest in the Woodlark Gold Project (assuming GPR will earn a minimum 40% interest) along with assuming a net present value minimum of $4.095 million that should be received from the PNG Government is as follows:

	Low AUS$M	Preferred AUS$M	High AUS$M
Total Value to Kula	**38.85**	**59.23**	**79.18**

Other key assumptions used by Dunbar were:

- A gold price per ounce of US$1,250 (preferred);
- A discount to cash flows to arrive at a net present value of 9% taking into account discounts applied by other parties in valuing gold projects and risk of operating in PNG) (original 2012 Feasibility Study used 7%);
- A 25% reduction in fuel prices and a 27% reduction on plant processing CAPEX as compared with the original Feasibility Study (cash flow model) approved by Kula in 2012;
- CAPEX costs of US$201.288 million made up of Mine CAPEX of US$74.128 million and Processing Plant CAPEX of US$127.160 million;
- 85% gold recovery;
- Average life of mine ore grade- 2.17 ounces
- Owner operated; and
- Unfinanced cash flows.

The low value assumes a 20% reduction on plant processing CAPEX and a 10% reduction in the fuel prices and using a flat US$1,250 for the gold price.

The high value assumes a 27% reduction on plant processing CAPEX (same as the preferred valuation), a 35% reduction in the fuel prices and using a flat US$1,300 for the gold price.

Further details on the assumptions used are referred to in the Dunbar Valuation Report attached as Appendix B to this report.

There have not been any other material changes in the values of other assets.

7.2.3 We have used and relied on the Dunbar Valuation Report on the Kula Group Mineral Assets and have satisfied ourselves that:

- Dunbar Resources Management is a suitable geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal author of the report, Paul Dunbar is suitably qualified and experienced);
- Dunbar Resources Management and Paul Dunbar are independent from Kula and GPR; and
- Dunbar Resources Management and Paul Dunbar have employed sound and recognised methodologies in the preparation of the Dunbar Valuation Report on the Kula Group Mineral Assets

7.2.4 The above table indicates the current technical net asset fair value of a Kula share is between 10.31 cents and 21.05 cents with a preferred fair value of approximately 15.74 cents **that assumes GPR will have a 40% interest in the Woodlark Gold Project** ((low 16.52 cents and high 34.01 cents, with a preferred value of 25.32 cents per Kula share if we assumed that GPR only has a 5% interest in the Woodlark Gold project). It is noted that Kula has minimal cash and in the absence of a new capital raising, the Company may not survive being a going concern after the end of 2017 without a new capital raising. We have been advised, that a further capital raising may be taken later in 2017 or early 2018.

7.3 Quoted Market Price Basis – Kula Share Price

7.3.1 In addition to the adjusted net asset valuation of Kula shares in Section 7.2 of this report, we normally consider the quoted market price of a share where the shares are quoted.

We set out below a summary of the fully paid share prices of Kula trading on ASX (on extremely low volumes) since 1 July 2016 to 4 April 2017, the day before the announcement of the Takeover Offer by GPR.

	High Cents	**Low Cents**	**Last Sale Cents**	**Volume Trade (000's)**
July 2016	3.4	2.9	2.9	20,351
August 2016	3.1	2.4	2.4	4,333
September 2016	2.9	2.4	2.5	2,566
October 2016	2.9	2.5	2.6	2,089
November 2016	2.7	2.2	2.2	1,814
December 2016	2.2	1.9	2.0	939
January 2017	2.6	2.4	2.1	1,941
February 2017	2.6	2.0	2.1	2,599
March 2017	2.4	2.0	2.1	2,913
April 2017 (to 4th)	2.0	2.0	2.0	22

(i) On 11 July 2016, 6,904,515 shares were traded following the announcement of the farm-in agreement between Kula and GPR for GPR to acquire an up to 75% interest in the Woodlark Gold Project as noted above.

(ii) There were many days between July 2016 and to 4 April 2017 where there were no Kula shares traded on ASX.

7.3.2 The volume of trades in Kula shares is extremely low and the share price can be affected by relatively small volumes. However, Kula is a listed entity and it would be remiss not to refer to the share prices in evaluating the fairness of the proposed Takeover Offer by GPR.

It is noted that the adjusted book net asset backing per share as at 31 December 2016 approximates 9.161 cents but with a company that has minimal working capital and has a need to raise new working capital in the second half of 2017 or early 2018 to continue in existence. The last sale share price of a Kula share trading on ASX before the Takeover Offer announcement was on 3 April 2017 and the closing price was 2.0 cents (21,692 shares traded).

7.3.3 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of Kula's, current liquidity is not strong and it is noted that cash and receivables as at 31 December 2016 (as adjusted) totalled $603,000 whilst current trade creditors and other liabilities totalled $185,000.

The cash position is weak and the Company may require additional funds in 2018 but we note that all exploration costs are currently borne by GPR (albeit via the Loan Agreement as noted above). Based on preliminary cash flow forecasts, Kula will in the absence of a capital raising, run out of money in March 2018. Arguably, the quoted market value of a Kula share (pre- the Takeover Offer by GPR) lay in the range of 2.0 cents to 2.6 cents but this price may not be sustained unless the Company raises further funds.

In the absence of sufficient cash resources, the Company cannot continue to meet on-going working capital requirements. The share price could drift downwards until cash is received. Notwithstanding, the share price of a Kula share has since the lodgement of the original Bidders Statement, has traded on ASX at between 2.4 cents and 3.1 cents (last sale on 8 June 2017 of 3.1 cents), partly due to the Takeover Offer and partly due to positive announcements made to the ASX on the Woodlark Gold Project.

However, in order for a quoted market price to be a reliable indicator of a company's value, that company's shares must trade in a liquid and fully informed market. Trading in Kula shares is relatively illiquid.

It is noted that subsequent to the announcement of the Takeover Offer, the shares in Kula have traded between 2.4 cents and 2.8 cents (11 May 2017) with the last few weeks (to 8 June 2017) at between 2.8 cents and 3.2 cents. The last sale on 8 June 2017 was 3.1 cents.

7.4 The future value of a Kula share will depend upon, inter alia:

* The successful exploitation of the current Mineral Assets of the Kula Group;
* The state of the gold and base metal markets (and prices) in Australia and overseas;
* The cash position of the Kula Group;
* The state of Australian and overseas stock markets;
* Foreign Exchange rates;
* Membership and control of the Board and management of Kula;
* General economic conditions; and
* Liquidity of shares in Kula.

7.5 Conclusion on the Value of Kula Shares

7.5.1 In Sections 7 of our report we have discussed the adjusted net asset value and quoted market prices of Kula shares trading on ASX (prior to the Takeover Offer announcement). These values are summarised below:

	Low value per share Cents	Preferred value per share Cents	High value per share Cents
Adjusted Net Asset Value basis (preferred basis) (Section 7.2) that assumes GPR will earn a 40% interest in the Woodlark Gold Project	10.31	15.74	21.05
Quoted Market Price basis (cents) (Section 7.3)	2.0	2.3*	2.6

	Low value per share Cents	Preferred value per share Cents	High value per share Cents
Off Market Takeover Bid by GPR (refer paragraph 8.7 below)	2.377	2.6825**	2.988

*the mid-point between 2.0 cents and 2.6 cents.
** the mid point between 2.377 cents and 2.988 cents.

If we applied a control premium of between 20% and 40% (generally premiums offered on takeovers for small cap mineral companies are in the range of 20% to 40% although premiums can be less or more), then based on a market price of a Kula share since 1 January 2017 (to the date of the announcement of the Takeover Offer), the adjusted Kula share price to reflect the premium may be in the range of:

20% premium 2.40 cents to 3.12 cents (mid-point, 2.76 cents)
40% premium 2.80 cents to 3.64 cents (mid-point 3.22 cents)

However, it should be noted that our preferred methodology is not a market based methodology (as noted above) due to the thinness of trades in Kula shares as traded on ASX.

If we took into account share prices of Kula as traded on the ASX post the announcement of the Takeover Offer (2.4 cents to 3.1 cents), the premium may be in the range of:

20% premium 2.88 cents to 3.72 cents (mid-point, 3.30 cents)
40% premium 3.36 cents to 4.34 cents (mid-point 3.85 cents)

7.5.2 In assessing the reasonableness of the Takeover Offer by GPR, we have considered the share prices of Kula share transactions as a guide as to reasonableness or otherwise. However, the number of shares transacted on market has been low and the prices are not necessarily indicative of a market price. It is considered more suitable to assess a target's underlying technical value in assessing whether a Takeover Offer is fair and reasonable.

Therefore, it is considered appropriate to use the adjusted net asset value for Kula, ranging from 10.31 cents to 21.05 cents with a preferred fair value of approximately 15.74 cents that assumes GPR will have earned a 40% interest in the Kula Gold Project (16.52 cents to 34.01 cents per share, with a preferred value of 25.32 cents per share if we assumed that the current GPR interest of 5% remains).

Some shareholders may consider that technical values are just that and that a market based approach is more suitable. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Kula and other parties, including dealings with GPR. We also note it is not the present intention of the Directors of Kula to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical.

7.5.3 The shareholders', existing and future, must acquire or sell shares in Kula based on the market perceptions of what the market considers a Kula share to be worth. The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years. However, as we note that the shares are illiquid, a reliable fair market value is not readily ascertainable.

8. VALUATION OF SHARES IN GPR

8.1 We are unable to value GPR on a net asset backing basis as we do not have access to the books and records of GPR, in particular information in relation to the non-Woodlark Gold Project exploration and evaluation assets on which an independent specialist geologist's valuation can be performed. In any event, the Takeover Offer by GPR for all of the Kula shares is on a share swap basis on the ratio of one (1) GPR share for every 1.4723 Kula shares. Kula shareholders would be receiving shares and no cash and thus, in the absence of valuations on the mineral assets of the GPR Group, we have chosen to use the quoted market price methodology.

8.2 GPR is an ASX listed company and therefore the quoted market price method is considered an appropriate valuation method. When assessing non-cash consideration, in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale.

This comparison reflects the fact that:

(a) the acquirer is obtaining or increasing control of the target; and
(b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

RG 111.32 suggests that if the quoted market price of securities is used to value the offered consideration, then we must consider and comment on:

(a) the depth of the market for those securities;
(b) the volatility of the market price; and
(c) whether or not the market value is likely to represent the value if the takeover bid is successful.

RG 111.34 states that if, in a scrip bid, the target is likely to become a controlled entity of the bidder, the bidder's securities can also be valued assuming a notionally combined entity. The comparison should include the assets and liabilities of the target and the dilution effect of the acquisition on the target's earnings, asset backing and dividends.

If the Takeover Offer is accepted, we note that the Kula shareholders will not hold a majority of the merged entity. Notwithstanding that we are unable to value GPR on a fair value net asset backing basis as we do not have access to the books and records of GPR, in particular information in relation to exploration and evaluation assets on which an independent geologist's valuation can be performed, we have combined the assets and liabilities of both GPR and Kula and taken into account the dilution effect of the Takeover Offer to obtain a value per share of the notionally combined entity.

8.3 It is noted that the audited statement of financial position of the GPR Group as at 31 December 2016 disclosed the following:

	GPR 31 December 2016 $000's
Current Assets	
Cash	11,469
Receivables	863
Advance on the Woodlark Gold Project	1,403
	13,735
Non-Current Assets	
Fixed assets	100
Capitalised exploration and evaluation costs	33,200
Prepayment relating to Kou Sa Project	13,680
	46,980
Total Assets	60,715
Current Liabilities	
Trade and other payables	573
Employee entitlements	10
Total Current Liabilities	583
Non-current liabilities	
Deferred tax liabilities	2,219
Total non-current liabilities	2,219
Total liabilities	2,802
Net Assets	57,913

Equity	
Issued capital	74,671
Reserves	1,427
Accumulated losses	(18,185)
Equity attributable to equity holders of the parent	57,913
Non-controlling interest	-
Net Equity	57,913

Based on the unadjusted audited net assets of the GPR Group as at 31 December 2016, the net book value per ordinary share approximates 5.01 cents.

8.3 We set out below a summary of the fully paid share prices of GPR trading on ASX since July 2016 to 4 April 2017, the day before the announcement of the Takeover Offer of Kula.

	High Cents	**Low Cents**	**Last Sale Cents**	**Volume Trade (000's)**
July 2016	4.8	2.3	4.4	13,611
August 2016	5.0	4.0	4.2	9,546
September 2016	4.3	4.0	4.1	8,800
October 2016	4.7	3.5	3.5	11,532
November 2016	4.1	3.2	3.3	1,224
December 2016	3.6	3.1	3.6	8,282
January 2017	4.4	3.5	3.5	2,517
February 2017	4.0	3.2	3.9	28,044
March 2017	4.0	3.6	3.8	47,509
April 2017 (to 4th)	4.2	4.1	4.2	2,039

On 11 July 2016, GPR announced the farm-in and joint venture proposal with Kula and on that day and thereafter, the shares rose above 2.3 cents.

On 9 February 2017, GPR announced positive assay results on the Woodlark Gold Project and 7,664,274 shares traded on that day and on 23 February 2017, GPR announced additional high grade intersection in relation to the Woodlark Gold Project and 5,876,036 shares were traded on that day.

On 6 March 2017, GPR gave an Investor Presentation on the Woodlark Gold Project and on that day 15,659,863 shares in GPR were traded. On 16 March 2017, GPR announced some drilling results including 21 metres at 3.27 g/t and on that day 21,549,957 shares in GPR were traded.

Subsequent to the Takeover proposal announcement on 5 April 2017, the shares in GPR have traded between 3.5 cents (low) and 4.1 cents (high) with a last sale on 8 June 2017 of 3.6 cents.

8.4 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. Arguably, the market value of an GPR share based on trades over the last three months' (to the day before the announcement of the Takeover Offer) generally laid in the range of 3.5 cents to 4.4 cents.

We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between GPR and other parties. We also note it is not the present intention of the Directors of GPR to liquidate the company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in GPR based on the market perceptions of what the market considers an GPR share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for GPR shares (on relatively low volumes) and the market is kept fully informed of the activities of GPR. The market has ascribed a range of current value as noted above.

8.5 However, in order for a quoted market price to be a reliable indicator of a company's value, that company's shares must trade in a liquid and fully informed market. Trading in GPR's shares is not high and like Kula there are days (but not nowhere as often) when no shares are traded on ASX. Normally a "deep" market is where shares in a company traded on a recognised exchange exceeds 1% of a company's securities traded on a weekly basis, regular trading in a company's shares occur, the spread is sufficient so that a single trade does not affect significantly the market capitalisation of a company and there are no significant unexplained movements on share prices. This has not occurred in relation to GPR as it is a junior exploration company where many of the shares are tightly held by a small number of shareholders including the Resource Capital Group (via Merrill Lynch (Australia) Limited) (approximately 31.60%) and the Tembo Capital Group (via Ndovu Capital IV BV) (approximately 27.17%). Notwithstanding the lack of a "deep" market, we believe that it is appropriate to use quoted market values (over the past few months) to ascertain the "value" of GPR's shares for the purposes of this report.

8.6 The future value of an GPR share will depend upon, inter alia:

* The successful exploitation of the current mineral assets of GPR (including that of the Woodlark Gold Project);
* The state of the gold, copper and base metal markets (and prices) in Australia and overseas;
* The cash position of the GPR Group;
* The state of Australian and overseas stock markets;
* Foreign exchange rates;
* Membership and control of the Board and management of GPR;
* General economic conditions; and
* Liquidity of shares in GPR.

8.7 Our assessment is that a range of values for GPR's shares based on market pricing, after disregarding post announcement pricing, is between 3.5 cents and 4.4 cents. As noted above, the consideration for the Takeover Offer is that Kula shareholders will receive one (1) GPR shares for every 1.4723 shares held. The value of the consideration offered is shown below:

	Low	**High**
Market value of a GPR share- pre-Takeover Offer Announcement share prices	3.5 cents	4.4 cents
Number of shares offered as consideration	1 for 1.4723	1 for 1.4723
Value of Consideration offered to the Shareholders of Kula	**2.377 cents**	**2.988 cents**

Using the GPR share price on 4 April 2017, the value of the consideration offered would equate to 2.852 cents per Kula share as the closing share price of a GPR share traded on ASX at that date was 4.2 cents).

The last sale price of an GPR share trading on ASX as at 8 June 2017 was 3.6 cents and thus this would equate to approximately 2.445 cents per Kula shares (and based on share prices of a GPR share trading from 6 April 2017 and to 8 June 2017 of between 3.5 cents and 4.1 cents, the consideration offered equates to between 2.377 cents and 2.785 cents per Kula share).

8.8 We also set out an audited consolidated statement of financial position of GPR as at 31 December 2016 adjusting for estimated cash operating costs of $6,623,000 ($5,488,000 related to exploration and evaluation and assumed related to the Woodlark Gold Project and treated as Advances). These figures are based on the actual cash spent to 31 March 2017 and the estimated spend to 30 June 2017 based on information contained in GPR's Quarterly Report for the 3 months ended 30 June 2017, released to the ASX on 1 May 2017.

	GPR Group Adjusted 31 December 2016 $000
Current Assets	
Cash assets	4,846
Trade and other receivables	863
Advance on the Woodlark Gold Project	6,891
Total Current Assets	12,600
Non -Current Assets	
Property, plant and equipment	100
Deferred exploration and evaluation expenditure	33,200
Prepayments	13,680
Total Non-Current Assets	46,980
Total Assets	59,580
Current Liabilities	
Trade and other payables	573
Provisions	10
Total Current Liabilities	583
Non-Current Liabilities	
Deferred tax	2,219
Total Non-Current Liabilities	2,219
Total Liabilities	2,802
Net Assets	56,788
Shares on Issue:	1,155,743,584
Value of an GPR Share (in cents)	4.89

It is noted that the GPR Group is required to make one final payment of US$1,575,000 on completion of a BFS in relation to the Kou Sa Gold/Copper Project., along with a 2% production royalty capped at US$8,425,000. In addition, the GPR Group is committed to spend US$474,000 in aggregate in the 2017 and 2018 calendar years on the Kou Sa Gold/Copper Project in Cambodia subject to pending licence renewals;

Taking into account a 5% equity interest in WML and using 5% of the preferred valuation of the Woodlark Gold Project by Dunbar as noted above (5% would approximate $5,013,333 or US$3,760,000), the net assets would approximate $54,930,000 and the net asset backing would approximate 4.75 cents per share.

If we assumed GPR acquired a 40% interest in the Woodlark Gold Project (and for this to occur, GPR needs to expend cash funds on the Woodlark Gold Project of $8,000,000 and complete the undertaking of 15,000 metres of diamond drilling as noted elsewhere in this report, the preferred valuation of a 40% interest in the Woodlark Gold Project using Dunbar's preferred valuation of a 100% interest would equate to approximately $40,104,000 and the "value" per GPR share would approximate 7.78 cents (assuming no increase in the number of GPR shares on issue). This would equate to an "offer" of approximately 5.284 cents for each Kula share that is in excess of current Kula share prices as traded on ASX but still well below the range of fair values of a Kula share (assuming GPR earns a minimum 40% interest in the Woodlark Gold Project) of between 10.31 cents and 21.05 cents (preferred, 15.74 cents).

However, as no valuations could be undertaken on the other mineral interests of the GPR Group, we have not used the "adjusted" book value per share and have used the share prices of an GPR share as traded on ASX over the past few months.

9. NOTIONALLY COMBINED ENTITY

9.1 In the table below as an alternative valuation methodology, we have combined the consolidated assets and liabilities of both Kula (as adjusted) and GPR as at 31 December 2016 and taken into account the dilution effect if the Takeover Offer is accepted to obtain a value per share of the notionally combined entity. This value represents the value per share that Kula shareholders will receive if the Takeover Offer is successful. The Low, Preferred and High valuations include the values of mineral projects of Kula (100%) as per the Dunbar Valuation Report but the figures for GPR's are book values as at 31 December 2016 as noted in section 8.8 of this report but excludes the Advance on the Woodlark Gold Project. Further details of adjustments are noted below.

The figures below are not based on a consolidation of GPR incorporating the Kula Group under International Financial Reporting Standard ("IFRS"). Section 12.9 of the Replacement Bidders Statement discloses a Merged Group statement of financial position as at 31 December 2016 adjusted for the net cash from the Kula Rights Issue and allowing for GPR costs relating to the Takeover Offer but excludes estimated depreciation to 30 June 2017 and estimated cash outlays of Kula and the GPR Group's for the period 1 January 2017 to 30 June 2017.

	Ref	Audited 31 December 2016 $000	Low Valuation $000	Preferred Valuation $000	High Valuation $000
Current Assets					
Cash assets		5,345	5,345	5,345	5,345
Trade and other receivables		967	967	967	967
Inventories		383	383	383	383
Total Current Assets		6,695	6,695	6,695	6,695
Non -Current Assets					
Property, plant and equipment		843	843	843	843
Deferred exploration and evaluation expenditure	9.2	67,715	97,335	132,535	166,995
Prepayments		13,680	13,680	13,680	13,680
Total Non-Current Assets		82,238	111,858	147,058	181,518
Total Assets		88,933	118,553	153,753	188,213
Current Liabilities					
Trade and other payables		758	758	758	758
Provisions		10	10	10	10
Total Current Liabilities		768	768	768	768
Non-Current Liabilities					
Provisions		185	185	185	185
Deferred income tax		2,219	2,219	2,219	2,219
Total Non-Current Liabilities		2,404	2,404	2,404	2,404
Total Liabilities		3,172	3,172	3,172	3,172
Net Assets		85,761	115,381	150,581	185,041
Number of shares in GPR post-merger (see paragraph 9.4 below)		1,410,894,048	1,410,894,048	1,410,894,048	1,410,894,048
Value of an GPR share incorporating Kula (in cents)		**6.08**	**8.17**	**10.67**	**13.11**

9.2 Deferred exploration expenditure is adjusted to reflect the 100% values indicated by the Dunbar Valuation Report. Dunbar (author, Paul Dunbar) has provided three market indications as to the potential value of the Woodlark Gold Project, which have been disclosed in the table above. We used a figure of 95% of the US dollar figure converted to Australian dollars plus added a net present value figure of $4.095 million (may be more) that Kula would receive for the PNG to control a 5% equity stake. Accordingly, the consolidated statement of financial position has been adjusted to reflect the valuation ranges.

The calculated figures for a 95% stake in the Woodlark Gold Project are as follows:

Low value in Australian dollars as per paragraph 7.2.2 - $63.2 million times 95% = $60.04 million plus the $4.095 million = $64.135 million.

Preferred value in Australian dollars as per paragraph 7.2.2 - $100.26 million times 95% = $95.24 million plus the $4.095 million = $99.335 million.

High value in Australian dollars as per paragraph 7.2.2 - $136.53 million times 95% = $129.70 million plus the $6 million = $133.795 million.

Added to such figures is the $33.200 million related to the Kou Sa Gold/Copper Project (no formal valuation available).

The audited book value of GPR's Deferred Exploration Expenditure and Prepayments is included in the pro-forma table (book values $33,200,336 and $13,679,845 respectively).

9.3 There have not been any other material changes in the values of other assets.

9.4 The interests of the existing Kula's shareholders in GPR post the merger may be as follows:

No. of Kula shares on issue	375,658,028
Ratio of 1 GPR share for every 1.4723 Kula shares	
GPR shares to be issued to the Kula shareholders, if 100% acceptance	255,150,464
GPR shares currently on issue	1,155,743,584
Shares on issue in GPR post-merger	**1,410,894,048**

It is not expected that the existing share options in Kula will be exercised as they are materially "out of the money". However, if they were exercised, a further 19,436,256 GPR shares would be issued under the Takeover Offer.

9.5 The Kula shareholders interest (approximately 18.084%) in the merged entity will vary between approximately $20.865 million and $33.463 million (preferred amount, $27.231 million) as compared with an assumed 55% interest in Kula's adjusted net assets at fair value (refer paragraph 7.2 above) of between approximately $38.752 million and $70.082 million with a preferred fair value of approximately $59.132 million) ($62,082,000 and $127,796,000 with a preferred fair value of $95,146,000 if we assumes the current position that Kula has a 90% interest in the Woodlark Gold Project) ($34,417,000 based on book values only) (refer paragraph 7.2.2 above).

It is noted that the total number of shares on issue in GPR either before or after the completion of the Take Over Offer (assumed 100% successful) may be more as GPR may need to issue more shares to raise funds to complete its obligations to spend $8 million and undertake 15,000 metres of diamond drilling in relation to the Woodlark Gold Project. The amount, if any, and the potential issue price of GPR shares cannot be ascertained but in any event, it would be likely that the 18.084% interest of the ex-Kula shareholders would be reduced.

However, the mineral assets and prepayments relating to Kou Sa Project) of the GPR Group are in the books at $33,200,336 and $13,679,845 respectively (assume costs relating to the Fijian projects of the GPR Group are minimal) and have not been independently valued. We cannot ascertain as to whether such assets would increase or decrease in value based on an independent valuation report. It is noted that as at 31 December 2016, these assets were not impaired by the directors of GPR. Minimal expenditure has been spent on the Kou Sa Project since GPR began earning an interest in the Woodlark Gold Project.

10. VALUE AND FAIRNESS OF CONSIDERATION COMPARED TO VALUE OF ASSETS ACQUIRED

10.1 Value of Consideration Compared to Value of Assets Acquired

The value of the share consideration offered by GPR being one (1) GPR share for 1.4723 Kula shares is compared below:

	Section Ref	Low Cents	Preferred Cents	High Cents
Technical Valuation Method				
Value of Share Consideration for 1 Kula share	8.7	2.377	2.683	2.988
Value of a Kula share on a technical net asset value basis assuming GPR has a 40% interest in the Woodlark Gold Project (and not the current 5% interest)	7.2	10.31	15.74	21.05
Discount received by GPR (cents)		7.933	13.057	18.062
Discount received by GPR (percentage)		**76.94**	**82.95**	**85.80**

The value of the notionally combined entity is in the range of approximately 8.17 cents to 13.11 cents with a preferred valuation of 10.67 cents (refer section 9.1 above).

We have examined anecdotal evidence of premiums for control paid in Australia and globally for junior and mid cap exploration companies. The range paid for control oscillates between approximately 20% and 40%, although on occasions the premium may be lower or higher. A 20% premium is often considered a "minimum normal expected" premium in relation to takeovers. GPR is not paying a premium for control based on the low, preferred and high technical values for a Kula share.

If we assumed GPR acquired a 40% interest in the Woodlark Gold Project (and for this to occur, GPR needs to expend cash funds on the Woodlark Gold Project of $8,000,000 and undertake 15,000 metres of diamond drilling as noted elsewhere in this report, the preferred valuation of a 40% interest in the Woodlark Gold Project using Dunbar's preferred valuation of a 100% interest would equate to approximately $40,104,000 and the "value" per GPR share would approximate 7.78 cents (assuming no increase in the number of GPR shares on issue). Using the 1.4723 Take Over Ratio, this would assume an Offer Price to the Kula shareholders of approximately 5.284 cents (a discount of approximately 66.42%) that is below the preferred value of a Kula share as noted above.

However, as no valuations could be undertaken on the other mineral interests of the GPR Group, we have not used the "adjusted" book value per share and have used the share prices of an GPR share as traded on ASX over the past few months.

10.2 **Fairness of Consideration Compared to Value of Assets Acquired**

The above table indicates that the value on a-cents per share basis of the Takeover Offer by GPR for all of the shares in Kula is less than the assessed preferred technical fair value of a Kula share. Therefore, the Takeover Offer for all of the shares in Kula <u>is not considered to be fair</u> as at the date of this report.

11. REASONABLENESS OF THE TAKEOVER OFFER TO KULA SHAREHOLDERS

11.1 Under RG 111, an offer may be considered 'reasonable' if despite being 'not fair', sufficient reasons exist for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In considering the reasonableness of the Takeover Offer, we have considered, inter-alia the following factors:

- Significant shareholdings in Kula;
- Cash position of Kula;
- Liquidity of the market in Kula's securities;
- Risks associated with developing the mineral projects of Kula and GPR;
- Any special value of Kula to GPR; and
- The value to an alternative bidder and likelihood of an alternative offer being made for the shares in Kula.

We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Takeover of Kula as they apply to the shareholders of Kula.

Advantages

11.2 Shareholders who accept the offer have certainty that they will receive one share in GPR for every 1.4723 shares in Kula (subject to the condition, inter-alia that GPR receives acceptance for at least 90% of the issued Kula shares on issue). The shares in Kula are thinly traded as compared with GPR (although the trading in GPR is still not high enough on a weekly/monthly basis to say there is a "deep" market in trading shares in GPR). In broader terms, there is a more active market for shares in GPR as compared with Kula. However, refer paragraph 11.23 below.

11.3 As noted above, Kula shares are thinly traded. Kula shareholders who do not accept this Takeover Offer may find it difficult to trade their shares in Kula (but this could alter if more gold reserves are delineated in relation to the Woodlark Gold Project).

11.4 By accepting the Takeover Offer, the Kula shareholders will become shareholders of GPR that has additional exploration areas of interest (over and above its current 5% interest in the Woodlark Gold Project). Kula is cash poor and needs to raise a reasonable amount of cash in 2018 to continue in business, however, if GPR continues to spend funds to increase its interest in WML and thus the Woodlark Gold Project), minimal expenditure will need to be undertaken on the Woodlark Gold Project by Kula.

In the current market, raising cash at a commercial issue price is quite difficult and Kula may need to offer a substantial discount pursuant to a share placement or rights issue (the last Right Issue undertaken in March/April 2017 at 1.5 cents per share was at an approximate 28.57% discount to a Kula share immediately before the announcement of the Rights Issue – 2.1 cents). This could result in a large increase in shares on issue in Kula and the market may reset the Kula share price at or around the new issue price until positive exploration results are announced (if any). However, it is noted that since 1 May 2017, the share price of a Kula share as traded on ASX has risen to trade between 2.4 cents and 3.2 cents with sales over the last four weeks of between 2.8 cents and 3.2 cents.

Kula shareholders are exposed to one area of interest (the Woodlark Gold Project) but at the same time will have exposure to the existing mineral assets of the GPR Group albeit with a lower percentage interest (approximately 18.084%).

11.5 We are informed by Kula that the Takeover Offer is the only proposed transaction before the Company. This Takeover Offer provides a Kula shareholder an option to exit their investment in Kula with no transaction costs such as commissions.

11.6 GPR is more cashed up than Kula and thus has funds to spend on the Woodlark Gold Project and the other mineral interests of the GPR Group. However, GPR in the near future will need to raise further capital to fund its obligations under the Farm-In Agreement relating to the Woodlark Gold Project that may materially dilute the shareholding interests of the existing Kula shareholders and the existing GPR shareholders.

11.7 If the Takeover Offer is accepted, the merged entity will have a stronger balance sheet (statement of financial position) but with the need to raise further cash to spend on the Woodlark Gold Project (and for general working capital). This may enable it to advance current exploration activities and pursue growth opportunities when they arise. Being a larger entity, it may attract new investors, improve the ability to raise new share equity and have increased media coverage although it is noted that even the merged entity is not of a large size.

11.8 The merged entity has a greater range of mineral exploration assets as compared with Kula or GPR premerger. This to some extent reduces risk but at the same time GPR is taking on significant exploration commitments relating to the Woodlark Gold Project.

11.9 The market capitalisation, if the Takeover Offer is successful of the merged entity (GPR incorporating Kula), will increase relative to Kula's market capitalisation on a stand-alone basis.

11.10 There may well be synergistic benefits as there is the potential to save costs such as ASX listing fees, corporate overheads and rationalisation of the management structures. The combined single ownership structure may be more attractive to investors and financiers.

11.11 Based on ASX share prices of shares in Kula and GPR prior to the Takeover Offer announcement (shares in Kula over the two months to 4 April 2017 traded in the range of 2.0 cents to 2.4 cents and shares in GPR over the same period traded between 3.6 cents and 4.2 cents) and thus the perceived consideration payable by GPR based on share prices is between 2.445 cents and 2.852 cents.

The premium for control using such figures would range between 18.83% and 22.25%. Based on the 5-day volume weighted average share price of a Kula and GPR share immediately before the Takeover Offer announcement, the premium for control approximated 25%. Based on the last sale price of a Kula Share and a GPR share as traded on ASX immediately before the Takeover Offer announcement, the premium for control approximated 42.63%. However, it sis noted that over the past 4 weeks, due to a rise in the share price of a Kula share and a fall in the price of a GPR share, GPR is not offering a premium for control. It is unknown whether the price of a Kula share would fall if the Takeover Bid was withdrawn or unsuccessful but we do note that shares in GPR have, in general terms fallen in price post the Takeover Offer, whilst the share price of a Kula share, in general terms have risen in value. The "market" may be assessing that the Takeover Offer may be unsuccessful.

11.12 The Takeover Offer if successful would eliminate the dual ownership structure relating to the Woodlark Gold Project and eliminate contractual inter - relationships between GPR and Kula. However, it is noted that there is no guarantee that GRP will increase its current 5% shareholding in WML as it needs to meet certain contractual obligations as noted in Section 4 above.

Disadvantages

11.13 The Takeover Offer consideration is not fair as outlined above.

11.14 The Takeover Offer of one GPR share for every 1.4723 Kula shares represents a discount of 13.057 cents (82.95%) to our preferred technical valuation of a Kula share of 15.74 cents (assuming GPR earns a 40% interest in WML and in effect the Woodlark Gold Project). GPR is not paying a premium for control based on the fair asset value basis that includes valuing the mineral assets of Kula (but not the mineral assets of GPR). As stated above, a premium for control is normally 20% or more. Further details are outlined in section 10.1 of this report. On a technical basis of a Kula share, the Takeover Offer by GPR is considered not fair. However, it is noted that based on a market price basis for Kula shares and GPR shares prior to the takeover Offer announcement (not a preferred methodology for the reasons outlined above), GPR is paying some premium for control.

Based on share prices in Kula and GPR as traded on ASX since the Takeover Announcement (and in particular over the past four weeks), no or an insignificant premium for control is being paid by GPR. There have been positive announcements on the Woodlark Gold Project and the "market" has arguably re-rated the value of a share in Kula. The shares in GPR have fallen in value (based on share prices in May 2017 as compared with share prices in early April 2017 before the announcement of the Takeover Offer). The market may be considering that the Takeover Offer may not be fair.

11.15 Kula shareholders will be selling their interest in a company that has mineral exploration targets that may have potential value in excess of the current market capitalisation of Kula. However, Kula shareholders by accepting the Takeover Offer from GPR will retain a reduced exposure to such assets (18.084% compared with an assumed 55% interest (not yet earned but expected to do so) and assuming the PNG Government pays for its 5% interest). Prior to the Takeover Offer, the Kula shareholders owned 100% of the Company. If the Takeover Offer is accepted, the Kula shareholders' interests will reduce to approximately 18.084% of the merged entity.

It is noted that the PNG Government to take up a 5% interest in WML (or the Woodlark Gold Project directly) will need to pay Kula (<u>not WML or GPR</u>). This potential receivable from the PNG Government by Kula may be in excess of $6 million (and could be significantly higher). Kula shareholders (as shareholders in GPR) would have a diluted interest in the proceeds (if any) from the PNG Government.

11.16 Should the Takeover Offer be accepted Kula shareholders will no longer hold any shares in Kula. Accordingly, they will have no exposure to any improved offers that may be made in future by GPR or any other party.

11.17 GPR in the near future will need to raise further capital to fund its obligations under the Farm-In Agreement that may dilute the shareholding interests of the existing Kula shareholders and the existing GPR shareholders. It is uncertain as to what the issue price or prices may be for GPR to raise further capital.

<u>Other Factors</u>

11.18 The Australian tax consequences for Kula shareholders who accept the Takeover Offer for all of their shares in Kula will depend on a number of factors, including:

- whether the Kula shareholder holds their Kula shares on capital account, revenue account or as trading stock;
- the nature of the Kula shareholder (i.e. individual, company, trust, complying superannuation fund); and
- the tax residency status of the Kula shareholder (i.e. Australian resident or not).

Each Kula shareholder should seek their own independent tax advice on the consequences of accepting the Takeover Offer and receiving GPR shares in exchange for Kula shares. For further information on the taxation position, please refer to Section 11 of the Replacement Bidders Statement.

11.19 There are other risks associated with the Takeover Offer and these are outlined in "Section 13 – Risks associated with the Offer" of the GPR Replacement Bidder's Statement and Kula Target's Statement sections 5.5 and 5.12 also refers to risks that will continue to be applicable to Kula if the Takeover Offer is not successful or if current Kula shareholders remain as shareholders of Kula.

11.20 The unaudited book net asset backing of a share in GPR as at 31 December 2016 as adjusted approximates 4.89 cents (refer paragraph 8.8) and after taking into account the 1 for 1.4723 ratio, the value would be equivalent to 3.321 cents (compared with a minority shareholder share price of a Kula share as traded on ASX of around 3.1 cents (as at 8 June 2017) <u>but a preferred fair value of a Kula share of approximately 15.74 cents assuming GPR earns its 40% interest in WML)</u>. It is noted that the GPR value may be higher or lower if the mineral interests of GPR were valued by an independent geological firm.

11.21 The current shareholders of Kula, other that the Pacific Road Holdings Group, Franklin and RMB Resources only hold approximately 32.85% of the shares in Kula. These shareholders have limited ability to influence the control and direction of the Company. The Takeover Offer would increase GPR's control to 100%, which may increase the risks to an existing Kula shareholder associated with being minority shareholders.

11.22 Based on the preferred valuation of the Woodlark Gold Project of US$75.2 million that equates to approximately $100.266 million using US$0.75=A$1 and based on the current announced 766,000 ounces of gold reserve, this equates to approximately $130 per ounce. If we assumed that GPR was successful in upgrading reserves to 1,200,000 ounces, and using the $130 per ounce as noted, the "value" of a 1,200,000 ounce - gold reserve may approximate $156 million. The actual net present value may be higher on a discounted cash flow basis.

If we also assumed that GPR earned a 51% interest in the Woodlark Gold Project (and this is no guarantee that this will occur – GPR needs to meet the spend and drilling commitments noted under paragraph 4.1 above) and announce a 1,200,000 ounce gold reserve, Kula's interest would be 44% (5% to the PNG Government that needs to pay Kula to acquire a 5% interest and the amount would be in excess of a gross $6,000,000 or a net present value of $4.095 million) and thus a 44% interest would equate to approximately $68.64 million (approximately 18.27 cents per share ignoring other assets and liabilities of Kula).

Adding say GPR's book interest in Kou Sa as noted above of approximately $46.880 million to the value of $68.64 million, would result in a total of $115.552 million (but noting that we have no independent value available on the Kou Sa Project in Cambodia) and if all Kula shareholders accepted the Takeover Offer, an approximately 18.084% interest in GPR (being the Kula shareholders) would equate to approximately $20.891 million. This figure is well below the $68.64 million figure noted above.

11.23. Between 17 April 2017 and 11 May 2017, the total value of shares traded in Kula was $216,421 and the total value of shares traded in GPR over the same period was $180,806, notwithstanding that GPR has significantly more shares on issue than Kula. Kula traded on 15 days and GPR on 14 days and only 9 days were the value of trades in GP exceeded the value of shares traded in Kula.

11.24 **Conclusion as to the Reasonableness of the Takeover Offer**

It is noted that ultimately the advantages of accepting the Takeover Offer noted in Section 11 of this report, in our opinion does not exceed the disadvantages, although the financial effects cannot be determined with any degree of certainty. In our view, the Takeover Offer is not reasonable.

12. CONCLUSION AS TO FAIRNESS AND REASONABLENESS OF THE TAKEOVER OFFER

12.1 **We have considered the terms of the Takeover Offer as outlined in the body of this report and have concluded that the Takeover Offer by GPR to offer 1 GPR share for every 1.4723 Shares held on the Record Date is not fair and not reasonable to the shareholders of Kula at the date of this report.**

SIS's opinion should not be construed to represent a recommendation as to whether or not Kula shareholders should accept the Takeover Offer by GPR. Shareholders uncertain as to the impact of accepting the Takeover Offer should seek separate advice from their financial and/or taxation adviser. Shareholders should be aware that other offers may be made by other parties after the preparation of this report. The shareholders of Kula will need to compare the current Takeover Offer and consider whether any other offer(s) are more superior.

13 SHAREHOLDERS DECISION

13.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the Takeover Offer consideration for all of the shares in Kula by GPR issue is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders as to whether to accept the Takeover Offer (but we have been requested to determine whether the proposed takeover Offer consideration is fair and/or reasonable to those shareholders not associated with GPR.

13.2 In any event, the decision whether to accept or reject the takeover Offer is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the Takeover Offer proposal shareholders should consult their own professional adviser.

13.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Kula. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the Takeover Offer proposal. Shareholders should consult their own professional adviser in this regard.

14. SOURCES OF INFORMATION

14.1 In making our assessment as to whether the Takeover Offer to Kula shareholders by GPR is fair and reasonable to the non-associated shareholders we have reviewed relevant published available information and other unpublished information of the Company and GPR which is relevant to the current circumstances. In addition, we have held discussions with the management of Kula about the present and future operations of Kula. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Kula and GPR.

14.2 Information we have received includes, but is not limited to:

* Discussions with management and directors of GPR;
* Details of historical market trading of Kula and GPR shares as recorded by ASX to 8 June 2017;
* Shareholding details of Kula as supplied by the share registry as at 24 April 2017
* Shareholding details of GPR as at 13 March 2017 as noted in the Annual Report of GPR for the year ended 31 December 2016;
* Audited annual reports of Kula and GPR for the years ended 31 December 2015 and 2016;
* Half year reports of Kula and GPR for the half year ended 30 June 2016;
* Announcements made by Kula and GPR for the period from 1 January 2015 to 8 June 2017;
* Bidder's Statement served on Kula on 1 May 2017 produced by GPR relating to the Takeover Offer for all of the shares in Kula and the Replacement Bidders Statement served on Kula on 19 May 2017;
* The May 2017 Dunbar Valuation Report on the mineral assets of Kula prepared by Dunbar and discussions with Paul Dunbar;
* The Entitlements Issue Prospectus of March 2017;
* Data on other non-developed gold projects (not associated with Kula or GPR);
* Drafts of the Target's Statement prepared by Kula and its legal advisers in May 2017 (to 8 June 2017);
* Impairment work papers for the Kula Group relating to 30 June 2016 and 31 December 2017;
* Directors Minutes and Circular Resolutions of Kula from 5 July 201 to 31 March 2017;
* Cash flows (actual) from 1 January 2016 to 31 March 2017 for Kula and GPR and forecasted cash flows for the period 1 April 2017 to 30 June 2018 (on a monthly basis) for Kula;
* The GPR Loan Agreement, the Binding Term Sheet Earn-In and Joint Venture, the Farm-In Agreement, and the Shareholders Loan Agreement; and
* The Loan Agreement between Kula and WML.

14.3 Our report includes Appendices A, our Financial Services Guide and Appendix B being the Dunbar Valuation Report attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURTIES PTY LTD
(Trading as Stantons International Securities)

John P Van Dieren- FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 9 June 2017, relating to the proposed Takeover Offer via a share offer by GPR of one GPR share for every 1.4723 shares in Kula on the Record Date as stated in the Replacement Bidder's Statement served on Kula on 19 May 2017.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Kula other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed $26,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren and Martin Michalik have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Kula and GPR. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities, Mr John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Investment Advisers Licence (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John Van Dieren FCA and Martin Michalik ACA the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of the independent Directors of Kula in order to assist the shareholders of Kula to assess the merits of the Takeover Offer to which this report relates. This report has been prepared for the benefit of Kula and those persons only who are entitled to receive a copy for the purposes of Section 640 of the Corporations Act and does not provide a general expression of Stantons International Securities opinion as to the longer-term values of Kula and its subsidiaries and assets. Stantons International Securities does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of Kula, GPR or their subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd, its directors, employees or consultants) for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Kula and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Kula has agreed:

(a) to make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Kula may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Kula; and

(b) to indemnify Stantons International against any claim arising (wholly or in part) from Kula or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Kula or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Kula directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

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FINANCIAL SERVICES GUIDE
Dated 9 June 2017

1. STANTONS INTERNATIONAL SECURITIES PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities (ABN 42 128 908 289 and AFSL Licence No 448697) **("SIS"** or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances, we are required to issue to you, as a retail client a Financial Services Guide **("FSG"**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 448697;**
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report, you should seek advice from a registered financial adviser.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

APPENDIX B

DUNBAR RESOURCE MANAGEMENT CONSULTING GEOLOGIST TECHNICAL VALUATION REPORT (DUNBAR VALUATION REPORT) ON THE KULA MINERAL ASSETS DATED 31 MAY 2017

DUNBAR
RESOURCE
MANAGEMENT
Consultants in Economic
Geology & Management

INDEPENDENT TECHNICAL SPECIALISTS REPORT & VALUATION

WOODLARK ISLAND GOLD PROJECT
Woodlark Island, Milne Province
Papua New Guinea

MAY 2017

Report Commissioned by Stantons International Securities

Valuation Date: 12 May 2017
Report Date: 31 May 2017
Author: Paul Dunbar

Distribution:
Stantons International Securities (1x Digital Copy, Hard Copy available if required)
Kula Gold Limited (1x Digital Copy, Hard Copy available if required)
Dunbar Resource Management (1 x Digital File Copy)

Executive Summary

Stantons International Securities Pty Ltd (Stantons) commissioned Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd to prepare an Independent Technical Assessment and Valuation Report ("the Report" or the ITA) of Kula Gold Limited's (Kula or ASX: KGD) majority owned Woodlark Island Gold Project in Papua New Guinea (PNG).

The Report provides an opinion to support an Independent Expert's Report to be prepared by Stantons, and has been prepared as a public document, in the format of an independent specialist's report and in accordance with the 2015 VALMIN Code.

This report is a technical review of the Woodlark Island Gold Project (WIGP), located in the Milne Bay Province of PNG, it includes a technical valuation of the exploration and development project and a valuation of these Mineral Assets. In accordance with the VALMIN code DRM has undertaken several valuation methods for both the existing Mineral Resources and Ore Reserves and a separate valuation for the earlier stage exploration tenements that surround the resource areas. Importantly, as neither the principal author or DRM hold an Australian Financial Securities Licence, this valuation is not a valuation of Kula Gold but rather a valuation of the Mineral Assets partly owned by Kula.

This valuation is current as of 12 May 2017. As commodity prices and cost inputs fluctuate over time this valuation is subject to change. The valuation derived by DRM is based on information provided by Kula Gold on the Woodlark Island Gold Project including a Feasibility Study completed in 2012, other technical information provided by Kula Gold and publicly available data including Australian Stock Exchange (ASX) releases. DRM has made all reasonable endeavours to confirm the accuracy, validity and completeness of the technical data which forms the basis of this report. The opinions and statements in this report are given in good faith and under the belief that they are accurate and not false nor misleading. As with all technical valuations the valuation included in this report the likely value of the mineral projects and not an absolute value.

Woodlark Island Gold Project

The WIGP is an advanced development project, owned 100% by Woodlark Mining Limited (WML) which is currently 95% owned by Kula Gold Limited (ASX: KGD) and 5% owned by Geopacific Resources Limited (ASX: GPR). Under the terms of a Joint Venture GPR has the right to earn up to 75% of the WIGP should specific incentive targets be achieved within a specific timeframe. The PNG government has elected to purchase 5% of WML by reimbursing the 5% of the previous exploration expenditure. Under the terms of the JV the PNG government equity will be purchased from KGD. It is unclear when the PNG government will purchase its equity in the project.

The WIGP is a development ready, fully approved gold project with 2.1Moz of gold with approximately 1.8Moz in JORC 2012 compliant Resources and 0.3Moz of 2004 JORC Resources. A feasibility study was completed in 2012 which outlined a JORC 2004 Reserve of 766,000oz of gold. The feasibility study outlined a development scenario where there would be approximately 813,000oz of gold production over 9 years. GPR is currently undertaking a revision of the 2012 feasibility study with the aim of achieving "Bankable Status" for the project which also includes extensive additional drilling.

Overall the WIGP covers approximately 579km^2 within four main tenements, being one granted Mining Lease and three Exploration Licences. There are additional tenements that are to support the development scenario as proposed in the 2012 study.

Conclusions

The Woodlark Island Gold Project currently has a large Mineral Resource and significant exploration potential on the surrounding tenements that contain identified prospects that warrant additional exploration.

During the preparation of this report and while reviewing all the technical documents associated with the WIGP no material errors were identified in the Mineral Resource Estimates, in the assumptions that underpin the Feasibility

Study and the Ore Reserve Estimates. There have however been several areas where the technical aspects of the project could be further de-risked.

The proposed mining and processing methodology, including metallurgical recoveries and cut-off grades are considered reasonable. One aspect that could significantly reduce the technical risk of the project is attaining more representative geotechnical information. The current geotechnical holes have recently been reviewed and assayed by GPR, most having anomalous gold assays. Additionally, the grinding or comminution tests from 2012 were completed mainly on barren host rock, it is reasonable, based on the geological description of the various deposits, that the mineralised material would be much softer than the hast rock. DRM understands that testing mineralised samples is underway.

For this report, DRM created an independent financial model based on information from the feasibility study with some inputs updated including estimates of the future gold (and silver) price, exchange rates, capital cost of the processing plant and the fuel price. DRM has also updated the discount rate used in the financial model to account for the project specific and non-technical risks associated with a project in PNG. The discount rate was increased from 7% to 9% based on the expectation that using a standard debt to equity ratio and the risks associated with a project located in PNG, it is reasonable to assume that the debt would be at a higher interest rate than say an Australian based project.

Geopacific Resources is currently undertaking an extensive drilling program aimed to improve the confidence of the Inferred Mineral Resources that are below and adjacent to the current Measured and Indicated Mineral Resources. In addition to the drilling program GPR is also revising the Feasibility Study with the aim of bringing the costs into the current cost environment compared to the higher cost base that existed when the feasibility study was being completed.

In DRM's opinion, the Market Value of the development assets within the Woodlark Island Gold Project is between **US$44.9 million** and **US$94.8 million** with a preferred valuation of **US$70.1 million.** In addition to the value of the development assets there is significant value in the exploration assets which lie between **US$2.5 million** and **US$7.6 million** with a preferred valuation of **US$5 million**.

Therefore, DRM considers the combined value of the WIGP to be between **US$47.4 million** and **US$102.4 million** with a preferred value of **US$75.2 million.**

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1. Introduction

Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd was engaged by Stantons International Securities Pty Ltd (Stantons) to undertake an Independent Technical Specialists Report or Independent Technical Assessment (ITA) on the Woodlark Island Gold Project (WIGP) located approximately 600km east of Port Moresby Papua New Guinea (PNG).

The ITA was commissioned to provide technical information and a valuation of the Woodlark Island Gold Project, currently 95% owned by Kula Gold Limited (Kula or KGR). DRM understands that this ITA will be included in the Target Statement and the Independent Experts Report being prepared by Stantons to determine if the proposed transaction is fair and reasonable to the shareholders of Kula Gold Limited.

The Woodlark Island Gold Project is a joint venture between Kula and Geopacific Resources Limited (Geopacific or GPR). This Joint Venture was first announced on 11 July 2016 with GPR confirming on 6 October 2016 that it would proceed to stage two of a three stage earn-in agreement. Formal agreements between Kula and GPR have been executed and were announced to the Australian Stock Exchange (ASX) on 30 January 2017. The earn in stages of the Joint Venture are detailed in Section 11.1.1 below.

On 5 April 2017 GPR announced its intention to lodge a takeover bid for all the ordinary shares in Kula. The Bidders Statement was formally served on Kula on 1 May 2017 (Kula ASX release 1 May 2017). A Replacement Bidders Statement was served on and announced by Kula on 19 May 2017.

2. Project Summary

The Woodlark Island Gold Project is located on Woodlark Island approximately 600km east of Port Moresby, Papua New Guinea. The project, consisting of one mining lease and three exploration licences and several additional tenements relating to the infrastructure associated with the mining lease, is majority owned by Kula Gold Limited an Australian listed gold exploration and development company. Within the mining lease there are three main gold deposits that collectively contains a Total Mineral Resource Estimate of approximately 2.1 million ounces (Moz) of gold (Au). These resources are a combination of JORC 2012 compliant Mineral Resources (approximately 1.8Moz) and JORC 2004 Mineral Resources (0.3Moz). A Feasibility Study was completed for the project in 2012 with the Mineral Resource and Ore Reserves being reported according to JORC 2004. After completion of the Feasibility Study the resources for the larger two deposits, Busai and Kulumadau, have been reported in accordance with the 2012 JORC code. Significant portions of this ITA are based on the technical information contained in or undertaken as a part of the 2012 Feasibility Study. Where new information is available this has been included in this report and the associated valuation.

3. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITA has been prepared in accordance with the JORC Code 2012 and the VALMIN Code 2015. Both of these industry codes are mandatory for all members of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. These codes are also requirements under Australian Securities and Investment Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX)

This ITA is as a Public Report as described in the VALMIN Code (Clause 5) and the JORC Code (Clause 9). It is based on, and fairly reflects, the information and supporting documentation provided by Kula Gold to the Competent Persons listed as signatories to this ITA and additional publicly available information.

4. Scope of Work

DRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects in compliance with the JORC Code which requires that the Public Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require for the purpose of making a reasoned and balanced judgement regarding the project.

DRM has compiled the ITA based upon the principle of reviewing and interrogating both the work of Kula Gold and independent specialists who have contributed to the technical information available for the project. This report is a summary of the work conducted to 12 May 2017 based on information supplied to DRM by Kula Gold, its advisors and information that is in the public domain, to the extent required by the JORC Code and the VALMIN Code.

5. Statement of Independence

Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd, was engaged to undertake an independent review and valuation of the Kula Gold's Woodlark Island Gold Project (WIGP). This work has been conducted in accordance with the 2012 JORC and the 2015 VALMIN codes. In addition to these industry codes the work also complies with ASIC Regulatory Guideline 111 – Content of Expert Reports (RG111) and ASIC Regulatory Guidelines 112 Independence of Experts (RG112).

At this date of this review Mr Paul Dunbar and Dunbar Resource Management has a professional engagement with Kula Gold whereby Mr Dunbar and DRM assists Kula Gold as an independent consultant assisting with Kula's JORC compliance and undertakes the work of a competent person for public reports and disclosures of Kula Gold. This engagement is essentially to review work conducted by Kula Gold and its Joint Venture partner, Geopacific Resources, as an independent consultant and to ensure that any public statements made by Kula Gold comply with the 2012 JORC code. The relationship between Kula Gold Limited and Jewell Dunbar Pty Ltd and Dunbar Resource Management is solely one of professional association between client and independent consultant. Mr Dunbar nor Dunbar Resource Management, the trading name of Jewell Dunbar Pty Ltd has or has had any other association with Kula Gold, (KGD), its individual employees, or any interest in the securities of KGD, which could be regarded as affecting the ability to give an independent, objective and unbiased opinion. Neither DRM or Mr Paul Dunbar hold a AFS licence and the valuation contained within this report is limited to a valuation of the mineral asset being reviewed. Dunbar Resource Management will be paid a fee for this work on standard commercial rates for professional services. The fee is not contingent on the results of this review and is estimated as being between $15,000 and $20,000.

Two additional specialists have been engaged by DRM to undertake specific sections of this report. Both of these specialists have confirmed that they are independent of Kula Gold, neither has or has had any other association with Kula Gold Limited (KGD) or Geopacific Resources (GPR), other than as an independent consultant, its individual employees, or any interest in the securities of KGD or Geopacific Resources (GPR), which could be regarded as affecting the ability to give an independent, objective and unbiased opinion.

6. Competent Persons Declaration and Qualifications

This report was prepared by Mr Paul Dunbar as the primary author with specialist sections undertaken by Ms Keren Paterson and Mr John Doepel.
The primary author of the report and information that relates to geology, exploration and the mineral asset valuation is based on information compiled by Mr Paul Dunbar, BSc (Hons), MSc (Minex), a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Dunbar is employed by Jewell Dunbar Pty Ltd, trading as Dunbar Resource Management, a Geology and Exploration Management consultancy, which has been engaged by Stantons International Securities Pty Ltd. Mr Dunbar has a Master of Science in Mineral Exploration and Mineral Economics and has sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration and to the activity being undertaken to

qualify as a competent person under the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the 2012 JORC Code) and a specialist under the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The 2015 VALMIN Code). Mr Dunbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The mining aspects of the report, along with benchmarking costs assumed in the Feasibility Study were undertaken by Ms Keren Paterson MBA (Economics), BEng(Mining), FAusIMM, MAICD, is an employee of Mainsheet Capital and a mining engineer with 20 years' experience in mining, evaluation and corporate activities including regulatory reporting. Ms Paterson is a Fellow of the Australian Institute of Mining and Metallurgy and has appropriate experience, qualifications and more than five years' experience in similar work to undertake this review as required by the JORC Code (2012) and the VALMIN Code (2015). Ms Paterson consents to the inclusion in this report of these matters based on information in the form and context in which it appears.

The information in this report that relates to the Mineral Resource estimates and the site visit, is based on information compiled by Mr. John Doepel, Principal Geologist for Continental Resource Management Pty Limited (CRM). CRM has acted as independent consulting geologist to the Woodlark Island Gold Project since 2005 and has undertaken several visits to the island and to the sample preparation facilities. Mr Doepel is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Doepel consents to the inclusion in this report of these matters based on information in the form and context in which it appears.

7. Reliance on Experts

The authors of this report are not qualified to provide extensive commentary on the legal aspects of the mineral properties or the compliance with the Papa New Guinea Mining Act. Dunbar Resource Management has viewed the PNG government website that confirmed that the tenements are reported as being in good standing and that all tenement matters including annual reports, rents and renewals have been lodged and are progressing in accordance with the PNG Mining Act. As DRM and the authors of this report are not experts in the PNG Mining Act no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

DRM has relied upon the Mineral Resource Estimates prepared by John Doepel of CRM dated 5 August 2014, (updated from 20 August 2012) and Robert Spiers of Hellman and Schofield Pty Ltd (H&S) dated September 2011. The Kulumadau Resource Estimate by CRM was used in the mining and pit optimisation studies, while the Busai, Munasi and Woodlark King Resources by H&S were used for mining and pit optimisations of those deposits. All of these resources were initially undertaken in accordance with JORC 2004. Only the CRM estimates for the Kulumadau and Busai deposits have been updated to comply with JORC 2012. CRM believes that the Mineral Resource Estimates presented in this report are a fair reflection of the gold Resources at the Woodlark Island Gold Project.

DRM has also relied on the Mineral Reserve Estimates were prepared by Linton Putland and Associates in accordance with the 2004 JORC code using the JORC 2004 Resources of CRM and H&S. DRM and its associate, Mrs Keren Paterson, has undertaken a high-level review of the Reserve Estimates and consider that while they have not been updated to JORC 2012 they are a fair reflection of the Reserves within the Woodlark Island Gold Project at the time of the estimation and using the assumptions associated with the 2012 Feasibility Study. Many of the assumptions associated with that Reserve estimate remain valid however several critical costs have significantly reduced since 2012. The pit optimisations assumed a gold price of US$1200/oz., mining and metallurgical parameters, and processing options along with operating and capital costs were developed as a part of the 2012 Feasibility Study. Specialist sections of the Feasibility Study have been reported within this ITA and remain valid. Recent work undertaken by Geopacific Resources Limited including an updated capital cost for a processing plant are included in this report.

8. Sources of Information

All information and conclusions within this report are based on information made available to Dunbar Resource Management and the associated specialists engaged to assist with this report by Kula Gold and other relevant publicly available data to 12 May 2017. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary. DRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this report and to ensure that it had access to all relevant technical. DRM has relied on the information contained within the reports, articles and databases provided by Kula Gold as detailed in the reference list. A draft of this report has been provided to Kula to identify and address any factual errors or omissions prior to finalisation.

9. Site Visit

While a site visit has not been undertaken by the primary author or specifically to support this ITA. The site has however been visited on multiple occasions by co-author, Mr John Doepel of Continental Resource Management (CRM). In 2005 CRM was commissioned by Kula Gold and Woodlark Mining Limited to undertake Mineral Resource Estimation of its Busai and Kulumadau gold deposits. CRM has continued to assist WML with resource estimation services with the most recent update being conducted in 2014 using the exploration information available to the end of June 2012. CRM has acted as an independent consulting geologist to the project since 2005.

10. Woodlark Island

Woodlark Island forms part of the independent nation of Papua New Guinea (PNG), it has a long history of gold mining with gold being first discovered 1895 and a total of 212,463oz produced between 1895 and 1920 (McGee 1978). From 1921 to 1960 an additional 18596oz was produced. The island is approximately double the area of the nearby island of Misima (160 kilometres to the south) which produced more than 5 million ozs of gold up until its closure in the early 2000's.

10.1. Location and Access

The island is located in the Solomon Sea, within the Province of Milne Bay (Latitude 09° 10' S, Longitude 152° 40' E), approximately 300km ENE of Alotau, the main administrative and commercial centre in Milne Bay, Figure 1 & 2. Woodlark is approximately 65 kilometres from east to west and 25 kilometres north to south in the centre of the island.

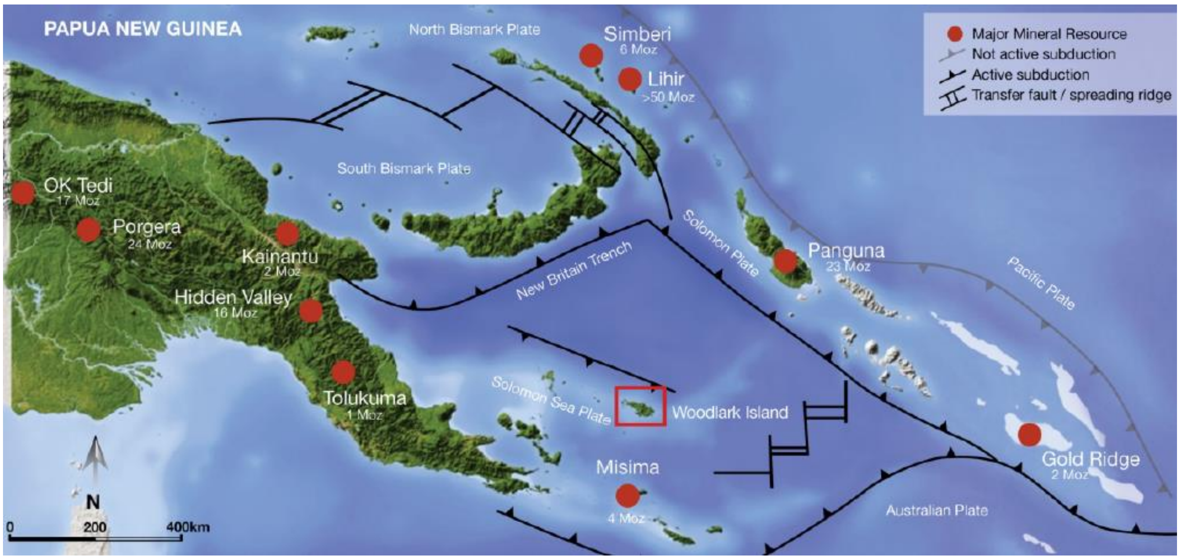

Figure 1 Location of Woodlark Island

Access to Woodlark is by air or sea. No regular public air service currently operates to the island therefore all flights are by private charter to the company maintained Guasopa airstrip, a grass airstrip on the eastern end of the island that was established during World War 2. Gausopa is approximately 1 hour 30 minutes by air from Port Moresby.

Coastal shipping consists of irregular small cargo & passenger vessels from Alotau to various communities on the island. These vessels generally carry up to 15t of passengers & cargo. Heavy machinery and supplies are brought in by tug supported or large landing craft type (LCT) barges on private charter to Boi Boi wharf.

Woodlark Mining Limited (WML), the PNG registered holding company of the Woodlark Island Gold Project has established bulk fuel storage at Boi Boi totalling 160,000 litres of fuel. A network of roads established by previous explorers & logging companies provides variable access to much of the island. Constant maintenance of the roads and associated bridges is required due to the high annual rainfall.

A 100 man exploration camp including a sample preparation laboratory, core yard, workshops and a health clinic has been established at Bomagai in the centre of the island and proximal to most of the exploration activity. WML has a significant earthmoving fleet to ensure a high level of road maintenance and to provide support for exploration activities including drill site preparation.

There is no established power or water supply on the island.

Communication to Alotau and intra-island between communities is by HF radio. There are few serviceable public or government vehicles on the island and no commuter service individual communities. Most local travel is by sail, powered canoe or walking.

There are minimal health clinics on the island with a few largely under provisioned clinics located at community centres and a medical centre located at Gausopa. Woodlark Mining Limited has modern communications at Bomagai and a moderately provisioned health clinic which is open to the relatives of employees or emergency medical cases.

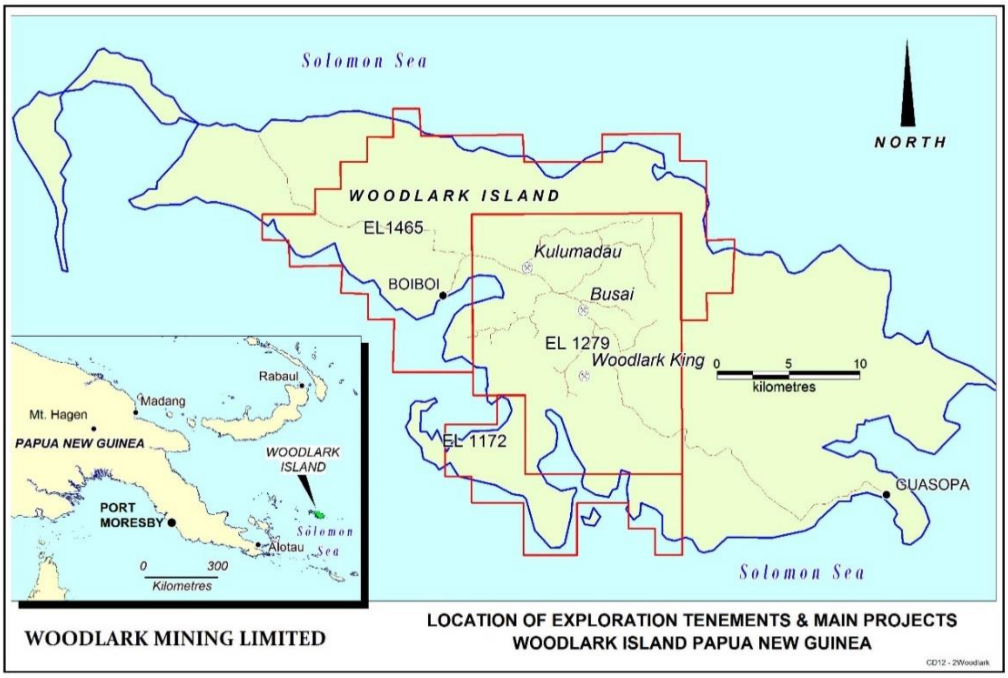

Figure 2 Project Location Map

10.2. Local Land Ownership

In Papua New Guinea, most land is owned by the local people as customary land. On Woodlark Island this is 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.

On 1 August 2016, the PNG government declared that three large portions of land (portion 138, 139 and 140) covering approximately 60,440 hectares or 75% of Woodlark Island had been returned to the local people and these areas now customary land. Importantly for the WIGP one of these portions of land includes the land planned to be used for relocation of the Kulumadau village when the Project proceeds.

10.3. Topography and Climate

The Island consists of approximately 850 square kilometres of flat low lying, raised coral reef and associated sediments, with a central zone of volcanic hills rising from sea level to 325m. Defined drainage patterns are confined largely to the volcanic terrain, the limestone being relatively porous with emerging sinkhole development. A well-developed karst topography only occurs on Nasai Island in the south of the island. Freshwater lakes occur in the western half of the island and large tracts of freshwater & marine swamp occur in the east.

The climate is low elevation humid with South East Trade winds during May to October and North-west Monsoons from December to March. Doldrums occupy the transition periods during November & April. Woodlark is on the northern edge of the tropical cyclone belt, but high intensity cyclones are rare. Rainfall, averaging 4,000mm pa, is non-seasonal and is highly erratic. The highest recorded monthly rainfall is 1,171mm and the lowest 21mm. Similarly, the highest annual rainfall was 6,613mm and the lowest 1,601mm. These variations are strongly linked to the Pacific Southern Oscillation or el Niño la Niña climatic event. Temperatures range from 30°-32°C and humidity from 80-85%.

10.4. Fauna and Flora

Vegetation is dominantly small crowned forest with a dense 25-30m high canopy. Estuarine mangroves are well developed in the south & west coasts with a canopy of up to 30m. Much of the western half of the island has been selectively commercially logged until approximately 1995. Regrowth of logged areas exhibits a similar mix of species to the unlogged areas.

11. Woodlark Island Gold Project

11.1. Ownership

The Woodlark Island Gold Project is 100% owned by Woodlark Mining Limited, which is 95% owned by Kula Gold and 5% owned by Geopacific Resources. Under the terms of a signed Joint Venture Geopacific has the right to acquire up to 75% of the project through a three staged earn in and dependent on exploration success. The Joint Venture terms are detailed in Section 11.1.1 below.

The PNG Mining Act allows the government to acquire up to 30% of a project by reimbursement of project related expenditure. The PNG government has elected not to acquire its full entitlement but will acquire 5% of the shares in Woodlark Mining Limited. The sale of the 5% to the government has not been finalised and will be sold to the government from Kula Gold's share of the project with the proceeds of this 5% being paid to Kula.

11.1.1. Kula Gold – Geopacific Resources Joint Venture

Under the terms of the three stage Joint Venture initially announced on 11 July 2016 Geopacific has the rights to earn equity in Woodlark Mining Limited (WML). DRM's understanding of the joint venture is that the three stage joint venture consists of;

- Stage 1 – Complete due diligence into the project within six months and spend $650,000 to develop an exploration and development plan. While there was a six month timeframe for this to be completed however Geopacific confirmed on 7 October 2016 that it was going to proceed to Stage 2. In completing Stage 1 and executing the required agreements it is understood that Geopacific has earnt a 5% interest in WML.
- Stage 2 – Under Stage 2 GPR has the right to earn an additional 35% in WML (for a total equity of 40%) by expending a minimum of $8M on exploration within two years as detailed in the work program developed in Stage 1. In addition to the expenditure of $8M there is the requirement for 15,000m of diamond drilling to be completed in the project for GPR to earn the additional 35%. There is also an imbedded incentive target whereby GPR can increase its equity to 51% if a Reserve of at least 1.2Moz is outlined. It is understood that this incentive target is not directly linked to Stage 2 but could be triggered in Stage 3 should the reserve target be achieved.
- Stage 3 – Under Stage 3 GPR has the right to earn an additional 20% for a total of 60% equity in WML by expending an additional $10M. Should the incentive target of 1.2Moz reserve be achieved by the end of Stage 3 and GPR having achieved "bankable" status for the project then GPR's equity in WML would increase to 75%.

Once bankable status has been reached then Kula has the right to raise its share of the development funding proportionate to its interest in Woodlark (25% including the PNG government interest). Should Kula be unable to, or elect not to, raise its share of development finance then Geopacific will have the right to arrange Kula's share of the development finance and thereby earn an additional 5% interest in WML, taking its total interest to 80%.

11.2. Mineral Tenure

All the WIGP tenements are held 100% by Woodlark Mining Limited (WML), a partly owned subsidiary of Kula Gold Ltd.

The WIGP consists of one granted Mining Lease and three contiguous granted Exploration Licences covering approximately 579km^2 (Figure 2). The Kulumadau, Busai and Woodlark King gold deposits which occur within ML508. Associated with and linked to ML508 are a series of additional tenements including Mineral Easements and Lease for Mining Purpose. These are associated with the infrastructure needs associated with the project as outlined in the Feasibility Study. Table 1, below details the status of the all the tenements associated with WIGP.

Table 1 Tenements that constitute the Woodlark Island Gold Project.

Tenement	Application Date	Grant Date	End Date	Area	Status
EL 1172	23/2/1996	28/11/1997	21/11/2017	22 sub blocks	Active Renewal required 2017
EL 1279	9/3/1999	26/8/1999	25/8/2017	56.34 sub blocks	Active Renewal required 2017
EL 1465	28/9/2006	22/12/2008	21/12/2016	75 sub blocks	Renewal Pending – Hearing Complete
ML508	30/10/2012	4/7/2014	3/7/2034	59.6km^2	Active
LMP 89	16/7/2015	26/5/2016	3/7/2034	6.4ha	Active – Linked to ML208
LMP 90	16/7/2015	26/5/2016	3/7/2034	3.6ha	Active – Linked to ML508
LMP 91	16/7/2015	26/5/2016	3/7/2034	151.27ha	Active – Linked to ML508
LMP 92	16/7/2015	26/5/2016	3/7/2034	661.06ha	Active – Linked to ML508
LMP 93	16/7/2015	26/5/2016	3/7/2034	71.59ha	Active – Linked to ML508
ME 85	4/8/15	26/5/16	3/7/2034	30.62ha	Active – Linked to ML508
ME 86	4/8/15	26/5/16	3/7/2034	47.02ha	Active – Linked to ML508

ML508 has several tenement conditions including one which requires completion and construction of the project by 3 July 2017. Woodlark has submitted an application to extend the timeframe associated with this condition. At the date of this report the status of that application is unknown. If the application to extend or modify the tenement condition is unsuccessful the government can apply for the mining lease to be terminated and the ground will revert to the underlying exploration lease, which remains 100% owned by WML. If this were to occur DRM is informed that WML would be required to apply for a new Mining Lease, however underlying exploration licence provides security to the mineral resources.

11.3. Royalties

The following royalties are applicable for the project;
An Ad-valorem royalty of 2.25% is payable to the government of Papua New Guinea for all production from the project
A private royalty of $A10/oz. for the first 200,000oz relating to the acquisition of the project by Kula Gold is held by Highlands Gold Limited or its successor.

Both royalties have been included in the financial analysis of the project.

12. Geology

The geological information within this section is predominantly sourced from three separate sources being Corbett 1994 and 2011, Lee Spencer 2010 and 2013 and various reports by John Doepel one of the co-authors of this report. Significant information has been sourced from reports provided to DRM by Kula as a part of this ITA. Additional information has been sourced including various journals, technical papers and publicly available reports including various company ASX releases.

12.1. Tectonic Setting and Regional Geology

Woodlark Island is located within the Papuan Island Terrane of Williamson and Hancock (2005) which represents the eastward extension of the Papuan Peninsula. The Terrane includes the D'Entrecasteaux Islands, Louisiade Archipelago (including Misima, Sudest and Rossel Islands), Woodlark Island and the Trobriand Islands. All of these islands are located on oceanic highs within the Solomon Sea. Woodlark Island is located on the Woodlark Rise which is separated from the other islands to the south by the Woodlark Oceanic spreading centre (Figure 1).

The Woodlark Rise trends NW and is parallel to a subduction zone to the north of Woodlark Island. A major NE trending fault, the Nubara Fault, cuts the Woodlark Rise in the eastern portion and separates Woodlark Island from the Laughlin Islands in the east. The Woodlark Rise may constitute, at least in part, an emerging Miocene volcanic arc.

12.2. Local Geology

The bulk of Woodlark Island is covered by a veneer of Plio-Pleistocene limestones and associated marine clays and basal conglomerates. A central elevated portion of the island displays Miocene volcanics intruded by high potassium porphyritic intrusions (Joseph and Findlayson ,1991) which is underlain by Eocene ocean floor oceanic volcanics. The Woodlark Miocene volcanics and intrusives are postulated to belong to the Maramuni Event which represents the main period of magmatism and related mineralisation in PNG stretching some 750 kilometres from the Indonesian border with PNG to the Wau district south of the Huon Gulf as a 40-60-kilometre-wide belt and sporadically onto the offshore islands. Some of the mineralisation systems related to this event include Frieda River and Wafi.

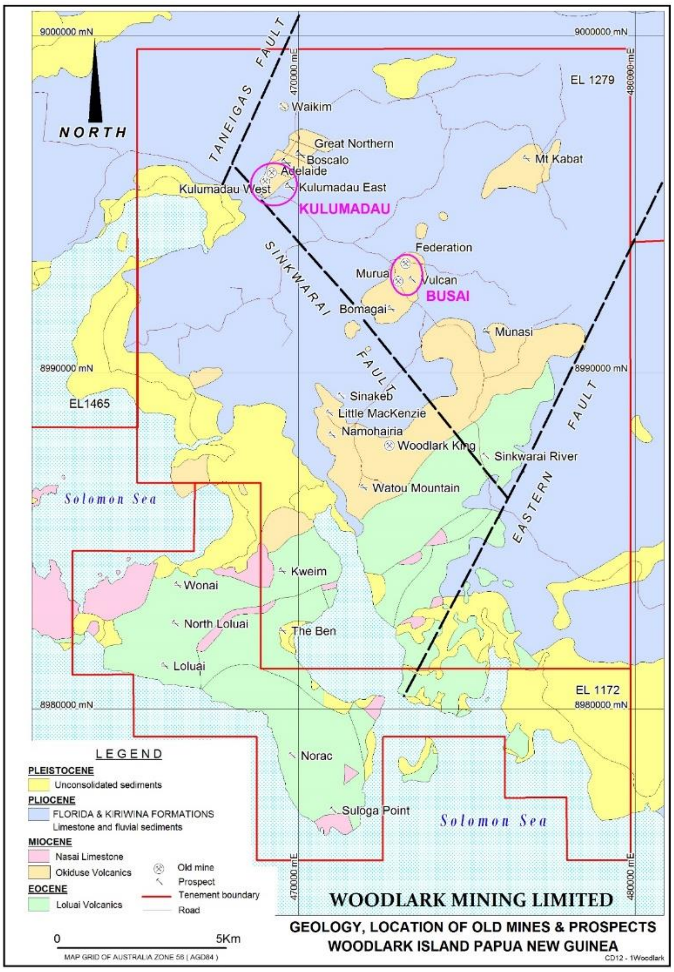

Figure 3 Local geology of the central Woodlark Island Gold Project

12.3. Deposit Geology and Mineralisation

Corbett (1991) undertook a detailed structural interpretation of Woodlark Island from aerial photographs, BHP aeromagnetic data, literature and limited fieldwork (Figure 3 and 4). The following structural trends were recognized:

- Two prominent NE structures defining a horst block in the central portion of locally outcropping Okiduse Volcanics and Kiriwina Formation sediments. The structures are protracted through time as they actively fault Kiriwina sediments.
- Three sets of NW trending structures cut the central horst block and roughly parallel the north coastline of Woodlark. These were termed the Kabat Structure, Bomagai Structures passing through and near the Busai mineralization and the Boniavat Structure which hosts a number of colonial workings including the Woodlark King resource.
- EW structures were identified as the Lake Lelua Structure in the western portion of the island and the Muniai Structure in the central portion of the horst block.

- NNE trending structures were recorded through the colonial workings at Busai and at Kulamadau where NNE structures have deformed earlier mineralization.
- NS structures particularly through mineralization at Wonai on the Suloga Peninsula.

On the above basis, Corbett et al (1994) concluded that gold mineralization on Woodlark was structurally controlled dominantly within NNW strike slip structures as zones and that mineralized veins trend toward a NS orientation reflecting local dilatational locations.

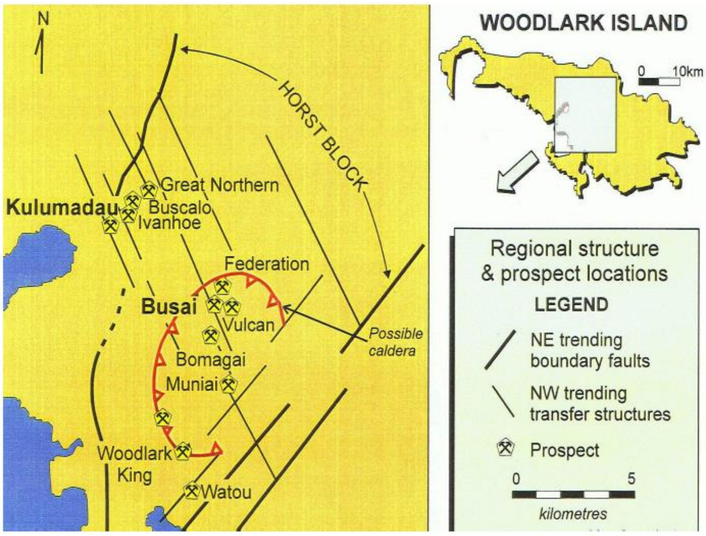

Figure 4Regional Structures and Historical gold workings (after Corbett et.al., 1994)

A reinterpretation of the regional structure of the Central Horst Block and district scale structure at Busai was undertaken by Lennox (2009). This structural reinterpretation was based on SRTM analysis at various sun angles, from field observations and diamond core logging (Figure 5).

The lower image D in Figure 5 shows the major faults and the proposed movement direction as determined from the development of Riedel faults, the bending of faults or through coastline displacement. The timing relationships for the major fault sets demonstrate no simple pattern which indicate that these faults overlapped in their period of development

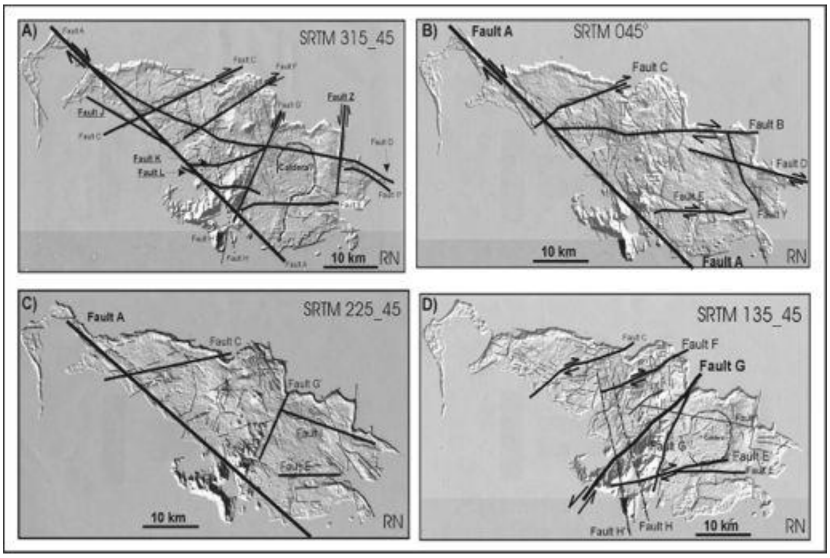

Figure 5 Analysis of Major Observed Faults with Sun Azimuths at 315° (A), 045°(B),225° (C) and 135° (D). After Lennox (2009).

Kulamadau Deposit Geology

Corbett (1991) has defined the Kulamadau mineralization as a "structurally controlled mesothermal siliceous breccia/vein stockwork system which is hosted within a reactivated structural zone on the margin of a non-outcropping porphyry body, and is deformed by post mineral shearing." On the basis of examination of diamond drill core from Highland's Gold exploration at Kulamadau (8 holes), Corbett identified a pattern of overprinting alteration:

1. Regional propylitic alteration characterized by chlorite replacement of mafic minerals in the andesitic volcanics.
2. Potassic alteration overprinting early propylitic, potassic altered breccia fragments, inferred to be from a deeper potassic intrusiv.
3. Structurally controlled phyllic alteration consisting of silica +sericite + pyrite +/- base metals and gold.
4. Anhydrite veins. Corbett (1991) interpreted anhydrite veins as typical porphyry related alteration.
5. Carbonate flooding of all previous alteration, especially adjacent to post mineral breccia zones.

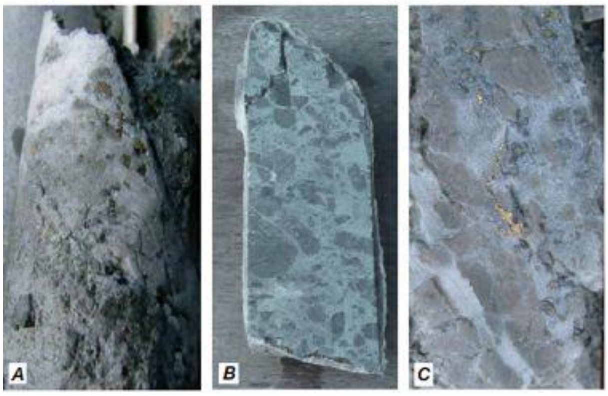

Figure 6 Mineralisation styles for gold at Kulumadau

The above Figure 6 illustrates a number of mineralisation styles recognised over the Kulumadau project area inclusive of but not limited to, siliceous veining in brecciated matrix with gold and sulphides (A), polymictic brecciated clasts with gold (B) and base metal association in clay breccias with gold (C).

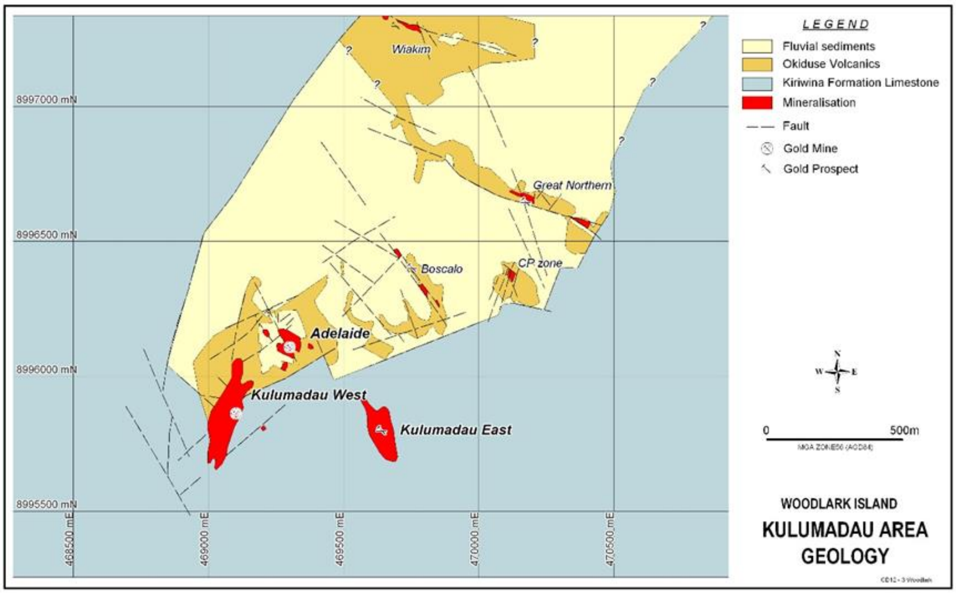

Figure 7 Kulumadau Area mineralisation

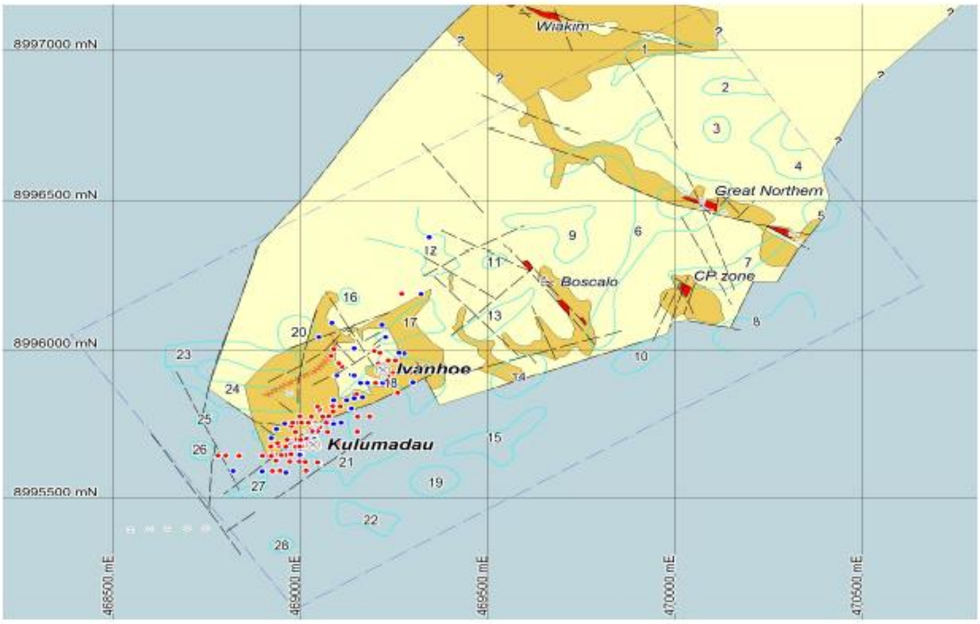

Figure 8 Kulumadau area targets and pre-2011 drill holes

Busai Deposit Geology

Again in 1991, Corbett on the back of previous exploration by BHP and Highlands described the Busai district as including several discrete prospects scattered over an area of 4 square kilometres and including:

1. Busai Pit (Murua United)
2. Federation
3. Vulcan
4. Bomagai.

Mineralisation at the Busai resource was interpreted to lie on a restricted jog along a NW structure with mineralization contained in steep structures as well as a flat lying lithological control. Mineralisation at Federation and Vulcan was interpreted to be isolated zones related to the regional NW structures, it was noted that the majority of previous operators were drilling to the west. It was also noted that zones of NE argillic alteration were mapped with little coincident drilling. In total three phases of gold mineralization have been defined over the Busai project area which are represented by sections of drill core in Figure 9 below.

Figure 9 Mineralisation styles for gold at Busai

Early phase hydrothermal brecciation is associated with low grade gold mineralization with pyrite and occasional quartz and carbonate veinlets. Phase 2 mineralisation is characterized by quartz veins and associated silicification while Phase 3 carbonate overprints all other phases. The tenor of gold mineralization directly relates to the amount and intensity of quartz veining and associated with Phase 2 mineralisation and the intensity and associated porosity of host volcaniclastics of the late stage carbonate overprint.

It is interpreted that the mineralisation at the Woodlark King prospect, to the south of Busai, is consistent with the mineralisation styles observed over the Busai area.

12.4. Exploration Potential

Within the greater WIGP there is considerable exploration potential. Within the general resource areas there are several prospects that have highly anomalous drill intersections additionally, while the mineralisation is poorly understood and controlled within the ore deposit areas, there is exceptional potential to expand the current reserves through conversion of the current Inferred Resources to Measured or Indicated Resources. ..Outside the resource areas there is an extensive sequence covering the prospective volcanic host units. With additional exploration within the general area and under this cover sequence using modern exploration targeting techniques it is considered likely that additional mineralisation would be delineated.

13. Previous Exploration and Historical Mining

Gold was discovered on Woodlark Island in 1895 (Gee 1978, Corbett 1994, Spencer 2009) with intermittent production over several periods since. Total historical gold production exceeds 200,000oz with the majority being mined from several quartz lodes or reefs associated with quartz veining within several mines.

Historical Mining

Detailed chronology and descriptions of the historical mining on Woodlark is given by Spencer (2009). In summary:

- Alluvial gold discovered in 1895;
- Alluvial rush slows in 1898;
- Rich veins mined at Busai 1896-1915 including Murua United open cut;
- Kulumadau main lode discovered 1898;
- Company mining at Kulumadau 1899-1918;
- Mining of Woodlark King 1911-1939.

These mines are within and associated with the current resource areas of Kulumadau, Busai and Woodlark King. These three deposits have smaller scale historical mines within the larger resource areas.

Modern exploration activities commenced in the early 1980’s with extensive drilling including a total of 292 Diamond holes and 1789 Reverse Circulation (RC) holes have been drilled until the completion of the feasibility study in 2012 (Tables 2 and 3 below). A total of approximately 260,000m of drilling has been completed. In addition to this drilling there has been extensive additional exploration including geological mapping, geochemical sampling (including soil samples, rock chips and stream sediment samples). Multiple geophysical surveys have also been conducted including aeromagnetic surveys and IP.

Table 2 Drilling Statistics to July 2012 by Explorer

Explorer	Years	Diamond		RC		Total	
		Holes	Metres	Holes	Metres	Holes	Metres
BMR	1962	9	644			9	644
BHP	1984-90	34	3,525	227	13,032	261	16,557
Highlands	1991-93	98	10,340	29	1,700	127	12,040
Auridium	1996	4	248	55	6,056	59	6,304
MML	2001-02			15	1,289	15	1,289
WML	2004-12	147	27,139	1,419	195,771	1,566	222,910
	Totals	**292**	**41,896**	**1,745**	**217,848**	**2,037**	**259,744**

Table 3 Drilling Statistics to July 2012 by Area

Deposit or area	Diamond		RC		Total	
	Holes	Metres	Holes	Metres	Holes	Metres
Busai	106	15,206	699	83,648	805	98,854
Kulumadau	129	22,123	363	44,638	492	66,761
Munasi	18	563	299	40,308	317	40,871
Boniavat	17	2,520	428	51,683	445	54,203
Totals	**270**	**40,412**	**1,789**	**220,277**	**2,059**	**260,689**

14. Recent Exploration

The recent exploration activities have all been reported in accordance with JORC 2012 and released to the ASX since the recent exploration commenced. This section in not intended to detail all the recent exploration, therefore the reader is directed to the Kula or GPR websites or the ASX website where these releases are available.

Since Geopacific Resources Limited entered the Joint Venture with Kula Gold there has been an extensive and ongoing exploration program. Activities have included extensive diamond and RC drilling with two Diamond drill rigs on site and one RC drill currently undertaking infill drilling programs within both the Busai and Kulumadau resources. These holes have been specifically targeting the inferred portions of the Mineral Resource Estimates with the aim to increase the confidence in the resource to either an Indicated or Measured classification. If this drilling is successful then it is possible that the incentive target of 1.2Moz being delineated in a Proved or Probable Ore Reserve would be achieved. Several of the geotechnical holes drilled to support the 2012 pit optimisations and mine designs were never assayed, GPR has recently re logged and assayed several geotechnical holes with several returning anomalous gold intersections.

In addition to the ongoing drilling program the Feasibility Study (FS) is also being reviewed with the aim of updating the costs included in the FS. As the FS was completed in 2012 when the mining related costs were at a peak it is expected that several of the costs included in the FS are expected to be significantly higher than current costs. This was confirmed when GPR released that the re costed processing plant is expected to cost approximately US$25M (or 27%) less than the capital cost included in the FS. GPR has also stated that it expected several of the other infrastructure costs associated with the development will also be significantly lower in the current market.
Exploration and evaluation work is ongoing.

15. Mineral Resource Estimates

This section of the ITA is largely compiled from work and reports completed and written by Mr John Doepel from CRM and Robert Spiers from Hellman and Schofield. Both have worked for WML in the capacity of independent resource consultants. John Doepel has reviewed the Mineral Resource Estimate detailed in this report and approves the inclusion of his previous reports in this ITA.

15.1. Previous Mineral Resource Estimates

Previous mineral resource estimates were made by, or on behalf of, the previous explorers, additionally CRM has provided a number of estimates for WML. In general, each successive estimate has reported a larger resource, as the area of drilling has expanded and more mineralisation has been discovered. The estimates reported by the previous explorers are, in summary:

- BHP - Tonnage/grade estimates aggregating 2.44Mt @ 3.82g/t Au (300,000oz) were defined at the Busai, Kulumadau, Woodlark King, and Federation prospects;
- Highlands – Global resources of 2.249Mt @ 3.41g/t Au at Busai;
- Auridium - Resource estimations for Kulumadau, Busai, and Ivanhoe (Adelaide) were carried out by Snowden Associates Pty Ltd (Snowden) in late 1996. Snowden estimated the resources using Multiple Indicator Kriging. The resources, reported in accordance with the 1996 JORC code, are summarised in Table 4.

Table 4 Snowden's 1996 Resource Estimate - 0.5g/t lower cut

Resource Classification	Kulumadau Tonnes	Kulumadau Grade (g/t Au)	Busai Tonnes	Busai Grade (g/t Au)	Ivanhoe (Adelaide) Tonnes	Ivanhoe (Adelaide) Grade (g/t Au)
Measured	1,800,000	2.1	2,900,000	1.6	301,000	2.2
Indicated	1,000,000	1.7	600,000	1.1	178,000	1.3
Totals	**2,800,000**	**2.0**	**3,500,000**	**1.5**	**479,000**	**1.85**

15.2. Current Mineral Resource Estimates

Mineral Resource Estimates have been completed for several distinctly different deposits and domains within each of the mineralised systems within the Woodlark Island Gold Project. The Kulumadau Deposit which is one of the two main deposits within the project, consists of the Kulumadau West, Adelaide and Kulumadau East Zones. The Busai deposit (the other main deposit) consists of volcanic hosted mineralisation overlain by minor alluvial gold. Table 5 below details the JORC 2012 Resource Estimates for the Busai and Kulumadau Deposits. Three additional deposits, the Woodlark King, Munsai and Watou Deposits have also had mineral resource estimates undertaken, with these deposits reported in accordance with the 2004 JORC code (Table 6 below). The resource estimates for the Woodlark King and Watou, located 1.5km south of Woodlark King have been combined in this report. Although the Resource Estimates were reported for three lower cut-off grades, only the >0.5g/t Au resources are included in this report.

CRM carried out Resource Estimates for the Busai and Kulumadau Deposits. The estimates incorporated drill data as at the end of June 2012. They were carried out by John Doepel, Principal Geologist of CRM and by Lynn Widenbar, of Widenbar and Associates Pty Ltd (Widenbar). They have been re-reported in accordance with the 2012 JORC Code. Doepel produced estimates of both the Busai and Kulumadau Deposits using Inverse Distance Squared (ID2) modelling to produce ore block models (OBMs) of the mineralisation within them. The volcanic hosted mineralisation within the Busai Deposit was also modelled by Widenbar using an ordinary kriging (OK) technique, with this technique estimating virtually the same contained gold as the ID2 estimate. Appendix C contains the JORC Table 1 information obtained from the 31 January 2017 ASX release that includes the Table 1 Section 3 relating to the Resource Estimation.

Table 5 Mineral Resource Estimates for the combined Busai and Kulumadau Deposits JORC 2012

As of July 2012 at 0.5g/t Au lower cutoff

Deposit	**Category**	**Resource (Mt)**	**Grade – cut (g/t gold)**	**Gold – cut (Oz)**
Kulumadau	Measured	5	1.78	285,000
	Indicated	4.4	1.75	250,000
	Inferred	8.6	1.4	380,000
	Totals	**18**	**1.6**	**910,000**
Busai	Measured	3.9	1.54	190,000
	Indicated	10.4	1.4	470,000
	Inferred	4.9	1.6	250,000
	Totals	**19**	**1.5**	**910,000**
All	Measured	8.9	1.66	475,000
	Indicated	14.8	1.5	720,000
	Inferred	13.5	1.5	630,000
Totals	**All**	**37.2**	1.5	**1,820,000**

Notes
1: Totals may appear incorrect due to rounding.
2: The Busai Indicated Resource includes 0.4Mt @ 1.4/t Au for 20,000oz from overlying alluvial mineralisation.
3: The Busai Inferred Resources includes 0.4Mt @ 1.2/Au for 14,000oz from overlying alluvial mineralisation.
4: As per ASX release 31 January 2017 with JORC Table 1 appended to this report as Appendix C

Table 6 Mineral Resource Estimates for the Woodlark King and Munsai Deposits JORC 2004

As of July 2012 at 0.5g/t Au lower cutoff

Deposit	**Category**	**Resource (Mt)**	**Grade – cut (g/t gold)**	**Gold – cut (Oz)**
Munsai	Inferred	3.9	0.9	110,000
	Total	**3.9**	**0.9**	**110,000**
Woodlark King	Indicated	3	1.2	115,000
	Inferred[2]	1	1.8	60,000
	Total	**4**	**1.4**	**175,000**
Total	**All**	**7.9**	**1.1**	**280,000**

1: Totals may appear incorrect due to rounding.
2: The Woodlark King Inferred Resource includes 0.3Mt @ 3.0g/t for 30,000oz Au from Watou (1.5km south of Woodlark King)
3: These Resources are reported under JORC 2004 and have not been updated
4: As per ASX release 31 January 2017

15.2.1. Busai Deposit –

The Busai deposit has two separate mineralised zones, being the overlying alluvial mineralisation and the volcanic hosted mineralisation. The Resource Estimates for these are detailed in Tables 7 and 8 below.

15.2.1.1. Alluvial Mineralisation

Resource Classification

The resources were classified according to the following criteria:

- Indicated Resources: Blocks interpolated from 8 plus points;
- Inferred Resources: Blocks interpolated from 2 to 7 points and south of 8993350N;

Resources

Table 7 Busai Kiriwina (Alluvial) Resources - lower cut - 0.5g/t

Resource Category	Tonnes (Mt)	Au	Au Oz
Indicated	420,000	1.4	19,000
Inferred	370,000	1.2	14,000
Totals*	**790,000**	**1.3**	**34,000**

* Totals may appear incorrect due to appropriate rounding of individual values

15.2.1.2. Busai Deposit – Volcanic Hosted Mineralisation – ID2 Estimation

Figure 10 is of a cross section through the volcanic hosted mineralisation at Busai, showing the historical Murua Pit, drill traces and mineralisation intercepts.

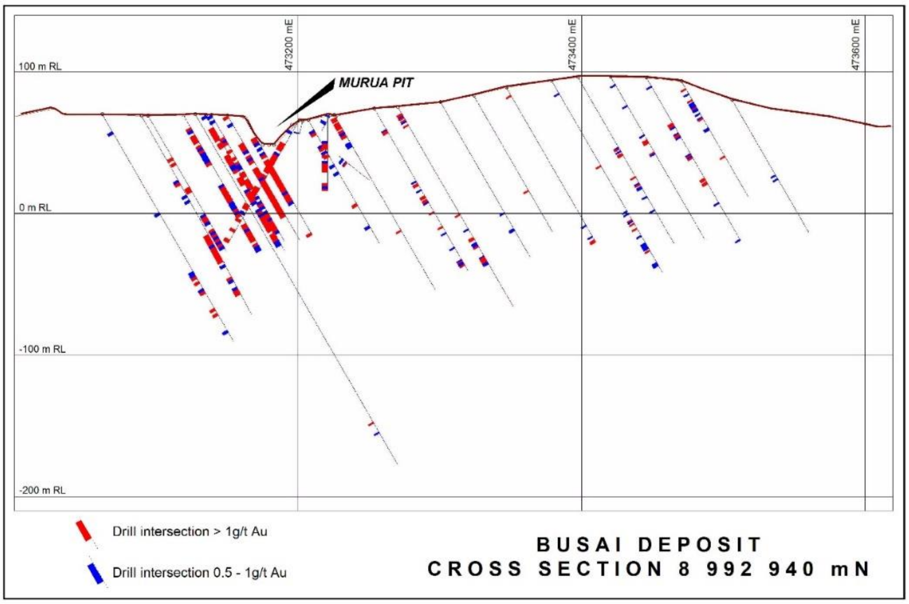

Figure 10 Busai Deposit – Cross-section 8,992,940N

Resource Classification

The resources were classified according to the following criteria:

- Measured Resources: Blocks interpolated from 36 plus points;
- Indicated Resources: Blocks interpolated from 8-35 points;
- Inferred Resources: Blocks interpolated from 2 to 7 points.

Resources

Table 8 Busai Deposit Volcanic Hosted Resources – 0.5g/t Lower Cut

Resource Category	Resource (Mt)	Au Cut to 100g/t	Au Oz Cut to 100g/t
Measured	3.9	1.55	190,000
Indicated	10	1.4	450,000
Inferred	4.6	1.6	240,000
Totals*	**18.4**	**1.5**	**880,000**

* Totals may appear incorrect due to appropriate rounding of individual values (ASX release 31 January 2017)

15.2.1.3. Busai Deposit – Volcanic Hosted Mineralisation – OK Estimation

The volcanic hosted mineralisation was modelled by Widenbar in August 2012 using the Ordinary Kriging (OK) methodology. The same input drill-holes, assays, and domains were used for the 2012 OK estimation and the 2011 ID2 estimation. The total OK Mineral Resource Estimate resulted in essentially the same resource (within the expected errors associated with this style of estimation). The total contained gold for this estimate was 882,000oz (18.4Mt at 1.49g/t) compared to the 18.4Mt at 1.49g/t for 879,000oz for the ID2 estimate completed at the same time. The OK estimate has not been updated to conform to JORC 2012.

15.2.2. Kulumadau

The Kulumadau deposit consists of three separate zones, being the Kulumadau West, Kulumadau East and the Adelaide Zones.
A plan of the combined ore block models from the three zones that comprise the Kulumadau Deposit is shown as Figure 11.

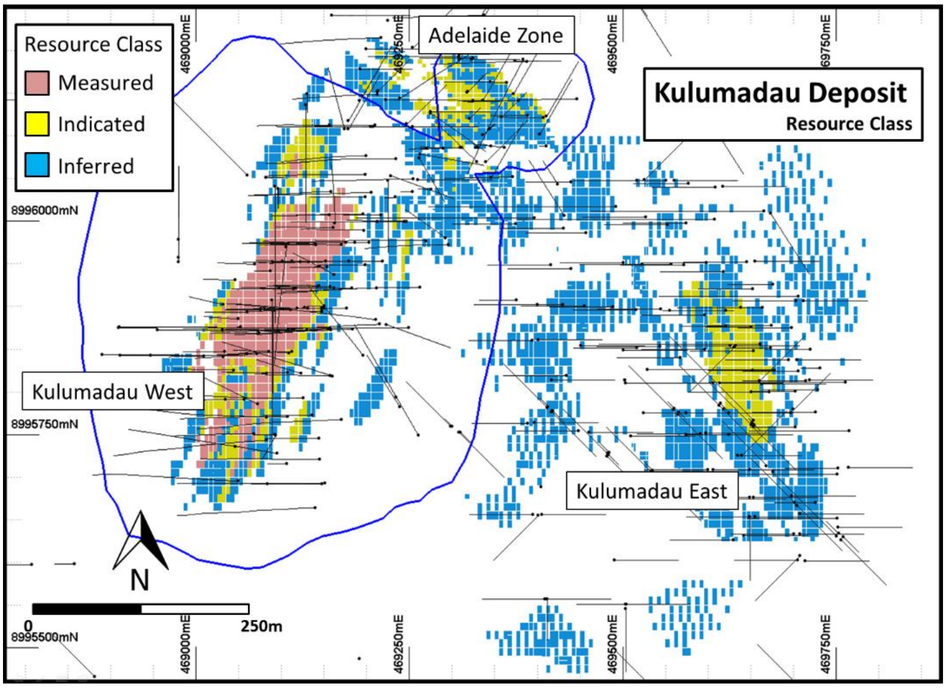

Figure 11 Kulumadau Deposit – Plan of combined OBMs

Analyses from 317 drill holes totalling 46,996 metres (of which 115 holes for 19,841 metres were diamond drill holes) were used for the Kulumadau Deposit resource estimations. The combined resources for the three zones are set out in Table 9 with the individual mineralised zones in Tables 10 to 12.

Table 9 Kulumadau Deposit Resources – 0.5g/t lower cut

Resource Category	Resource (Mt)	Au (g/t)	Au Oz
Measured	5.0	1.8	285,000
Indicated	4.4	1.7	250,000
Sub-totals	**9.4**	**1.8**	**530,000**
Inferred	8.6	1.4	380,000
Totals*	**18.0**	**1.6**	**910,000**

*Totals may appear incorrect due to appropriate rounding of individual values

15.2.2.1. Kulumadau West Zone

A plan of the Kulumadau West and Adelaide Zones showing an outline of the mineralisation and the location of the drill holes is shown as Figure 12, a cross-section through the Kulumadau West mineralisation is shown as Figure 13, and a long-section as Figure 14

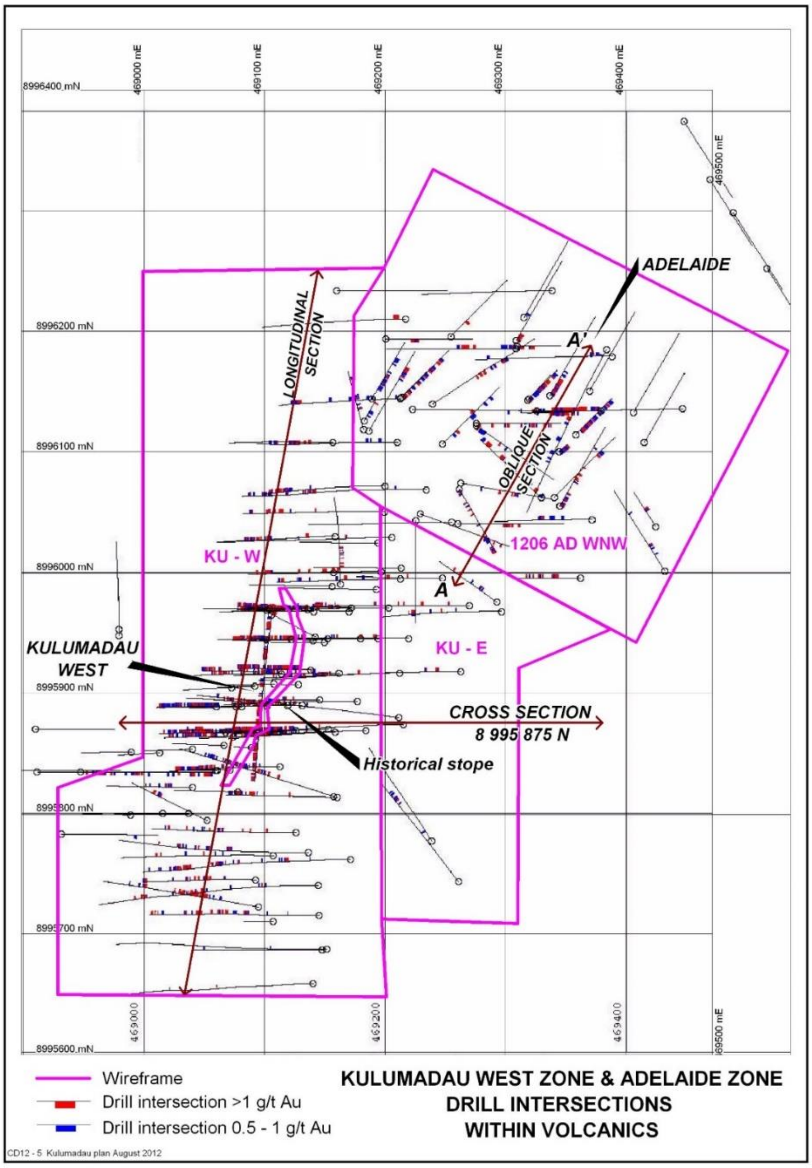

Figure 12 Kulumadau West Zone and Adelaide Zone wireframes and drill holes

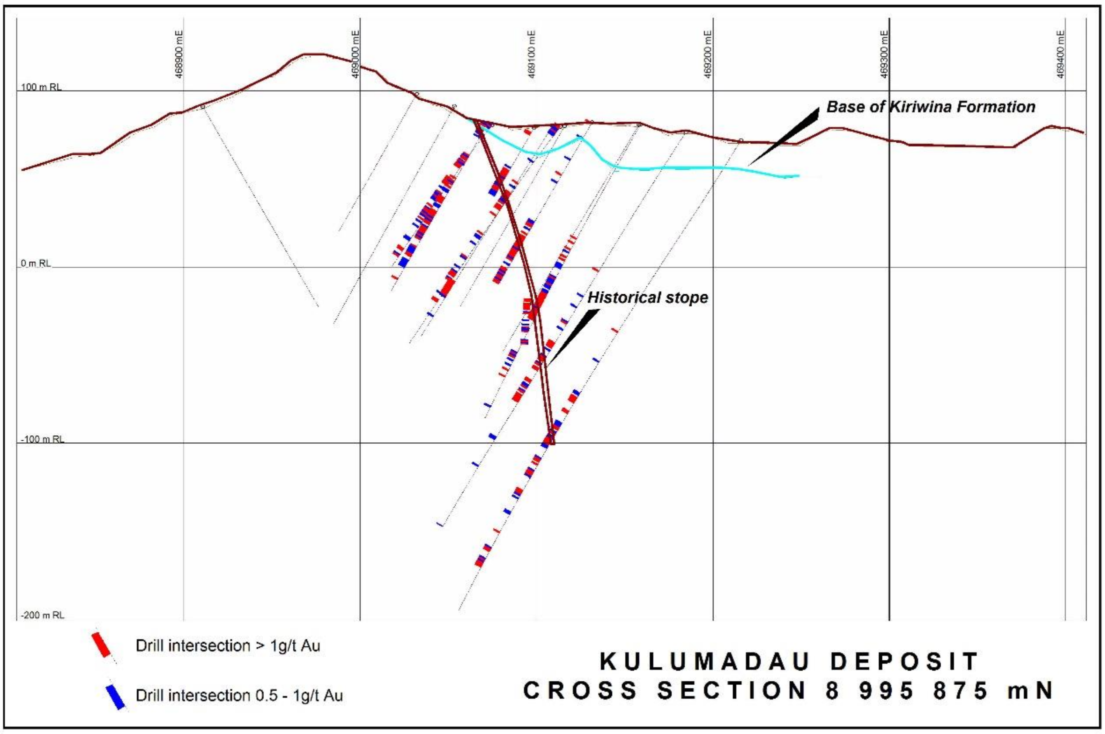

Figure 13 Kulumadau West Zone – Cross-section 8,995,875N

Resources

The Kulumadau West resources at a 0.5g/t cut-off were classified according to the following criteria:

- Measured Resources - Blocks interpolated from more than 35 points;
- Indicated Resources - Blocks interpolated from 21 to 35 points;
- Inferred Resources - Blocks interpolated from 6 to 20 points.

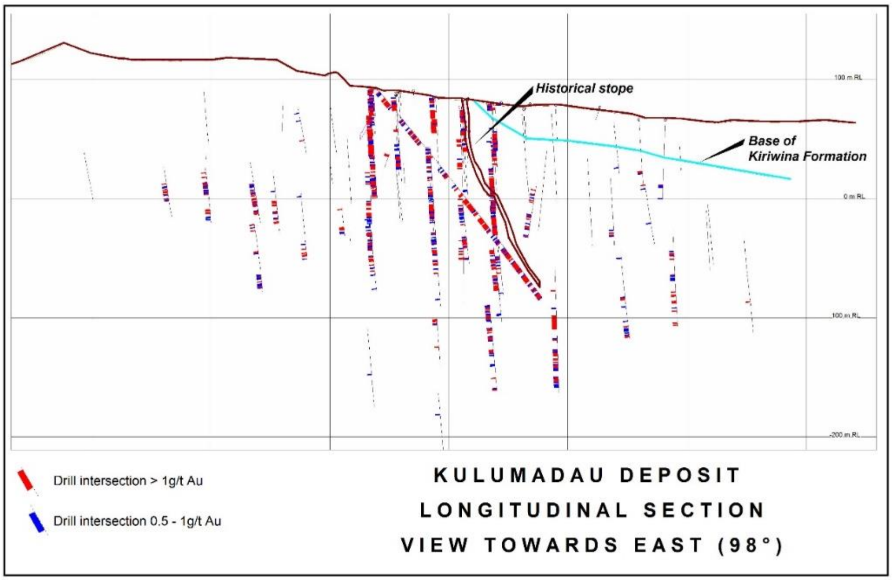

Figure 14 Kulumadau West Zone – Long-section

Table 10 Kulumadau West Zone Resources – 0.5g/t lower cut

Resource Category	Resource (Mt)	Au Cutt	Au Oz
Measured	5.0	1.8	285,000
Indicated	2.5	1.6	130,000
Sub-totals	**7.5**	**1.7**	**410,000**
Inferred	3.4	1.9	210,000
Totals*	**10.9**	**1.8**	**620,000**

*Totals may appear incorrect due to appropriate rounding of individual values

The estimated grade of the Kulumadau West resources is considered by CRM to be a minimum grade. CRM considers it likely that the diamond core drilling used to provide samples for the estimation did not recover all of the gold present in high-grade clayey lodes.

15.2.2.2. Adelaide Zone

Resources

The Adelaide Zone resources at a 0.5g/t cut-off were classified according to the following criteria:

- Indicated Resources - Blocks interpolated from 25 plus points;
- Inferred Resources - Blocks interpolated from 6 to 24 points.

Table 11 Adelaide Zone Resources – 0.5g/t lower cut

Resource Category	Resource (Mt)	Au	Au Oz
Indicated	1.0	1.7	55,000
Inferred	1.5	0.9	45,000
Totals*	**2.5**	**1.2**	**100,000**

- *Totals may appear incorrect due to appropriate rounding of individual values

15.2.2.3. Kulumadau East Zone

A cross section through the Kulumadau East Zone mineralisation is shown as Figure 15 and a plan showing an outline of the mineralisation and the location of the drill holes is shown as Figure 16. The mineralisation is within volcanics that are completely beneath the overlying sediments.

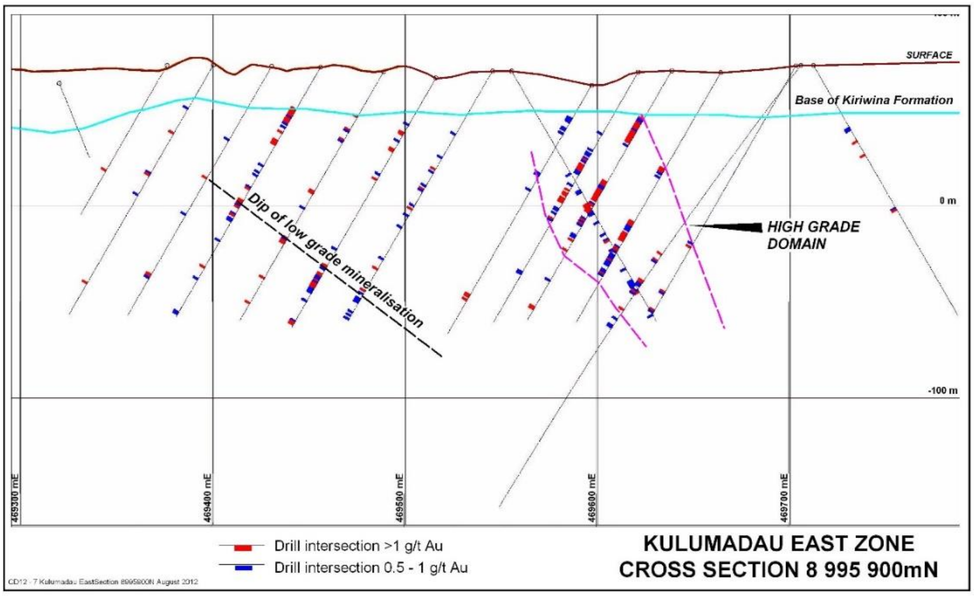

Figure 15 Kulumadau East Zone Cross-section 8,995,900N

Resources

The Kulumadau East Zone resources were undertaken on three separate cut-off grades however only the 0.5g/t resource estimate is included in this report.

The resources were classified according to the following criteria:

- Indicated Resources - Blocks interpolated from 15 plus points IF BOTH north of 8995740N AND within high-grade wireframe;
- Inferred Resources - Blocks interpolated from 3 to 14 points, OR south of 8995740N, OR NOT within high-grade wireframe.

Table 12 Kulumadau East Zone Resources – 0.5g/t lower cut

Resource Category	Resource (Mt)	Au	Au Oz
Indicated	0.9	2.2	65,000
Inferred	3.7	1.0	125,000
Totals*	**4.7**	**1.3**	**190,000**

*Totals may appear incorrect due to appropriate rounding of individual values

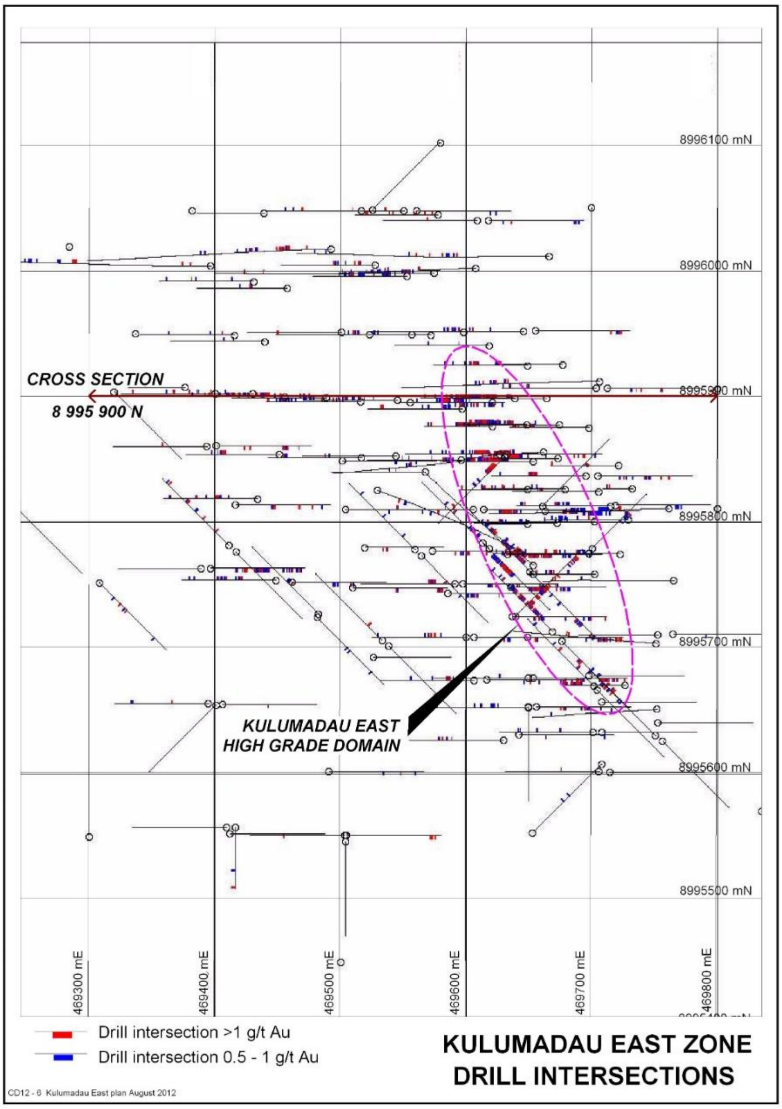

Figure 16 Kalumadau East Zone drill holes and mineralisation

15.2.3. Woodlark King

The Woodlark King and Watou deposits are combined in several of the Resource reports as the Boniavat estimate. Resource estimates (Table 13) for Woodlark King were done using an Inverse Distance Squared (ID2) method and a 0.5g/t cut-off. The Inferred Resources for Woodlark King, below, include 0.3Mt at 3.0g/t Au for 30,000oz from the Watou Deposit which is geologically similar to and located 1.5km south of the Woodlark King deposit. The Watou Resource estimates were done using the polygonal method from drill intersections to a maximum depth of 60m below surface.

Table 13 Woodlark King Resource Estimates (JORC 2004)

As of July 2012 at 0.5g/t Au lower cutoff

Deposit	Category	Resource (Mt)	Grade – cut (g/t gold)	Gold – cut (Oz)
Woodlark King	Indicated	3	1.2	115,000
	Inferred[2]	1	1.8	60,000
	Total	**4**	**1.4**	**175,000**

1: Totals may appear incorrect due to rounding.
2: The Woodlark King Inferred Resource includes 0.3Mt @ 3.0g/t for 30,000oz Au from Watou (1.5km south of Woodlark King)
3: These Resources are reported under JORC 2004 and have not been updated.

15.2.4. Munasi

Mineralisation within the Munasi Prospect, located approximately 2km southeast of Busai, was included in a JORC 2004 mineral resource estimate (Table 14 below). No additional work has been done at Munasi since that estimate was completed. A total of 150 RC holes were completed into the deposit during 2009 for 20,314m of drilling. The Munasi Deposit is open and additional work is required in the area to improve the confidence in the resource estimate.

Table 14 Munasi Resource Estimates (JORC 2004)

As of July 2012 at 0.5g/t Au lower cutoff

Deposit	Category	Resource (Mt)	Grade – cut (g/t gold)	Gold – cut (Oz)
Munsai	Inferred	3.9	0.9	110,000
	Total	**3.9**	**0.9**	**110,000**

1: Totals may appear incorrect due to rounding.
3: These Resources are reported under JORC 2004 and have not been updated.

15.3. Confidence Levels of the Mineral Resource Criteria

The confidence level of the mineral resource estimation is, in general, high. Confidence levels for various criteria used in the estimation process are listed in Table 15.

Table 15 Confidence Levels – Kulumadau and Busai Resources

Resource criteria	Confidence level Kulumadau	Confidence level Busai
Database integrity	High	High
Sample integrity	Moderate	High
Analytical integrity	High	High
Geological interpretation	High to moderate	High to moderate
Dimensions	High	High
Estimation & modeling technique	High to moderate	High to moderate
Cut-off parameters	High to moderate	High to moderate
Prospect for economic exploitation	High	High
Specific gravities	Moderate	Moderate

16. 2012 Feasibility Study Summary

This section summarises the FS completed in late 2012 (ASX release 27 September 2012). All the technical assumptions from that feasibility study remain valid although the financial inputs of the study were all attained when most of the inputs costs were at the peak of the global mining boom. Therefore, several of these costs have significantly reduced since the feasibility study was completed. There has also been a significant reduction in the gold price since the study was completed. A pre-feasibility study was completed in 2010 by LJ Putland & Associates.

16.1. Mining

This Report and mining review is based on information provided to DRM by Kula. The data included pit optimisations and all reports associated with the 2012 Feasibility Study.

A regional map showing the location of the Kulumadau, Busai and Woodlark King deposits on Woodlark Island is shown in Figure 2 and the location of Woodlark Island on a more regional basis in Figure 1 above.

16.1.1. Mining Methods

As proposed in the 2012 feasibility study, mineralisation would be exploited via a standard conventional style load and haul, drill and blast open cut mining operation. The Kulumadau and Busai have been mined in three stages while due to its small size the Woodlark King deposit is mined as a single stage.

Mining was staged to ensure a constant plant feed rate of 1.8 million tonnes per annum could be achieved while providing a processing a blended Run of Mine (ROM) material of 60% Busai ore and 40% Kulumadau ore. The purpose of blending the ores is to maximise the overall recovery of the gold. The feasibility study included an analysis of various critical inputs including hydrogeology and pit dewatering, a geotechnical evaluation, waste rock dumps and a mining fleet alternatives, blasting, pit optimisations, pit design and Ore Reserve Estimation. All the technical inputs detailed in the Feasibility Study are considered reasonable and the assumptions underpinning these inputs remain valid.

The equipment evaluated in the Feasibility Study included several suppliers and equipment sizes with a recommendation to utilise two Hitachi 120 tonne excavators loading HaulMax3900 articulated trucks with a payload of 80 tonnes. A third Hitachi 120 tonne excavator is required in year two of operations and de mobilised from site mid-way through year five with additional trucks to support the third excavator. The equipment size and type was selected based on the highly-weathered nature of much of the ore and the long-haul distances, especially from the Kulumadau and Woodlark King pits to the processing plant. The HaulMax3900s have a narrow body shape to the conventional Caterpillar 777, allowing for narrower pit designs whilst still maintaining a two-lane ramp for the majority of the pits.

Mainsheet Capital and DRM consider that this mining approach is suitable for the Busai, Kulumadau and Woodlark King deposits.

The feasibility study was based on pit optimisations using a gold price of US$1200/oz. the three main deposits, being the Busai, Kulumadau and Woodlark King deposits. The optimisations were undertaken on the Measured and Indicated Resources and any Inferred Resource contained within the optimal pit shell were classed as mineralised waste and stockpiled for processing at the end of the mine life.

16.1.2. Geotechnical

The geotechnical aspects of the feasibility study are detailed in the following section and noting that the pit walls are designed at a shallow angle to accommodate the highly-weathered material and the high annual rainfall. It is observed that most the core used for the geotechnical assessment was sourced from well within the pit boundaries and contained mineralisation. An announcement from GPR in early 2017 of the assay results of the core used for the geotechnical assessment indicted the presence of mineralisation in the core and hence, may not be truly representative of the waste rock near the pit perimeter. Other factors contributing to the shallow all angle for open pit mining at Kulumadau and Busai pits are:

- The highly-fractured nature of the ore and host rock;
- The presence of numerous clay rich shear zones at Kulumadau;
- The presence of substantial clay alteration at Kulumadau and of an upper saprolitic zone at Busai; and
- The very high annual rainfall.

The feasibility study included a geotechnical assessment for each of the pits and recommended suitable pit wall slope angles and berm placement. The overall wall angles for each of the pits, based on the geotechnical assessment and excluding provision for pit ramps are:

- Busai: East domain: ~49^0 to 50^0
  West domain: ~43^0 to 44^0
- Kulumadau: All domains: ~40^0 to 41^0
- Woodlark King: All domains: ~48^0 to 49^0
- Kulumadau East: All domains ~37^0 to 38^0

With more detailed information on the geotechnical parameters of the host rock near the pit wall boundaries it may provide an opportunity to increase the overall slope angle of the pit walls, reducing the waste to ore strip ratio and the mine operating costs.

It is recommended that further work be carried out investigate this opportunity and any changes to the overall strip ratio has not been included in this valuation.

16.1.3. Pit Optimisations

In completing this report it was noted that the feasibility study proposed to mine the largest possible pit before a significant change in economic outcome to maximise the life of mine. An alternative pit shell that returned the highest economic outcome contained 34% less waste for 15% less gold mined, but at a higher grade and shorter mine life, reducing the time-borne risks of operating the mine. Table 16 below summarises the difference between the Whittle shell selected for the Feasibility mine design and the optimal economic return Whittle pit shell.

Table 16 Summary of the combined feasibility study Pit shells compared to the optimal economic pit shells.

TOTAL	Waste	Mill Feed			Strip
		Tonnes	Grade	Ounces	Ratio
	(Mt)	(t)	(g/t)	(oz)	(w:o)
Feasibility Whittle Optimised Shell	96.8	11.3	2.17	787,114	8.6
Net Economic Return Optimised Shell	63.7	9.3	2.24	670,278	6.8
Net Difference	33.1	2		116,836	
Percentage Difference	34%	18%		15%	

Typically, a pit design would be undertaken on a pit shell that is slightly smaller than the than the optimal pit shell rather than larger. The Feasibility study indicates the reason for using a larger pit shell is to increase the ounces of gold in the designed pits, especially where there is a very flat cashflow model for the whittle optimisations.

16.1.4. Mining Schedule

The primary criteria were used when developing the mining schedules for the Feasibility Study were:

- To provide ore to the mill at a rate of 1.8 Mtpa;
- Provide a mill feed blend, where possible of 60% Busai and 40% Kulumadau;
- To maintain, where possible, at least two weeks' mill feed stockpiled on the mill ROM pad,
- To not exceed, where possible, four weeks' mill feed stockpiled on the mill ROM pad. As the mill configuration is direct feed to the semi-autogenous (SAG) mill with no crushed ore stockpile a consistent feed rate must be maintained by the crusher feed loader; and
- To meet these requirements with the minimal, most practical mining fleet possible.

In order to do this and to smooth the production profile and waste pre-strip requirements, the Busai and Kulumadau pits were broken down into a series of stages or cutbacks. Due to its small size, the Woodlark King pit will be mined as a single pit.

The mining schedules have been based on the operation of two 120 tonne diesel hydraulic excavators for the first year of mining operations, with a third mobilised from the start of the second year. The additional excavator and associated fleet are required for 3 ½ years would be demobilised mid-way through year five. Excavation rates for ore and waste have been calculated for each pit and cut back using basic cycle time modelling based on manufacturer's specification and cycle time estimates.

It has been assumed that all ore mined from the Busai, Kulumadau and Woodlark King pits will be trucked directly to the mill ROM. It is assumed that all Inferred material or low grade material that sits below the current cut-off grades will be stockpiles in the relevant pit waste dump area. This material will require reclaiming, loading and hauling to the mill ROM should it be processed later. For the mine scheduling this material is regarded as waste.

All schedules were generated on a monthly basis and consolidated to quarterly and annual schedules as required.

16.1.5. Mine Closure / Rehabilitation

At the end of the mine life there is an allowance in the financial models of $20M. This is expected to be sufficient to ensure the site is rehabilitated to an industry standard and allow for ongoing monitoring of the site to ensure the rehabilitation is successful.

16.2. Processing

This section is a summary of the Feasibility Study including the metallurgy, comminution, processing plant design, tailings disposal alternatives, infrastructure requirements, production forecasts,

16.2.1. Metallurgical Testwork

Over the last 20 years a considerable amount of metallurgical testing has been performed on samples from the WIGP. Busai and Kulumadau are the main deposits that constitute the ore reserve while a series of scouting tests have been undertaken on Woodlark King. As the majority of the mill feed is from Busai and Kulumadau deposits, the metallurgical testwork and analysis has been focused on the beneficiation and recovery these larger deposits. Table 17 and 18 below detail the comminution and recovery from the WIGP.

Table 17 Comminution tests from Busai, Kulumadau and Woodlark King deposits of the WIGP.

Deposit	Au Grade	Rwi	Bwi	Ai	Dwi	Mia	Mih	Mic
	g/t Au	(kWh/t)	(kWh/t)		(kWh/m3)	(kWh/t)	(kWh/t)	(kWh/t)
Busai								
Average	0.048	19.0	15.9	0.041	5.2	16.1	11.4	5.9
Median	0.03	18.85	15.85	0.0395	5.18	15.9	11.2	5.8
Kulumadau								
Average	0.275	21.2	20.0	0.176	9.2	24.6	19.4	10.0
Median	0.085	21.4	19.6	0.1967	9.41	24.7	19.6	10.1
Woodlark King								
Average	0.115	12.7	11.4	0.005	2.7	9.3	6.1	3.2
Median	0.01	11.1	10.1	0.0061	0.87	4.7	2.3	1.2

Summary of ALS Ammtec Comminution Tests November 2011.

Table 18 Overall Metallurgical Recovery from the three deposits within the WIGP.

Deposit	Ore Type	Overall Metallurgical Recovery
Busai	Murua United	92%
	Federation & Zone 40	73%
Kulumadau West	All	92%
Woodlark King	All	92%

16.2.2. Processing Plant

The feasibility study developed an optimal processing flowsheet that utilises a standard processing plant, designed to process 1.8Mtpa of fresh ore through a single stage jaw crusher, grinding circuit, a CIL extraction circuit, an elution and electrowinning circuit. Figure 17 below details the flowsheet proposed in the FS.

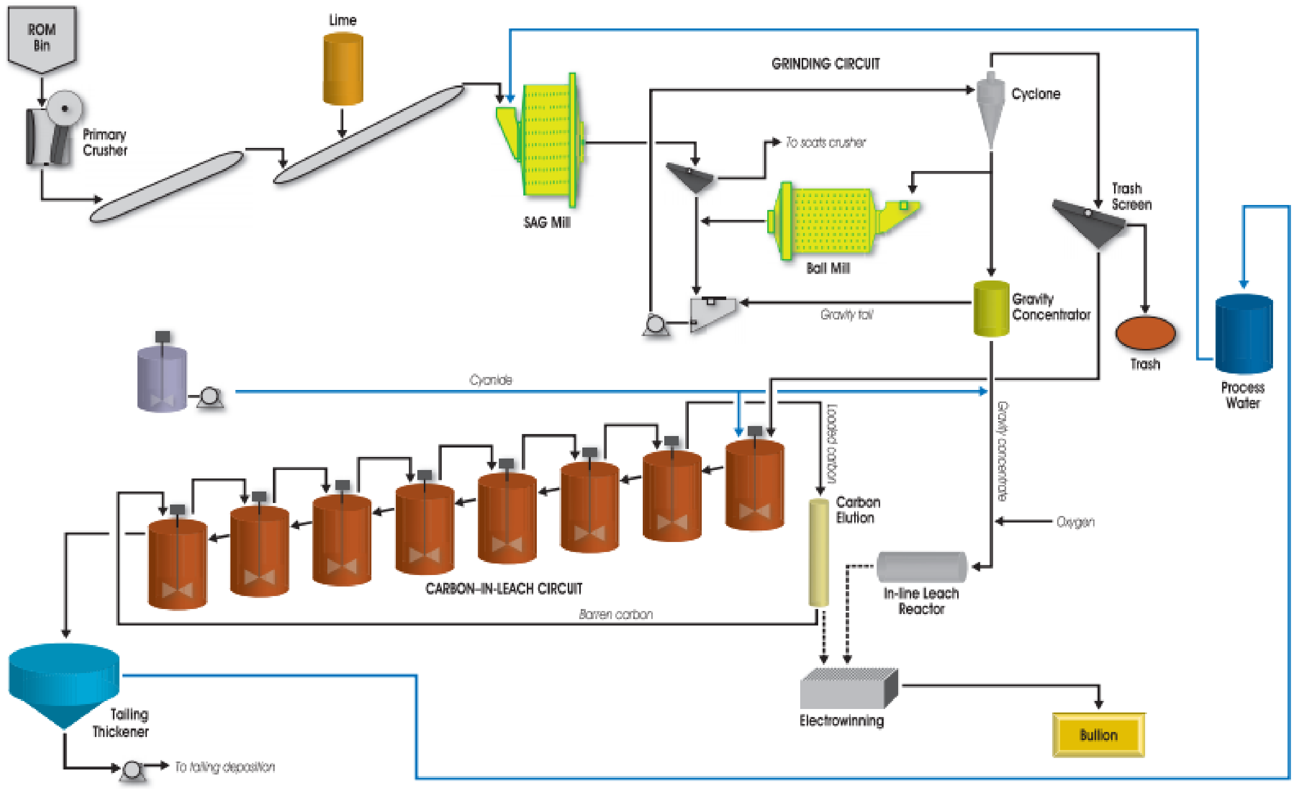

Figure 17 Schematic process flow sheet for the WIGP, from the FS.

16.2.3. Forecast Production

Based on the mine schedule, the processing flowsheet and metallurgy described above the Feasibility Study derived a forecast production from the WIGP. Importantly the Figure 18 below assumed that the project would be in production immediately after completion of the FS. While this clearly has not occurred the Figure 18 details the production schedule in accordance with the FS. Importantly this production forecast is a forward-looking statement and the required uncertainty and caution is required in assessing this forward looking statement. The ability of the Joint Venture in achieving forward-looking or forecast production is dependent on numerous factors that are beyond DRM's control and that would be unreasonable for DRM anticipate. While DRM has used this production modelling in the valuation there is no certainty that any of these assumptions will eventuate and all due care is required in assessing the production forecasts.

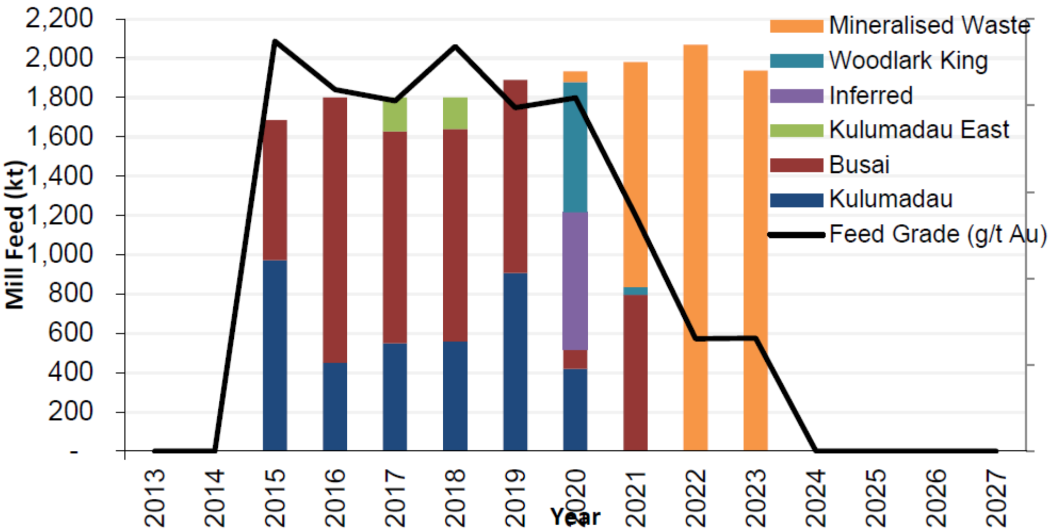

Figure 18 Summary of the processing schedule based on the feasibility study completed in 2012.

16.2.4. Associated Infrastructure

As the WIGP is located on a remote island with minimal infrastructure a significant capital ocst is associated with the required infrastructure including a port, road network, staff accommodation camp, relocation of the Kulumadau Village and bulk storage of spares including fuel and critical spares. The Feasibility Study included estimates and details of all the infrastructure that is required for the development of the project. The details of the infrastructure, the capital costs and logistics to advance the project are all included in the FS OPEX and CAPEX costs assumed in the feasibility study. These assumptions have been included in this report and valuation.

16.2.5. Tailings Disposal

The feasibility study evaluated two viable options for the tailings disposal from the processing plant, being a standard earthen bunded tailings dam and the second a deep-sea tailing disposal (DSTD). Given the high rainfall along with the seismically active location of the project the deep-sea tailings disposal option was evaluated in the FS and considered to be the best option for the project. There has been significant study into this tailings disposal option including an optimal discharge location along with ocean currents, location of the final tailings, bathymetry of the discharge area and natural sedimentation studies.
While the DSTD has several environmental challenges, based on the climatic and tectonic risks associated with a land based tailings storage it is reasonable to develop the project with a DSTD facility as opposed to the alternatives.

16.3. Operating costs

The operating costs assumed in the feasibility study have been used in this report and valuation with the exception of the fuel price assumptions. Since the feasibility study was completed the oil price has significantly reduced. In 2012 the West Texas Intermediate (WTI) oil price was approximately US$86.4/barrel, this valuation has used a base oil price of US$49.3/barrel or a reduction of approximately 43%. It is assumed that this reduction in the oil price accurately reflects the lower input costs then for both diesel fuel used primarily in the mining fleet and heavy fuel oil used for power generation. Therefore, it is considered reasonable to significantly reduce the input costs for the fuel for the project.

DRM considers that a fuel price reduction of between 10% and 35% for the valuations is reasonable. Therefore, the valuations below have assumed a 10% reduction for the lower valuation, a 20% reduction for the base case and a 35% reduction for the upper valuation.

In addition to the reduced fuel price it is likely that several of the other key inputs into the OPEX may also be significantly reduced with optimisation of the project. Of interest is the comminution tests that have been used in developing the OPEX. The geological descriptions of the mineralisation suggest that is should be very soft and have a low grinding work index. If the ore has a lower grinding work index than derived from tests on barren material, which was used in deriving the costs for the feasibility study, then there would be a very significant reduction in the overall OPEX. Additional grinding tests on the ore is recommended. As the financial impact of this opportunity has not been quantified the is no allowance in this valuation for the opportunity that exists should the new grinding tests indicate a lower grinding costs are achievable.

16.4. Capital Costs

The capital costs developed for the Woodlark Island Gold project as developed in the feasibility study (Table 15 below) are currently being reviewed by Kula's joint venture partner, GPR. An initial finding of the review being conducted by GPR has found that there is a significant saving in the overall capital cost of the processing plant. As reported in the ASX release of 9 March 2017 it is estimated that the capital cost for the 1.8Mtpa processing plant has reduced by US$25M or 27%. This cost saving has been used in this valuation where low case is assumed to have a reduction of 20% capital costs and the upper case is assumed to have the full 27% reduction.
Table 19 below details the capital costs derived from the feasibility study.

Table 19 Capital cost estimates for the WIGP.

Capital Item	Cost (US$) from 2012 Feasibility	Assumptions – this report
Processing Plant	92	20 – 27% reduction
Infrastructure	20	Unchanged
Spares and First Fill	5	Unchanged
Owners Costs including village relocation	20	Unchanged
Pre Strip	8	Unchanged
Fixed Price EPC	15	Unchanged
Establishment Cost (total of above)	160	
Mining Fleet (Owner Operator)	36	Unchanged
Deferred Life of Mine Capital	16	Unchanged
Total Life of Mine Capital Costs	212	

In the 9 March 2017 announcement Geopacific Resources also detailed that "Phase two of the review is ongoing with a focus on site infrastructure costs, where it is expected that a higher percentage of cost savings could be achieved". This valuation does not consider any additional savings in the capital costs of the potential development and these remain as an opportunity as detailed in Section 18 below.

16.5. Site Layout

The feasibility study identified and planned a specific site layout for the project including the accommodation village, processing facilities, waste dump locations, tailings disposal facility, the port, and the associated road network. Figure 19 below shows the proposed site layout.

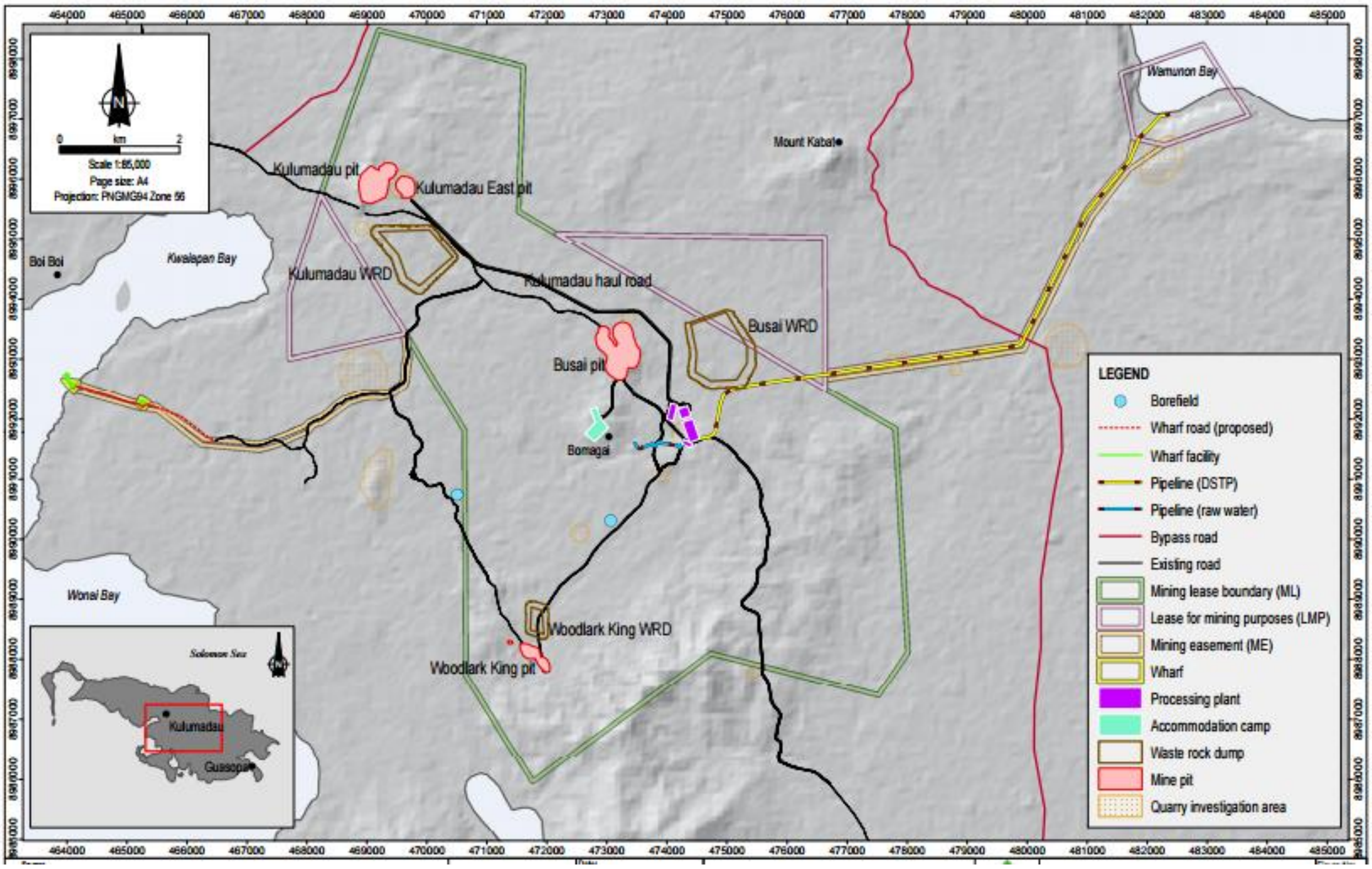

Figure 19 Site Layout for the Woodlark Island Gold Project showing the pits, mill and associated infrastructure.

16.6. Environmental Studies and Approvals

As a part of this report DRM has undertaken a review of the environmental plans and proposals contained in the FS and associated with the Environmental approvals obtained in 26 February 2014.

The feasibility study identified the environmental and social risks associated with the development of the project. The purpose of the investigation was to document the existing environmental aspects of the area, identify the environmental impacts and determine suitable avoidance, management or mitigation measures.

A conceptual closure plan was prepared and presented in the Environmental Impact Study (EIS). The EIS proposed progressive rehabilitation during the operational phase of the mine. Closure and decommissioning the project aims to provide a post mining land use compatible with the current land-uses of the area and removing any public safety hazards.

DRM understands that WML is currently in compliance with all its environmental conditions however, neither the principal author nor DRM are specialists in environmental compliance.

16.7. Current Ore Reserve Estimate

As a part of the feasibility study completed in 2012 a JORC 2004 Mineral Reserve Estimate was completed. That Reserve is tabulated below (Table 20) and while it has not been updated to conform to a JORC 2012 Reserve, it is understood that Geopacific Resources will undertake a revision of the Reserve Estimate as soon as several of the key inputs can be confirmed and the infill drilling is completed.

All the material assumptions that underpin the JORC 2004 Reserve from the 2012 FS remain valid and DRM is not aware of any modifying factors that would materially change the Reserve estimate as presented below.

Table 20 Current JORC 2004 Reserve Estimates for the WIGP

Deposit	Proved			Probable			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Busai	3,283,000	2.2	233,000	2,811,000	1.9	175,000	6,094,000	2.1	408,000
Kulumadau	3,144,000	2.2	223,000	751,000	2.4	59,000	3,863,000	2.3	282,000
Woodlark King				704,000	1.7	39,000	704,000	1.7	39,000
Kulumadau East				330,000	3.7	37,000	330,000	3.7	37,000
Total	**6,427,000**	**2.2**	**456,000**	**4,596,000**	**2.1**	**310,000**	**10,991,000**	**2.2**	**766,000**

Note: Totals may appear incorrect due to rounding

17. Technical Valuation of the Woodlark Island Gold Project

The VALMIN code outlines various valuation approaches that are applicable for projects at various stages of the development pipeline. These include a valuation based on market based transactions, income based or cost based. Table 21 below, from the VALMIN code provides a guide as to the most applicable valuation techniques for different assets.

Table 21 Valuation approaches and their suitability for mineral projects at different development stages from extracted from the VALMIN Code 2015

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

17.1. Technical Valuation Woodlark Island Gold Deposits

This report uses two separate valuation techniques to determine the valuation of the three deposits (Busai, Kulumadau and Woodlark King) and the exploration potential in the surrounding area. Table 22 details the valuation methods used for the mineral assets.

Table 22 Valuation methods used for the Woodlark Island Mineral assets.

Asset	Development Stage	Licence	Area (km^2)	Reserves and Resources	Valuation Basis	Valuation Methods
Resources	Development – Completed Feasibility Study	Portion of ML508	~59km^2	766,000oz P&P Reserve, 2.1Moz MI&I Resource	Reserves with completed Feasibility Study	DCF, Comparative Transactions Yardstick
Exploration Potential	Early Stage Exploration	Exploration leases	579km^2	N/A	Tenement Area / Geology	Comparative Transactions, Geoscientific

17.2. Valuation Subject to Change

The valuation of any mineral project is subject to several critical inputs most of these change over time and this valuation is using the most recent information available as of 12 May 2017. This valuation is subject to change due to variations in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the project, the current and future gold prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. While DRM has undertaken a review of multiple aspects that could impact the valuation there are numerous factors that are beyond the control of DRM. This valuation assumes several forward-looking production and economic criteria which would be unreasonable for DRM to anticipate.

17.3. General assumptions

The Woodlark Island Gold Project has been valued using appropriate methodologies as described in the following sections. The valuation is based on a number of specific assumptions detailed above, including the following general assumptions;

- that all information provided to DRM and its associates is accurate and can be relied upon,
- the valuations only relate to the Wooklark Island Gold Project and not Kula Gold nor its shares or its market value,
- that the mineral rights, tenement security and statutory obligations were fairly stated by Kula to DRM and that the mineral licences will remain active,
- that all other regulatory approvals for exploration and mining will be obtained in the required and expected timeframe
- that the owners of Woodlark Mining Limited can obtain the required funding to advance the project as assumed,
- that the current mineral resource and / or mineral reserve estimates and any modifying factors assumed in their estimation remain reasonable and valid,

17.4. Income Approach Valuation

DRM has reviewed the financial model included in the Feasibility Study provided to DRM by Kula Gold. Overall the model in the FS is clear and all of the technical inputs are considered reasonable however several of the costs have significantly reduced since 2012. This is has been identified by GPR and is the focus of the current re basing the costs from the 2012 study. Along with the decreased costs for several of the critical inputs into the model there has also been a significant reduction in the gold price compared to the FS base case. The pit optimisations were however undertaken at a gold price (US$1200) that remains below the current and assumed gold price. The costs used in the FS were generated from a first principals' basis.

As a part of this report DRM and Mainsheet Capital generated a complete DCF model, generated from the technical inputs of the FS. These included the mining and processing schedule, the capital and operating costs from the FS. This financial model was created with the aim to allow modifications to the various inputs to allow a rapid review the impact of those changes on the overall project valuation.

The processing recovery assumed in the FS and this valuation was generated from extensive tests from all three deposits. While these recoveries were, variable depending on the specific domain being mined as a part of the open pit mining schedule, the overall mining recovery and dilution has been detailed in Table 18, Section 16.2.1 above are reasonable. The proposed processing plant is a standard CIP gold plant. The 1.8Mtpa proposed plant size, while historically considered a large processing plant is now considered a moderate to small plant. The significant advantage of a processing plant of this scale allows the processing unit costs to be significantly reduced when compared to a smaller processing facility. This cost reduction allows the cut-off grades for the mining and milling operation to be reduced therefore significantly reducing the risks associated with mining dilution

17.4.1. Production parameters

This valuation, which is based on the general assumptions included in the feasibility study, assumes a steady state processing of 1.8Mtpa with the processing of the ore reserves being undertaken over seven years.

17.4.2. Gold and Silver price assumptions

As detailed in Section 19.1 below the gold price used was as at May 12, 2017, being $1225/oz. There are various forecast prices for gold over the short to medium term. The consensus forecast gold price used by several other clients of DRM as derived from various commercial banks and through market analysis suggests that the long-term price is expected to increase from the current spot price with a long-term forecast of approximately US$1300/oz. Based on the spot gold price of $1225 as at 12 May 2017, the consensus forecasts and that the WIGP has all environmental and regulatory approvals in place DRM considers it reasonable to use the current spot gold price as the lower assumed price while the long term and upper valuation has used a gold price in line with the consensus forecast gold price of $1300/oz. The preferred valuation is based on $1250/oz. All of these gold prices have remained constant over the duration of the financial model while no hedging or forward sales contracts nor other financial instruments have been considered in this valuation.
It is recommended that prior to advancing the project toward construction significant additional work is required by the owner to undertake a comprehensive analysis of the gold price and use that information in a final investment decision. The financial analysis undertaken in this ITA has assumed several additional costs including refining costs of the gold.

17.4.3. Taxation

The NPV valuations included in this report, as derived by the DCF analysis, are all post tax where the sunk costs were offset the potential tax liabilities over the early years of the operation while the and capital costs were amortised over the life of the operation. A PNG company tax rate of 30% has been used to determine the applicable tax.

17.4.4. Exchange rates

The valuations, both the DCF valuations and the market based valuations have all been undertaken with the base currency being US$. As such there has been minimal requirement to model the variations in the exchange rates for the valuation. The most material components of the various valuation techniques exchange rates have only been considered where the previous or historic market based transactions have been used in the resource multiple or yardstick valuations.

17.4.5. Discount rate

While the Kula feasibility study used a discount rate of 7%, DRM considers that rate a discount rate of 8 – 10% would be more appropriate, especially considering the historical weighted average cost of capital for medium to small companies along with the inherent geopolitical and social risks associated with operating on a remote island in PNG. DRM has used a 9% discount rate on the basis that while the debt component of a potential development and the interest rates associated with that debt portion, are currently low, the currently low market valuations for small to medium sized overseas development companies suggests that the equity component of development funding is currently very high especially if that equity funding is generated by significant capital raisings.

DRM undertook a brief analysis of the impact on the different discount rates, that sensitivity is detailed in the sensitivity analysis below.

17.4.6. Discounted Cashflow Valuation

DRM considers the DCF modelling approach as the most appropriate method for valuing the advanced and development ready Kulumadau, Buasi and Woodlark King deposits that constitute the Woodlark Island Gold Project. Table 23 below details the DCF findings. This valuation approach is the best understood valuation method associated with advanced projects and allows an analysis of a project while considering the true cost of an investment decision when compared to other potential investment alternatives. The weighted average cost of capital is assigned to generate an inflation and interest rate corrected valuation with that valuation being a current currency based valuation. In this case, the currency is 2017 US$. It accounts for all the factors associated with relatively easy to apply according to a range of discount rates, and factors in all revenue, operating costs, selling costs, capital costs, depreciation and tax. The exploration assets associated with these three deposits have been valued separately using valuation methods that are more suitable for early stage exploration assets.

Table 23 DCF valuation ranges derived from the modified financial model

Valuation	Low	High	Preferred DCF Valuation
Overall Post Tax NPV_9 (US$)	**$44.9**	**$94.8**	**$70.1**
Post Tax IRR	19%	29%	24%
Gold Price	$1,225	$1,300	$1,250
Variables % change from FS			
Fuel Price Reduction	-10%	-35%	-25%
Capital Processing Plant	-20%	-27%	-27%

Therefore, based on the modified financial model derived from the inputs generated in the 2012 feasibility study with the minor changes being the reduced processing plant CAPEX and the lower fuel costs the valuation of the currently defined deposits within the Woodlark Island Gold Project using a 9% discount rate is between **US$44.9M** and **US$94.8M** with a preferred valuation of **US$70.1M**

17.4.7. Sensitivity analysis

As a part of this report is was considered critical to undertake a sensitivity analysis of the project (Table 24) and the discounted cashflow valuation method to determine the inputs of the project that are most critical. These are summarised in Figure 20 and Table 26 below. This analysis has shown that the project is clearly sensitive to the gold price however two other critical aspects are the operating costs and the capital costs. Of the operating costs the most critical is the processing costs Figure 21 and Table 25. Given the sensitivity of the project to the processing costs it is recommended to re-assess the inputs into the processing cost, especially the costs associated with grinding of the ore. The feasibility study has shown that 68% of the processing costs are associated with the grinding.

Additionally, the sensitivity of the project to different discount rates (or the weighted average cost of capital) is a critical aspect to the potential viability of the project. Table 24 below details the impact of the preferred valuation for various discount rates. The 2012 feasibility Study used a 7% discount rate. DRM considers that a 9% is a more appropriate discount for the current economic conditions and for a project based in PNG.

Table 24 Sensitivity of the overall project NPV to various discount rates.

Discount Rate	**7%**	**9%**	**10%**	**12%**
NPV	$86.5	**$70.1**	$62.8	$49.7

As a part of this report the sensitivity of the project has been reviewed with several of the critical inputs adjusted to determine the sensitivity of the overall project to each specific input. These inputs were varied to -20%, -10%, +10% and +20% for each of the following inputs;

- Gold Price
- Grade
- Recovery
- Operating Costs
- Processing Costs
- Capital costs (the base case CAPEX for the processing plant was already reduced by 27%) as per the preferred valuation.

Table 25 below details the changes in the NVP for the project with input costs being adjusted while Table 26 details the NPV of the project with adjustments to the input costs, gold price and gold grade. During this analysis, the Weighted Average Cost of Capital or discount rate remained constant at 9%.
Overall this analysis shown in Figure 20 and table 25 detail the sensitivity of the project to the processing costs. Given that the largest contributor to the processing cost is the grinding costs the review of the comminution test work is considered critical. The base case is the preferred valuation as outlined above.

Table 25 Operating Cost Sensitivity analysis for the Woodlark Island Gold Project.

Sensitivity of CAPEX and OPEX from Preferred Valuation Processing Plant Capex -27% from FS					
	-20%	-10%	Base Case	10%	20%
Mining	$86.9	$78.7	$70.1	$61.5	$52.8
Processing	$97.4	$83.9	$70.1	$55.6	$41.0
Fuel	$73.6	$71.8	$70.1	$68.4	$66.7
Admin	$78.2	$74.2	$70.1	$66.0	$61.9
OPEX Total	$123.8	$97.3	$70.1	$41.4	$11.9
CAPEX Total	$101.7	$85.9	$70.1	$54.3	$38.5

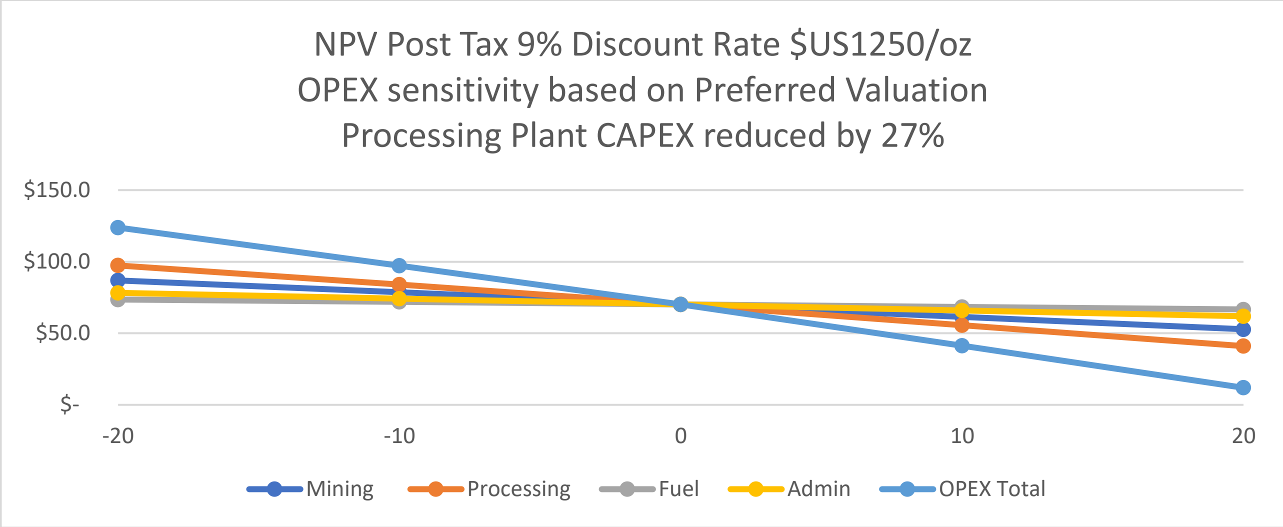

Figure 20 Post Tax NPV sensitivity for several key inputs, all NPV are $US (2017). The base case is based on the preferred valuation.

Table 26 Sensitivity analysis of the WIGP with the base case being the preferred valuation

Sensitivity Analysis - Preferred Valuation used as the Base Case					
	-20%	**-10%**	**0**	**10%**	**20%**
Gold Price	(30.2)	24.5	70.1	113.2	155.4
Grade	(30.2)	24.5	70.1	90.5	109.6
CAPEX	101.7	85.9	70.1	54.3	38.5
OPEX	123.8	97.3	70.1	41.4	11.9
Processing Costs	97.4	83.9	70.1	55.6	41.0
Fuel (from 25% reduction)	73.6	71.8	70.1	68.4	66.7

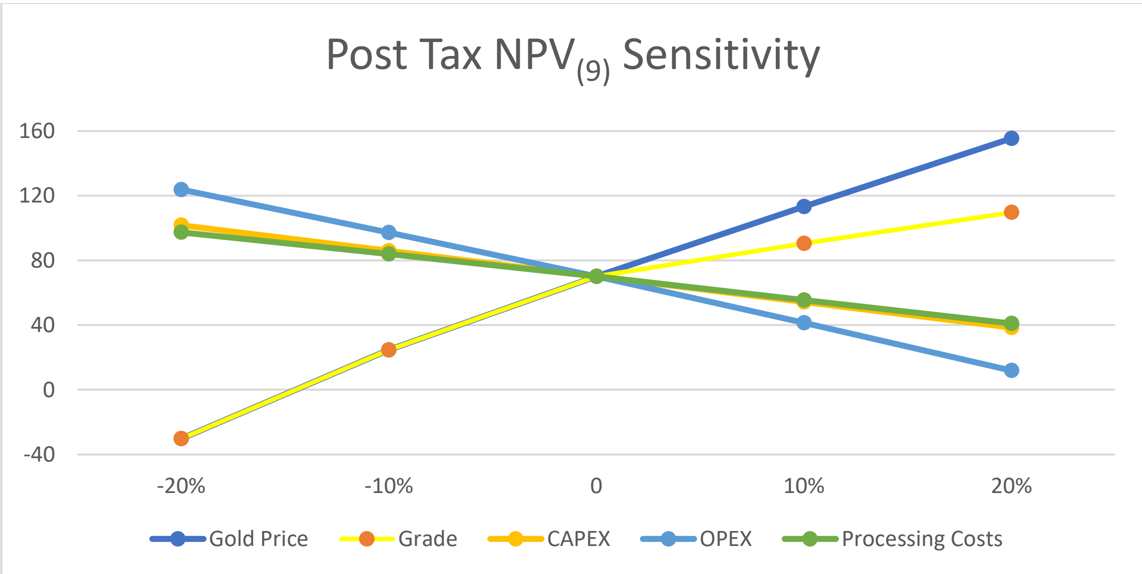

Figure 21 Post Tax NPV $_{(9)}$ sensitivity analysis, the base case is the preferred valuation.

18. Risks and Opportunities

DRM has reviewed the feasibility study and the supporting reports and documentation and has identified that there are several risks and opportunities with the project development. There are risks and opportunities three main areas, being the Resource, the Processing and Mining and the Social, Tenure and Permitting aspects of the project.

With all Mineral Resource Estimation and evaluation there are inherent risks and opportunities that could have a significant impact on the overall project. The main risks associated with the Resources are, in the opinion of DRM, associated with the estimation of grade continuity within what are structurally complex mineral systems. The extensive faulting and structural controls within the deposit appear to be both a risk and an opportunity with additional mineralisation potentially being delineated as indicated by several of the recent GPR drill holes.

A further risk which has been documented in the resource reports is associated with the resource grade in the Kulumadau West deposit. The Kulumadau resource estimate is reported as being the minimum grade of the resource due to poor drill recovery. While there is potential that the grades as estimated in the resource are lower, the opposite could also be the case.

A significant risk that does not impact on the overall Reserve estimate but may impact on the valuation is the inclusion in the financial model of Inferred material that is located within the pit shell that was optimised using only the Measured and Indicated Resources. This Inferred material is included in the financial model after the Measured and Indicated resources are processed with the inferred resources or mineralised waste being processed at the end of the project's life. There is a risk associated with including the inferred material and mineralised waste in the financial model due to the inherent uncertainty associated with Inferred Resources. However, that risk is considered minimal given the additional new mineralisation that has been identified since GPR commenced the infill drilling, especially where it has been targeting the Inferred Resources.

A significant risk that has been identified in the mining studies is associated with the pit optimisations and the ultimate pit that was selected to be designed. For both the Kulumadau and Woodlark King deposits a significantly larger pit was selected for the ultimate pit design due to an increase in the overall contained gold. While these additional ounces were all Measured and Indicated Resources there was a significant increase in the stripping ratio and also a step change in the waste movement for that final pit design to be extracted. As a part of this review the optimal cashflow pit optimisation was compared to the designed pit and a proportional decrease in waste and ore was determined for the entire project. If this proportional decrease is possible then a significantly smaller pit with lower technical and mining risk could be exploited. The optimal cashflow pit optimisations for the three deposits resulted in a total material movement of 108.1Mt which consists of 96.8Mt of waste and 11.3Mt of ore at a grade of 2.17g/t. In the optimal pit shells the total material movement was 73Mt, consisting of 63.7Mt or waste and 9.3Mt of ore at a grade of 2.24g/t. The strip ratio would decrease from 8.6 to 6.8. Overall if a 34% reduction in the waste for a 15% reduction in the number of ounces is achievable and assuming the same preferred valuation scenario above the post-tax NVP of the project would increase from US$70.1M to ≈$92M with significantly lower mining risk due to the smaller pits.

During this review, it was identified that the comminution test was done on un mineralised material with the highest grade of any comminution samples being 0.75g/t Au. Given the geological descriptions of the ore and waste material it is likely that the barren material would be significantly harder than the ore. It is unknown why the barren material was selected for the grinding tests. While it is uncertain what impact, this will have on the economics of the project it is important to note that the grinding accounts for approximately 68% of the power requirement of the processing plant. Therefore, any reduction in the grinding costs would have a significant impact on the project.

In addition to the mining optimisation a second implementation related opportunity exists with an additional reduction in the capital expenditure for the infrastructure components of the feasibility study. It has been reported by GPR that studies are underway to determine the magnitude of any possible reductions in the capital items in addition to the savings of 27% already identified in the capital cost of the processing facility.

An additional risk associated with the development of the project is the social impact the operations will have on the local community, especially with the residents of the Kulumadau village which the Feasibility Study proposed moving to the west of the current location. DRM understands that both Kula and GPR have had and continue to have the support of the local community this support could change. Often community support of this type is linked to the trust that the community has in the management of the project and company however other unforeseen circumstances could change the community support for the project. Additionally, it is important that the traditional owners and community associated with the new village site also support the development of the project.

Finally, there is a risk associated with the mining lease which has a tenement condition where the project has to be completed and in production by mid-2017. This obviously will not occur. DRM has been informed that both Kula and GPR have been in discussions and made submissions to the PNG government to have this timeframe either removed from the tenement conditions or extended to allow the re-evaluation and construction to commence in an appropriate timeframe. DRM is informed that if the development condition is not adjusted the PNG government could commence a process to cancel the mining lease. If this were to occur then the area associated with the mining lease would then revert to the underlying exploration licence, which remains in good standing. If this were to occur the main risk is associated with an extended timeframe to have a new mining lease granted.

19. Market and Comparable Transactions

19.1. Gold Market

The gold price is fundamentally different to many of the other commodities as the gold price is frequently seen as a pseudo currency and is considered by many as a safe haven investment option, especially in the current monetary policies of many of the major countries reserve banks. Figure 22 below shows the gold price over the last five years. Due to the significant variations in the price over such a short period it is considered critical to ensure that any transactions that are used in a market or transactional based valuation are normalised to the current gold price. This allows a more accurate representation of the value of the mineral asset under the current market environment.

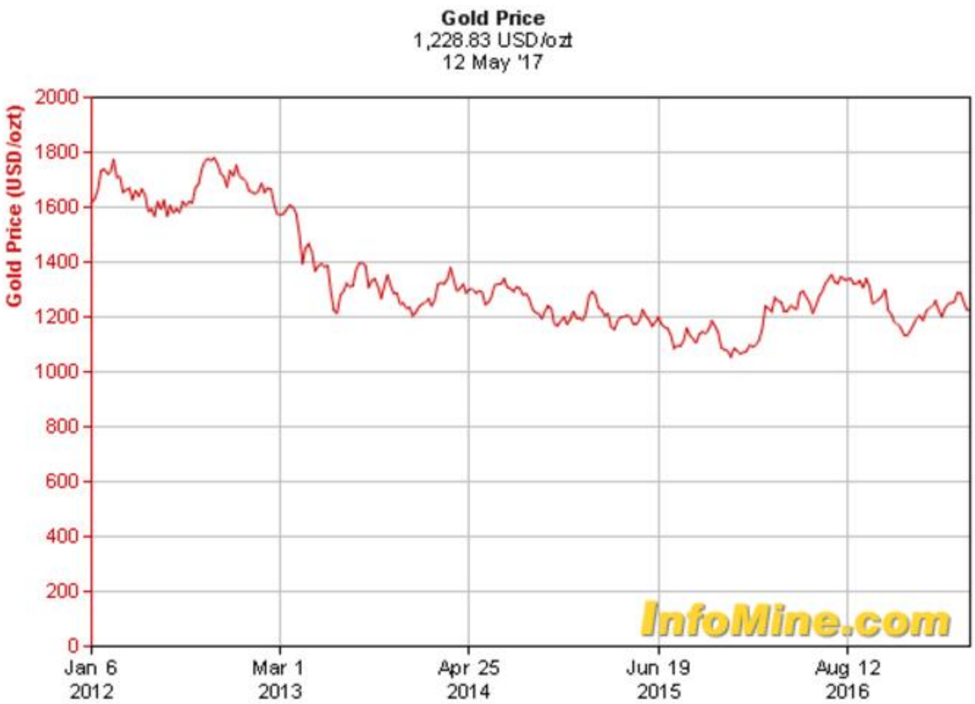

Figure 22 Historical gold price (US$) over the previous five years (source infomine.com)

19.2. Comparable Market Based Transactions

The information for the comparable transactions has been derived from various sources including the ASX releases associated with these transactions, a database compiled by DRM for advanced stage exploration and development ready projects and a monthly publication by PCF Capital termed the Resource Thermometer.
This valuation method is the secondary valuation method as recommended in the 2015 VALMIN code and is primarily used as a check of the validity of the DCF valuation documented above. Only transactions that have been completed since 2010 were considered comparable due to the changes in the global economy since to 2010.

The comparable transactions have been compiled for advanced projects where Resources and Reserves have been estimated. There are very few transactions since 2010 for development ready projects in South East Asia and PNG. There are several transactions involving active mining operations and multiple transactions involving advanced exploration projects where no Reserves have been estimated. Therefore, a selected group of transactions since January 2010 from the area and globally have been considered comparable. The comparable transactions have provided a guide of the likely Resource or Reserve multiples that can be then assigned to the WIGP Resources and Reserves. The transactions were converted to US$ at the exchange rates at the time the transaction was announced. There has been no discount applied for transactions that were partly or fully based on issuing shares in the company acquiring the asset. Transactions that involved active mines at the time of the transaction have been excluded as were any projects that have significant by-product credits. DRM has reviewed ten transactions from South East Asia involving Resources. A summary of these transactions is included in Appendix A. Analysis of these transactions indicates resource multiples (when normalised for the gold price at the time of the transaction and the current gold price) vary from US$2.29/oz. and US$43.04/oz. with an average of US$17.82/oz. and a median of US$15.55/oz. per resource ounce acquired.
As there are very few comparable transactions within PNG or South East Asia involving Reserves where the project was not in production when the transaction was announced. A search of the transactions (excluding Australia, Canada, Latin America and USA) involving Reserves was undertaken and derived a series of broadly comparable transactions. These were further filtered to remove any projects where the Reserve was less than 100,000oz Au. A table detailing the comparable Reserve transactions are included in Appendix A. Analysis of these transactions indicates that Reserve Multiples vary from US$7.86/oz and US$176/oz with an average of US$86/oz and a median of US$83/oz per reserve ounce acquired. When these Reserve Multiples are normalised for the gold price the multiples range from US$7.91/oz. to US$202.72/oz. with an average of US$79.05/oz. and a median of US$88.07/oz.

The validity of these Resource and Reserve multiples used by DRM has been checked by reviewing the May 2017 PCF Capital Resource Thermometer. This report details, amongst other information, the Resource and Reserve multiples for projects at an exploration, development, mining and care and maintenance stage for gold, copper, iron ore and nickel. PCF Capital does not provide any warranty of the accuracy of these resource and reserve multiples.

As the WIGP has all approvals in place and a completed feasibility study reported it is considered by DRM to be a Development project. To determine the value of the Resources and the Reserves the Reserves have been valued separately based on the Development Reserve multiplier while the remaining Resources have used an Exploration Resource multiplier as those resources are at a lower level of confidence. The Resource Thermometer documents the reserve multiplier for development projects as averaging US$102/oz over the past five years and US$100/oz over the past three years. There have been no transactions completed over the past year. The Resource multiples have averaged US$57/oz over the past five years, US$46/oz over the past three years and US$60/oz over the past year. There have been less than 5 transactions completed in the past year so the resource multiplier for the past year is potentially biased.
Significantly these resource and reserve multiples are a global compilation of the transactions and not specific to any particular region. It is reasonable to assume that the resource and reserve multiples would be significantly different if they were limited to specific geological and geographical locations.

From the analysis of the recent comparable transactions DRM considers that a reasonable **Reserve** multiple for the for the WIGP is between **US$60/oz** and **US$80/oz** with a preferred of **US$70/oz** and a **Resource** multiple for the Resources (excluding the Reserves) is between **US$10/oz** and **US$20/oz** with a preferred of **US$15/oz**.

Table 27 below details the Resource and Reserve multiples and the comparable transaction valuation of the WIGP

Table 27 Summary of the Resource and Reserve multiples and comparable transaction based valuation for the WIGP.

	Contained Gold	Resource & Reserve Multiples			Valuation		
	(oz)	Low	Preferred	High	**Low**	**Preferred**	**High**
Total Resource (ex Reserves)	1,344,000	10	15	20	13.4	20.2	26.9
Total Reserves	766,000	60	70	80	46.0	53.6	61.3
Total Valuation					59.4	73.8	88.2

The global Resource is approximately 2.1Moz and the current Reserve is 766,000oz, hence the resources that are not reserves total 1.344Moz. The breakdown of the classification of the Resources and Reserves is documented above in this report.

Therefore, DRM considers the WIGP to be valued, based on comparable transaction basis at between **US$59 million** and **US$88 million** with a preferred valuation of **US$74 million.** This is within the range derived from the DCF valuation.

20. Exploration Asset Valuation

To generate an overall value of the entire project it is important to value all the separate parts of the mineral assets under consideration. In the case of the WIGP the most significant value drivers for the overall project are the advanced deposits, while this is currently the main contributor to the projects value if there is significant exploration potential then this potential value is important to quantify.

To attribute value to the early stage exploration opportunity within the WIGP a very different valuation approach is required to the income based DCF valuation and the comparable transaction valuations where a resource estimate can be used as the basis of the valuation. To assign

20.1. Geoscientific (Kilburn) Valuation

One valuation technique that is widely used to determine the value of a project that is at an early exploration stage without any mineral resources or reserve estimates was developed and is described in an article published in the CIM bulletin by Kilburn (1990). This method is widely termed the geoscientific method where a series of factors within a project are assessed for their potential. While this technique is somewhat subjective and open to interpretation it is a method that when applied correctly and by a suitably experienced specialist enables an accurate estimate of the value of the project. There are five critical aspects that need to be considered when using a Kilburn or Geoscientific valuation, these are the base acquisition cost, which put simply is the cost to acquire and continue to retain the tenements being valued. The other aspects are the proximity to, both adjacent to and along strike of a major deposit (Off Property Factors), the occurrence of a mineral system on the tenement, the success of previous exploration within the tenement and the geological prospectively of the geological terrain covered by the mineral claims or tenements.

While this valuation method is robust and transparent it can generate a very wide range in valuations, especially when the ranking criteria are assigned to a large tenement. This method was initially developed in Canada where the mineral claims are generally small therefore reducing the potential errors associated with This can cause both favourable and unfavourable ranking criteria to be spread over a large tenement.

For the WIGP the tenements being valued are the mining lease but excluding the actual defined deposits, the tenement adjacent to the mining lease (EL 1279) and the other two tenements that are more distal to the historical mining areas and the current Reserves and Resources. The majority of the exploration work has been conducted within and adjacent to the mining lease, as such the geoscientific rankings for those tenements are higher than the other more distal tenements. Table 28 below documents the ranking criteria while Table 29 details the inputs and assumptions that were used to derive the base acquisition cost (BAC). These costs were sourced from the PNG Mineral Resources Authority website, with the tenement identification and targeting costs assumed to be US$50,000 per tenement.

Table 28 Ranking criteria are used to determine the geoscientific technical valuation

<table>
<tr><th>Rating</th><th>Off-property factor</th><th>On-property factor</th><th>Anomaly factor</th><th>Geological factor</th></tr>
<tr><td>0.1</td><td rowspan="3"></td><td rowspan="3"></td><td></td><td>Generally unfavourable geological setting</td></tr>
<tr><td>0.5</td><td>Extensive previous exploration with poor results</td><td>Poor geological setting</td></tr>
<tr><td>0.9</td><td>Poor results to date</td><td>Generally favourable geological setting, under cover</td></tr>
<tr><td>1.0</td><td>No known mineralisation in district</td><td>No known mineralisation within tenement</td><td>No targets defined</td><td rowspan="2">Generally favourable geological setting</td></tr>
<tr><td>1.5</td><td>Mineralisation identified</td><td>Mineralisation identified</td><td rowspan="2">Target identified, initial indications positive</td></tr>
<tr><td>2.0</td><td rowspan="2">Resource targets identified</td><td rowspan="2">Exploration targets identified</td><td rowspan="2">Favourable geological setting</td></tr>
<tr><td>2.5</td><td rowspan="2">Significant intersections - not correlated on section</td></tr>
<tr><td>3.0</td><td rowspan="2">Along strike or adjacent to known mineralisation</td><td rowspan="2">Mine or abundant workings with significant previous production</td><td rowspan="2">Mineralised zones exposed in prospective host rocks</td></tr>
<tr><td>3.5</td><td rowspan="3">Several significant ore grade intersections that can be correlated</td></tr>
<tr><td>4.0</td><td>Along strike from a major mine(s)</td><td rowspan="2">Major mine with significant historical production</td><td rowspan="2"></td></tr>
<tr><td>5.0</td><td>Along strike from world class mine</td></tr>
</table>

Table 29 inputs into the Base Acquisition Costs used in the geoscientific valuation.

Input to BAC	Unit	Cost (kina)	Cost (US$)
Tenement Age	Assumed 3 years		
Tenement Application Fee	Per tenement	K5,000	$1,690
Annual Rent – EL	Per sub block	K470	$1550
Annual Rent – ML	Per km^2	$1200	$372
Minimum Exploration Commitment (EL)	Per sub block	K2000	$620
Minimum Exploration Commitment (ML) Assumed to be the same as an EL	Per sub block	K2000	$620
Targeting and Evaluation Cost	Per tenement		$50,000

Note the costs derived from the PNG government website were converted to US$ based on an exchange rate of 0.31. Additionally, the costs that are derived on a per sub block are converted to a cost per km^2 on the basis that 1 sub block is 3.41km^2.

Using the ranking criteria from Table 28 along with the base acquisition costs derived from Table 29 an overall technical valuation was determined. Appendix B details the ranking criteria, technical valuation and the market valuation for each of the tenements.

The technical valuation was discounted to derive a market valuation. A market factor was derived to account for the geopolitical risks of operating in PNG and due to the remote nature of the project (20% discount) while a slight (5%) discount was also applied to account for the lack of support in the general market for overseas development ready gold projects. This market factor resulted in a market factor of 76%. Table 30 below details the lower, upper and preferred geoscientific valuations.

Table 30 Summary of the Geoscientific Ranking Valuation Method

Project Area	Low (US$ M)	Preferred (US$M)	Upper (US$M)
579km^2	2.5	5.1	7.6

20.2. Cost Based Valuation

As outlined in Table 21 above and in the VALMIN code a cost based or appraised value method is an appropriate valuation technique for an early stage exploration project. Under this method, the previous exploration expenditure is assessed as either improving or decreasing the potential of the project. The prospectivity enhancement multiplier (PEM) involves a factor which is directly related to the success of the exploration expenditure to advance the project. There are several alternate PEM factors that can be used depending on the specific project and commodity being evaluated. Onley, (1994) included several guidelines for the use and selection of appropriate PEM criteria. The PEM ranking criteria used in this ITA are outlined in Table 31 below. DRM considers the PEM valuation method as a secondary valuation method and no higher PEM ranges are used as once a resource has been estimated it is, in the opinion of the author, preferable to use resource multiples for comparable transactions once a resource has been estimated. Table 32 below documents the previous expenditure within each of the tenements and the PEM used to determine the upper and lower valuation. The preferred valuation is the midpoint between the upper and lower valuations.

Table 31 Prospectivity Enhancement Multiplier (PEM) ranking criteria

Range	Criteria
0.2 – 0.5	Exploration downgrade the potential
0.5 – 1	Exploration has maintained the potential
1.0 - 1.3	Exploration has slightly increased the potential
1.3 – 1.5	Exploration has considerably increased the potential
1.5 – 2.0	Limited Preliminary Drilling intersected interesting mineralised intersections
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest
2.5 – 3.0	A Mineral Resource has been estimated at an Inferred category

Table 32 PEM valuation of the exploration potential within the WIGP.

Tenement	Previous Expenditure (Kina)	PEM Low	PEM High	Valuation Low (US$)	Valuation Preferred (US$)	Valuation High (US$)	Comments
EL1172	7.2	0.5	1	1.12	1.68	2.25	
EL1279	5.3	2.5	1.1	1.12	1.8	2.47	Only includes exploration post the grant of the ML.
EL1465	6.0	0.5	1	1.12	1.68	2.25	
Total				**3.37**	**5.16**	**6.96**	

Note the valuation includes an exchange rate of 0.31 Kina to the US dollar.

The PEM valuation detailed in Table 32 is expected to be lower than other valuation techniques for the exploration tenements as the expenditure only accounts for the expenditure on E1279 from the date that the mining lease was granted, any exploration within the tenement but outside the resource areas prior to the grant of the Mining Lease have not been captured, neither have any expenditures within the mining lease but away from the existing resources. It is expected that given the extensive exploration over the area a significant amount would have been expended either within the current mining least but away from the resource areas or outside the mining lease but within EL1279. Therefore, DRM considers the valuation of the exploration potential would be closer to the upper valuation of US$6.96M.

21. Valuation of the Development Assets

In addition to the DCF valuation detailed above two additional valuation methods have been undertaken to provide support for the DCF valuation. These are the comparable transactions for development ready projects as documented in Section 19.2 above and a yardstick valuation method.

21.1. Comparable Transactions

As detailed in Section 19.2 (above) and Appendix A, DRM has reviewed a series of transactions that are broadly comparable to the WIGP. As there is a lack of recent transactions within the South East Asian and South Pacific that have identified Reserves the Reserve Multiplier has been derived by a global search of transactions involving development ready and approved projects. DRM's opinion is that a Reserve Multiplier of between US$60/oz. and US$80/oz. with a preferred Reserve Multiple of US$70/oz. For the Resources that are not valued by this approach a separate Resource Multiple has been determined based on recent transactions from the south east Asian region. The Resource Multiples range from US$10/oz. and US$20/oz. with a preferred Reserve Multiple of US$15/oz.

Based on the Reserve Estimates derived as a part of the 2012 Feasibility Study, the JORC 2012 Resources for the Kulumadau and Busai deposits and the 2004 Resources for the Woodlark King and Munasi deposits as detailed in Section 15 (Mineral Resources) and Section 16.7 (Ore Reserves) DRM considers that the valuation of the WIGP is between US$44.1 million and US$80.5 million with a preferred valuation of US$58.5 million.

21.2. Yardstick

A yardstick valuation was undertaken as a check of the comparable transactions and the DCF financial model. This yardstick valuation is based on a rule of thumb as supported by a large database of transactions where resources and reserves at various degrees of confidence are multiplied by a percentage of the spot price. The spot gold price as of 12 May 2017 of US$1,225/oz. was used to determine the yardstick valuation.

Table 33 below details the yardstick multiples were used to determine the value of the Resource and Reserve estimate for the WIGP while Table 34 tabulates the valuation for the project based on the currently estimated Reserves and Resources.

Table 33 Yardstick Multiples used for the WIGP

Resource or Reserve Classification	Lower Yardstick Multiple	Upper Yardstick Multiple
	(% of Spot price)	(% of Spot price)
Ore Reserves	5%	10%
Measured Resources (less Proved Reserves)	2%	5%
Indicated Resources (less Probable Reserves)	1%	2%
Inferred Resources	0.5%	1%

Table 34 Yardstick Valuation of the Resources and Reserves within the WIGP

Resource / Reserve Classification	**Contained Gold (oz)**	**Lower Valuation**	**Preferred Valuation**	**Upper Valuation**
Reserves	766,000	46.9	70.4	93.8
Measured Resources	19,000	0.5	0.8	1.2
Indicated Resources	525,000	6.4	9.6	12.9
Inferred Resources	800,000	4.9	7.4	9.8
Total	2,110,000	**58.7**	**88.2**	**117.7**

22. Preferred Valuations

Based on the valuation techniques detailed above Table 35 provides a summary of the various valuation techniques with the preferred valuation techniques for both the Development and Exploration assets in bold

Table 35 Summary of the various Valuation techniques completed of the WIGP. The valuations considered by DRM as the preferred valuations are bold.

Mineral Asset	Valuation Technique	Lower Valuation (US$ million)	Preferred Valuation (US$ million)	Upper Valuation (US$ million)
Development Assets	**Discounted Cash Flow**	**44.9**	**70.1**	**94.8**
	Comparable Transactions	59	74	88
	Yardstick	58.7	88.2	117.7
Exploration Assets / Potential	**Geoscientific / Kilburn**	**2.5**	**5**	**7.6**
	PEM	3.37	5.16	6.96

The two preferred valuation methods, considered by DRM as the most robust are the DCF valuation method as supported by the extensive feasibility study completed in 2012 and partly updated for this report for the development assets where there are defined Reserves and Resources while the preferred valuation method for the exploration assets is a Geoscientific or Kilburn valuation. As these valuations are mutually exclusive therefore it is reasonable to combine these valuations to determine an overall preferred valuation for the WIGP.

In DRM's opinion and based on the DCF valuation, the development assets are valued at between **US$44.9 million** and **US$94.8 million** with a preferred valuation of **US$70.1 million** while the exploration assets are valued at between **US$2.5 million** and **US$7.6 million** with a preferred valuation of **US$5 million.**

Therefore, DRM considers the combined valuation of the Woodlark Island Gold Project as being between **US$47.4 million** and **US$102.4 million** with a preferred valuation of **US$75.2 million**.

23. Conclusion

The Woodlark Island Gold Project currently has a large resource and significant exploration potential on the surrounding tenements that contain identified prospects that warrant additional exploration.

During the preparation of this report and while reviewing all the technical documents associated with the WIGP no material errors were identified in the Mineral Resource Estimates and the assumptions that underpin the feasibility study and the Reserve Estimates are reasonable. There have however been several areas where the technical aspects of the project could be further de-risked.

One aspect that could significantly reduce the technical risk of the project is getting more representative geotechnical information. The current geotechnical holes have recently been reviewed and assayed by GPR, most having anomalous gold assays. Additionally, the grinding or comminution tests from 2012 were completed mainly on barren host rock, it is reasonable, based on the geological description of the various deposits, that the mineralised material would be much softer than the hast rock. DRM understands that testing mineralised samples is underway.

DRM generated an independent financial model based on information from the feasibility study with some inputs updated including the gold (and silver) price, exchange rates, capital cost of the processing plant and the fuel price.

DRM has also updated the discount rate used in the financial model to account for the project specific and non-technical risks associated with a project in PNG. The discount rate was increased to 9% based on the expectation that using a standard debt to equity ratio and the risks associated with a project located in PNG it is reasonable to assume that the debt would be at a higher interest rate than say an Australian based project.

Geopacific Resources is currently undertaking an extensive drilling program aimed to improve the confidence of the inferred resources that are below and adjacent to the current Measured and Indicated Resources. In addition to the drilling program GPR is also revising the Feasibility Study with the aim of bringing the costs into the current cost environment compared to the higher cost base that existed when the feasibility study was completed.

In DRM's opinion, the Market Value of the development assets within the Woodlark Island Gold Project is between **US$44.9 million** and **US$94.8 million** with a preferred valuation of **US$70.1 million.** In addition to the value of the development assets there is significant value in the exploration assets which lie between **US$2.5 million** and **US$7.6 million** with a preferred valuation of **US$5 million**.

Therefore, DRM considers the combined value of the WIGP to be between **US$47.4 million** and **US$102.4 million** with a preferred value of **US$75.2 million.**

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25. Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org,

The following terms are taken from the 2015 VALMIN Code

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea and their off-shore territories.

Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

Corporations Act means the Australian Corporations Act 2001 (Cth).

Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

Independent Expert Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.

Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

(a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;

(b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;

(c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

(d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study;

(e) **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power and other technical requirements spanning commissioning, operation and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation and closure.

Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.

Mineral Project means any exploration, development or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Mining means all activities related to extraction of Minerals by any method (eg quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing and marketing Minerals.

Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

Petroleum Resource and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. Refer to http://www.spe.org for further information.

Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:

(a) admits members primarily on the basis of their academic qualifications and professional experience;

(b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and

(c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialist are persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

26. Appendices

Appendix A – Comparable Transactions

Comparable Transaction based Ore Reserve Multiples for Development ready projects that were not in production at the transaction date.

Project	*Development Stage*	*Country*	*Date Announced*	*Percent Acquired*	*Seller*	*Buyer*	*Deal (US$))*	*Gold Price at Announcement date*	*Price corrected for Gold price*	*Total Reserves (oz)*	*US$/ Reserve oz.*	*US$/ Reserve oz. corrected*	*Reserves and Resources*	*Price Paid per oz of R&R ($/oz)*	*US$/ Resource oz. corrected*
Golden Pride, Nyanzaga, Victoria	Prefeasibility	Tanzania	8/02/2010	100.00	Tusker Gold Ltd	African Barrick Gold	69.18	1,064.00	79.65	392,900	176.078	202.721	6,683,840	10.350	11.917
Zara	Reserve Development	Eritrea	1/03/2010	20.00	Zara Gold Project	Chalice Gold Mines	14.60	1,114.00	16.05	152,000	96.053	105.623	168,000	86.905	95.564
Zara	Feasibility	Eritrea	15/06/2011	30.00	Zara Gold Project	Eritrea National Mining Corp	34.00	1,529.75	27.23	228,000	149.123	119.415	252,000	134.921	108.042
Zara	Feasibility	Eritrea	28/12/2011	60.00	Zara Gold Project	Shanghai Construction Group Co.	80.00	1571.00	62.38	456,000	175.44	136.800	504,000	158.73	123.771
Finkolo	Feasibility Complete	Mali	6/03/2012	40.00	Finkolo	Resolute Mining	20.00	1719.00	14.25	118,800	168.35	119.970	330,400	60.53	43.137
OJVG	Feasibility	Senegal	27/08/2013	28.90	Oromin Explorations Ltd	Teranga Gold Corp	15.90	1419.25	13.72	675,788	23.53	20.308	1,371,757	11.59	10.005
OJVG	Feasibility	Senegal	12/12/2013	56.50	OJVG project	Teranga Gold Corp.	116.30	1225.25	116.28	864,450	134.54	134.509	2,785,450	41.75	41.744
Asanko, Ashanti II, Gemap, Kubi, Manso Nkwanta, New Obuasi	Feasibility	Ghana	17/12/2013	100.00	PMI Gold Corp.	Asanko Gold	172.64	1,231.75	171.69	2,434,345	70.916	70.528	3,948,345	43.723	43.484
Tulu Kapi	Feasibility Complete	Ethiopia	11/06/2014	25.00	Tulu Kapi	KEFI Minerals	2.51	1262.00	2.44	246,225	10.21	9.911	512,500	4.91	4.762
Gadzema, Pickstone Peerless	Feasibility	Zimbabwe	30/09/2014	50.00	Pickstone Peerless & Gadzema mines	Undisclosed buyer	4.00	1216.50	4.03	509,000	7.86	7.913	2,313,956	1.73	1.741
Tri-K	Feasibility Complete	Guinea	10/10/2016	70.00	Tri-K project	Managem, Société Anonyme	4.00	1259.50	3.89	336,000	11.90	11.579	2,112,600	1.89	1.842
Nyakafuru, Victoria	Feasibility	Tanzania	13/04/2017	100.00	Victoria gold project	Manas Resources Limited	3.80	1284.15	3.62	388,000	9.79	9.343	1,287,000	2.95	2.817
									Median	**Reserves**	**83.485**	**88.076**	**Resources**	**26.672**	**26.830**
									Max		**176.078**	**202.721**		**158.730**	**123.771**
									Min		**7.859**	**7.913**		**1.729**	**1.741**
									Average		**86.149**	**79.052**		**46.666**	**40.735**

Gold Price (12/5/17)	**1225.00**

Comparable Transaction based on Mineral Resources Multiples for advanced exploration and Resource / Reserve projects.

Project	Development Stage(s)	Country(s)	Announce Date	Percent of Equity Ownership Acquired (%)	Seller	Buyer	Deal Value (US$M)	Gold Price at Announcement date	Transaction Price corrected for Gold price	Reserves and Resources	Price Paid per oz of R&R ($/oz)	US$/ Resource oz. corrected
Crater Mountain	Reserves Development	Papua New	8/02/2010	10.00	Triple Plate Junction	Gold Anomaly	0.26	1,064.00	0.30	79,000	3.29	3.789
Central Otago	Reserves Development	New Zealand	1/03/2010	100.00	Glass Earth Gold	Local Interest	1.27	1,114.00	1.40	32,450	39.14	43.037
Tandai	Target Outline	Indonesia	27/07/2010	70.00	Sumatra Copper and Gold	Newcrest Mining	12.00	1,529.75	9.61	1,148,000	10.45	8.371
Mt Kare	Reserves Development	PNG	7/04/2011	100.00	Summit Development	Indochine	28.21	1459.50	23.68	1,908,000	14.78	12.409
Runruno	Development	Philippines	6/12/2011	15.00	Christian Mining	Metals Exploration	6.00	1641.84	4.48	135,000	44.44	33.161
Okvau-Ochung	Reserves Development	Cambodia	27/08/2013	100.00	OZ Minerals	Renaissance	19.50	1668.00	14.32	731,000	26.68	19.591
Okvau-Ochung	Pre Feasibility	Cambodia	19/07/2016	100.00	Renaissance Minerals	Emerald Resources	30.00	1330.90	27.61	1,131,000	26.53	24.415
Batangas	Target Outline	Philippines	30/05/2012	100.00	Mindoro Resources	Red Mountain	9.74	1,540.00	7.75	501,000	19.44	15.460
Batangas	Reserves Development	Philippines	23/12/2014	15.00	Red Mountain Mining	Investor Group	1.00	1,175.75	1.04	66,600	15.02	15.644
Nalesbitan	Reserves Development	Philippines	11/06/2014	100.00	Private interest	Sierra Mining	0.65	1262.00	0.63	276,000	2.36	2.286
	Current Gold Price 12/5/2017		1225.00						**Median**		**17.225**	**15.552**
									Max		**44.444**	**43.037**
									Min		**2.355**	**2.286**
									Average		**20.212**	**17.816**

Appendix B Geoscientific (Kilburn) Ranking Table and Criteria

Table of Base Acquisition Costs for each of the tenements.

Tenements	Blocks	Area (km2)	Area	From PNG Mineral Resources			BAC (k)	BAC (US$)	Equity
			Ha	Appn fee	Rent	Expend			
EL 1465	75	255.75	25575	5000	35250	150000	190,250	108,941	100%
ML 508	59.6	59.65	5965	5000	71580	304596	381,176	168,091	100%
EL 1279	56.34	192.12	19212	5000	26480	112681	144,161	94,662	100%
EL 1172	22	71.61	7161	5000	9870	42000	56,870	67,619	100%

Table of Ranking Criteria for each of the tenements

Tenements	Off Property		On Property		Anomaly Factor		Geology Factor	
	Low	High	Low	High	Low	High	Low	High
EL 1465	3	3.5	1.3	2	1	1.5	1	1.5
ML 508	1.5	2	2	2.5	2	2.5	2	2.5
EL 1279	3	3.5	1.5	2	1.5	2	1	1.5
EL 1172	3	3.5	1.3	2	1	1.5	1	1.5

Table of Technical Valuation and Fair Market Valuation for the WIGP.

Tenements	Technical Valuation			Fair Market Valuation (US$M)		
	Lower (US$)	Upper (US$)	Preferred (US$)	Lower	Upper	Preferred
EL 1465	$424,900	$1,715,800	$1,070,350	$0.32	$1.30	$0.81
ML 508	$2,017,100	$5,252,900	$3,635,000	$1.53	$3.99	$2.76
EL 1279	$639,000	$1,987,900	$1,313,450	$0.49	$1.51	$1.00
EL 1172	$263,700	$1,065,000	$664,350	$0.20	$0.81	$0.50
Total	**$3,344,700**	**$10,021,600**	**$6,683,150**	**$2.5**	**$7.6**	**$5.1**

Note the Fair Market Valuation has been multiplied by 80% (a 20% Reduction) based on the difficulties of operating in PNG compared to an Australian operation and also multiplied by 95% (5% reduction) to account for the lower gold price when compared to recent higher prices.

Appendix C JORC 2012 Table 1

JORC 2012 Checklist of Assessment and Reporting Criteria - Resource Estimation: Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	Explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down-hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure samples are representative and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• *In-line with the nature of the mineralisation, the nature and quality of the RC (reverse circulation) and DD (diamond drilling) sampling was deemed by to be representative and of sufficient standard for use in subsequent detailed studies and ultimately resource estimation.* • *Sampling protocols were adequate and maintained throughout the drilling campaigns.* • *For RC drilling, historical sampling by BHP was over 2m or 4m intervals and by Auridium and Woodlark Mining Limited (WML or The Client) over 1m intervals.* • *For diamond drilling by BHP, Auridium, & WML diamond core was sampled over 1m intervals and by Highlands over 2m intervals. All companies submitted half core for analysis.* • *Portions of the core obtained by the WML drilling were clay rich, soft, and liable to fragmentation and sample loss during core cutting. Consequently such core was bound in plastic tape before cutting, to preserve both the integrity of the analytical sample and of the retained half core.*
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• *Across the entire Woodlark Island Project, drilling was by Reverse Circulation (RC) and diamond (DD) drilling representing 86% and 14% of the total database respectively.* • *The WML Reverse Circulation (RC) holes were drilled using a face sampling hammer to a maximum depth of 171m, although most were drilled to 150m* • *The Diamond Drilling (DD) technique was used to obtain varying size core (between HQ3 to NQ2 sized core) samples. DD drilling achieved a maximum depth of 350m in drill-hole 08WBSD008.* • *WML Diamond (DD) drill core samples were oriented & marked up using ORI tool marks generated during the drilling process.*

Criteria	Explanation	Commentary
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• *To assess RC sample recovery, individual samples were weighed and recorded in the field. The data indicated some inadequacies in sample recovery were primarily due to poor ground conditions, however consistently high recoveries were obtained by WML, which in most cases obtained dry samples.* • *All diamond core (DD) was measured and recovery data recorded for all holes. Predominantly satisfactory sample recovery occurred, however periodic poorer recovery was encountered during the intersection of clay rich sheared and fractured zones at Kulumadau West, which resulted in the likelihood of the potential loss of some sulphides and gold in clayey shear zones during core drilling. At Kulumadau West some smearing in pre-WML RC drilling gave potential overestimation of the width of mineralised zones. Assays from these holes were not used for resource estimation.* • *No further apparent biases were observed.*
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• *It has been noted by KG representatives that a geologist was on site at all times when the rig is operational.* • *A handful of material for logging was taken from the 3/4 split bag (this was usually done before weighing due to the need to keep pace with the drilling). The sample was then wet sieved into a panning dish using a 1 or 2mm sieve. Oversize rock chips were geologically logged using the appropriate log form.* • *After logging, rock chips were placed into appropriately labelled plastic chip storage trays. A photographic record was later made of the chip trays laid out in an ordered arrangement to reflect the progressive changes down the drill-hole. All core was photographed.* • *The sieved -1mm material was then panned down to a concentrate and notes made on the presence of sulphides, magnetite, visible gold and other heavy minerals. Logging was undertaken on a sample interval basis keeping pace with the progress of the drill-hole where possible.* • *CRM viewed all core and chip trays from the Busai Deposit in the field and the photos of all chip trays and core from the other deposits*

Criteria	Explanation	Commentary
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• *The WML RC samples were collected into an open weave (polyweave) plastic sack, numbered with the drill-hole number & sample interval. The sack is fixed to the throat of the cyclone. The filled sack was transported to the splitting station in a barrow. This procedure reduced the chances of spillage and injury caused by lifting heavy wet samples.* • *Holes made with fencing wire were applied to the top of the sample bag when the sample is wet to allow excess water to dissipate. WML protocol was that the cyclone should be checked and cleaned at every interval when the recovered sample is damp or wet.* • *A riffle splitter capable of handling up to 35kg of dry cuttings was be used to obtain a 4-5kg split of the cuttings for despatch to the Sample Preparation Laboratory. This usually represents 20 to 25% of the sample collected, dependent on the drill-hole size.* • *The laboratory sample is placed into a plastic bag labelled with the sample number and an aluminium permatag with sample number inserted before sealing the bag with staples. The bags is weighed then laid out in order of sampling for checking prior to transhipment to the lab. Sample weights are determined for each sample interval whilst at the drill site. Suspension scales accurate to 0.5kg are recommended for the 3/4 split residue and a set of top balance scales accurate to 0.1kg is recommended for the lab sample.* • *For core drilling the samples are transported from the field, four trays at a time in a utility, once in the core yard core blocks are recorded and core recoveries are calculated.* • *The core is photographed and then marked up in individual metres. Core is then geologically and geotechnically logged and sample numbers are assigned for cutting and sampling.* • *Core is then sawn in half (if the core is not coherent it is first taped up) and the half core is sampled according to the assigned sampling regime (usually by 1m intervals). Core is packaged into plastic and then combined into calico and a polyweave sack, the quantity is contingent upon weight.* • *The sample sizes are considered adequate to capture and adequately represent the prevailing mineralisation style / gold variability over the project area.*

Criteria	Explanation	Commentary
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• *WML sample preparation was carried out by Intertek personnel on Woodlark during 2004. For the 2005 programme a new preparation facility was established and run by Intertek at Alotau. In 2008 the preparation laboratory was moved to WML's Woodlark camp. CRM visited both facilities and was of the opinion that all necessary equipment was available and fully serviceable and that all procedures and documentation were carried out to highest standards.* • *The Sample Preparation Laboratory submitted a second pulp sample at the ratio of one sample in fifteen.* • *Sample submission forms are completed at the sample preparation facility and the pulp samples are transported to Intertek in Jakarta by air.* • *Gold analyses are conducted using Fire Assay with AAS finish on a 50g sample (Intertek method Code FA50).* • *Routine base metal analyses are to be conducted using acid (aqua regia) digest with AAS finish (Intertek method Code GA02).* • *As a standard practice, Intertek Analytical Laboratory in Jakarta routinely re-assays the pulps at a ratio of approximately 1 in 9, including all samples returning greater than 10 g/t Au. Any variation greater than 15% between first and second analyses triggers further repeats.* • *Many of the drill-holes completed by WML in 2004 contained zones with visible gold. It is accepted that this has potential to contribute to a lack of homogeneity in both crushed and pulverised sample material due to "nugget effect". Screen fires have been used by past explorers on Woodlark and have confirmed that nugget effect is a common occurrence.* • *As part of their own internal quality assurance program, Intertek run reference standards with every batch of samples supplied by Woodlark Mining. Each batch of fifty samples fired includes one blank, two gold reference standards and two randomly selected replicate samples. This is in addition to the one-in fifteen second splits used for monitoring reproducibility.*
Quality of assay data and laboratory tests (Cont)		• *CRM supervised the collection of duplicate core, coarse crush, and pulp samples from both WML's 2004 and 2005 Kulumadau diamond drill programmes. These samples were analysed for Au by Genalysis Laboratory Services Pty Ltd, Maddington, Western Australia (Genalysis) using a 50g charge fire assay with an AAS finish. The check core samples confirmed the presence of high grade gold mineralisation and the check pulp samples the validity of Intertek's assay procedures.* • *From mid-2008 WML included a series of gold reference standards and blanks (obtained from an independent Australian supplier) with each batch of samples submitted for analysis. These were included on a one-in-fifty basis as part of the normal sequence of sample numbers not revealed to the Analytical Laboratory.* • *WML procedures have provided acceptable levels of accuracy and precision*

Criteria	Explanation	Commentary
Verification of sampling and assaying.	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* *Discuss any adjustment to assay data.*	• *When the site is accessible, Kula Gold Pty Ltd has a policy of permitting visits to its operational sites by interested investors or authorities with concern for quality assurance purposes.* • *Data verification is undertaken by Kula Gold representatives.* • *CRM had, to late 2005, obtained copies of all historical logs in WML's library and in their Woodlark office; obtained copies of all historical original laboratory assay sheets in WML's library and in their Woodlark office; verified all assays in the database against the original assay sheet if available, or in default against the original log sheets if available, or in default against BHP's typed drill assay summaries; Obtained a selection of original laboratory assay sheets for the 2004 WML drilling and verified the digital assay filet supplied by WML against these; obtained original laboratory assay files and faxed assay reports from Intertek for the 2005 WML drilling; cross-checked drill-hole collar data against survey files and entries on original logs; verified down-hole surveys by viewing a selection of down-hole camera discs from WML's 2004 drilling.* •
Verification of sampling and assaying. (Cont)		• *Since 2005 CRM has received copies of all drill logs, drilling details, and assay results. It has checked assay sheets and collar coordinates against the WML database and has generated 3D down-hole assay locations using Micromine software, which simultaneously carries out check validation of data.* • *Over the duration of the exploration of the project a number of twinned drill-holes have been drilled. It was observed that overall results were broadly in agreement with the recognition of periodic down-hole contamination in some RC drill-holes within the Kulumadau Deposit. The correlation of data downhole between historical and current drilling assists with verification of data repeatability.* • *Laboratory data is supplied electronically to the WML office for automated import into database.* • *All data is stored on the WML Office server and is said to be backed up weekly by the Client.* • *There was no adjustment to the assay data provided from the laboratory.*

Criteria	Explanation	Commentary
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* *Quality and adequacy of topographic control.*	• *Prior to 2010, WML and its predecessors employed the UTM projection AGD66 Zone 56 datum. They also used a local grid system that was derived from it by the removal of the first number from the easting and the first two numbers from the northing.* • *In early 2010 WML upgraded from a UTM projection using the AGD66 Zone 56 datum to a UTM projection WGS84 Zone 56 datum for all work undertaken on the island. All historical data was transformed from AGD66 to WGS84* • *A Geodetic survey was completed on the Island in September 2010 by Quickclose Pty Ltd, whose principal; Mr Richard Stanaway is a Registered Surveyor in Australia, specializing in establishing geodetic datum surveys by differential GPS techniques.* • *The survey tied all KG survey data in the kinematic WGS84 datum to the Papua New Guinea legal standard static datum PNG94. Orthometric heights were adjusted to Local mean sea level.* • *All data has been supplied to CRM by KG (Kula Gold or "The Client") in the PNG94 datum. The LIDAR survey was flown in early 2011 using the PNG94 datum. The elevation data produced is tied to Local Mean Sea Level and all the collar data received after September 2010 is in PNG94 all historical elevation data prior to then have been reduced to the LIDAR surface which is in PNG94.* • *CRM has checked down-hole survey information for WML diamond drill holes. Post 2008 Kula Gold used Reflex EZ Shot electronic survey equipment for down-hole surveying.*
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied* • *Whether sample compositing has been applied.*	• *Drilling over the Woodlark project areas was designed to intersect the mineralisation at approximately 26 to 30m along strike and approximately 20 to 25m across strike.* • *Toward the extremities of the main project areas the drilling becomes broader to as much as 45 to 50m across strike and 43 to 52m along strike to define regional mineralised trends.* • *. CRM used 1m composites for the Kulumadau West modelling, and variable length composites for the Kulumadau Adelaide and Kulumadau East modelling in order to de-cluster data from drill-holes with varying azimuths and dips.* • *The data spacing is considered adequate by CRM to enable local short scale continuity in geology and the known mineralised trends and is sufficient for use in Resource estimation.*

Criteria	Explanation	Commentary
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• *Where possible the drill-holes were designed to perpendicularly intersect the mineralisation to achieve unbiased sampling and reflect as close to true width possible given the geometry of the mineralisation.* • *No sample biases have been considered by CRM to have been introduced during drilling other than those stated earlier in sampling technique section in relation to down hole smearing in a number of RC drill-holes and to preferential fine fraction core loss in Kulumadau West diamond drilling.*
Sample security	• *The measures taken to ensure sample security.*	• *Sample chain of custody was maintained for this project.* • *WML samples despatched by chartered boat to the Alotau preparation facility during 2005 were accompanied by a WML employee to ensure that no tampering occurred. The samples were securely and obviously sealed prior to transport and received by a senior WML staff member in Alotau. From 2008 sealed sample packages transported by charter plane to Port Morseby and thence by DHL courier air freight to Jakarta.*
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• *CRM supervised the collection of duplicate core, coarse crush, and pulp samples from both WML's 2004 and 2005 Kulumadau diamond drill programmes. These samples were analysed for Au by Genalysis Laboratory Services Pty Ltd, Maddington, Western Australia (Genalysis) using a 50g charge fire assay with an AAS finish. The check core samples confirmed the presence of high grade gold mineralisation and the check pulp samples the validity of Intertek's assay procedures.* *CRM has reviewed all QAQC data and is of the opinion that the reported grades adequately and accurately reflect the grades of the mineralisation*

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	Explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• *The Woodlark Gold Project comprises a granted Mining Lease (ML508) and three contiguous granted Exploration Licences (EL 1279, EL 1172, and EL1465), covering an aggregate area of about 577km^2. The licences are held 100 per cent by Woodlark Mining Limited (WML), a wholly owned subsidiary of Kula Gold Pty Ltd. The ML and the Busai, Woodlark King, and Kulumadau Deposits are within EL1279.* • *Woodlark Island is approximately 60km in length and 25km in width. It is situated in the Solomon Sea some 300km east-northeast of the mainland of PNG). It is within PNG's Milne Bay Province.*
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• *Historical exploration on the Woodlark Project is given by Spencer (2009), in summary: Alluvial gold discovered in 1895; Alluvial rush slows in 1898; Rich veins mined at Busai 1896-1915 including Murua United open cut; Kulumadau main lode discovered 1898; Company mining at Kulumadau 1899-1918; Mining of Woodlark King 1911-1939.* • *Since 1962 a number of explorers have conducted geological mapping, geophysical and geochemical exploration, and drilling at Busai, Kulumadau, and other prospects. The explorers listed are the Australian Bureau of Mineral Resources (BMR), BHP Minerals Exploration (BHP), Highlands Gold Resources N.L. (Highlands), Auridiam Consolidated Limited (Auridium), Misima Mines Limited (MML), and WML, which was a wholly owned subsidiary of BDI Mining Ltd (BDI) between 2004 and 2007 (since when it has been a wholly owned subsidiary of Kula Gold Pty Ltd).* • *WML drilled the Kulumadau Deposit between 2004 and 2006 and during 2011 and 2012; the Busai Deposit from 2008 to 2010, and the Woodlark King Deposit during 2010 and 2011.*

Criteria	Explanation	Commentary
Geology	• *Deposit type, geological setting and style of mineralisation.*	• *The Woodlark Project is consistent with a low sulphidation epithermal system.* • *Woodlark Island is part of a Tertiary aged volcanic island arc complex, comprising part of the Woodlark Oceanic Rise, one of a succession of composite east-west trending island arcs in the eastern PNG region.* • *Gold mineralisation within the Woodlark Project is principally hosted by andesites and their sub-volcanic equivalents within the Okiduse Volcanics. The mineralisation is variously associated with lodes, quartz veins, stock-work zones, and breccias; developed within proximal phyllic and marginal propylitic alteration envelopes.* • *Sulphide mineralogy is dominated by pyrite, which is weakly to moderately disseminated throughout the regional propylitic alteration halo.*
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• *No drilling has been carried out within the resource areas since the resource estimations. All prior drilling has been previously reported.* • *All drill-holes are located between 468656.567mE to 476261.1769mE and 8986241.592mN to 8996728.262mN (on the (WGS8)4 World Geodectic grid System).* • *Using a local height Datum, the relative level (RL) for the drill collars are within 1.09mRL and 163.90mRL.* • *The majority of holes were drilled on an azimuth of approximately 090 (with other notable azimuths at 225, 045 and 270);* • *Drill-hole inclination varied between -45 to -90 degrees down dip.* • *The interception depth downhole varied due to the dip of the mineralisation.* • *Maximum total drill-hole length over the Busai, Kulumadau and Woodlark King projects did not exceed 480m.* • *No exclusions are applicable at the time of writing this report.*

Criteria	Explanation	Commentary
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• *No metal equivalent values have been used during estimation.by CRM.*
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• *The drill-hole orientation intersects the mineralisation at a various angles in-line with the variability of the mineralised trends.* • *In general the dominant drill hole orientation is -60º towards the predominant dip of the mineralisation, which results in a propensity to intersect the mineralisation at as close to perpendicular as possible.* • *As a result of the drilling and variability of the mineralisation, the mineralised intercepts are exaggerated thickness and not true widths.*
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• *There are no exploration results reported for the immediate Busai or Kulumadau Deposit areas that have not been reported previously.*

Criteria	Explanation	Commentary
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• *There are no exploration results reported for the immediate Busai or Kulumadau Deposit areas that have not been reported previously*
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• *Highlands carried out SG determinations on 81 core samples from Busai and 5 from Kulumadau Adelaide. It also carried out a bulk SG on the Adelaide mineralisation.* • *CRM commissioned SG determinations on 88 RC chip samples and 10 Busai core samples* • *CRM and WML commissioned SG determinations on 10 Kulumadau core samples* • *CRM is not aware of any further substantive exploration data.* •
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• *The company has not defined any exploration programme or budget at this stage for further exploration work within the areas of the deposits.* • *The company's Quarterly Report for the period ending 30 June 2014 described a helimag survey over the central part of Woodlark Island and a contract for follow-up drilling.*

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	Explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• *Database is maintained by WML representatives and management. The aforementioned individuals compiled all data from the Busai, Kulumadau and Woodlark King projects and it was this data which was supplied to CRM.* • *CRM had, to late 2005, obtained copies of all historical logs in WML's library and in their Woodlark office; obtained copies of all historical original laboratory assay sheets in WML's library and in their Woodlark office; verified all assays in the database against the original assay sheet if available, or in default against the original log sheets if available, or in default against BHP's typed drill assay summaries; Obtained a selection of original laboratory assay sheets for the 2004 WML drilling and verified the digital assay filet supplied by WML against these; obtained original laboratory assay files and faxed assay reports from Intertek for the 2005 WML drilling; cross-checked drill-hole collar data against survey files and entries on original logs; verified down-hole surveys by viewing a selection of down-hole camera discs from WML's 2004 drilling.* • *Since 2005 CRM has received copies of all drill logs, drilling details, and assay results. It has checked assay sheets and collar coordinates against the WML database and has generated 3D down-hole assay locations using Micromine software, which simultaneously carries out check validation of data.*
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• *The competent person for the resource estimation visited the Busai, Woodlark King, and Kulumadau Deposits during WML's drilling programmes into them, during 2005, 2008, and 2010.*

Criteria	Explanation	Commentary
Geological interpretation	• *Confidence in (or conversely, the uncertainty of)the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• *Confidence in the geological model is good.* • *Lithological boundaries defined from geological logging were used to define the geological model and weathering / oxidation surfaces.* • *The geological interpretation is considered robust & alternative interpretations are considered not to have a material effect on the Mineral Resource. No alternate interpretations are proposed as geological confidence in the model is high.* • *Mineralisation tenor is very closely associated with the host geology and assisted the interpretation of the mineralisation model.* • *The factors affecting continuity both of grade and geology are most likely to be associated with structural controls and local complexity, the knowledge of which is moderate to well advanced with the current spacing of information. The approach to the mineralisation modelling is an attempt to model an unbiased interpretation based on the best available data provided to CRM..*
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• *The Busai mineralisation strikes NNW and has a moderate westerly dip, with higher grade mineralisation within steeper dipping narrow lodes. The mineralisation defined to date outcrops sporadically throughout the project area and is spread over a width of about 500m and has been intersected to a maximum intersected depth of approximately 328m below surface.* • *The Kulumadau West mineralisation strikes NNE over a length of at least 500m. It dips steeply east. Multiple lodes are spread over a width of about 200m and extend to a maximum intersected depth of approximately 250m below surface.* • *The Kulumadau Adelaide Zone mineralisation strikes WNW over a length of at least 225m. It dips at about 70º SSW. The high-grade domain has a width of about 40m and has been intersected to a depth of about 175m below surface.* • *The Kulumadau East mineralisation, which consists of multiple lodes, strikes NNW over a length of about 450m and a total width of at least 400m. The high-grade domain has a length of about 330m, a width of about 70m, and has been intersected to a depth of about 150m beneath surface. It dips at about 55º to the east.* •

Criteria	Explanation	Commentary
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.*	***Busai Deposits – IDS modelling*** • *CRM modelled the Busai Deposits using Inverse Distance Squared (IDS) methodology within the Micromine software estimation module. IDS methodology is considered appropriate for shear-hosted moderate-to high grade gold deposits.* • *The mineralisation was modelled within prismatic bounding wireframes. The limits of the wireframes followed geological boundaries and were also constrained by a DTM of the surface.* • *An upper cut of 100g/t Au was applied to the volcanic-hosted composite assays and of 25g/t to those of the Kiriwina alluvial mineralisation.* • *CRM used 1m composites for the modelling.* • *Variography was carried out in three directions on the composite assays within each wireframe,e in order to ascertain interpolation parameters* • *The interpolation radii for the volcanic-hosted mineralisation were: 100m in azimuth direction, 50m in dip direction, and 1m across;* • *Each of the 10 structurally separate domains had different azimuth directions and dips;* • *The interpolation parameters for the alluvial mineralisation were: 60m to 360º, 60m to 90 (0 º dip); 1m vertical,* • *Block sizes were:* *Volcanic-hosted mineralisation : 10m EW, 10m NS, 10m vertical,* *Alluvial mineralisation : 10m EW, 10m NS, 10m vertical,* • *No assumptions were made with regard to selective mining units* • *No assumptions were made with respect to correlation between variables (only Au grade was modelled)* • *Grade cutting was applied according to interpretation of log-probability plots* • *OBM grade validation was carried out by visual on-screen verification of assay grades against nearby OBM grade ranges. CRM is of the opinion that the block grades reflect the sample grades.* • *Previous resource estimates of the Busai volcanic-hosted mineralisation were from significantly fewer drill-holes.* • *No by products are assumed; and no estimation of deleterious elements was carried out.* • *No estimation of deleterious elements was carried out.* •

Criteria	Explanation	Commentary
Estimation and modelling techniques (continued)	• *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	***Busai Deposits – OK modelling*** • *Widenbar and Assoc. carried out an Ordinary Kriged estimate of the Busai volcanic-hosted mineralisation;* • *The mineralisation was modelled within the same prismatic wireframes that were used for the IDS estimate* • *Different top-cuts were applied to each of the ten structural domains. They varied from 10g/t Au to 60g/t Au.* • *Separate variography was carried out on the 1m composite data for each of the domains;* • *Different search directions were applied within each domain;* • *Block dimensions were 5m EW, 10m NS, and 5m vertical* • *The search ellipsoids had dimensions of 75m along strike, 4m across structure, and 60m down plunge;* • *The block model was validated against drill hole data on section, by comparison with average input data grades, and by comparison against the IDS model.*

Criteria	Explanation	Commentary
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).* •	***Kulumadau Deposits*** • *CRM modelled the Kulumadau Deposits using Inverse Distance Squared (IDS) methodology within the Micromine software estimation module. IDS methodology is considered appropriate for shear-hosted moderate-to high grade gold deposits.* • *The mineralisation was modelled within prismatic bounding wireframes. The limits of the wireframes followed geological boundaries and were also constrained by a DTM of the surface. The Kulumadau East mineralisation was divided on grade criteria into high and low-grade domains.* • *An upper cut of 75g/t Au was applied to the Kulumadau West composite assays and of 25g/t to those of the Adelaide Deposit. No upper-cuts were applied to the Kulumadau East Deposit assays.* • *CRM used 1m composites for the Kulumadau West modelling, and variable length composites for the Kulumadau Adelaide and Kulumadau East modelling in order to de-cluster data from drill-holes with varying azimuths and dips.* • *Variography was carried out in three directions on the composite assays within each wireframe in order to ascertain interpolation parameters* • *The interpolation parameters were:* *Kulumadau West (western OBM): 60m to 025°, 75m down dip (75° E); 3m across strike,* *Kulumadau West (eastern OBM): 75m to 010°, 75m down dip (60° NE); 2.5m across strike* *Adelaide: 55m to 297.5°, 50m down dip (85° E); 2.5m across strike* *Kulumadau East High Grade: 50m to 345°, 35m down dip (55° E); 1.5m across strike* *Kulumadau East Low Grade: 70m to 350°, 90m down dip (25° E); 1.5m across strike,* • *The main Kulumadau West Lode was historically mined with a recorded production of 77,000oz from 150,000 milled tonnes (a head grade of at least 16g/t)* • *Previous resource estimates of Kulumadau West and Adelaide were from significantly fewer drill-holes (and over a shorter strike length for Kulumadau West).* • *No by products are assumed.* • *No estimation of deleterious elements was carried out.*

Criteria	Explanation	Commentary
Estimation and modelling techniques (Cont)	• *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available*	• *Block sizes were:* *Kulumadau West : 5m EW, 10m NS, 5m vertical,* *Adelaide: 5m EW, 5m NS, 5m vertical* *Kulumadau East: 5m EW, 10m NS, 5m vertical* *These sizes took into account the various orientations of the mineralisation and the general north-south line spacing* • *No assumptions were made with regard to selective mining units* • *No assumptions were made with respect to correlation between variables (only Au grade was modelled)* • *Mineralised material was confined to non-heamatitic altered volcanics* • *Grade cutting was applied according to interpretation of log-probability plots* • *OBM grade validation was carried out by visual on-screen verification of assay grades against nearby OBM grade ranges. CRM is of the opinion that the block grades reflect the sample grades.* •
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• *As reported by the Client, the sample is weighed wet then placed in a drying dish and put into an oven overnight at 100°C. Samples are then re-weighed and the difference noted by WML.* • *The moisture content of the fresh core is calculated based on the difference in weight from field (insitu) and dry prior to crushing.* • *Tonnages were estimated on a dry basis.*
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• *The Busai Deposit was reported at lower block-cut off grades of 0.5, 0.8, and 1.0g/t;* • *The Kulumadau West Deposit was reported at lower block-cut off grades of 0.5, 0.86, and 1.0g/t* • *The Adelaide Deposit was reported at lower block-cut off grades of 0.5, 1.0, and 1.15g/t Au;* • *The Kulumadau East Deposit was reported at lower block-cut off grades of 0.5, 1.0, and 1.18g/t*

Criteria	Explanation	Commentary
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	• *WML has completed a "Woodlark Island Gold Project Feasibility Study". The study determined that the project was both technically and financially viable based on the assumptions used. On the basis of this report CRM is of the opinion that there are reasonable prospects for eventual economic extraction.* • *LJ Putland and Associates has produced an Ore Reserve Estimate as at 16th July 2014 and reported it in accordance with the 2012 JORC Code.* • *Ore Reserves are assumed to be recovered from open pit mining at the Busai, Kulumadau, and Kulumadau East Deposits. .* • *For the Busai Deposit a separate MIK resource model produced by Helman and Schofield Pty ltd has been used for pit optimisation.* • *At Kulumadau West, based on pit configuration and style of mineralisation, an expected dilution quantity of 10% of in-situ tonnes at an average grade of 0.22g/t Au has been adopted. A mining recovery of 95% has been assumed for the Kulumadau West pit.* • *At Kulumadau Adelaide, based on pit configuration and style of mineralisation, an expected dilution quantity 10% of in-situ tonnes at an average grade of 0g/t Au has been adopted. A mining recovery of 95% has been assumed for the Kulumadau Adelaide pit.* • *At Kulumadau East, based on pit configuration, style of mineralisation, the lower level of geotechnical investigations and the lack of hydrological investigations and an expected dilution quantity of 15% of in-situ tonnes at an average grade of 0g/t Au has been adopted. A mining recovery of 90% has been assumed for the Kulumadau East pit.*

Criteria	Explanation	Commentary
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• *Metallurgical testwork on samples from the Busai, Kulumadau, and Kulumadau East Deposits indicate that the gold bearing material from each deposit can be treated utilising conventional Gravity and Carbon-In-Leach (CIL) gold processing methodology.* • *The following metallurgical recoveries were used in the Ore Reserve Estimation:* ○ *Busai:* ▪ *Murua United (Stage 1) = 92%* ▪ *Zone 40 and Federation (Stage 2 & 3) = 73%* ○ *Kulumadau = 92%* ○ *Kulumadau East = 93.5%*
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• *As part of the Feasibility Study an Environmental and Social Impact Assessment (ESIA) and Environmental Impact Statement (EIS) was completed for the project. The purpose of these investigations was to characterise the existing environment in which the project will be situated, identify the potential impacts of the project, determine suitable avoidance, management or mitigation measures for them, and predict the residual impacts of the project after the implementation of these measures.* • *Bathymetry and Oceanographic surveys and specific DSTP investigations were completed during the Feasibility Study.* • *Waste rock geochemical characteristics assessment and waste dump design studies were completed during the Feasibility Study.*

Criteria	Explanation	Commentary
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	• *Highlands carried out SG determinations on 81 core samples from Busai and 5 from Kulumadau Adelaide. The determinations were according to ASTM C97-83 and averaged 2.46 at Busai and 2.28 at Adelaide.* • *It also carried out a bulk SG on a sample cut from a costean wall in Adelaide mineralisation that returned 2.33.* • *CRM commissioned Genalysis to carry out SG determinations on 88 RC chip samples from Busai, sub-set by weathering domain. Mean results for gravimetric water displacement determinations were Fresh 2.64, Weakly weathered 2.49, Strongly weathered 2.43.* • *CRM commissioned SGS to carry out SG determinations on 10 wax coated weathered core samples from Busai. Mean results were Saprolitic clay and rock 1.81, Strongly weathered 2.04* • *CRM commissioned Genalysis to carry out SG determinations on 6 sealed Kulumadau core samples: the mean result was 2.48.* • *CRM used a density value of 2.48 for the Kulumadau West and Adelaide Deposits, as the mineralised rocks were virtually fresh from surface* • *CRM assigned SGs to weathering regimes at Kulumadau East as follows: Clay: 1.82, Strong: 2.04, Moderate: 2.20, Weak: 2.35, and Fresh: 2.48.* • *CRM assigned SGs to weathering regimes of the volcanic-hosted mineralisation at Busai as follows: Clay: 1.82, Strong: 2.04, Moderate: 2.20, Weak: 2.35, and Fresh: 2.65.* • *A nominal SG of 1.9 was assigned to the Busai alluvial mineralisation*

Criteria	Explanation	Commentary
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	***Busai IDS*** • *The volcanic-hosted resources were classified according to the following criteria: Measured Resources - Blocks interpolated from more than 35 points;* *Indicated Resources - Blocks interpolated from 8 to 35 points; and* *Inferred Resources - Blocks interpolated from 2 to 7 points.* • *The alluvial resources were classified according to the following criteria:* *Indicated Resources - Blocks interpolated from 8 plus points; and* *Inferred Resources - Blocks interpolated from 2to 7 points.* ***Busai OK*** *The resources were classified according to Kriging Variance as follows:* • *Measured Resources - Blocks interpolated with KV of less than 0.3;* *Indicated Resources - Blocks interpolated with KV of 0.3 to 0.85* *Inferred Resources - Blocks interpolated with KV of over 0.85.* ***Kulumadau*** • *The Kulumadau West resources were classified according to the following criteria: Measured Resources - Blocks interpolated from more than 35 points;* *Indicated Resources - Blocks interpolated from 21 to 35 points; and* *Inferred Resources - Blocks interpolated from 6 to 20 points.* • *The Adelaide Zone resources were classified according to the following criteria: Indicated Resources - Blocks interpolated from 25 plus points; and* *Inferred Resources - Blocks interpolated from 6 to 24 points.* • *The Kulumadau East Zone resources were classified according to the following criteria:* *Indicated Resources - Blocks interpolated from 15 plus points IF BOTH north of 8995740N AND within high-grade wireframe; and* *Inferred Resources - Blocks interpolated from 3 to 14 points, OR south of 8995740N, OR NOT within high-grade wireframe.* • *The reported Mineral Resource estimates and their classification into the Measured, Indicated and Inferred categories are consistent with the Competent Persons' views of the deposits.* •
Audits or reviews.	• *The results of any audits or reviews of Mineral Resource estimates.*	• *The resource estimates have been peer reviewed within CRM.*

Criteria	Explanation	Commentary
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• *The Mineral Resource Estimates have been reported in accordance with the code and guidelines for the reporting of Mineral Resource Estimates, 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources & Ore Reserves and reflects the relative accuracy of the Mineral Resources estimate. The Competent Persons deem the process to be in line with industry standards for resource estimation & therefore within acceptable statistical error limits.* • *The resource statements relate to global estimates of tonnes and grades.* • *The relative accuracy and confidence of the estimates are reflected in the reporting on Measured, Indicated and Inferred resources in-line with the knowledge of geological, structural and mineralisation aspects.*