

**KULA GOLD LIMITED**  
**ABN 83 126 741 259**  
**SECOND SUPPLEMENTARY TARGET'S STATEMENT**

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**1. IMPORTANT INFORMATION**

This document is the second supplementary target's statement (**Second Supplementary Target's Statement**) made under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and is supplementary to the target's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 12 June 2017 (**Original Target's Statement**) and the supplementary target's statement dated and lodged with ASIC on 11 August 2017 (**Supplementary Target's Statement**), issued by Kula Gold Limited (ABN 83 126 741 259) (**Kula**) in relation to the off-market takeover offer by Geopacific Resources Limited (ABN 57 003 208 393) (**Geopacific**) for all of the fully paid ordinary shares in the capital of Kula (**Offer**).

This Second Supplementary Target's Statement was lodged with ASIC on 6 October 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Target's Statement.

This Second Supplementary Target's Statement must be read together with the Original Target's Statement and the Supplementary Target's Statement. If there is a conflict between the Original Target's Statement, the Supplementary Target's Statement and this Second Supplementary Target's Statement, this Second Supplementary Target's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Target's Statement and the Supplementary Target's Statement have the same meaning in this Second Supplementary Target's Statement.

Please note that, as at the date of this Second Supplementary Target's Statement, the Directors of Kula nominated by Geopacific, being Ms Philippa Leggat and Messrs Mark Bojanjac and Matthew Smith, constitute a majority of the Kula Board and Geopacific has effective control of Kula. The only Directors of Kula who are not associated with Geopacific are Messrs Mark Stowell and Garry Perotti (the **Non-Geopacific Directors**).

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Second Supplementary Target's Statement. A copy of this Second Supplementary Target's Statement will be available on the Company's website ([www.kulagold.com.au](http://www.kulagold.com.au)).

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**2. RECOMMENDATIONS**

On the basis of the information outlined in the Original Target's Statement, the Supplementary Target's Statement and this Second Supplementary Target's Statement, the Directors recommend as follows:

- (a) Mr Mark Stowell recommends that Kula Shareholders **REJECT** the Geopacific Offer for the following reasons:
  - (i) It is likely that Geopacific will satisfy its earn-in obligations under phase 2 of the Farm-in Agreement and reaches a 40% direct interest in the Woodlark Gold Project<sup>1</sup>, GPR are required to fund \$10,000,000 to earn a further 20%;

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<sup>1</sup> Geopacific may earn up to a 51% interest upon completion of phase 2 under the Farm-in Agreement in the event that it defines a mineral reserve of at least 1,200,000 ounces of gold during phase 2.

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- (ii) Kula has no funding obligations during this phase;
  - (iii) the implied value of Kula (which will hold 60% of the Woodlark Gold Project) under the Geopacific Offer is \$8,537,682 for the whole company based on the closing price of Geopacific Shares on 4 October 2017 of 2.5 cents (noting that Geopacific Shares traded at 2.3 cents on 3 October 2017);
  - (iv) in Mr Stowell's view, continuing to hold Kula Shares is much better leverage into this exciting gold project;
  - (v) as the largest investor in Kula on the Kula Board, Mr Stowell's opinion is that this is definitely not the time to accept the low-ball Geopacific Offer (which is now lower than the original low-ball Geopacific Offer in April this year); and
  - (vi) Mr Stowell will not accept the Geopacific Offer and plans to continue to hold Kula Shares at least until updates to the gold reserves and feasibility studies in respect of the Woodlark Gold Project which Mr Stowell anticipates may be received over the next 6 to 12 months;
- (b) Mr Garry Perotti declines to make a recommendation on the basis that the risks of accepting or rejecting the Geopacific Offer applicable to each Kula Shareholder that is yet to have accepted the Geopacific Offer will differ depending on that Kula Shareholder's personal circumstances and, as such, Mr Perotti recommends that Kula Shareholders **EXERCISE THEIR OWN INDEPENDENT JUDGEMENT** as to whether or not to accept the Geopacific Offer; and
- (c) Ms Philippa Leggat and Messrs Mark Bojanjac and Matthew Smith decline to make a recommendation due to the conflict of interest arising as a result of them having been appointed to the Kula Board by Geopacific.

All Kula shareholders are advised to consider the Non-Geopacific Directors' response to Geopacific's Third, Fourth and Fifth Supplementary Bidders Statements, and the risks of accepting and not accepting the Geopacific Offer, as outlined below in sections 3 and 4 respectively.

If you have any questions regarding the Offer, please contact Kula's office on +61 (08) 6143 5411 or email [info@kulagold.com.au](mailto:info@kulagold.com.au), or your professional financial adviser.

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### **3. NON-GEOPACIFIC DIRECTORS' RESPONSE TO GEOPACIFIC'S THIRD, FOURTH AND FIFTH SUPPLEMENTARY BIDDER'S STATEMENTS**

The Non-Geopacific Directors have noted Geopacific's claims, and more importantly what Geopacific has failed to outline, in its Third, Fourth and Fifth Supplementary Bidder's Statements. The following is the Non-Geopacific Directors' response on key issues, and further information pertinent to the decision by Kula Shareholders whether or not to accept the Offer.

#### **Geopacific's capital raising has a dilutionary effect on the ownership percentage of existing Kula shareholders**

Geopacific has completed a placement to sophisticated investors of \$10.5 million. This may be sufficient for Geopacific to complete the third earn-in period under the Farm-

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in Agreement with Kula, assuming Geopacific only incurs minimal expenditure on corporate costs and its other assets in Cambodia and Fiji.

However, the effect of this placement, assuming Geopacific is able to acquire 100% of the issued capital of Kula, is that Kula Shareholders will cumulatively hold only an 18.5% shareholding in Geopacific (and by default in the Woodlark Gold Project), whereas prior to the capital raising the Kula Shareholders had the potential to acquire a 21.8% holding in Geopacific. Accordingly, the dilutionary effect of this capital raising was 18.9%.

Further, Geopacific will need to raise further capital upon completion of its definitive feasibility study and the related work on its resources and reserves, which may result in further dilution on the ownership percentage of existing Kula Shareholders. The extent of this dilution is at present unknown as the pricing and terms of this capital raising is not yet known.

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## **4. RISKS**

The risk factors relating to Kula and Geopacific were set out in sections 5.11 and 5.12 of the Original Target's Statement respectively. Section 4 of the Supplementary Target's Statement identified additional risks for consideration by Kula shareholders. The Non-Geopacific Directors now identify the following additional risks, particularly in light of Geopacific's Third, Fourth and Fifth Supplementary Bidders Statements.

It must be noted that the risks identified below are not exhaustive and that all risks associated with shareholders in ASX listed companies apply to both shareholders in Kula and Geopacific.

### **4.1 Kula Shareholders risks**

The risks applicable to a Kula Shareholder that rejects the Geopacific Offer include the following:

- (a) Geopacific currently holds a 5% direct interest in the Woodlark Gold Project (which has been assumed to be a 40% interest given the likelihood of Geopacific satisfying the earn-in obligations under phase 2 of the Farm-in Agreement<sup>2</sup>) and will be required under the Farm-in Agreement to either:
  - (i) fund \$10,000,000 to earn a 60% interest; or
  - (ii) define a mineral reserve of at least 1,200,000 ounces of gold on the Woodlark Gold Project and complete a bankable feasibility study to earn a 75% interest.

The earning of a further direct interest in the Woodlark Gold Project by Geopacific is contingent on Geopacific giving notice to Kula that it wishes to proceed to phase 3 of the Farm-in Agreement. Geopacific is entitled to withdraw from the Farm-in Agreement during the earn-in phase. If it does so, the obligation to fund development of the Woodlark Gold Project will rest primarily with Kula, provided that Geopacific will hold at least an 82.47% interest in Kula at this time (being its voting power as at 4 October 2017);

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<sup>2</sup> Geopacific may earn up to a 51% interest upon completion of phase 2 under the Farm-in Agreement in the event that it defines a mineral reserve of at least 1,200,000 ounces of gold during phase 2.

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- (b) Kula Shares will continue to trade in a relatively illiquid market and the market price of the Kula Shares may fall;
- (c) as Kula is a subsidiary of Geopacific and Geopacific has gained control of the Kula Board, there may be difficulties in holding Geopacific to compliance with its obligations under the Farm-in Agreement (subject to the law regarding the oppression of minority shareholders);
- (d) as a result of Kula having a voting power in Kula in excess of 75% (being 82.47% on the trading prior to lodgement of this Second Supplementary Target's Statement), Geopacific is able to control the vote on any special resolution at a general meeting of Kula Shareholders, and could use this power to force changes on Kula Shareholders, including without limitation delisting Kula (subject to the law regarding the oppression of minority shareholders);
- (e) Kula will hold a diminishing interest in the Woodlark Gold Project if Geopacific satisfies its obligations pursuant to the Farm-in Agreement; and
- (f) Kula's future capital raisings to fund its corporate overheads and any funding of the Woodlark Gold Project under the terms of the Shareholders Agreement will have a dilutionary effect on the ownership percentage of non-participating Kula Shareholders.

#### **4.2 Geopacific Shareholders risks**

The risks applicable to Geopacific Shareholders (including Kula Shareholders who accept the Geopacific Offer) include the following:

- (a) there is a risk that the trading price of Geopacific Shares may be affected by future material impairment charges in its financial statements;
  - (b) Geopacific's capital structure is becoming unwieldy with currently over 1.7 billion shares on issue, and 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;
  - (c) Geopacific currently holds a 5% direct interest in the Woodlark Gold Project and there is risk associated with Geopacific's ability to perform and complete the milestones pursuant to the Farm-in Agreement in order to increase Geopacific's direct interest in the Woodlark Gold Project;
  - (d) Geopacific's future capital raisings in respect of its corporate overheads, progression of the Woodlark Gold Project and funding of other exploration projects held by Geopacific will have a dilutionary effect on the ownership percentage of non-participating Geopacific Shareholders;
  - (e) Geopacific Shares were trading at 2.7 cents at close of market on the trading day immediately prior to the date of this Second Supplementary Target's Statement and there is no certainty that those Kula Shareholders who accept the Geopacific Offer will be able to sell the Geopacific Shares received as Consideration at this price should they accept the Geopacific Offer; and
  - (f) there is outstanding information with respect to ongoing work under the Farm-In Agreement, including drill results (which were last announced on 28 August 2017), and updates on optimisation for engineering, the Definitive Feasibility Study and all resource and reserve calculations.
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## 5. INFORMATION IN RELATION TO THE TARGET

Since lodgement of the Supplementary Target's Statement, Kula has released to ASX the following announcements.

14 August 2017	Change of substantial holding from GPR
15 August 2017	Change of substantial holding from GPR
16 August 2017	GPR:WOODLARK 10m @ 7.84g/t Au in 84m wide zone of gold
16 August 2017	Change of substantial holding from GPR
17 August 2017	Change of substantial holding from GPR
18 August 2017	Change of substantial holding from GPR
21 August 2017	Change of substantial holding from GPR
22 August 2017	Change of substantial holding from GPR
22 August 2017	Director Appointment/Resignation
22 August 2017	GPR: Offer to be extended and director appointed to Kula
23 August 2017	Change of substantial holding from GPR
23 August 2017	GPR: Third Supplementary Bidders Statement
23 August 2017	Initial Director's Interest Notice
24 August 2017	Change of substantial holding from GPR
24 August 2017	GPR: Notice of status of defeating conditions
25 August 2017	Change of substantial holding from GPR
28 August 2017	GPR: Broad zones of gold confirmed in Metallurgical drilling
28 August 2017	Change of substantial holding from GPR
29 August 2017	Change of substantial holding from GPR
30 August 2017	Director Appointments
30 August 2017	Change of substantial holding from GPR
30 August 2017	GPR: Geopacific directors appointed to Kula board
30 August 2017	Initial Director's Interest Notice - Philippa Leggat
30 August 2017	Initial Director's Interest Notice - Matthew Smith
31 August 2017	Change of substantial holding from GPR
1 September 2017	GPR: Oversubscribed placement raises \$10.5m
1 September 2017	Change of substantial holding from GPR
4 September 2017	Change in substantial holding from GPR
5 September 2017	Change in substantial holding from GPR
5 September 2017	Change of Director's Interest Notice
6 September 2017	Change of substantial holding from GPR
6 September 2017	Change of Director's Interest Notice
7 September 2017	Change of substantial holding from GPR
8 September 2017	GPR: Information on upcoming SPP

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11 September 2017	Change of substantial holding from GPR
12 September 2017	Change of substantial holding from GPR
13 September 2017	GPR: Fourth Supplementary Bidders Statement
13 September 2017	Appointment of Chairman and Change of Company Address
14 September 2017	Suspension from Official Quotation
14 September 2017	Change of substantial holding from GPR
14 September 2017	Half Yearly Report and Accounts
14 September 2017	Reinstatement to Official Quotation
15 September 2017	Change of substantial holding from GPR
18 September 2017	Change of substantial holding from GPR
19 September 2017	Change of substantial holding from GPR
20 September 2017	Change of substantial holding from GPR
21 September 2017	Change of substantial holding from GPR
22 September 2017	Change of substantial holding from GPR
22 September 2017	GPR: Fifth Supplementary Bidders Statement
26 September 2017	Change of substantial holding from GPR
27 September 2017	Change of substantial holding from GPR
28 September 2017	Change of substantial holding from GPR
29 September 2017	Change of substantial holding from GPR
2 October 2017	Change of substantial holding from GPR
4 October 2017	Change of substantial holding from GPR
5 October 2017	Change of substantial holding from GPR

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## 6. DIRECTOR'S AUTHORISATION

This Second Supplementary Target's Statement has been approved by a resolution passed by the Directors of Kula Gold Limited.

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Signed for and on behalf of  
Kula Gold Limited

**Garry Perotti**  
**Executive Director**