

ASX Announcement & Media Release

Quarterly Activities Report

For Period Ended 31 December 2018

Highlights

- Delivery of the Woodlark DFS confirming a high margin development project. Project highlights:
 - **High margin** - AISC as low as A\$866/oz (Yr 1-5) and A\$1,033/oz (LOM) due to shallow pits, low waste to ore ratio, flat terrain and outcropping soft ore.
 - **Strong cash flow** – upfront operating cash flow generates rapid 2.2 year payback period.
 - **Robust production profile** – simple process route with gold production averaging 100Koz pa (Yr 1-5), 967Koz (LOM) (incl. 41.koz Au Inferred).
 - **+1Moz** – Reserve 28.9Mt @ 1.12g/t Au for 1,037,600oz of gold.¹
Resource 47Mt @ 1.04g/t Au for 1.57Moz of gold.²
 - **Licence to operate** – operating permits granted in proven mining investment jurisdiction with a supportive local community.
 - **Exploration upside** – immediate near-pit resource growth potential & highly prospective regional exploration portfolio.
- Completion of a major regional soil sampling and geological mapping program over the Island.

OPERATIONAL OVERVIEW

Geopacific Resources Limited (“**Geopacific**”), continues to fund the Woodlark Island Gold Project through in the third earn-in period of the Farm-in Agreement (“**Agreement**”).

During the quarter Geopacific focussed on completion of the Woodlark DFS, completed by Lycopodium Pty Ltd in conjunction with the Company. The DFS demonstrates a 13-year gold project with a compelling development option, both from a technical and financial perspective. The Project generates A\$626 million of operating cashflow and a rapid 2.2 year project payback period. Its feasibility is driven by low costs, a positive operating environment and a simple process route.

High margins and strong upfront cashflows are the result of low all-in sustaining costs (AISC) at A\$866/oz in the first 5 years. Low AISC’s are possible due to wide, near surface ore zones which allows for a competitive waste: ore stripping ratio averaging 2.7:1 in the first 2 years driving maximum upfront cashflow. A conventional Carbon in Leach (CIL) processing plant combined with free milling, fast leaching and soft ore provides for strong cash generation. These factors, coupled with a simple mining and processing route, de-risk the Project and provide a rapid payback period due to high margins generated.

Table 1 below presents a key information summary covering the operational physicals, key inputs, cashflow, unit costs and financials.

¹ Refer to Appendix for a breakdown of the Ore Reserve Estimate announced on 7 November 2018.

² Refer to Appendix for a breakdown of the Mineral Resource Estimate.

Table 1: Key information summary

OPERATIONAL PHYSICALS	Unit	First 5 Yrs of Production *	Life of Mine
Strip Ratio	(x)	3.2	3.9
Total Material Mined	(kt)	77,601	149,189
Ore Mined	(kt)	18,404	30,304
Grade Mined	(g/t Au)	1.16	1.11
Contained Gold	(oz Au)	688,948	1,083,291
Ore Processed	(kt)	11,804	30,304
Grade	(g/t Au)	1.52	1.11
Recovery	(%)	90.2%	88.8%
Gold Produced	(oz)	522,034	967,117

* Excludes pre-strip period

KEY INPUTS	Unit	Life of Mine US\$	Life of Mine A\$
Gold Price	/oz Au	1,237	1,650
Foreign Exchange	A\$: US\$	1.33	0.75
Mining Cost	/t mined	1.88	2.51
Processing Cost	/t processed	10.33	13.77
General & Admin Cost	/t processed	3.35	4.47

CASHFLOW		Life of Mine US\$	Life of Mine A\$
Cashflow from Operations	Million (M)	469	626
Less: Capital Expenditure	Million (M)	(152)	(202)
Free Cashflow (Pre-tax)	Million (M)	318	424
Less: Income Tax	Million (M)	(60)	(80)
Free Cashflow (Post-tax)	Million (M)	257	343

UNIT COSTS - C1 & AISC		Life of Mine US\$	Life of Mine A\$
Mining	/oz Au	281	374
Processing	/oz Au	324	431
G&A	/oz Au	105	140
Refining Costs	/oz Au	5	6
Total C1 Costs	/oz Au	714	952
Royalties	/oz Au	28	37
Sustaining Capital	/oz Au	13	18
Corporate Overheads	/oz Au	20	26
Total AISC	/oz Au	775	1,033

FINANCIAL METRICS - POST-TAX	Life of Mine US\$M	Life of Mine A\$M
NPV @ 8%	148	197
IRR	29%	29%
Project Payback	2.2 Years	2.2 Years

Figure 1 highlights the short payback period generated by a strong, upfront post-tax cashflow of A\$343M. Resource growth and new discovery opportunities present a significant upside potential.

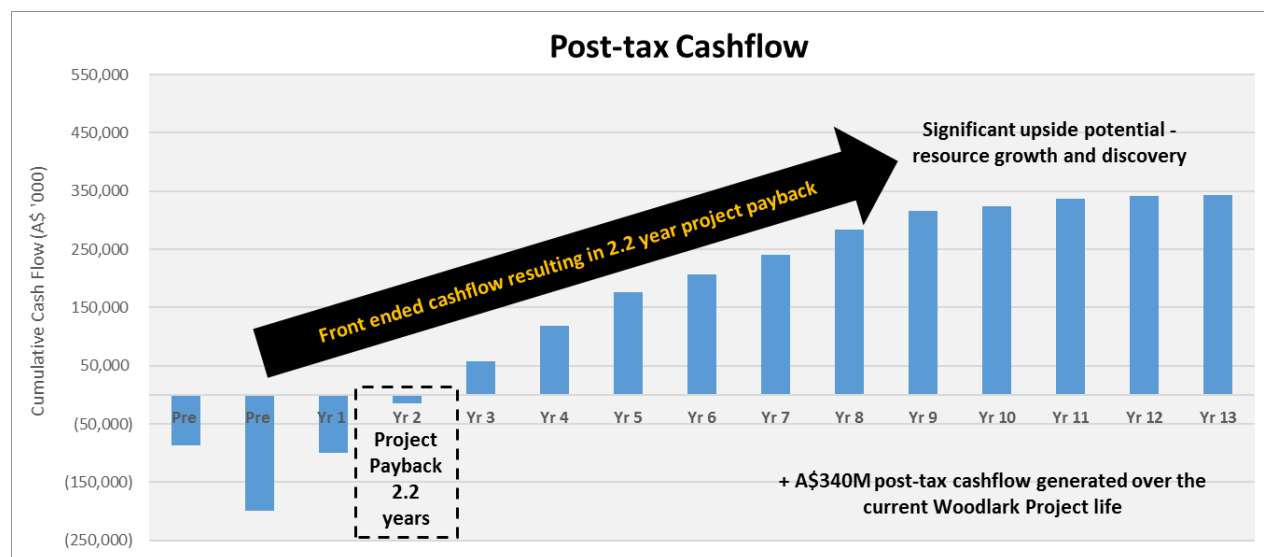


Figure 1: Post-tax cashflow

Reserve Update

The DFS identified a more cost effective and simplified processing route for ore treatment and as a result mineralisation below 0.4g/t Au was removed from the Ore Reserve estimate. The revised Ore Reserve stands at **28.9Mt @ 1.12g/t Au for 1,037,600 oz of gold**. The revised Ore Reserve table is appended to this report.

Exploration Activities

Regional exploration activities include the completion of the first comprehensive geochemical and geological surveys of Woodlark Island. The soil geochemistry survey was successful in identifying 29 discrete high-grade gold anomalies (Figure 2). Both surveys were designed to cover outcropping volcanic and basement lithologies. Geological mapping was undertaken to expand and enhance the understanding of the geological framework of the Island (Figure 3). Geochemical soil and rock chip sampling was also undertaken to define the geochemical characteristics of outcropping geology and search for anomalous gold and copper occurrences.

Exploration activities have since ceased and staffing levels scaled back to reduce costs during the project financing period.

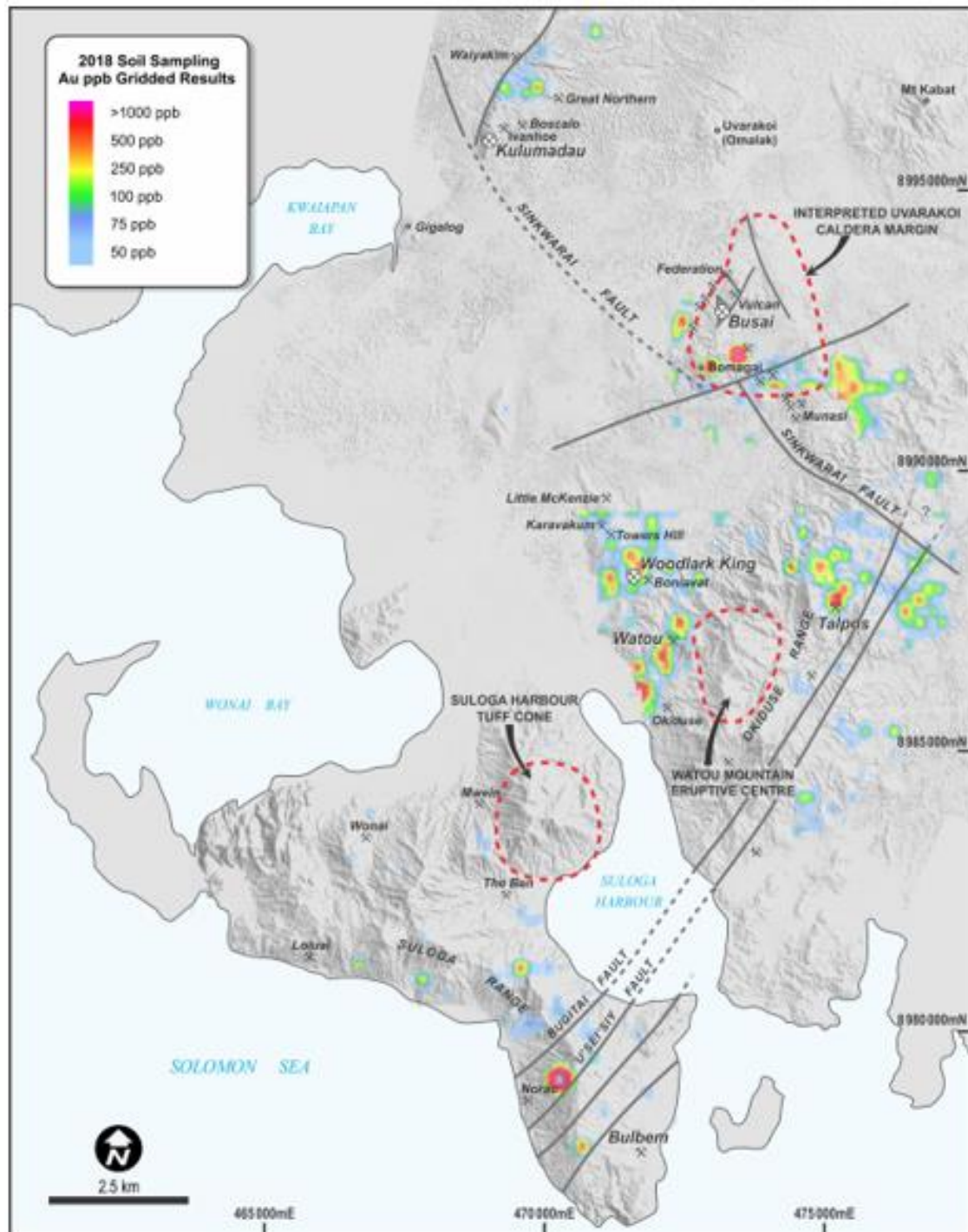


Figure 2: Regional soil gold anomalies

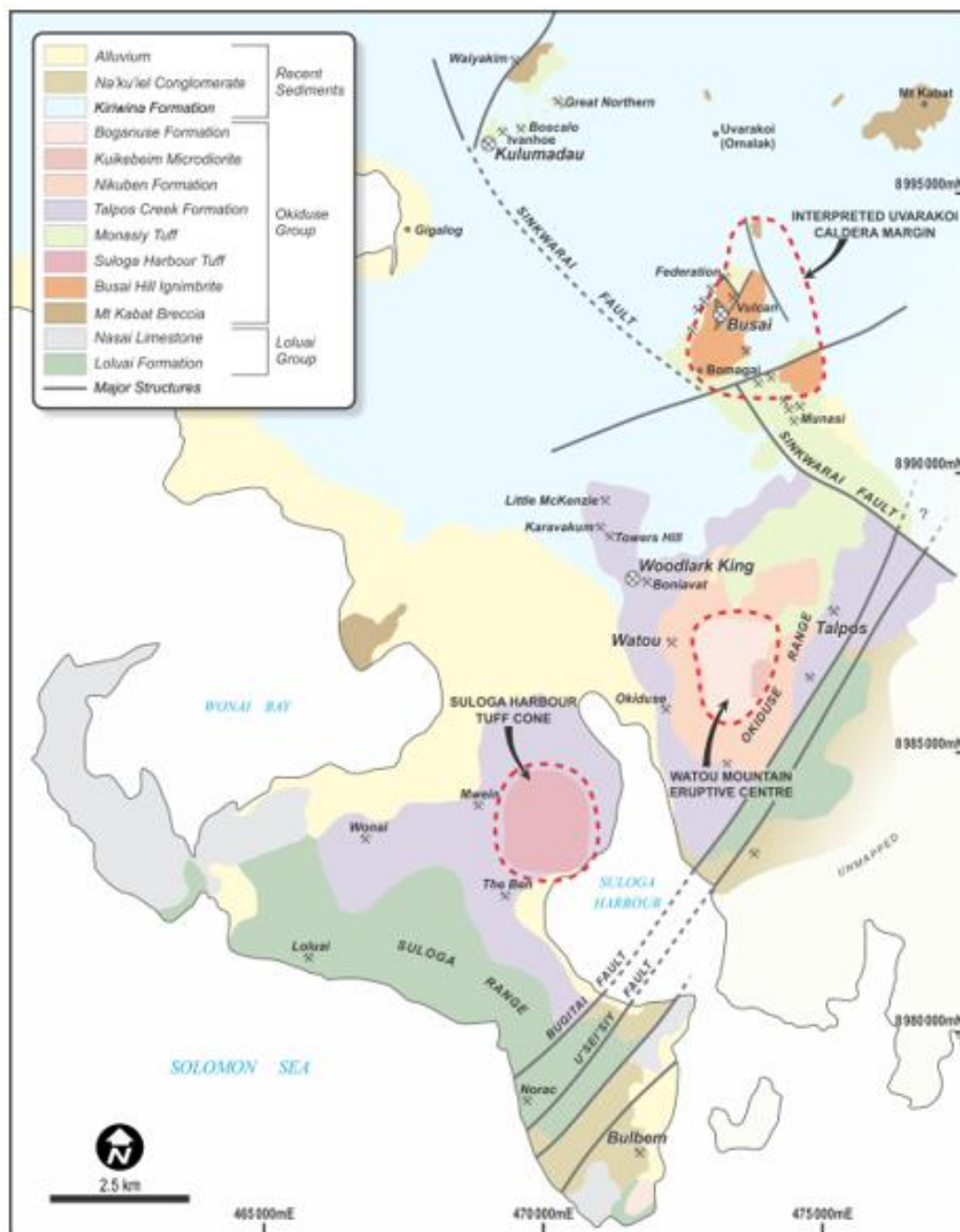


Figure 3: Simplified regional geology of the Suloga Peninsula

CORPORATE OVERVIEW

To date \$430,000 has been drawn down against the loan agreement with Geopacific for a loan of up to \$500,000, at zero interest and convertible to equity at the option of Geopacific either under the agreed terms under the Farm-in Agreement or at 30 day VWAP. The company continues to draw down funds from the existing loan agreement with Geopacific, with the maturity date being extended to 19 February 2019, by mutual consent, and has reduced costs to the absolute minimum while Geopacific continues to fund all on site expenditure through the third earn-in period of the Farm-in Agreement.



Background on the Woodlark Island Gold Project, PNG

Kula Gold Limited owns 49% of the Woodlark Island Gold Project, which has been granted an Environmental Permit and Mining Lease. Geopacific Resources Limited (“**Geopacific**”) holds the other 51% of the Project and is also Kula’s largest shareholder with 85% of the Company. The Project is located 600 kilometres east of Port Moresby in the Milne Bay Province, Papua New Guinea.

Geopacific, Kula’s Joint Venture Partner and holding company, is in the second earn-in period of the Farm-in Agreement and advancing the Project by delivering defined milestones, to earn additional equity in the Project.

The Project has excellent upside potential through upgrading the existing JORC Resources and numerous nearby exploration targets within a short distance of the proposed process plant location.

The Resource Estimates were re reported and released on 12 March 2018 in accordance with JORC 2012.

Geopacific Resources’ Feasibility Study, based on a JORC 2012 Ore Reserve of 1,037,600 ounces of gold and a gold price of A\$1,650/ounce, defined a Project with a life of thirteen years and a 2.4Mtpa gravity and carbon in leach plant (GPR ASX release 7 November 2018).

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Directors and Management

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Mark Stowell	Non-executive Director
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Competent Person's Statement

The information in this announcement that relates to exploration results and exploration targets is based on information compiled by or under the supervision of James Kerr, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and General Manager, Geology for Geopacific. Mr Kerr has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity 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 Kerr consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Woodlark Mineral Resources is based on information compiled and reviewed by Mr Nicholas Johnson, a Competent Person who is a Member of the Australian Institute of Geoscientists and a full-time employee of MPR Geological Consultants Pty Ltd. Mr Johnson has sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012 and is a qualified person for the purposes of NI43-101. Mr Johnson has no economic, financial or pecuniary interest in the company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Woodlark Mineral Reserves is based on information compiled and reviewed by Mr John Battista, a Competent Person who is a Member and Chartered Professional of the Australian Institute of Mining and Metallurgy (AusIMM) and a full-time employee of Mining Plus Pty Ltd. Mr Battista has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012 and is a qualified person for the purposes of NI43-101. Mr Battista has no economic, financial or pecuniary interest in the company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Woodlark Island Ore Reserves

Total by deposit	Category (>0.3g/t lower cut)	Tonnes (Mt)	Grade (g/t Au)	Ounces (oz)
Busai	Proven	9.3	1.03	307,300
	Probable	4.3	0.87	120,900
Kulumadai	Proven	7.4	1.37	324,700
	Probable	5.2	1.17	196,900
Woodlark King	Proven	1.9	1.06	65,000
	Probable	0.8	0.84	22,800
Total Ore Reserve	Proven	18.6	1.17	697,000
	Probable	10.4	1.02	340,600
	Total	28.9	1.12	1,037,600

Woodlark Global Resources

Category (>0.4g/t lower cut)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Koz)
Measured	21.24	1.10	754
Indicated	18.94	0.98	597
Inferred	6.80	1.00	222
Total	47.00	1.04	1,573

Schedule of Tenements

Mining tenements held by Kula Gold Limited and its subsidiary at the end of the quarter, including tenements acquired and disposed of during the quarter:

Tenement Reference	Country	Location	Interest Acquired During Quarter	Interest Disposed During Quarter	Interest at end of Quarter
EL 1172	Papua New Guinea	Woodlark Island	-	-	49%
EL 1279	Papua New Guinea	Woodlark Island	-	-	49%
EL 1465	Papua New Guinea	Woodlark Island	-	-	49%
LMP 89	Papua New Guinea	Woodlark Island	-	-	49%
LMP 90	Papua New Guinea	Woodlark Island	-	-	49%
LMP 91	Papua New Guinea	Woodlark Island	-	-	49%
LMP 92	Papua New Guinea	Woodlark Island	-	-	49%
LMP 93	Papua New Guinea	Woodlark Island	-	-	49%
ME 85	Papua New Guinea	Woodlark Island	-	-	49%
ME 86	Papua New Guinea	Woodlark Island	-	-	49%
ML 508	Papua New Guinea	Woodlark Island	-	-	49%