



Kula Gold Limited

ABN 83 126 741 259

Interim report

for the half-year ended 30 June 2020

Corporate Information

Directors

Mark Stowell (Chairman)
Mark Bojanjac
Simon Adams
John Hannaford

Company Secretary

Simon Adams

Registered Office

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20 Howard Street
Perth, WA 6000

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Email: info@kulagold.com.au

Website: www.kulagold.com.au

Auditor

Elderton Audit Pty Ltd
L2, 267 St George's Terrace
Perth WA 6000
Telephone: +61 8 6555 9500

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: 1300 554 474 or +61 2 8280 7111

Stock Exchange Listing

Australian Securities Exchange: ASX code: KGD

Kula Gold Limited

ACN 126 741 259

Interim report 30 June 2020

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by Kula Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your directors present their report on Kula Gold Limited ("Kula" or the "Company") for the half-year ended 30 June 2020.

Directors

The following persons were directors of Kula Gold Limited during the whole of the half-year and up to the date of this report unless noted otherwise:

Mark Bojanjac
Mark Stowell
Simon Adams
John Hannaford

Review of operations

Kula has continued with its gold exploration activities in Western Australia. Applications were filed with DMIRS for two exploration licenses in 2019, E28/2942 (Kurnalpi-Lake Rebecca Gold Project) and E77/2621 (Marvel Loch Airfields Gold Project). A further two EL's were applied for in August 2020.

Marvel Loch- Airfield Gold Project -100% (Southern Cross WA)

Kula applied for E77/2621 over the south-central part of the Ghooli Dome in the Marvel Loch area of Western Australia, which is known as the Airfield Gold Project, in September 2019.

The tenement covers an area of 120km². The area was selected as a result of the increasing number of granite hosted gold deposits being discovered in the Yilgarn Block. An open file search of the WAMEX database at the DMIRS was conducted which showed that work was carried out in this location by Sons of Gwalia Ltd ("SOG") in the late 1980's. The reports from geological surveys at the time indicated auger gold in soil anomalies in the Ghooli Dome which had not been followed up.

The Airfield gold project is located 5km east of the town of Marvel Loch, a major gold mining centre in Western Australia. This locality has a number of current and historical mining operations nearby which provides valuable infrastructure and services for potential future development. This region has seen over 15Moz of historical gold production and the Marvel Loch mine and mill continue production under the ownership of Minjar Gold.

A large exploration program of over 500 auger drill holes is due to commence in October, to better define deeper drilling targets, and following that RC drilling will be scheduled.

Rankin Dome Gold Project (Southern Cross WA) 100%

The Rankin Dome Gold Project ELA77/2709 covers 160km² located 10km west of Southern Cross. A field trip has just been completed which successfully located a 1988 water bore drill hole which was fortunately assayed for gold, and identified gold values of 0.46g/t Au over 2m from 10m vertical downhole in amphibolite.

3 historic RC drillholes were also identified with most sample bags in situ which are not in the DMIRS database. The drill cuttings were logged as amphibolite (greenstone possibly meta High Mg Basalt) unit with a soapy feel, although the area is mapped as granite. The amphibolite is over 1km wide which adds significantly to the prospectivity of this project. All holes were re-sampled as 4m composite samples and a further 54 soil samples were collected, all of which have been sent for gold and multi-element analysis. The location of the historical drillholes is shown in the map below. Landowner agreement has been secured over a significant portion of the licence including the area with amphibolite.

Kula-Lake Rebecca Gold Project – NE of Kalgoorlie (100%)

This 190km sq gold exploration project is located 150km ENE of Kalgoorlie south of Lake Rebecca. The company has completed a geophysical review and interpretation of publicly available data. A small stream sediment sampling program did produce one anomalous sample of 6ppb Au near the centre of the licence. A remote sensing study by an international consultant showed some

reflectance spectra anomalies which were subsequently tested with a small 2300m aircore drilling program which did not intersect any gold anomalism.

A review of the remote sensing data has produced a new set of targets coincident with the structural interpretation. These targets will be tested with auger geochemical sampling programs in the future. The expenditure commitment for DMIRS has been met for this year's licence term.

Corporate

Rights issue and Placement -

The Company issued a prospectus and completed a placement of \$1.9m which closed in July, and the company's shares were requoted on ASX.

Significant matters relating to the ongoing viability of operations

At the balance date of this report (30 June) the Company has a cash and cash equivalents balance of \$11,477. The Company had \$198,035 of trade payables and \$134,404 other liabilities in the form of a working capital loan from Merchant Holdings, a related party.

After the balance date of this report, a rights issue and placement was successfully completed, and this raised \$1.94 million (before costs). Part of these proceeds were used to repay in full the working capital loan) and outstanding creditors.

The Directors are satisfied that the company has sufficient working capital to meet commitments and cover operating costs, and thus it is appropriate to prepare the financial statements on a going concern basis.

Events occurring after the report period

A successful capital raise was completed on 10th July 2020 which raised approximately \$1.94 million (before costs).

The shares of Kula Gold Ltd (ASX: KGD) were requoted for trading on Monday 20th July after the Company was able to meet ASX's conditions for reinstatement.

Two additional exploration licenses were applied for after 30th June:

EL 28/3029 - Kurnalpi Lake Rebecca extension

EL 77/2709 – Rankin Dome Gold Project

A \$150,000 line of credit facility that was provided to the Company to provide working capital to advance the Company's exploration projects was repaid in full.

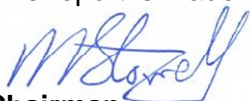
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest dollar unless otherwise indicated.

This report is made in accordance with a resolution of directors.



Chairman
Perth

14 September 2020

Auditor's Independence Declaration

To those charged with the governance of Kula Gold Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2020 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens

Managing Director

14 September 2020

Perth

Western Australia

Kula Gold Limited
Interim statement of comprehensive income
For the half-year ended 30 June 2020

	Half-year 30 June 2020	30 June 2019
Notes	\$	\$
Proceeds of sale of intercompany loan account	-	1
Movement in fair value of investment	-	600,000
Other operating income	16,010	-
Total Income	16,010	600,001
Expenses		
Employee remuneration and benefits expense	18,500	137,416
Professional and consulting expenses	82,000	159,888
Finance costs	7,004	-
Depreciation	1,133	190
Loss on disposal of Investment	-	7,449
Insurance expense	-	323
Exploration expense	44,875	-
Other expenses	13,834	57,125
(Loss)/Profit before income tax	(151,337)	238,256
Income tax benefit/(expense)	-	-
Total (loss)/profit for the half-year net of tax	(151,337)	238,256
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	-	-
Total Other comprehensive (loss)/income for the half-year	-	-
Total comprehensive (loss) / income for half-year attributable to Members	(151,337)	238,256
Earnings per share	Cents	Cents
From continuing operations		
- Basic and diluted (loss)/profit per share in cents	(0.26)	0.11
From total operations		
- Basic and diluted (loss)/profit per share in cents	(0.26)	0.11

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Kula Gold Limited
Interim statement of financial position
As at 30 June 2020

		30 June 2020	31 December 2019
		\$	\$
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	3	11,477	21,371
Receivables and other assets		9,614	8,516
Marketable securities and financial assets held for sale	4	1,558	1,559
Total current assets		22,649	31,446
Total assets		22,649	31,446
LIABILITIES			
Current liabilities			
Trade and other payables		198,103	75,500
Loans and borrowings	5	134,404	114,400
Provisions		-	-
Total current liabilities		332,507	189,900
Total liabilities		332,507	189,900
Net (liabilities)		(309,858)	(158,454)
EQUITY			
Contributed equity	6	148,431,253	148,431,253
Reserves		463,758	463,758
Accumulated losses		(149,204,801)	(149,053,465)
Total equity		(309,790)	(158,454)

The above statement of financial position should be read in conjunction with the accompanying notes.

Kula Gold Limited
Interim statement of changes in equity
As at 30 June 2020

	Notes	Contributed Equity	Share-based Payment reserve	Fair value financial asset reserve	Consolidation reserve	Total reserve	Accumulated losses	Total Equity
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019		151,576,943	1,159,501	(6,945,219)	398,758	(5,386,960)	(143,317,474)	2,872,509
Reclassification of retained earnings			(1,159,501)	6,945,219		5,785,718	(5,785,718)	-
Share options issued		-	100,000		-	100,000	-	100,000
Comprehensive income for the half year		-	-	-	-	-	238,256	238,256
Balance at 30 June 2019		151,576,943	100,000	-	398,758	498,758	(148,864,936)	3,210,765

	Notes	Contributed equity	Share-based payments reserve	Fair value financial asset reserve	Consolidation reserve	Total reserves	Accumulated losses	Total equity
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2020		148,431,253	65,000	-	398,758	463,758	(149,053,465)	(158,454)
Comprehensive loss for the year		-	-	-	-	-	(151,336)	(151,336)
Balance at 30 June 2020		148,431,253	65,000	-	398,758	463,758	(149,204,801)	(309,790)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Kula Gold Limited
Interim statement of cash flows
For the half-year ended 30 June 2020

	Half-year	
	30 June 2020	30 June 2019
	\$	\$
Notes		
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(38,898)	(206,874)
Receipts from ATO	16,000	-
Interest income	4	-
Net cash outflow from operating activities	(22,894)	(206,874)
Cash flows from financing activities		
Loan from Working Capital Facility	13,000	-
Loan from Geopacific Resources Limited	-	266,604
Net cash inflow from financing activities	13,000	266,604
Net (decrease)/increase in cash and cash equivalents	(9,894)	59,731
Cash and cash equivalents at the beginning of half year	21,371	8,014
Cash and cash equivalents at the end of the half-year	11,477	67,745

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The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation of half-year report

This interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by Kula Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards and interpretations as of 1 January, 2020. Newly adopted standards and interpretations have not had a material impact on the interim financial report.

The following additional accounting policies have been applied during the half-year.

(a) Significant matters relating to ongoing viability of operations

The entity recorded a loss of \$151,336 for the six months ended 30 June 2020 (2019: profit of \$238,256) and the company had a net cash outflow from operating, investing and financing activities of \$9,894 for the six months ended 30 June 2020 (2019: inflow \$59,731). The entity had cash and cash equivalents at 30 June 2020 of \$11,477.

In July 2020, the Company successfully raised \$1.94m from existing and new shareholders for the purpose of repaying a loan facility and providing working capital for future exploration activity, and thus it is appropriate to prepare the financial statements on a going concern basis. The Directors consider the basis of going concern to be appropriate for the following reasons:

- the Company's market capitalisation and the underlying prospects enable the Company to be able to raise further funds from the capital markets;
- the fact that future exploration and evaluation expenditure is generally discretionary in nature (i.e. at the discretion of the Directors having regard to an assessment of the Company's eligible expenditure to date and the timing and quantum of its remaining earn-in expenditure requirements). Subject to meeting certain minimum expenditure commitments, further exploration activities may be slowed or suspended as part of the management of the Company's working capital.

The cashflow forecast for the period ending 31 August 2021 reflects that the Group has sufficient working capital to enable it to continue to fund its ongoing expenditure requirements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Related party transactions

In September 2019, Merchant Holdings (related company of Director Mark Stowell provided a loan to the Company on the following terms:

- Facility limit - \$150,000
- Loan amount drawn down as at 30 June 2020 - \$134,404
- Interest Rate – 12% per annum
- Term – 12 months
- Security - unsecured

This loan facility was repaid in full in July.

	June 2020 \$	December 2019 \$
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3. Cash and cash equivalents

Cash at bank and in hand	11,477	21,371
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4. Financial Asset at fair value through profit and loss

Marketable Securities

Listed Shares	1,558	1,559
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5. Loans and Borrowings

Working Capital Loan Facility	134,404	114,400
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Details as in 2 above.

	June 2020 \$	December 2019 \$
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6. Contributed equity

Share capital

Ordinary shares	148,431,253	148,431,253
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Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. All shares are fully paid.

7. Events occurring after the report period

A successful capital raise was completed on 10th July 2020 which raised approximately \$1.94 million (before costs).

The shares of Kula Gold Ltd (ASX: KGD) were requoted for trading on Monday 20th July

Two additional exploration licenses were applied for after 30th June:

EL 28/3029 - Kurnalpi Lake Rebecca extension
EL 77/2709 – Rankin Dome Gold Project

A \$150,000 line of credit facility that was provided to the Company to provide working capital to advance the Company's exploration projects was repaid in full.

8. Segment reporting

The Company operates in only one segment being mineral exploration in Western Australia.

Directors Declaration

In accordance with a resolution of the directors of Kula Gold Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of Kula Gold Limited for the half-year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including:
- b) giving a true and fair view of the entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- c) complying with Accounting Standards and the *Corporations Regulations 2001*; and
- d) subject to achieving the matters set out in note 1(a), there are reasonable grounds to believe that Kula Gold Limited will be able to pay its debts as and when they become due and payable.

On behalf of the board



Director
Perth

14 September 2020

Independent Auditor's Review Report

To the members of Kula Gold Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kula Gold Limited, which comprises the condensed statement of financial position as at 30 June 2020, the condensed statement of profit or loss, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Kula Gold Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Kula Gold Limited's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kula Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kula Gold Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kula Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Kula Gold Limited's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in dark ink that reads "Elderton Audit Pty Ltd". The script is cursive and somewhat stylized, with the letters "E", "A", and "P" being prominent.

Elderton Audit Pty Ltd

A handwritten signature in dark ink that reads "Nicholas Hollens". The script is cursive, with the first letter "N" being a large, sweeping capital.

Nicholas Hollens

Managing Director

14 September 2020

Perth

Western Australia

APPENDIX 4D
ASX INFORMATION

The information that is required by the Australian Stock Exchange Limited Listing Rules is as follows.

1. Details of the results for this reporting period and the corresponding prior year period are provided elsewhere in this report.
2. Results for announcement to the market

	Change from prior period *	30 June 2020 \$	30 June 2019 \$
2.1. Revenue from ordinary activities	-	-	-
2.2. Profit/(Loss) from ordinary activities after tax attributable to members	↓ 164%	(151,336)	238,256
2.3. Net profit/(loss) for the period attributable to members	↓ 164%	(151,336)	238,256
2.4. Dividends (distributions)	N/A	Nil	Nil

* Comparison of six months to 30 June 2020 with six months to 30 June 2019

3. Net tangible assets per security

	30 June 2019 \$	31 December 2018 \$
3.1. Net Tangible Assets per security	(0.0053)	0.0151

4. Control was neither gained nor lost over any entities during the half year.
5. No dividends were paid during the period
6. The Company does not have a dividend re-investment plan.
7. The Company does not have any Associated Companies or Joint Ventures.