

Quarterly Report

For the period ending 30 September 2016

Highlights

- **Geopacific Resources Limited completed Project due diligence and elects to proceed;**
- **Geopacific solely funding up to \$8m of Project expenditure to earn further equity;**
- **Kula free carried for Project expenditure during earn-in period; and**
- **Woodlark Island land issues resolved.**

Geopacific successfully completes due diligence

Following further diligence work and a site visit in mid-September, Geopacific has served its Election Notice to progress to Tranche 2 of its earn-in on the Woodlark Island Gold Project.

Kula Chairman Mr David Frecker said that: *"It is pleasing that Geopacific has elected to proceed to the next stage after just three months of the six months anticipated for Tranche 1. The formal agreements to carry the Project forward are currently under consideration. We look forward to reporting the results of Geopacific's drilling and other work as it progresses."*

Geopacific to solely fund Project expenditure during earn-in period

With the election to proceed, Geopacific has committed to spend up to \$8 million within 24 months (aiming to achieve the target of a 1.2Moz gold reserve for the Project) and has taken over all on site management and costs. As a result of this commitment, Geopacific is entitled to 5% equity in the Project, which will be delivered to it in the form of shares in Kula's PNG subsidiary, Woodlark Mining Limited ("WML") as soon as the agreements have been signed.

Kula is free carried for the next \$8 million expenditure on the Project as Geopacific will be earning further equity in the Project. During this Tranche 2 earn-in phase Kula's total annual costs, including WML's corporate costs, will be in the order of \$600,000.

If Geopacific is successful in Tranche 2 and commits to Tranche 3, it will spend a further \$10 million on a Bankable Feasibility Study and Kula will be free carried through this phase as well.

Kula looks forward to working with Geopacific to progress the Project through to production in the shortest possible timeframe.

Woodlark Islanders confirmed as customary landowners

The Honourable Benny Allan, Minister for Lands and Physical Planning, has declared that three large portions of land on Woodlark Island are, once again, Customary land. These three portions (Portion 138, Portion 139 and Portion 140 aggregating 60,440 hectares) represent about 75% of the land on Woodlark Island. Importantly for the Woodlark Island Gold Project, they include the land to be used for relocation of some of the local villagers when the Project proceeds.

The Minister's Declarations of Customary Land in respect of these three portions on Woodlark Island were published in the PNG Government's National Gazette on 1 August 2016.

Kula and its subsidiary, Woodlark Mining Limited (WML) have always recognized the indigenous people as the custodians of the island and have supported their requests for conversion of the Government land to Customary land (owned by the Woodlark Islanders under customary law).

This change in land ownership has no impact on the ownership of the Project's exploration licences and mining tenements by WML. Rather, it provides a sound basis for WML (with its new partner, Geopacific Resources Limited) to continue its close working relationship with the local people on Woodlark Island.

People, assets and infrastructure

No Lost Time Injuries (LTI) or serious incidents occurred at the Project.

Management and staff continued with the maintenance of the Project assets and infrastructure. All access roads and outcrops have been cleared in preparation for the commencement of the work program to progress the project to production in the shortest possible time.

A number of community projects including supplementary medical supplies for the local islanders on Woodlark Island and increased stakeholder engagement during this pre-mobilisation phase.

Tenements

All tenements have a status of active. During the period, application was made to renew EL1465 which has an expiry date of 24 December 2016, and the regulatory application and approval process is ongoing.

Corporate

The Company continued on minimal holding and corporate costs, while maintaining and protecting the Project assets. As at 30 September 2016, the Company had cash of approximately A\$0.41 million.



September 2016 Quarterly Report

Background on Woodlark Island Gold Project, PNG

Kula Gold Limited has advanced its Woodlark Island Gold Project, to the point where it is permitted and ready to progress to the next stage. The Project is located 600 kilometres east of Port Moresby in the Milne Bay Province, Papua New Guinea.

Kula's joint venture partner, Geopacific Resources Limited, is funding the next \$8m of expenditure to earn additional equity in the Project. Its target is to increase the Project's Ore Reserve to 1.2M ounces of gold.

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

The Feasibility Study, completed in September 2012, defined a 2004 JORC Resource of 2.1 million ounces and an Ore Reserve of 766,000 ounces based on a gold price of US\$1,200 per ounce. The Feasibility Study defined a Project with a mine life of nine years based on three open pit mining areas and a 1.8Mtpa gravity and carbon in leach plant.

The Company's subsidiary, Woodlark Mining Limited, has been granted the Environment Permit and the Mining Lease for the Project.

For further information, contact:

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Kula Gold Limited

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Directors

David Frecker	Chairman
Louis Rozman	Non-executive director
Mark Stowell	Non-executive director
Arnold Vogel	Non-executive director
Garry Perotti	Company secretary

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Competent Person Statements

The information in this report that relates to Exploration Results are based on information compiled by Mr. Lee Spencer. Mr Spencer was the CEO of Kula Gold Limited until 1 July 2013 and remains on the Kula Gold Board as a Non-executive director. Mr. Spencer 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. Spencer consents to the inclusion in the report of these matters based on information in the form and context in which it appears.

The information in this announcement that relates to the Mineral Resource estimates for Kulumadau, Busai and Woodlark King is based on information compiled by Mr. John Doepel, Principal Geologist for Continental Resource Management Pty Limited (Resource Report, Woodlark Island). CRM has acted as independent consulting geologist to WML 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 announcement of these matters based on information in the form and context in which it appears.

The information in this announcement that relates to Ore Reserves is based on information compiled by Mr. Linton Putland, Principal of LJ Putland & Associates and a consultant to Kula Gold's 100% subsidiary, Woodlark Mining Limited. Mr. Putland is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that 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. Putland consents to the inclusion in this announcement of these matters based on information in the form and context in which it appears.

Forward Looking Statements

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Kula Gold Limited (Kula Gold) are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Kula Gold that could cause Kula Gold's actual results to differ materially from the results expressed or anticipated in these statements.

Kula Gold cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Kula Gold does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.

Woodlark Island Gold Project Mineral Resources

Report as per JORC2004
As of July 2012 at a 0.5g/t Au lower cutoff

Deposit	Category	Resource (Mt)	Grade (Cut) (g/t Gold)	Gold (Cut) (Oz)
Kulumadau	Measured	5.0	1.78	285,000
Kulumadau	Indicated	4.4	1.75	245,000
Kulumadau	Inferred	8.6	1.4	375,000
Kulumadau	Totals	18.0	1.6	910,000
Busai	Measured	3.9	1.54	190,000
Busai	Indicated	10.4	1.4	480,000
Busai	Inferred	8.8	1.3	370,000
Busai	Total	23.1	1.4	1,040,000
Boniavat	Indicated	3.0	1.2	115,000
Boniavat	Inferred	1.0	1.8	60,000
Boniavat	Total	4.0	1.4	175,000
All	Measured	8.9	1.67	480,000
All	Indicated	17.8	1.5	840,000
All	Inferred	18.5	1.4	800,000
Totals*		45.1	1.5	2,120,000

Note 1: Totals may appear incorrect due to rounding
 Note 2: The Busai Indicated Resource includes 0.4Mt @ 1.4t Au for 20,000oz from overlying alluvial mineralisation.
 Note 3: The Busai Inferred Resource includes 0.4Mt @ 1.2t Au for 15,000oz from overlying alluvial mineralisation and 3.9Mt @ 0.9g/t Au for 110,000oz from Munasi (2km southeast of Busai).
 Note 4: The Boniavat Inferred Resource includes 0.3Mt @ 3.0g/t for 30,000oz Au from Watou (1.5km south of Woodlark King).
 Note 5: All Resources based on a 0.5g/t gold cut-off grade
 Note 6: There have been no material changes to the reported Resources from what was previously reported under the 2004 JORC code

Woodlark Island Gold Project Mineral Resources

Report as per JORC2004
As of July 2012 at a 1g/t Au lower cutoff

Totals may appear incorrect due to rounding

Resource Category	Resource (Mt)	Au Cut (g/t)	Au Oz Cut
Measured	5.1	2.34	385,000
Indicated	7.6	2.5	615,000
Inferred	7.0	2.4	545,000
Totals	19.7	2.45	1,550,000

Woodlark Island Gold Project Ore Reserves

Report as per JORC2004
As of July 2012 at variable lower cutoffs

Totals may appear incorrect due to rounding

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

The information in the three tables above was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

There has been no change to previously reported gold resources and reserves and all underlying assumptions remain unchanged. Please refer to Appendix 1 on the ASX announcement on 23 March 2016 entitled "Kulumadau Gold Deposit part of Larger System".

Kula Gold Limited Mineral Tenements

Project	Tenement	Description	Location
Woodlark Island Gold Project	EL1172	Southern Woodlark Island	Papua New Guinea
	EL1279	Central Woodlark Island	Papua New Guinea
	EL1465	Western Woodlark Island	Papua New Guinea
	ML508	Central Woodlark Island	Papua New Guinea

Project	Tenement	Description	Location
Woodlark Island Gold Project	LMP89	Central Woodlark Island	Papua New Guinea
	LMP90	Central Woodlark Island	Papua New Guinea
	LMP91	Central Woodlark Island	Papua New Guinea
	LMP92	Northern Woodlark Island	Papua New Guinea
	LMP93	Central Woodlark Island	Papua New Guinea
	ME85	Central Woodlark Island	Papua New Guinea
	ME86	Central Woodlark Island	Papua New Guinea

Beneficial percentage interests held in farm-in or farm-out agreements

Nil

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed

Nil

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Kula Gold Limited

ABN

83 126 741 259

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(218)	(979)
(b) development	-	-
(c) production	-	-
(d) staff costs	(42)	(125)
(e) administration and corporate costs	(12)	(31)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(269)	(1,126)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	(3)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	(3)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	484
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	484

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	682	1,059
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(269)	(1,126)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	484
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	413	413

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	100	369
5.2	Call deposits	313	313
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	413	682

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	16
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors fees for the quarter ended 30 September 2016

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	4
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Office rent, at arms-length, paid to a company of which one Kula Gold director is also a director.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	20
9.2 Development	-
9.3 Production	-
9.4 Staff costs	60
9.5 Administration and corporate costs	30
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	110

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: ...27 October 2016.....
(Director/Company secretary)

Print name:GARRY PEROTTI.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.