



# **Kula Gold Limited**

ACN 126 741 259

## **Interim report for the half-year ended 30 June 2016**

## **Corporate Information**

### **Directors**

David Frecker	Chairman
Louis Rozman	Non-executive director
Mark Stowell	Non-executive director
Arnold Vogel	Non-executive director

### **Company Secretary**

Garry Perotti

### **Registered Office**

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Website: [www.kulagold.com.au](http://www.kulagold.com.au)

### **Auditor**

Ernst & Young  
11 Mounts Bay Road  
Perth W.A. 6000  
Telephone: +61 8 9249 2222

### **Share Registry**

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

### **Stock Exchange Listing**

Australian Securities Exchange: ASX code: KGD

### **Australian Company Number**

126 741 259

# Kula Gold Limited

ACN 126 741 259

## Interim report

30 June 2016

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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 2015 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 the consolidated entity consisting of Kula Gold Limited and the entity it controlled, for the half-year ended 30 June 2016.

### 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:

David Frecker  
Louis Rozman  
Lee Spencer (Resigned 18 July 2016)  
Mark Stowell  
Arnold Vogel

### Review of operations

On 24 March 2016 the company offered a share purchase plan (SPP) to eligible shareholders which was taken up by 70 shareholders and resulted in the issuing of 9,612,896 shares at 3.1 cents each. Following the shareholder approval at the Annual General Meeting a further 6,700,000 shares were issued to the major shareholder on a placement at the same price per share as the share purchase plan of 3.1 cents. This raised equity of A\$505,700 for working capital.

The focus continues to be on significant gold resource expansion opportunities within and proximal to the existing Feasibility Study pits, as well as prospects within trucking distance to the proposed plant site.

Tight cost management continues at Project and corporate level, whilst the management and staff continued with community projects, stakeholder engagement and maintaining the Project assets and infrastructure.

On 11 July 2016 the company executed an earn-in agreement with Geopacific Resources Limited ("Geopacific") where Geopacific can earn up to 75% of the project for project expenditure of up to \$18.65m, based on level of spend, metres of diamond drilling and achievement of targeted resource ounces of gold over a three to four year period.

### Significant matters relating to the ongoing viability of operations

At 30 June 2016, the Company had a cash and cash equivalents balance of \$681,992. The group reported a net loss of \$6,229,706 for the current half-year, of which \$5.85m was asset impairment as a result of changes in exchange rates, and comparable market transactions for resource project sales.

Should Geopacific progress to Tranche 2 of the agreement, they will then take over all on island costs while earning in and for the Company there will be significant cost savings. Refer to note 1(b) to the Financial Statements for further detail.

### 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.

## Directors' report (continued)

### 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 thousand dollars unless otherwise indicated.

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

A handwritten signature in blue ink, appearing to read 'Mark Stowell', with a stylized flourish at the end.

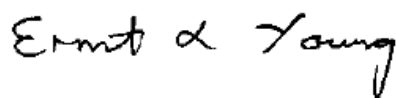
Mark Stowell  
Director

Perth  
**2 September 2016**

## Auditor's Independence Declaration to the directors of Kula Gold Limited

As lead auditor for the review of Kula Gold Limited for the half year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Gavin Buckingham  
Partner  
2 September 2016

**Kula Gold Limited**  
**Interim consolidated statement of comprehensive income**  
**For the half-year ended 30 June 2016**

		<b>Half-year</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2016</b>	<b>2015</b>
	Notes	\$'000	\$'000
<b>Other operating income</b>		<b>6</b>	<b>18</b>
<b>Expenses</b>			
Employee benefits expense		(213)	(445)
Professional and consulting expenses		(55)	(132)
Rental expense		(9)	(126)
Insurance expense		(17)	(26)
Foreign exchange gains/(losses)		23	1
Write-down of exploration expenditure	3	(5,859)	-
Other expenses		(105)	(166)
<b>Loss before income tax</b>		<b>(6,230)</b>	<b>(876)</b>
Income tax benefit/(expense)		-	-
<b>Loss for the half-year</b>		<b>(6,230)</b>	<b>(876)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(2,690)	38
<b>Total comprehensive loss for the half-year net of tax</b>		<b>(8,920)</b>	<b>(838)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the parent entity:</b>			
Basic earnings per share		(1.94)	(0.33)
Diluted earnings per share		(1.94)	(0.33)

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

**Kula Gold Limited**  
**Interim consolidated statement of financial position**  
**As at 30 June 2016**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	682	1,059
Receivables and other assets		62	89
Inventories		238	240
<b>Total current assets</b>		<b>982</b>	<b>1,388</b>
<b>Non-current assets</b>			
Mineral exploration and evaluation expenditure	3	32,000	40,000
Property, plant and equipment	4	900	1,089
<b>Total non-current assets</b>		<b>32,900</b>	<b>41,098</b>
<b>Total assets</b>		<b>33,882</b>	<b>42,486</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		97	189
<b>Total current liabilities</b>		<b>97</b>	<b>189</b>
<b>Non-current liabilities</b>			
Provisions		181	237
<b>Total non-current liabilities</b>		<b>181</b>	<b>237</b>
<b>Total liabilities</b>		<b>278</b>	<b>426</b>
<b>Net assets</b>		<b>33,604</b>	<b>42,060</b>
<b>EQUITY</b>			
Contributed equity	8	150,989	150,505
Reserves		10,265	12,975
Accumulated losses		(127,650)	(121,420)
<b>Total equity</b>		<b>33,604</b>	<b>42,060</b>

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



**Kula Gold Limited**  
**Interim consolidated statement of changes in equity**  
**For the half-year ended 30 June 2016**

		Attributable to owners of Kula Gold Limited					
Consolidated		Contributed equity	Share-based payments reserve	Foreign currency translation reserve	Total reserves	Accumulated losses	Total equity
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2015</b>		<b>148,295</b>	<b>1,254</b>	<b>13,896</b>	<b>15,150</b>	<b>(93,930)</b>	<b>69,515</b>
Total loss for the half-year		-	-	-	-	(876)	(876)
Exchange differences on translation of foreign operations		-	-	38	38	-	38
<b>Total comprehensive income for the half-year</b>		<b>-</b>	<b>-</b>	<b>38</b>	<b>38</b>	<b>(876)</b>	<b>(838)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity net of transactions costs		337	-	-	-	-	337
Cancellation of options		-	(22)	-	(22)	-	(22)
<b>Balance at 30 June 2015</b>		<b>148,632</b>	<b>1,232</b>	<b>13,934</b>	<b>15,166</b>	<b>(94,806)</b>	<b>68,992</b>
<b>Balance at 1 January 2016</b>		<b>150,505</b>	<b>1,181</b>	<b>11,794</b>	<b>12,975</b>	<b>(121,420)</b>	<b>42,060</b>
Total loss for the half-year		-	-	-	-	(6,230)	(6,230)
Exchange differences on translation of foreign operations		-	-	(2,690)	(2,690)	-	(2,690)
<b>Total comprehensive loss for the half-year</b>		<b>-</b>	<b>-</b>	<b>(2,690)</b>	<b>(2,690)</b>	<b>(6,230)</b>	<b>(8,920)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity net of transactions costs	8	484	-	-	-	-	484
Cancellation of options		-	(20)	-	(20)	-	(20)
<b>Balance at 30 June 2016</b>		<b>150,989</b>	<b>1,161</b>	<b>9,104</b>	<b>10,265</b>	<b>(127,650)</b>	<b>33,604</b>

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

**Kula Gold Limited**  
**Interim consolidated statement of cash flows**  
**For the half-year ended 30 June 2016**

		<b>Half-year</b>	
		<b>30 June</b>	30 June
		<b>2016</b>	2015
	Notes	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(103)	(883)
		(103)	(883)
Interest income		6	18
<b>Net cash (outflow) from operating activities</b>		(97)	(865)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3)	(4)
Proceeds from disposal of assets		-	2
Payments for exploration activities		(761)	(1,494)
<b>Net cash (outflow) from investing activities</b>		(764)	(1,496)
<b>Cash flows from financing activities</b>			
Proceeds from SPP placement (2016) / placement (2015)		506	340
Transaction costs on SPP and placements		(22)	(3)
<b>Net cash inflow/(outflow) from financing activities</b>		484	337
<b>Net (decrease) in cash and cash equivalents</b>		(377)	(2,024)
Cash and cash equivalents at the beginning of the half-year		1,059	2,617
Effects of exchange rate changes on cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the half-year</b>	7	682	593

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

**Kula Gold Limited**  
**Notes to consolidated financial statements**  
**30 June 2016**

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## **1. Basis of preparation of half-year report**

This consolidated interim financial report for the half-year reporting period ended 30 June 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated 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 2015 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, 2016. Newly adopted standards and interpretations have not had a material impact on the consolidated interim financial report.

### **(a) Significant matters relating to ongoing viability of operations**

The consolidated entity recorded a loss of \$6,229,706 for the six months ended 30 July 2016 (2015: \$875,789) and had a net cash outflow from operating and investing activities of \$861,000 for the six months ended 30 June 2016 (2015: \$2,361,000). The consolidated entity had cash and cash equivalents at 30 June 2016 of \$681,992 (2015: \$593,184). Cash at 26 August 2016 was \$485,404.

The Group's cashflow forecast for the period ending 31 December 2017 reflects that the Group will need to raise additional working capital to enable it to continue to fund its activities in connection with development of the Woodlark Island Gold Project in PNG.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following pertinent matters:

- On 11 July 2016, the Company entered into an earn-in agreement with Geopacific Resources ("Geopacific") which will enable Geopacific to fund \$18.65 million over 3.5 years to earn up to a 75% interest in the Woodlark Island Gold Project.
- The Directors are satisfied that they will be able to raise additional funds via a form of equity raising or by other funding arrangements.

In the event that the Group is unable to raise additional funds to meet the Group's ongoing working capital and development funding requirements when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

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 Group not be able to continue as a going concern.

### **(b) Fair value measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature.

## 2. Segment information

The Group predominantly operates in one business segment, being the exploration and evaluation of the Woodlark Island Gold Project in PNG. There is no material difference between the financial information provided to the Chief Operating Decision Maker, being the Board of Directors, and the financial information presented in this report.

## 3. Mineral exploration and evaluation expenditure

	<b>Exploration licences \$'000</b>	<b>Deferred exploration expenditure \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2016</b>			
Cost	9,527	151,591	161,118
Impairment 2012		(26,424)	(26,424)
Impairment 2014		(58,977)	(58,977)
Impairment 2015		(26,190)	(26,190)
Accumulated amortisation and write-off	(9,527)	-	(9,527)
Net book amount	-	40,000	40,000
<b>Half- year ended 30 June 2016</b>			
Opening net book amount	-	40,000	40,000
Exchange differences	-	(2,616)	(2,616)
Additions	-	475	475
Impairment 2016	-	(5,859)	(5,859)
Closing net book amount	-	32,000	32,000
<b>At 30 June 2016</b>			
Cost	9,527	32,000	41,527
Accumulated amortisation	(9,527)	-	(9,527)
Net book amount	-	32,000	32,000

The Feasibility Study was completed in a prior period and determined where mining was to occur. At this time the previously capitalised mineral exploration and evaluation expenditure incurred in areas of interest where mining is not presently anticipated in the mine plan have been written off through the statement of comprehensive income. This is in line with the Group's accounting policy for this type of expenditure.

The recoverability of the carrying amount of the mineral exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. Given the adverse movements in commodity prices and following obtaining all necessary permitting approvals, a review of the carrying value of exploration and evaluation expenditure has been conducted as at 30 June 2016.

### Impairment of exploration and evaluation expenditure

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggests that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The Company has reviewed the carrying value of its exploration and evaluation expenditure using the "Market Transaction Valuation" or 'yardstick approach'.

The valuation analysis is based on actual transactions for gold exploration projects over the twelve months preceding the year end and after deducting estimated transaction costs of 2.5% of the transaction value. A risk analysis was applied, taking into consideration project permitting, securing of capital funds, location and stakeholder relationships and market conditions to determine the position of the project value in the valuation range.

The above indicative evaluation of the carrying value and the recoverability of this asset has resulted in an impairment charge of \$5,859,417 (31 December 2015: \$26,189,526).

#### 4. Property, plant and equipment

	<b>Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Motor Vehicles &amp; Boats</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 January 2016</b>					
Cost	868	3,349	164	1,519	5,900
Accumulated amortisation	(263)	(2,887)	(132)	(1,519)	(4,801)
Net book amount	605	462	32	-	1,099
<b>Half- year ended 30 June 2016</b>					
Opening net book amount	605	462	32	-	1,099
Exchange differences	(37)	(30)	(1)	-	(68)
Additions	-	1	2	-	3
Net cost of disposed assets	-	-	-	-	-
Depreciation charge	(16)	(111)	(7)	-	(134)
Closing net book amount	552	322	26	-	900
<b>At 30 June 2016</b>					
Cost	831	3,320	165	1,519	5,835
Accumulated amortisation	(279)	(2,998)	(139)	(1,519)	(4,935)
Net book amount	645	322	26	-	900

#### 5. Contingencies

The group had no contingent assets or liabilities at 30 June 2016 (30 June 2015: \$Nil)

## 6. Related party transactions

- Companies associated with Pacific Road group, who is a substantial shareholder in the company, participated in a share placement during the year following a share purchase plan as follows:

Share price of placement: 3.1 cents per share

Number of shares issued: 6,700,000 (six million seven hundred thousand) ordinary shares

Date of issue: 22 June 2016

This transaction was approved by the shareholders at the Annual General Meeting held in Sydney at the offices of Ashurst Lawyers on Tuesday 31 May 2016.

- In March 2016 the Company entered into a lease agreement with Ascot Park Enterprises Pty Ltd, a company associated with Director, Mr Mark Stowell, to rent office space at 20 Howard Street, Perth. The rent and outgoings have been set at a rate which is at an arms-length commercial rate for comparable premises. The lease agreement terms are as follows:

Lease term: Monthly

Rental payment: \$1,300 per month.

## 7. Cash and cash equivalents

	<b>Half-year</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Cash at bank and in hand	<b>369</b>	593
Short term deposits*	<b>313</b>	116
	<b>682</b>	<b>709</b>

\*Short term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group and earn interest at the respective short term deposit rates

## 8. Contributed equity

### Parent entity

**June**      December  
**2016**      2015  
**\$'000**      \$'000

#### (a) Share capital

Ordinary shares

**150,989**      150,505

#### (b) Movements in share capital

Date	Details	Number of shares	Issue price \$	Total \$'000
1 January 2016	Opening balance	316,212,018		150,505
1 April 2016	Share purchase plan	9,612,896	0.031	298
1 April 2016	Transaction costs on SPP			(20)
27 June 2016	Placement to major shareholder	6,700,000	0.031	208
27 June 2016	Transaction costs on placement			(2)
<b>30 June 2016</b>	<b>Balance</b>	<b>332,524,914</b>		<b>150,989</b>

#### (c) Ordinary shares

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.

## 9. Events occurring after the report period

- a) The company entered into an earn-in agreement with Geopacific Resources Limited ("Geopacific") on 11 July 2016. Geopacific can earn in up to 75% of the project for expenditure on the Woodlark Island Gold Project ("WIPG") of A\$18.65 million over three and a half years.
- b) Mr Lee Spencer resigned as a non-executive director of the company on 18 July 2016.



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 2016 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- b) 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

A handwritten signature in blue ink, appearing to read 'Mark Stowell', is positioned above the printed name and title.

Mark Stowell  
Director

Perth

2 September 2016

To the members of Kula Gold Limited

## Report on the 30 June 2016 half-year financial report

We have reviewed the accompanying half-year financial report of Kula Gold Limited, which comprises the interim consolidated statement of financial position as at 30 June 2016, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 and the entities it controlled during the half-year, 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

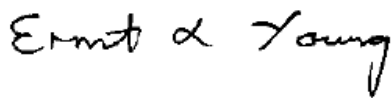
## Conclusion

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 the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

## Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1(a) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



Gavin Buckingham  
Partner  
Perth  
2 September 2016

## Interest in Mining Tenements

Current interest in tenements held by Kula Gold Limited and its subsidiary, as at 30 June 2016 are listed below:

<b>Country / Location</b>	<b>Tenement</b>	<b>Interest</b>
Papua New Guinea / Woodlark Island	EL 1172	100%
Papua New Guinea / Woodlark Island	EL 1279	100%
Papua New Guinea / Woodlark Island	EL 1465	100%
Papua New Guinea / Woodlark Island	ML 508	100%
Papua New Guinea / Woodlark Island	LMP 89	100%
Papua New Guinea / Woodlark Island	LMP 90	100%
Papua New Guinea / Woodlark Island	LMP 91	100%
Papua New Guinea / Woodlark Island	LMP 92	100%
Papua New Guinea / Woodlark Island	LMP 93	100%
Papua New Guinea / Woodlark Island	ME 85	100%
Papua New Guinea / Woodlark Island	ME 86	100%

## Mineral Resources and Ore Reserves Statement

### **JORC 2004 Mineral Resources for the Woodlark Island Gold Project at 0.5g/t gold cut-off grade**

<b>Deposit</b>	<b>Category</b>	<b>Resource (Mt)</b>	<b>Grade (Uncut) (g/t Gold)</b>	<b>Grade (Cut) (g/t Gold)</b>	<b>Gold (Uncut) (Oz)</b>	<b>Gold (Cut) (Oz)</b>
Kulumadau	Measured	5.0	1.84	1.78	295,000	285,000
Kulumadau	Indicated	4.4	1.95	1.75	275,000	245,000
Kulumadau	Inferred	8.6	1.5	1.4	410,000	375,000
Kulumadau	Totals	18.0	1.7	1.6	980,000	910,000
Busai	Measured	3.9	1.60	1.54	200,000	190,000
Busai	Indicated	10.4	1.5	1.4	490,000	480,000
Busai	Inferred	8.8	1.3	1.3	370,000	370,000
Busai	Total	23.1	1.4	1.4	1,060,000	1,040,000
Boniavat	Indicated	3.0	1.3	1.2	125,000	115,000
Boniavat	Inferred	1.0	1.9	1.8	60,000	60,000
Boniavat	Total	4.0	1.4	1.4	185,000	175,000
All	Measured	8.9	1.73	1.67	495,000	480,000
All	Indicated	17.8	1.6	1.5	890,000	840,000
All	Inferred	18.5	1.4	1.4	835,000	800,000
<b>Totals*</b>		<b>45.1</b>	<b>1.5</b>	<b>1.5</b>	<b>2,230,000</b>	<b>2,120,000</b>

Note 1: Totals may appear incorrect due to rounding

Note 2: The Busai Indicated Resource includes 0.4Mt @ 1.4/t Au for 20,000oz from overlying alluvial mineralisation.

Note 3: The Busai Inferred Resource includes 0.4Mt @ 1.2/t 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).

**Mineral Resources and Ore Reserves (continued)**

**JORC 2004 Woodlark Island Gold Project Resources at 1.0g/t gold cut-off grade**

<b>Resource Category</b>	<b>Resource (Mt)</b>	<b>Gold Cut (g/t)</b>	<b>Gold Oz Cut</b>
Measured	5.1	2.3	385,000
Indicated	7.6	2.5	615,000
Inferred	7.0	2.4	545,000
<b>Totals*</b>	<b>19.7</b>	<b>2.45</b>	<b>1,545,000</b>

\* as at July 2012 at a 1g/t Au lower cut. Totals may appear incorrect due to rounding

**JORC 2004 Woodlark Island Gold Project Ore Reserves at a 1.0g/t gold cut-off grade**

<b>Deposit</b>	<b>Proved Gold</b>			<b>Probable Gold</b>			<b>Total Gold</b>		
	<b>Tonnes</b>	<b>Grade</b>	<b>Ounces</b>	<b>Tonnes</b>	<b>Grade</b>	<b>Ounces</b>	<b>Tonnes</b>	<b>Grade</b>	<b>Ounces</b>
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
<b>Total</b>	<b>6,427,000</b>	<b>2.2</b>	<b>456,000</b>	<b>4,596,000</b>	<b>2.1</b>	<b>310,000</b>	<b>10,991,000</b>	<b>2.2</b>	<b>766,000</b>

\*as at July 2012 at a 1g/t Au lower cut. Totals may appear incorrect due to rounding

This information in this announcement was prepared and first disclosed under 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.