

**This is an important document and requires your immediate attention.**

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

## **Bidder's Statement**

Accept the Offer by

**Geopacific Resources Limited**

ABN 57 003 208 393

to purchase all of your shares in

**Kula Gold Limited**

ABN 83 126 741 259

for 1 Geopacific Share for every 1.4723 of Your Kula Shares

The Offer is dated [●] 2017 and will close at 5.00pm (WST) on [●] 2017, unless extended.

If you have any questions about this Bidder's Statement, please call Geopacific Resources Limited on 08 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST).

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## Key dates

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<b>Date of this Bidder's Statement</b>	1 May 2017
<b>Date of Offer</b>	[●] 2017
<b>Offer closes (unless extended or withdrawn)</b>	5.00pm (WST) on [●] 2017

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## Key contacts

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### Geopacific share registrar for the Offer

Boardroom Pty Limited  
Level 2, 225 George Street  
Sydney, New South Wales, 2000

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### Geopacific Resources Limited

(08) 6143 1820 (within Australia) or  
+61 8 6143 1820 (from outside of Australia)  
Monday to Friday between 8.30am to 5.30pm (WST)

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## Important notices

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### **Nature of this document**

This Bidder's Statement is issued by Geopacific Resources Limited ACN 003 208 393 (**Geopacific**) under Part 6.5 of the *Corporations Act 2001* (Cth).

A copy of this Bidder's Statement was lodged with ASIC and given to ASX on 1 May 2017. Neither ASIC nor its officers takes any responsibility for the content of this Bidder's Statement.

### **No investment advice**

In preparing this Bidder's Statement, Geopacific has not taken into account the individual objectives, financial situation or needs of individual Kula Shareholders. The information and recommendations contained in this Bidder's Statement do not constitute, and should not be taken as, financial product advice. Accordingly, before making a decision whether or not to accept the Offer, the Geopacific Board encourages you to consult with your financial, legal, taxation or other professional adviser.

This Bidder's Statement is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to accept the Offer. In particular, it is important that you consider the key risks associated with the Offer, as set out in section 13 of this Bidder's Statement.

### **Disclaimer as to forward looking statements and information**

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Bidder's Statement should not be taken to be forecasts or predictions that those events will occur. All forward looking statements in this Bidder's Statement reflect views only as at the date of this Bidder's Statement, and generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Geopacific or any member of the Geopacific Group may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Kula and Geopacific and the members of the Kula Group and Geopacific Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Any such statements are also affected by a range of variables which include, but are not limited to the price performance of Geopacific Shares and Kula Shares, commodity price fluctuations, input price fluctuations, currency fluctuations, actual demand, geotechnical factors, mineral resource and ore reserve estimates, operating results, governmental and regulatory factors, economic, financial and political conditions in various countries, approvals and cost estimates. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Geopacific, its Subsidiaries or their respective officers, directors, employees or advisers, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

### **Responsibility for information**

Except as outlined below, the information contained in this Bidder's Statement has been prepared by Geopacific and is its responsibility alone.

### **Disclaimer as to Kula and Merged Group information**

The information on Kula, Kula's securities and the Kula Group (including the Mineral Resource and Ore Reserve estimates in relation to the Woodlark Project) contained in this Bidder's Statement should not be considered to be comprehensive and has been prepared by Geopacific using publicly available information, including announcements released by Kula on the ASX.

The information on Kula, Kula's securities and the Kula Group (including the Mineral Resource and Ore Reserve estimates in relation to the Woodlark Project) has not been independently verified by Geopacific. Accordingly Geopacific does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on the Merged Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Kula and the Kula Group, has also been prepared using publicly available information, including announcements released by Kula on the ASX. Accordingly, information in relation to the Merged Group is subject to the foregoing disclaimer to that extent.

Further information relating to Kula's business may be included in Kula's target's statement.

### **Kula security holders outside Australia**

This Bidder's Statement has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions.

Restrictions in jurisdictions outside Australia may make it impractical or unlawful for Geopacific securities to be issued under a takeover bid to, or received under a takeover bid by, Kula Shareholders in those jurisdictions. Subject to the paragraphs below, Kula

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Shareholders who are citizens or residents or a jurisdiction other than, or whose addresses in Kula's register of Shareholders is a place outside, Australia or its external territories, New Zealand, PNG, Cayman Islands and Luxembourg will not be entitled to receive Geopacific Shares on acceptance of the Offer (unless Geopacific determines otherwise). Instead, those Ineligible Foreign Shareholders who accept the Offer will be paid a cash amount calculated in accordance with section 15.7 of this Bidder's Statement.

In particular, Geopacific Shares have not been, and will not be, registered under the *Securities Act 1933* of the United States of America (Securities Act) and may not be offered or sold in the United States or to, or for the account or benefit of, a US person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

This Bidder's Statement does not constitute an offer to Kula Shareholders or a solicitation of an offer from Kula Shareholders in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Bidder's Statement.

No action has been taken to register or qualify Geopacific or to otherwise permit the offering of Geopacific Shares outside Australia.

This Bidder's Statement may not be distributed to any person, and the Geopacific Shares may not be offered or sold, in any country outside Australia except to existing Kula shareholders and to the extent permitted below.

#### New Zealand

In making the Offer available to Kula Shareholders with registered addresses in New Zealand, Geopacific is relying on an exemption contained in the *New Zealand Securities Act (Overseas Companies) Exemption Notice 2013* in relation to prospectus and investment statement requirements in New Zealand. This Bidder's Statement may not contain all the information that a bidder's statement or prospectus under New Zealand law is required to contain.

#### Cayman Islands

No offer or invitation to subscribe for Geopacific Shares may be made to the public in the Cayman Islands and may only be offered to shareholders of Kula.

#### Luxembourg

The information in this document has been prepared on the basis that all offers of Geopacific Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("**Prospectus Directive**"), as amended and implemented in Luxembourg, from the requirement to produce a prospectus for offers of securities.

An offer to the public of Geopacific Shares has not been made, and may not be made, in Luxembourg except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Luxembourg:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "**MiFID**");
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of Geopacific for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Geopacific Shares shall result in a requirement for the publication by Geopacific of a prospectus pursuant to Article 3 of the Prospectus Directive.

#### Papua New Guinea

This Bidder's Statement may be distributed in Papua New Guinea (**PNG**) only to Kula Shareholders. This document has not been registered as a prospectus in PNG and no notice of the Offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the Offer. Any offer of Geopacific Shares is not, and should not be construed as, an offer of securities to the public in PNG.

#### **Kula Shareholders who would receive an Unmarketable Parcel on acceptance of the Offer**

Geopacific Shares will not be issued as Offer Consideration to Unmarketable Parcel Shareholders who accept the Offer. Instead, the Geopacific Shares which would otherwise have been issued to Unmarketable Parcel Shareholders will be issued to a nominee approved by ASIC who will sell those Geopacific Shares and pay the net proceeds of such sale to Unmarketable Parcel Shareholders by cheque.

Unmarketable Parcel Shareholders are those Kula Shareholders who, if they accept the Offer, would be issued Geopacific Shares that would not constitute a Marketable Parcel within the meaning of the ASX Operating Rules Procedures.

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**Websites**

Geopacific maintains an internet site. The Geopacific website is [www.geopacific.com.au](http://www.geopacific.com.au). Information contained in, or otherwise accessible through, this internet site is not a part of this Bidder's Statement. All references in this Bidder's Statement to this internet site are inactive textual references to this internet site and are for your information only.

**Privacy**

Geopacific has collected your information from the Kula register of shareholders for the purpose of making this Offer and, if accepted, administering a record of your acceptance of Geopacific's Offer for your holding of Kula Shares. The type of information Geopacific has collected about you includes your name, contact details and information on your shareholding in Kula. Without this information, Geopacific would be hindered in its ability to issue this Bidder's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Personal information of the type described above may be disclosed on a confidential basis to Geopacific's related bodies corporate and external service providers (such as print and mail service providers) and may be required to be disclosed to regulators such as ASIC and ASX. The registered address of Geopacific is Level 1, 278 Stirling Highway, Claremont, WA 6010.

**Defined terms and abbreviations**

A number of terms and abbreviations used in this Bidder's Statement have defined meanings. These terms and abbreviations are capitalised and have the meanings given to them in section 16 of this Bidder's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Bidder's Statement that are defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

**Charts, maps and diagrams**

Any diagrams, charts, maps, graphs or tables appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date immediately prior to the date of this Bidder's Statement.

**Effect of rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Bidder's Statement are subject to the effect of rounding. Accordingly their actual calculations may differ from the calculations set out in this Bidder's Statement.

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# Why you should ACCEPT the Geopacific Offer

## 1 You will receive an attractive premium whilst still retaining exposure to future share price upside

The Offer is equivalent to approximately \$0.028 per Kula Share compared to the closing price of Kula Shares the trading day before the Announcement Date of \$0.020<sup>1</sup> and represents:

- a 40% premium to market value of trading on the day before the announcement;<sup>2</sup>
- a 25% premium to the 5-day VWAP of Kula Shares<sup>3</sup>; and
- a 77.5% premium to the Kula Entitlement Issue Price<sup>4</sup>.

By swapping Kula Shares for Geopacific Shares you will maintain exposure to the success of the Project.

## 2 You will become a shareholder in Geopacific and benefit from its management team that have direct responsibility for delivering the success of the Woodlark Project

Geopacific is a company with a strong team with relevant experience in developing mineral projects from the exploration stage into production

## 3 The current dual ownership structure is inefficient and expensive

Simplifying this structure is the next logical step in advancing the Woodlark Project for the benefit of the shareholders of both companies.

## 4 A single ownership structure is likely to be significantly more attractive to investors and financiers

The current dual ownership structure is hard for the investment community to understand and value. Bringing full ownership into a single combined entity should solve that problem for the benefit of both sets of current shareholders.

## 5 Will allow Geopacific, as the owner to clearly represent the Woodlark Project to important stakeholders in order to advance the interests of the Project

Geopacific will be better placed as the full owner of the Project to represent and advance the interests of the Woodlark Project with the Papua New Guinea (PNG) Government, the Milne Bay Provincial Government and the Woodlark landowners.

This could aid interaction on licences and approvals which is imperative to the success of the Woodlark Project.

## 6 Your Geopacific Shares will trade in a more liquid market than Your Kula Shares

The liquidity in the market place for Geopacific Shares is greater than that of Kula, giving you an improved ability to trade the shares you own.

## 7 The existence of Kula as the holder of a declining, residual interest in the Project provides no value add for Kula shareholders

Kula holds a declining interest in the Woodlark Project, as Geopacific earns up to an 80% interest. Kula's interest is further diminished by the PNG Government's 5% interest.

## 8 You will gain exposure to additional exploration upside through Geopacific's other exploration properties in Cambodia and Fiji

By accepting the Offer you will become a shareholder in a company with additional exciting exploration properties in Cambodia and Fiji.

# ACCEPT THE GEOPACIFIC OFFER

For more information on the reasons why you should accept the Geopacific Offer, please refer to section 1 of this Bidder's Statement. For information on how to accept the Geopacific Offer, please refer to sections 2 and 15.3 of this Bidder's Statement.

<sup>1</sup> Based on Geopacific's closing price on the day prior to the Announcement Date of \$0.042, compared to Kula's closing price on the day prior to the Announcement Date of \$0.020.

<sup>2</sup> Based on Geopacific's closing price on the day prior to the Announcement Date of \$0.042, compared to Kula's closing price on the day prior to the Announcement Date of \$0.020.

<sup>3</sup> The 5-day VWAP of Geopacific Shares and Kula Shares from 29 March 2017 to 4 April 2017 (sourced from IRESS) was \$0.0392 and \$0.0213, respectively.

<sup>4</sup> The issue price of Kula Shares under the Kula Entitlement Issue announced by Kula on 20 March 2017 is \$0.015 per Kula Share.

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## CHAIRMAN'S LETTER

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**Dear Kula Shareholder,**

On behalf of the Geopacific Board, I am pleased to present you with this compelling Offer to acquire all of your Kula Shares on the basis of 1 Geopacific Share for every 1.4723 of Your Kula Shares.

Given Geopacific's share price of \$0.042 on the day prior to announcement of the Offer and your Kula share price on the same day of \$0.020, this implies an offer premium of 40% to the market value of your shares on that day<sup>5</sup>.

Based on the 5 day volume weighted average prices (**VWAP**) of both Geopacific and Kula shares up to the day prior to announcement, the premium offered for your shares is 25%<sup>6</sup>.

The Offer is also at a 77.5% premium to shares taken up under the Kula Entitlement Issue which closed on 13 April 2017<sup>7</sup>.

The Geopacific Offer has been structured so that Kula Shareholders retain exposure to the Kula assets and to the share price growth potential we believe may be generated by the Offer.

The Offer is subject to conditions as set out in section 15.8 of this Bidders Statement, including a minimum acceptance condition of 90%. This means that Kula's largest shareholder, Pacific Road, must accept the Offer for it to take effect and enable all other shareholders to participate.

As recently acknowledged by the Kula Directors in the Kula Entitlement Issue Prospectus:

**"During the term of the Farm-in Agreement, GPR will be solely responsible for managing the Project. [Kula] has limited rights in relation to GPR's management of the Project during this time and is therefore reliant on GPR management for the success of the Project."**<sup>8</sup>

Geopacific is a company with a strong team with significant experience in developing mineral projects from the exploration stage into production.

Kula's shareholders are aware that in July last year the board of Kula announced that Geopacific had been chosen to advance the Woodlark Project in a Joint Venture transaction. The Joint Venture transaction allows Geopacific to earn up to an 80% interest in Kula's subsidiary company Woodlark Mining Limited, which holds all Woodlark assets.

The first stage of the Joint Venture transaction involved Geopacific conducting due diligence on the Woodlark Project and preparing a development plan. This stage was completed in October 2016 and Geopacific is progressing towards the next milestone, advancing Woodlark with economic studies and a development drilling programme.

### ***Strategic rationale for the Offer***

Having successfully advanced to this point, Geopacific believes there is compelling commercial logic in bringing the ownership of the Woodlark Project under a single management structure.

Geopacific and Kula exist for the same ultimate objective of developing the Woodlark Project. However, the current dual ownership structure is inefficient and expensive and a combined, single entity is likely to be

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<sup>5</sup> Based on Geopacific's closing price on the day prior to the Announcement Date of \$0.042, compared to Kula's closing price on the day prior to the Announcement Date of \$0.020.

<sup>6</sup> VWAPs from 29 March 2017 to 4 April 2017, sourced from IRESS.

<sup>7</sup> Based on GPR price of 4.2 cents on the day prior to announcement of the Offer and Kula Entitlement Issue Price of 1.5 cents per new Kula Share

<sup>8</sup> Page 20 of the prospectus lodged by Kula on 22 March 2017

significantly more attractive to investors and financiers. Simplifying this structure is the next logical step in adding value to the Project for the benefit of the shareholders of both companies.

Geopacific believes the current dual ownership structure causes a number of inefficiencies for both sets of shareholders by prohibiting shareholders of either company having an unimpeded ownership interest in Woodlark. This diminishes the investment value to current and potential investors. The dual structure also obscures Kula and Geopacific's responsibilities from important stakeholders. In addition it duplicates governance, management and reporting structures, causing excess leakage of funds from development activities.

Geopacific is making the Offer to Kula Shareholders as we believe that combining the companies is in the interests of shareholders of both companies as it will bring the Woodlark Project under single ownership.

**Geopacific believes that successful completion of the Offer will:**

- enhance the investment value to existing and potential investors and financiers by consolidating ownership in a single company;
- eliminate:
  - complex and overlapping contractual inter-relationships between Geopacific and Kula;
  - duplication of governance, management and reporting structures;
  - duplication of ASX listing fees and related compliance expenses; and
- allow Geopacific as the owner of Woodlark, to give full and proper representation to other important stakeholders including:
  - the Papua New Guinea Government;
  - the Milne Bay Provincial Government; and
  - the Woodlark landowners.

***Compelling Offer for Kula Shareholders***

By accepting this Offer you will become a shareholder in Geopacific and benefit from its management team that have direct responsibility for successfully delivering the Woodlark Project.<sup>9</sup>

Geopacific believes the Offer made to Kula Shareholders is attractively priced and designed to provide the immediate certainty of a premium and ongoing exposure to the share price upside Geopacific believes may be generated through the proposed transaction.

I urge you to ACCEPT the Offer as soon as possible and take the opportunity to be part of a rapidly growing, reliable, diversified gold and copper pre-development and exploration company with strong growth prospects.<sup>7</sup>

Milan Jerkovic



**Non-Executive Chairman  
Geopacific Resources Limited**

<sup>9</sup> If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder, you will not receive Geopacific Shares as part of the Offer Consideration. Please see sections 14.13 and 15.7 of this Bidder's Statement for further details.

## 1. WHY YOU SHOULD ACCEPT THE OFFER

(a) **You will receive an attractive premium whilst still retaining exposure to future share price upside**

The Offer is at a:

- 40% premium to the prevailing market price<sup>10</sup>;
- 25% premium to the 5 day VWAP<sup>11</sup>; and
- 77.5% premium to the Kula Entitlement Issue Price<sup>12</sup>.

The Offer allows you to exchange your Kula Shares for Geopacific Shares which will allow you to take advantage of this premium whilst at the same time you will maintain exposure to the future success of the Project.

(b) **By accepting this Offer you will become a shareholder in Geopacific and benefit from its management team that have direct responsibility for delivering the success of the Woodlark Project**

Geopacific is a company with a strong team with relevant experience in developing mineral projects from the exploration stage into production.

Geopacific has established a high quality board and management team with proven success across the three pillars of its business – operations, discovery and growth.

(c) **The current dual ownership structure is inefficient and expensive**

Simplifying this structure is the next logical step in advancing the Project for the benefit of the shareholders of both companies.

A successful takeover of Kula by Geopacific to create one combined entity will immediately eliminate:

- complex and overlapping contractual inter-relationships between Geopacific and Kula;
- duplication of governance, management and reporting structures; and
- duplication of ASX listing fees and related compliance expenses.

(d) **A combined, single ownership structure is likely to be significantly more attractive for investors and financiers**

The current dual ownership structure is hard for the investment community to understand and value.

A staged earn-in structure such as that created by the Joint Venture in respect of the Woodlark Project is very difficult for stock exchange investors to value when, in reality, both Geopacific and Kula share an interest in the same underlying Project and are both leveraged to its success.

<sup>10</sup> Based on Geopacific's closing price on the day prior to the Announcement Date, compared to Kula's closing price on the day prior to the Announcement Date.

<sup>11</sup> Based on a 5-day VWAP of Geopacific Shares of \$0.0392 in the trading days from 29 March 2017 to 4 April 2017, compared to Kula's 5-day VWAP in that same period of \$0.0213.

<sup>12</sup> The issue price of Kula Shares under the Kula Entitlement Issue announced by Kula on 20 March 2017 is \$0.015 per Kula Share.

Bringing full ownership into a single combined entity should solve that problem for the benefit of both sets of shareholders by allowing the investment community to get a direct view of the underlying value of the Woodlark Project.

(e) **Will allow Geopacific to give full and proper representation as the owner of the Woodlark Project to important stakeholders in order to advance the interests of the Project**

In the modern mining environment, good corporate citizenship and stakeholder relations are imperative to a mining company earning the trust and respect of stakeholders in order to advance a mining project.

To allow trust and respect to develop between stakeholders, it is important for all stakeholders to see and clearly understand the responsibility of the parties entrusted with the development of precious mineral resources.

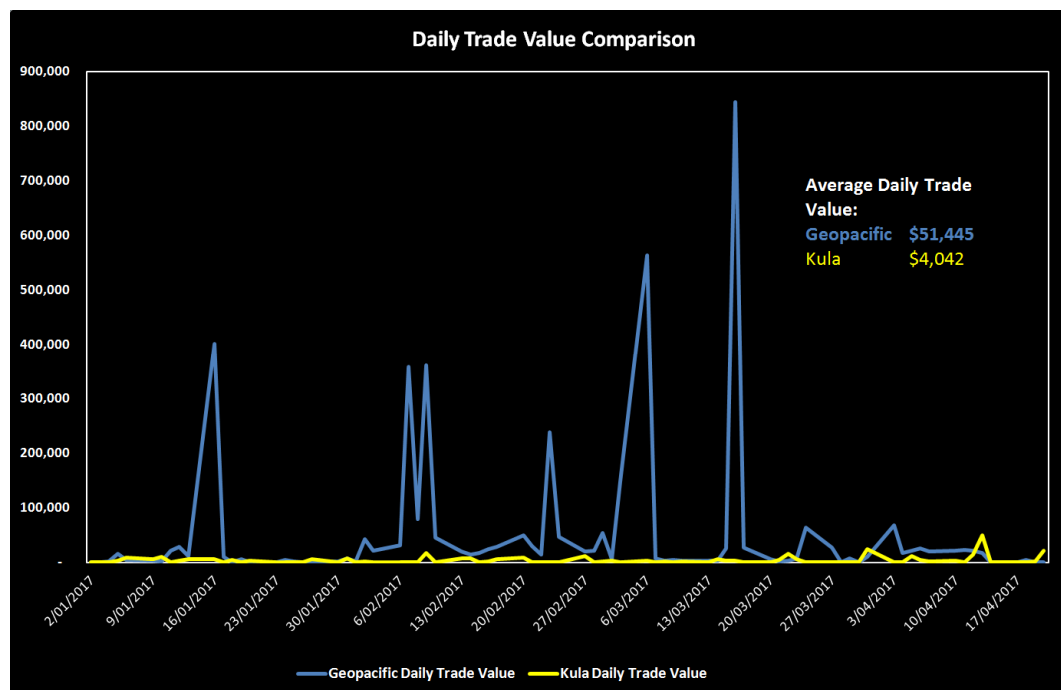
The current dual ownership structure is an impediment to this vital interaction as Geopacific is solely responsible for managing the Project, whilst at the same time the Project resides under the name and responsibility of Kula as titleholder.

Geopacific will be better placed as the full owner of the Project to represent and advance the interests of the Project with the PNG Government, the Milne Bay Provincial Government and the Woodlark landowners.

This could aid interaction on licences and approvals which is imperative to the success of the Project.

(f) **Your Geopacific Shares will trade in a more liquid market than Your Kula Shares**

The liquidity in the market place for Geopacific Shares is greater than that of Kula, giving you an improved ability to trade the shares you own.





(g) **The existence of Kula as the holder of a declining interest in the Woodlark Project provides no value add for Kula shareholders**

Kula holds a declining interest in the Woodlark Project, as Geopacific earns up to an 80% interest. Kula's interest is further diminished by the PNG Government's 5% interest.

Kula itself has no management expertise to develop the Project. The management of Kula is limited to a single executive director who also holds the roles of Chief Financial Officer and Company Secretary. Kula has no geological, geotechnical, metallurgical or engineering expertise on its staff.

The remaining members of the Kula board include an Independent Non-Executive Chairman and a Non-Executive Director.

(h) **You will gain exposure to additional exploration upside through Geopacific's other exploration properties in Cambodia and Fiji**

By accepting the Offer you will become a shareholder in a company with additional exciting exploration properties in Cambodia and Fiji. Further details on these properties is provided in section 5.2.

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## 2. HOW TO ACCEPT THE OFFER

Please refer to section 15.3 of this Bidder's Statement and your personalised Acceptance Form (which accompanies this Bidder's Statement) for full details on how to accept this Offer.

You may only accept the Offer for ALL of Your Kula Shares.

How you accept this Offer depends on whether Your Kula Shares are held in an Issuer Sponsored Holding or a CHESS Holding. This information is shown on your personalised Acceptance Form.

**For Issuer Sponsored Holdings of Kula Shares (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form):**

To accept the Offer, complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form before the Offer closes.

**For CHESS Holdings of Kula Shares (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form):**

To accept the Offer, either complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form or instruct your Controlling Participant (normally your broker) to accept the Offer on your behalf before the Offer closes.

**For Participants:**

If you are a Participant, acceptance of this Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Offer closes.

**Your acceptance must be received by no later than 5.00 pm (WST) on [●] 2017, unless the Offer is extended or withdrawn.**

If you have any questions about how to accept the Offer, please call Geopacific on 08 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST).

### 3. SUMMARY OF THE OFFER AND FREQUENTLY ASKED QUESTIONS

The terms and conditions of the Offer are contained in section 15 of this Bidder's Statement.

The information in this section 3 is a summary of the Offer only and is qualified by the detailed information contained in the rest of this Bidder's Statement. You should read this Bidder's Statement and Kula's target's statement in full before deciding whether or not to accept the Offer for your Kula Shares. If you are in any doubt as to how to deal with this document, please consult your financial, legal, taxation or other professional adviser.

The information in this section 3 is set out by way of response to a series of questions. Geopacific believes this is the best way to provide the information. Each answer has, where appropriate, cross-references to other questions in this summary and to other parts of this Bidder's Statement, including the Attachments, which contain more information that Kula Shareholders may find useful or relevant.

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**What is the Bidder's Statement?**

This document is the Bidder's Statement and sets out the terms and conditions of the Offer and information relating to the Offer and the Offer Consideration you will receive if you accept the Offer (subject to satisfaction or waiver of the conditions of the Offer).

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**Who is Geopacific?**

Geopacific is an Australian, growth focused gold and copper pre-development and exploration company listed on the ASX. Geopacific holds interests in:

- (a) the Woodlark Project located in Papua New Guinea;
- (b) the Kou Sa Project, a copper-gold project in Cambodia with a maiden resource of 51,000 tonnes of copper equivalent in an attractive, low-cost environment; and
- (c) five prospective gold and copper exploration projects located on the two main islands of Fiji.

In 2016, Geopacific entered into a transaction with Kula to earn up to 80% in the Woodlark Project. Geopacific completed the first earn-in tranche, including preparation of a development plan and elected to proceed with the transaction in October 2016. The development plan defines how Geopacific intends to increase mine life and improve project economics through a combination of a development drilling programme with economic studies to rebase capital and operating expenditure. Geopacific identified opportunities to reduce costs in relation to the original definitive feasibility study which was undertaken at the height of the mining cost cycle in 2012.

Geopacific moved to re-establish the camp at the Woodlark Project and begin a dedicated three-rig, development-drilling program in November 2016. The drilling programme is designed to upgrade approximately 450,000 ounces of mineralisation from Inferred into Measured and Indicated Resource categories. This, in conjunction with rebased economics is expected to allow Geopacific to deliver a

1.2-million-ounce Reserve.

Further details about Geopacific and the Geopacific Group are contained in sections 5 and 6 of this Bidder's Statement.

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**What is Geopacific offering to buy?**

Geopacific is offering to buy all of the Kula Shares it does not already own, including Kula Shares that are issued during the Offer Period whether due to the conversion of Kula Options or otherwise, on the terms set out in this Bidder's Statement.

You may only accept this Offer in respect of ALL of Your Kula Shares.

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**What will I receive if I accept the Offer?**

If you accept the Offer, subject to the satisfaction or waiver of the conditions to the Offer, you will receive 1 Geopacific Share for every 1.4723 of Your Kula Shares.

If the calculation of the number of Geopacific Shares you are to receive as part of the Offer Consideration results in an entitlement to a fraction of an Geopacific Share, that fraction will be rounded down to the next whole number of Geopacific Shares.

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**What is the value of the Offer Consideration?**

The Offer Consideration is comprised of 1 Geopacific Share for every 1.4723 Kula Shares. The aggregate value of the Offer Consideration is approximately A\$10,001,898<sup>13</sup>, based on a 5 day VWAP of Geopacific Shares as at 4 April 2017 of A\$0.0392, the day prior to the announcement of the Offer.

The Offer is equivalent to A\$0.0255 per Kula Share based upon Geopacific's 5 day VWAP on 28 April 2017 of A\$0.0376.<sup>14</sup>

As Geopacific Shares are listed on the ASX, the market price of Geopacific Shares can fall as well as rise and may be subject to varied and unpredictable influences. Accordingly there is no guarantee that the 1 Geopacific Share will continue to be worth equal to or above A\$0.0376.

See sections 8.4(c) of this Bidder's Statement for further details regarding the valuation of the Geopacific Shares.

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<sup>13</sup> Based on a total of 375,658,028 Kula Shares, comprising 333,918,247 Kula Shares on issue as at the date of this Bidder's Statement plus the maximum of 41,739,781 Kula Shares to be issued under the Kula Entitlement Issue.

<sup>14</sup> See section 7.4(c) of this Bidder's Statement for further details.

**What are the conditions of the Offer?**

The Offer is subject to a number of conditions, which are set out in full in section 15.8 of this Bidder's Statement. These conditions are (in summary):

- (a) during, or at the end of, the Offer Period, Geopacific has Relevant Interests in more than 90% (by number) of all Kula Shares on issue;
- (b) no regulatory action being taken in consequence of, or in connection with, the Offer before the end of the Offer Period;
- (c) no material adverse change occurring in relation to Kula before the end of the Offer Period;
- (d) no 'prescribed occurrences' occurring in relation to Kula before the date that is 3 Business Days after the end of the Offer Period; and
- (e) no material litigation in respect of Kula being on foot or pending before the end of the Offer Period.

If any of these conditions are not satisfied or waived by Geopacific by the end of the Offer Period, then the Offer will lapse and not proceed (i.e. you will retain your Kula Shares).

In addition, there is a statutory condition (see section 15.11 of this Bidder's Statement) relating to the ASX quotation of Geopacific Shares to be issued under the Offer. If this condition is not fulfilled, the Offer will lapse and not proceed (i.e. you will retain your Kula Shares).

**What happens if the conditions of the Offer are not satisfied or waived by the time the Offer closes?**

If the conditions of the Offer are not satisfied or waived by the time the Offer closes, the Offer will lapse and your acceptance will be void. In those circumstances, you will not receive the Offer Consideration for Your Kula Shares and you will retain Your Kula Shares.

**When will I receive my Offer Consideration under the Offer?**

Generally, Geopacific will issue the Offer Consideration to you under the Offer on or before the earlier of:

- (a) one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and
- (b) 21 days after the end of the Offer Period.

If the conditions of the Offer are not satisfied or waived by the time the Offer closes, the Offer will lapse and your acceptance will be void. In those circumstances you will not receive the Offer Consideration for Your Kula Shares and you will retain Your Kula Shares.

Full details of when your Offer Consideration will be provided are set out in section 15.6 of this Bidder's Statement.

**Will I need to pay brokerage or stamp duty on acceptances?**

If your Kula Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Geopacific, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.

If your Kula Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Kula Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

**Will my new Geopacific Shares be quoted on the ASX?**

Geopacific will apply for the Geopacific Shares to be issued under the Offer to be quoted on the ASX within 7 days after the date of this Bidder's Statement. Quotation of these Geopacific Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Geopacific is already admitted to the official list of the ASX and Geopacific Shares in the same class as to those to be issued under the Offer are already quoted, Geopacific believes quotation of the new Geopacific Shares will be granted.

**When does the Offer close?**

The Offer closes at 5.00pm (WST) on [●] 2017, unless it is extended under the Corporations Act.

**Can I accept the Offer for only some of my Kula Shares?**

No. You cannot accept the Offer for only some of Your Kula Shares. You can only accept the Offer for ALL of Your Kula Shares.

**How do I accept the Offer?**

**Issuer sponsored shareholders**

If Your Kula Shares are registered in an Issuer Sponsored Holding (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the Offer closes.

**CHESS shareholders**

If Your Kula Shares are registered in a CHESS Holding (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:

- (a) completing and signing the Acceptance Form enclosed with this Bidder's Statement and returning it to the address indicated on the form; or
- (b) instructing your Controlling Participant (normally your broker) to accept the Offer on your behalf,

before the Offer closes.



## Participants

If you are a Participant, acceptance of this Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Offer closes.

Full details on how to accept the Offer are set out in section 15.3 of this Bidder's Statement.

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### What if I am an Ineligible Foreign Shareholder?

Generally speaking, if your address on Kula's register of members is in a jurisdiction other than Australia or its external territories, New Zealand, PNG, Cayman Islands and Luxembourg you will be considered to be an Ineligible Foreign Shareholder.

If you are an Ineligible Foreign Shareholder you are entitled to accept the Offer just like any other Kula Shareholder. However, you will not be entitled to receive Geopacific Shares as a result of acceptance. Instead, the Geopacific Shares to which you would otherwise be entitled will be issued to a sale nominee approved by ASIC who will sell those shares on the ASX and provide you with the net sale proceeds.

See sections 14.13 and 15.7 of this Bidder's Statement for further details.

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### Can I accept the offer if I would receive an Unmarketable Parcel of Geopacific Shares?

Geopacific Shares will not be issued as part of the Offer Consideration to Unmarketable Parcel Shareholders.

If you are an Unmarketable Parcel Shareholder you are entitled to accept the Offer just like any other Kula Shareholder. However, you will not be entitled to receive Geopacific Shares as a result of acceptance. Instead, the Geopacific Shares to which you would otherwise be entitled will be issued to a sale nominee approved by ASIC who will sell those shares on the ASX and provide you with the net sale proceeds.

See section 15.7 of this Bidder's Statement for further details.

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### What happens if I do not accept the Offer?

If you do not accept the Offer, subject to what is stated below, you will remain a Kula Shareholder and will not receive the Offer Consideration.

If Geopacific becomes entitled to compulsorily acquire your Kula Shares pursuant to the Offer, it intends to proceed with the compulsory acquisition. If your Kula Shares are compulsorily acquired by Geopacific, it will be on the same terms (including the same consideration for each Kula Share acquired) as the Offer.

See section 10 of this Bidder's Statement for further details.

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### Once accepted, can I withdraw my acceptance?

Once you accept the Offer, you will be unable to revoke your acceptance unless a withdrawal right exists or arises under the Corporations Act. Such a right may arise if, after you have accepted



the Offer and the Offer remains conditional, Geopacific varies the offer in a way that postpones, for more than one month, the time by which Geopacific has to meet its obligations under the Offer. If this occurs, a notice will be sent to you at the relevant time that explains your rights to withdraw your acceptance of the Offer.

See section 15.5 of this Bidder's Statement for further details.

<b>Can I sell the Geopacific Shares I receive as the Offer Consideration?</b>	Yes, you will be able to sell the Geopacific Shares you receive as the Offer Consideration on-market on the ASX.
<b>Does Geopacific currently have a Relevant Interest in Kula?</b>	Yes, as at the date of this Bidder's Statement, Geopacific has a Relevant Interest in 16.86% of Kula.  See sections 8.3 and 8.4 of this Bidder's Statement for further details.
<b>How is Geopacific funding the Offer?</b>	The consideration for the acquisition of the Kula Shares will be satisfied by the issue of Geopacific Shares.  Geopacific has the capacity to issue the maximum number of Geopacific Shares which it may be required to issue under the Offer.  See section 9 of this Bidder's Statement for further details.
<b>What if I accept the Offer and Geopacific improves the Offer Consideration?</b>	In accordance with the Corporations Act, if Geopacific improves the Offer Consideration under the Takeover Bid, all Kula Shareholders, whether or not they have accepted the Offer before that improvement in the Offer Consideration, will be entitled to the benefit of that improved Offer Consideration.
<b>What are the tax implications if I accept the Offer?</b>	Tax implications for accepting the Offer for your Kula Shares will vary for each individual and you are advised to consult your financial, tax or other professional adviser on the tax implications of acceptance.  A general summary of the likely Australian taxation consequences of accepting the Offer is set out in section 11 of this Bidder's Statement. This summary is expressed in general terms only and is not intended to provide taxation advice for your specific circumstances. Kula Shareholders should seek their own taxation advice in relation to the Offer.
<b>How will the Kula Options be treated under the Offer?</b>	Geopacific is not offering to acquire the Kula Options under the Offer and will not make any separate offers to acquire the Kula Options. Geopacific will, however, offer to acquire any Kula Shares issued upon exercise of any Kula Options. As at the date of this Bidder's Statement, as far as Geopacific is aware, all of the Kula Options are "out-of-the-money".  See section 8.2 of this Bidder's Statement for further details.

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**Are there any risks in accepting the Offer?**

If you accept the Offer you will become a Geopacific Shareholder (unless you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder).

There are risks associated with holding Geopacific Shares, which are summarised in section 13 of this Bidder's Statement. In deciding whether or not to accept the Offer, you should carefully consider these risks.

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**How will the Offer impact the work on Woodlark Project during the Offer Period?**

Under the terms of the existing Joint Venture, Geopacific is fully responsible for the management of the Woodlark Project.

The work programme to develop the Woodlark Project is not impacted by the takeover process and continues in accordance with the Joint Venture.

The Joint Venture will remain in place and only be replaced if Geopacific acquires 100% of Kula.

Details of the terms of the Joint Venture are included at sections 14.3 and 14.4 of this Bidder's Statement.

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**Where do I go for further information?**

This Bidder's Statement contains detailed information about the Offer, including the terms and conditions of the Offer contained in section 15 of this Bidder's Statement. For queries on how to accept the Offer, Kula Shareholders should also refer to the enclosed Acceptance Form.

For all other queries in relation to the Offer, please contact Geopacific on (08) 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST).

Kula Shareholders should also read Kula's target's statement in full for further information about the Offer and before deciding whether or not to accept Geopacific's Offer.

If you are in any doubt as to how to deal with this Bidder's Statement, please consult your financial, legal, taxation or other professional adviser.

## 4. THE WOODLARK PROJECT

### 4.1 Background

The Woodlark Project is located on Woodlark Island, 600 kilometres east of Port Moresby in the Milne Bay Province of PNG. The Woodlark Project sits within a proven mining jurisdiction in PNG and home to a number of the world's largest gold mines including Misima and Porgera, Lihir Island and Hidden Valley.

The Woodlark Project is permitted, with the Mining Lease and Environmental Permits granted for the development of a 1.8Mtpa gold mining operation.

The Woodlark Project currently has a total Mineral Resource of 2.1M oz of gold at 1.5 g/t, including an Ore Reserve of 766k oz of gold at 2.2 g/t. Details of the Mineral Resource and Ore Reserve are outlined in section 4.2 below. These Mineral Resource and Ore Reserve estimates in relation to the Woodlark Project are based on publicly available information released by Kula on the ASX and have not been independently verified by Geopacific. Geopacific does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information and is not to be regarded as reporting, adopting or endorsing that information.

### 4.2 Kula's Mineral Resources and Ore Reserves

#### Woodlark Project Ore Reserve table (reported as per the 2004 JORC Code)

Based on Kula's 2016 Annual Report released on 3 April 2017, as of July 2012, the Woodlark Project is estimated to contain the following Ore Reserves under the 2012 JORC Code at 1.0 g/t Au lower cut-off:

Deposit	Proved Gold			Probable Gold			Total Gold		
	Tonnes (Mt)	Grade g/t	Ounces	Tonnes (Mt)	Grade g/t	Ounces	Tonnes (Mt)	Grade g/t	Ounces
Busai	3,283	2.2	233,000	2,811	1.9	175,000	<b>6,094</b>	<b>2.1</b>	<b>408,000</b>
Kulumadau	3,144	2.2	223,000	0.751	2.4	59,000	<b>3,863</b>	<b>2.3</b>	<b>282,000</b>
Woodlark King	-	-	-	0.704	1.7	39,000	<b>0.704</b>	<b>1.7</b>	<b>39,000</b>
Kulumadau East	-	-	-	0.330	3.7	37,000	<b>0.330</b>	<b>3.7</b>	<b>37,000</b>
<b>Total</b>	<b>6,427</b>	<b>2.2</b>	<b>456,000</b>	<b>4,596</b>	<b>2.1</b>	<b>310,000</b>	<b>10,991</b>	<b>2.2</b>	<b>766,000</b>

Notes:

1. As at July 2012 at a 1 g/t Au lower cut.
2. Totals may appear incorrect due to rounding.

This information was prepared and first disclosed under the 2004 JORC Code. Geopacific understands that it has not been updated since to comply with the 2012 JORC Code on the basis that a competent person has not done sufficient work to classify the above estimated Ore Reserves in accordance with the 2012 JORC Code and that the information has not materially changed since it was last reported. However, it is uncertain that following evaluation and/or further exploration work the above estimates will be able to be reported as Ore Reserves in accordance with the 2012 JORC Code.

**Woodlark Project Mineral Resource table (reported as per the 2012 JORC Code)**

Based on Kula's 2016 Annual Report released on 3 April 2017, as of July 2012, the Woodlark Project is estimated to contain the following Mineral Resources under the 2004 JORC Code at 0.5 g/t Au lower cut-off:

Deposit	Category	Resource (Mt)	Grade cut (g/t gold)	Gold cut (Oz)
Kulumadau	Measured	5.0	1.78	285,000
	Indicated	4.4	1.75	250,000
	Inferred	8.6	1.40	380,000
	<b>Total</b>	<b>18.0</b>	<b>1.60</b>	<b>915,000</b>
Busai	Measured	3.9	1.54	190,000
	Indicated	10.4	1.40	470,000
	Inferred	4.9	1.60	250,000
	<b>Total</b>	<b>19.0</b>	<b>1.50</b>	<b>910,000</b>
All	Measured	8.9	1.66	475,000
	Indicated	14.8	1.50	720,000
	Inferred	13.5	1.50	630,000
	<b>Total</b>	<b>37.2</b>	<b>1.50</b>	<b>1,825,000</b>

Notes:

1. Totals may appear incorrect due to rounding.
2. The Busai Indicated Resource includes 0.4Mt @ 1.4 g/t Au for 20,000oz from overlying alluvial mineralisation.
3. The Busai Inferred Resource includes 0.4Mt @ 1.2 g/t Au for 14,000oz from overlying alluvial mineralisation.

**Woodlark Project Mineral Resource table (reported as per the 2004 JORC Code)**

Based on Kula's 2016 Annual Report released on 3 April 2017, in addition to the Mineral Resources stated in the table above, as of July 2012 the Woodlark Project is estimated to contain the following additional Mineral Resources under the 2004 JORC Code at 0.5 g/t Au lower cut-off:

Deposit	Category	Resource (Mt)	Grade cut (g/t gold)	Gold cut (Oz)
Munasi	Inferred	3.9	0.9	110,000
	<b>Total</b>	<b>3.9</b>	<b>0.9</b>	<b>110,000</b>
Woodlark King	Indicated	3.0	1.2	115,000
	Inferred	1.0	1.8	60,000
	<b>Total</b>	<b>4.0</b>	<b>1.4</b>	<b>175,000</b>
<b>All</b>	<b>Total</b>	<b>7.9</b>	<b>1.1</b>	<b>285,000</b>

Notes:

1. Totals may appear incorrect due to rounding.
2. The Woodlark King Inferred Mineral Resource includes 0.3Mt @ 3.0 g/t Au for 30,000oz from Watou (1.5km south of Woodlark King).

This information was prepared and first disclosed under the 2004 JORC Code. Geopacific understands that it has not been updated since to comply with the 2012 JORC Code on the basis that a competent person has not done sufficient work to classify the above estimated Mineral Resources in accordance with the 2012 JORC Code and that the information has not materially changed since it was last reported. However, it is uncertain that following evaluation and/or further exploration work the above estimates will be able to be reported as Mineral Resources in accordance with the 2012 JORC Code.

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## 5. PROFILE OF GEOPACIFIC AND THE GEOPACIFIC GROUP

### 5.1 Overview of Geopacific

Geopacific is a pre-development and exploration company with a portfolio of gold and copper assets in the Asia-Pacific region.

Geopacific is an Australian based company and is listed on the Australian Securities Exchange (ASX: GPR).

### 5.2 Geopacific's principal operations and projects

A brief summary of Geopacific's principal operations and projects is set out below.

#### (a) **Woodlark Project, Papua New Guinea**

The 2016 financial year was a transformational year for Geopacific, seeing it elevated to pre-development status after entering into the Joint Venture transaction with Kula on the Woodlark Project. The transaction allows Geopacific to earn up to 80% of the Woodlark Project.

The Woodlark Project is a permitted gold project situated on an Island in Papua New Guinea. It is viewed as one of the last multi-million ounce, permitted, unmined gold projects in the world.

Geopacific completed the first earn-in tranche, including preparation of a development plan and elected to proceed with the transaction in October 2016. The development plan defines how Geopacific intends to increase mine life and improve project economics through a combination of a development drilling programme with economic studies to rebase capital and operating expenditure. Geopacific identified opportunities to reduce costs in relation to the original definitive feasibility study which was undertaken at the height of the mining cost cycle in 2012.

Geopacific moved to re-establish the camp and begin a dedicated three-rig, development-drilling program in November. The drilling programme is designed to upgrade approximately 450,000 ounces of mineralisation from Inferred into Measured and Indicated Resource categories. This, in conjunction with rebased economics is expected to allow Geopacific to deliver a 1.2-million-ounce Reserve.

The current Mining Lease conditions include the requirement to complete construction and commissioning of the Woodlark Project in accordance with the milestones and activities in the 2012 feasibility study, within 36 months of the Mining Lease being granted (4 July 2014). Application has been made to vary the relevant conditions in accordance with Geopacific's revised plans. The application was made to the Mineral Resource Authority and Minister for Mines in PNG and currently rests with these authorities.

Work undertaken to date is encouraging, highlighting substantial potential to increase Reserves at both major deposits, being Kulumadau and Busai. Drilling results began to flow in late January 2017, confirming expectations and Geopacific's re-evaluated geological models.

The exploration potential of the Woodlark Project is considered significant, typical of gold mines in the region. Scout drilling, geophysics and airborne magnetics have all successfully

identified numerous targets that require follow-up exploration. These areas will be prioritised and developed as the project progresses.

Geopacific's focus is to deliver the Woodlark Project into production on the most effective path, after which Geopacific will turn its attention to exploration potential.

(b) **Kou Sa Project, Cambodia**

The Kou Sa Project is located in northern Cambodia's Chep District, Phreah Vihear province. The Kou Sa Project was identified as having potential for discoveries of deposits with economic grade and tonnage. This was confirmed with the release of Geopacific's maiden Resource in July 2016.

The Kou Sa Project has been explored by Geopacific since 2013 and has continually shown discovery potential for polymetallic deposits. Drilling has produced zones of high-grade, near-surface mineralisation. Exploration techniques including systematic geochemistry and geophysics have been used to effectively outline numerous mineral targets. Exploration continues at Kou Sa.

Geopacific's work programme aimed to complete a Resource and scoping study sufficient to take the Kou Sa Project into production. As a measure to gauge initial inventory of mineralisation at the Kou Sa Project, Geopacific completed the Resource estimate on the mineralisation at the Prospect 150 and 160 areas, delivering the 2012 JORC Code compliant Resource of 51,000 tonnes of copper equivalent. The majority of the Resource is less than 70 metres from surface. Economic studies conducted indicated the viability of a low-grade cut-off and attractive, low-cost building and operational environment.

Kou Sa Project Mineral Resource – Prospects 150 and 160

As at 31 December 2016 the total Mineral Resource for the Kou Sa Project was 3.84Mt at 0.77% Cu, 0.66 g/t Au and 5.27 g/t Ag for 51.2k tonnes of Cu equivalent. The Mineral Resource for prospects 150 and 160 at the Kou Sa Project estimated at 0.4% CuEq lower cut-off are detailed in the table below:

Category	Mt	Cu %	Au g/t	Ag g/t	CuEq %	Cu Kt	Au Koz	Ag Koz	CuEq Kt
Indicated	3.49	0.78	0.71	5.37	1.38	27.1	79.2	602	48.1
Inferred	0.35	0.70	0.20	4.30	0.90	2.3	2.7	48	3.1
<b>Total</b>	<b>3.84</b>	<b>0.77</b>	<b>0.66</b>	<b>5.27</b>	<b>1.33</b>	<b>29.5</b>	<b>81.8</b>	<b>651</b>	<b>51.2</b>

Notes:

1. Totals may appear incorrect due to rounding.

(c) **Fijian Gold Projects**

Geopacific has five projects located on the two main islands of Fiji – Viti Levu and Vanua Levu. The Nabila, Rakiraki, Sabeto and Vuda Projects are in the highly-prospective north-east trending zone that also hosts the world-class Vatukoula and Mt Kasi gold mines.

These projects are at various stages of exploration from early to advanced, with the presence of deeper mineralised systems being identified in areas.

Exploration to date has provided evidence for porphyry and/or epithermal systems at all projects. There remains potential to expand the already identified gold mineralisation at



Faddy's Prospect on the Nabila Project, which is the most advanced prospect at the Fijian projects.

*The Rakiraki Project (50% owned in JV with Peninsula Energy Ltd)*

The Rakiraki Project area covers three known prospects; Tataiya, Qalau and 4300. Gold mineralisation across these areas forms part of a low sulphidation epithermal system, which is locally associated with quartz veining and dilational structures.

All of the Rakiraki prospects require further drilling to expand upon the initial and encouraging trench and drilling results. All zones identified are open to depth and along strike. The high grades, as well as the high gold-to-silver ratios achieved, suggest the presence of high-grade epithermal mineralisation.

*Vuda and Sabeto Projects*

The Vuda and Sabeto Projects are adjacent, sharing a common border. Both are situated on a bitumen highway, 10 kilometres from the international airport and 15 kilometres from the town of Nadi. The Vuda and Sabeto projects are interpreted to be part of the same system.

At Vuda, geochemistry, geophysics, a large alteration system and significant epithermal gold mineralisation in historic drilling around the upper rim of the 1.5 kilometre wide system point to a potential world-class, gold-copper porphyry target at depth.

At Sabeto, geochemistry and initial drilling have identified a sanidine porphyry that has anomalous mineralisation associated with it. High ratios of gold to copper and the style of mineralisation, are similar to other alkalic porphyry systems like Cadia. Drilling has only tested the upper regions of the system.

Together these Projects form part of a larger porphyry system with the epithermal upper levels of the system present at Vuda and an adjacent deeper part of the system present at the nearby Sabeto Project. The high-grade, near-surface epithermal mineralisation typical of the Vuda Project has the potential to be exploited along with the deeper porphyry mineralisation. Sabeto is below the epithermal zone but does have the gold to copper ratios typical of an alkali porphyry system.

### **5.3 Geopacific directors**

Brief profiles of the Geopacific Directors as at the date of this Bidder's Statement are as follows.

(a) **Milan Jerkovic**

Non-Executive Chairman

Mr Jerkovic is a qualified geologist with postgraduate qualifications in Mining & Mineral Economics. Mr Jerkovic has over 30 years of experience in the mining industry involving resource evaluation, operations, financing, acquisition, project development and general management. Mr Jerkovic was the founding Chairman of Straits Asia Resources which was listed on the Singapore Stock Exchange and also the Chief Executive Officer of Straits Resources Limited, as well as having held positions with WMC, BHP, Nord Pacific, Hargraves and Tritton Resources.

Mr Jerkovic is currently chairman of Blackham Resources and principal of the Xavier Group. He is a Fellow of the Australian Institute of Mining and Metallurgy and a member of the Australasian Institute of Company Directors.

Mr Jerkovic holds a B. App. Sc (Geology), Post Graduate Diploma (Mineral Economics), Post Graduate Diploma (Mining).

(b) **Ron Heeks**

Managing Director

With over 30 years mining industry experience, Mr Heeks was a founder of Exploration and Mining Consultants and has had previous experience with WMC, Newcrest, Newmont (US) and many years with RSG Consulting.

Mr Heeks has held senior roles in both mine management and exploration and is a Former General Manager – Technical for Straits Asia Indonesian Operations and Chief Technical Officer for Adamus Resources Southern Ashanti Gold Operation. He has lived and worked in various countries around the world gaining extensive experience in South-East Asia and Indonesia in particular. Mr Heeks holds a B.App.Sc (Geol) and is a member of the Australian Institute of Mining & Metallurgy (MAusIMM).

Mr Heeks was appointed Managing Director of Geopacific on 28 March 2013 after the Takeover of Worldwide Mining Projects Ltd.

(c) **Philippa Leggat**

Executive Director Corporate

Ms. Leggat is a corporate advisor and company director with over 15 years of experience in assisting international organisations that operate in Africa, Asia, Australia and Europe. Ms Leggat's experience covers; negotiations, mergers and acquisitions, fund raising, defining and executing business improvement strategies. She has provided these services to private, listed and public organisations across range of sectors, clients in the resource sector include MMG, Anglo-Gold Ashanti, Anglo Platinum and Xstrata.

Ms. Leggat played an integral role in structuring and negotiating the innovative deal structure for the Joint Venture of the Woodlark Project with Kula. The Woodlark Project has the potential to rapidly move Geopacific into a becoming a significant gold production company.

Ms. Leggat holds a Bachelor of Commerce in finance, risk & strategic management, a Bachelor of Arts and is a Graduate member of the Australian Institute of Company Directors (GAICD).

(d) **Mark Bojanjac**

Non-Executive Director

Mr Bojanjac is a Chartered Accountant with over 20 years' experience in developing resource companies. Mr Bojanjac was a founding director of Gilt-Edged Mining Limited which discovered one of Australia's highest grade gold mines and was managing director of a public company which successfully developed and financed a 2.4m oz gold resource in Mongolia. He also co-founded a 3million oz gold project in China.

Mr Bojanjac was most recently Chief Executive Officer of Adamus Resources Limited and oversaw its advancement from an early stage exploration project through its definitive feasibility studies, and managed the debt and equity financing of its successful Ghanaian gold mine.

Mr Bojanjac is the Chairman of the Audit Committee. He also serves as Non- Executive Chairman of Canadian explorer, Coventry Resources.

(e) **Ian Clyne**

Non-Executive Director

Mr. Clyne has over 35 years of experience in international banking having worked in senior executive positions in ten countries in Asia, Oceania, Australia and Europe. He has specialised in emerging markets and has held senior executive positions with universal banking operations that have extensive branch networks and large employee bases. Mr. Clyne has successfully re-engineered banks in Indonesia, Italy, Poland and PNG.

Mr. Clyne held the role of Managing Director and Group CEO of Bank South Pacific (BSP), based in Port Moresby (2008 – 2013). Under his leadership the bank grew from having 400,000 accounts in PNG to over a million in PNG and 1.5 million across the Pacific, including Fiji and the Solomon Islands, with a market capitalisation of \$1.7 billion at the end of his term.

Mr. Clyne is passionate about PNG and has demonstrated a high level of commitment to social and community issues in addition to his business achievements. He was awarded the Queen Elizabeth 2nd “Diamond Jubilee” Medal for Services to PNG.

Mr. Clyne holds a B.Bs.Mn and is also currently a Non-Executive Director of Union Bank of Nigeria.

## 5.4 Geopacific senior management

Brief profiles of the senior management team of Geopacific as at the date of this Bidder’s Statement are as follows.

(a) **Ron Heeks**

Managing Director

See section 5.3(b) of this Bidder’s Statement.

(b) **Philippa Leggat**

Executive Director Corporate

See section 5.3(c) of this Bidder’s Statement.

(c) **Matthew Smith**

Chief Financial Officer and Company Secretary

Mr. Smith has over 14 years of experience in the resource industry in the across a broad range of commodities including precious metals, industrials and bulk commodities. Mr. Smith has worked for a range of companies operating in the Asia Pacific region and most recently held the role of Chief Financial Officer at ASX-listed Kingsrose Mining Limited, with gold operations in Indonesia.

Mr. Smith is a Chartered Accountant with relevant industry experience on a range of financing transactions across debt and equity markets. Mr. Smith also brings specialist knowledge in the areas of international taxation, corporate structuring, accounting and corporate governance. Mr. Smith has previously held the role of Company Secretary at Straits Resources Limited.

## **5.5 Pro Forma financial information**

### **(a) Basis of preparation**

The pro forma historical financial information of the Geopacific Group set out below is provided for illustrative purposes only. The Geopacific Group is Geopacific and each of its Subsidiaries.

In addition, the pro forma historical financial information of the Geopacific Group has been presented in an abbreviated form insofar as it does not contain all disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Further information about the basis of preparation is set out below.

The Geopacific information in the pro forma consolidated statement of financial position for the Geopacific Group is based on Geopacific's full year financial statements as at 31 December 2016. The full year financial statements were audited by Greenwich & Co Audit Pty Ltd who issued an unqualified audit opinion. A copy of Geopacific's financial statements can be found on its website: [www.geopacific.com.au](http://www.geopacific.com.au).

The historical financial information in respect of Geopacific has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, and in accordance with its accounting policies, as set out in the financial report of Geopacific for the full year ended 31 December 2016.

## **5.6 Historical financial information**

The historical financial information set out below for Geopacific is extracted from Geopacific's full year financial statements as at 31 December 2016 and 31 December 2015. These full year financial statements were audited by:

- (a) Somes Cooke - as at 31 December 2015; and
- (b) Greenwich & Co Audit Pty Ltd – as at 31 December 2016.

A copy of Geopacific's financial statements can be found on its website: [www.geopacific.com.au](http://www.geopacific.com.au).

The historical financial information in respect of Geopacific has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, and in accordance with its accounting policies, as set out in the financial reports of Geopacific for the full year ended 31 December 2016 and 31 December 2015.

Group Key metrics – for the year ended	31 December 2016 \$	31 December 2015 \$
Net Loss After Tax	(4,144,977)	(2,000,637)
Loss Per Share (Cents)	(0.45)	(0.25)
Cash and Cash Equivalents <sup>1</sup>	11,469,015	12,589,002
Exploration Expenditure	12,140,869	15,787,417
Total Assets	60,714,745	48,233,948
Net Assets	57,912,542	47,143,679

Consolidated Financial Position as at	31 December 2016 \$	31 December 2015 \$
Current Assets	13,734,501	13,343,790
Non-Current Assets	46,980,244	34,890,158
<b>Total Assets</b>	<b>60,714,745</b>	<b>48,233,948</b>
Current Liabilities	583,306	1,090,269
Non-Current Liabilities	2,218,897	-
<b>Total Liabilities</b>	<b>2,802,203</b>	<b>1,090,269</b>
<b>Net Assets</b>	<b>57,912,542</b>	<b>47,143,679</b>
<b>Total Equity</b>	<b>57,912,542</b>	<b>47,143,679</b>

Consolidated Financial Performance for the year ended	31 December 2016 \$	31 December 2015 \$
Revenue	50,648	50,502
Administration Expenses	(162,580)	(119,255)
Consultancy Expense	(936,589)	(649,568)
Depreciation Expense	(61,142)	(105,661)
Employee Benefits Expense	(654,522)	(1,035,988)
Occupancy Expenses	(161,895)	(140,667)
<b>Total Expenses</b>	<b>(1,976,728)</b>	<b>(2,051,139)</b>
<b>Loss Before Income Tax</b>	<b>(1,926,080)</b>	<b>(2,000,637)</b>
Income Tax	(2,218,897)	-
<b>Net Loss After Tax</b>	<b>(4,144,977)</b>	<b>(2,000,637)</b>
Other Comprehensive Income, Net of Tax	195,410	642,769
<b>Total Comprehensive Loss for the Period</b>	<b>(3,949,567)</b>	<b>(1,357,868)</b>

Note 1: As announced in Geopacific's Quarterly Cashflow Report for the period ended 31 March 2017 which was released on 1 May 2017, Geopacific's cash balance was A\$7.9 million.

## 5.7 Publicly available information about Geopacific

Geopacific is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Geopacific is subject to the Listing Rules which require continuous disclosure of any information Geopacific has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

As Geopacific is offering Geopacific Shares as part of the Offer Consideration for the acquisition of Kula Shares under the Takeover Bid, the Corporations Act requires that this Bidder's Statement must include all material that would be required for a prospectus for an offer of Geopacific Shares under sections 710 to 713 of the Corporations Act.

By virtue of section 710 of the Corporations Act, this Bidder's Statement is required to contain all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- (a) the rights and liabilities attaching to the Geopacific Shares to be issued pursuant to the Takeover Bid; and
- (b) the assets and liabilities, financial position and performance, profits and losses and prospects of Geopacific.

A summary of the rights and liabilities attaching to Geopacific Shares is set out in section 6.4 of this Bidder's Statement.

Geopacific's annual financial report to shareholders for the year ended 31 December 2016 was lodged with ASIC and ASX on 17 March 2017 (**Annual Financial Report**). The Annual Financial Report includes the directors' report, remuneration report and auditor's independence declaration, statements of comprehensive income, financial position, changes in equity and cash flows, comprehensive notes to the financial statements and an independent auditor's report.

Pursuant to section 712 of the Corporations Act, this Bidder's Statement incorporates by reference the Annual Financial Report and all continuous disclosure notices given by Geopacific to the ASX since 17 March 2017. A list of continuous disclosure notices given by Geopacific to the ASX since 17 March 2017 is set out in Attachment 2.

Kula Shareholders may call Geopacific on (08) 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST) to obtain a copy, free of charge during the bid period and within 2 business days of the request, of:

- (a) the most recent annual financial report lodged with ASIC by Geopacific before lodgement of this Bidder's Statement with ASIC;
- (b) any half-year financial report lodged with ASIC by Geopacific after the lodgement of that annual financial report for Geopacific referred to above and before lodgement of this Bidder's Statement with ASIC; and
- (c) any continuous disclosure notice given to ASX by Geopacific since the lodgement with ASIC of that annual financial report for Geopacific referred to above and before lodgement of this Bidder's Statement with ASIC.

ASX maintains files containing publicly disclosed information about all listed companies. Geopacific's file is available for inspection at ASX during normal business hours.



In addition, Geopacific is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Geopacific may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about Geopacific is available in electronic form from [www.geopacific.com.au](http://www.geopacific.com.au).

There is no other information, other than as set out elsewhere in this Bidder's Statement, which investors or their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (a) the rights and liabilities attaching to the Geopacific Shares to be issued pursuant to the Takeover Bid; or
- (b) the assets and liabilities, financial position and performance, profits and losses and prospects of Geopacific.

This Bidder's Statement contains details specific to the issue of Geopacific Shares. If Kula Shareholders require further information in relation to Geopacific, Geopacific recommends that they take advantage of the ability to inspect or obtain copies of the documents referred to above.

## **5.8 Corporate governance**

The Geopacific Board aims to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles for Good Corporate Governance and Best Practice Recommendations.

Details on Geopacific's corporate governance procedures, policies and practices can be obtained at Geopacific's website [www.geopacific.com.au](http://www.geopacific.com.au).

## **5.9 Announcement by Geopacific in relation to the Offer**

On 5 April 2017, Geopacific made a public announcement to ASX in relation to the Offer. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.



## 6. INFORMATION ON GEOPACIFIC'S SECURITIES

### 6.1 Geopacific issued securities

As at the date of this Bidder's Statement, Geopacific's issued securities consisted of:

- (a) 1,155,743,584 Geopacific Shares; and
- (b) 2,688,768 Geopacific Options.

### 6.2 Recent trading of Geopacific Shares

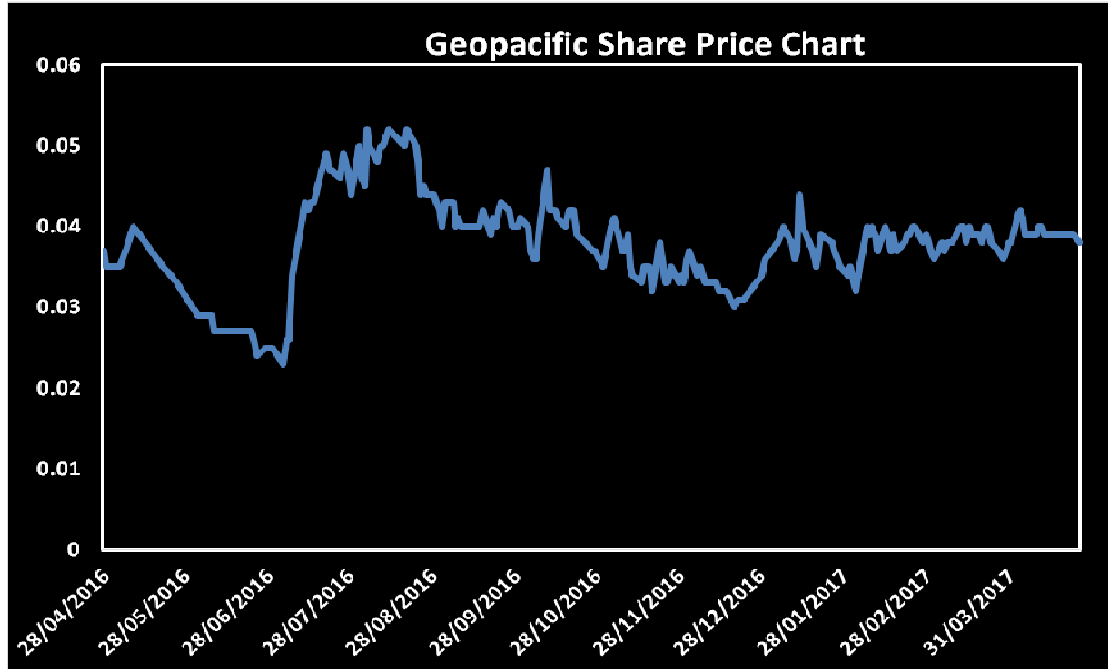
The latest recorded sale price of Geopacific Shares on ASX before the Announcement Date was A\$0.042 as at close of trading on ASX on 4 April 2017.

The latest recorded sale price of Geopacific Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was A\$0.036.

The highest recorded sale price of Geopacific Shares on ASX in the last 4 months before this Bidder's Statement was lodged with ASIC was A\$0.046.

The lowest recorded sale price of Geopacific Shares on ASX in the last 4 months before this Bidder's Statement was lodged with ASIC was A\$0.032.

The following chart shows the last sale price of Geopacific Shares on ASX in the 12 months prior to the Announcement Date.



### 6.3 Dividend history

Geopacific has not previously and does not currently pay dividends.

## **6.4 Rights and liabilities attaching to Geopacific Shares**

### **(a) Introduction**

The Geopacific Shares issued as part of the Offer Consideration under the Offer will be issued fully paid and will rank equally for dividends and other rights in all respects with all existing Geopacific Shares from the date of issue.

Geopacific will apply for the Geopacific Shares to be issued under the Offer to be quoted on the ASX within 7 days after the date of this Bidder's Statement. Quotation of these Geopacific Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Geopacific is already admitted to the official list of the ASX and Geopacific Shares in the same class as to those to be issued under the Offer are already quoted, Geopacific believes quotation of the new Geopacific Shares will be granted. In accordance with the Corporations Act, the quotation of the Geopacific Shares to be issued under the Offer is a condition to the Offer under section 15.11 of this Bidder's Statement.

Since the Geopacific Shares issued as part of the Offer Consideration under the Offer will be issued credited as fully paid, no monetary liability attaches to them.

The rights and liabilities attaching to the Geopacific Shares which will be issued as part of the Offer Consideration under the Offer are set out in Geopacific's constitution and in the Corporations Act. Under section 140(1) of the Corporations Act, the constitution of Geopacific has effect as a contract between Geopacific and each member and between a member of Geopacific and each other member. Accordingly, if you accept the Offer and are issued Geopacific Shares you will, as a result, become liable to comply with the constitution of Geopacific.

The main rights and liabilities attaching to the Geopacific Shares are summarised below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Geopacific Shareholders.

### **(b) General meeting**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of Geopacific and to receive all notices, accounts and other documents required to be sent to members under Geopacific's Constitution, the Corporations Act or the Listing Rules.

### **(c) Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of Geopacific every holder of fully paid ordinary shares present in person or by a representative, proxy or attorney has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in Geopacific have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), Geopacific will count only the vote cast by the member whose name appears before the other(s) in Geopacific's register of members.

(d) **Issues of further shares**

The Directors may, on behalf of Geopacific, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by Geopacific's Constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

(e) **Variation of rights**

At present, Geopacific has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by a special resolution of Geopacific and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

(f) **Transfer of shares**

Subject to Geopacific's Constitution, the Corporations Act, the ASX Settlement Operating Rules and the ASX Listing Rules, ordinary shares are freely transferable. The shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. Geopacific may decline to register a transfer of shares in the circumstances described in Geopacific's Constitution and where permitted to do so under the ASX Listing Rules. If Geopacific declines to register a transfer, Geopacific must, within five business days after the transfer is lodged with Geopacific, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(g) **Partly paid shares**

The Directors may, subject to compliance with Geopacific's Constitution, the Corporations Act and the ASX Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

(h) **Dividends**

Geopacific in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by Geopacific's profits and for that purpose may declare such interim dividends. Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

(i) **Winding up**

Subject to the rights of holders of shares with special rights in a winding up, if Geopacific is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of Geopacific in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

(j) **Dividend plans**

The Directors or the members of Geopacific, in general meeting, may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by Geopacific be reinvested by way of subscription for shares in Geopacific or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of shares.

(k) **Directors**

Geopacific's Constitution states that the minimum number of Directors is three.

(l) **Powers of the Board**

The Directors have power to manage the business of Geopacific and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the ASX Listing Rules or Geopacific's Constitution.

## 6.5 Geopacific Options

Each Geopacific option confers on its holder the right to subscribe for one Geopacific Share at a specified exercise price and subject to specified vesting conditions (**Geopacific Option**).

Number of Geopacific Options	Exercise Price	Expiry date	Currently exercisable
800,000	\$2.50	5 years after the defining on Faddy's Gold Deposit a JORC compliant ore reserve of over 200,000 of contained gold	Yes
200,000	\$5.00	10 years after the defining on Faddy's Gold Deposit a JORC compliant ore reserve of over 1,000,000 of contained gold	Yes
1,688,768	\$0.07425	5 August 2017	Yes
<b>2,688,768</b>	<b>Total</b>		

## 6.6 Substantial holders in Geopacific shares

As at the close of trading on 28 April 2017, Geopacific has been notified that the following persons have a Substantial Holding of 5%, or more, of Geopacific Shares:

Substantial holder	Voting Power
Resource Capital Fund VI L.P.	31.86%
Tembo Capital Coöperatief UA and Ndovu Capital IV B.V.	27.17%

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## **7. PROFILE OF KULA AND THE KULA GROUP**

### **7.1 Overview of Kula**

Kula is an Australian based exploration and development company with tenement holdings in Papua New Guinea (PNG). Kula is listed on the ASX.

Kula was established in July 2007 and commenced trading on the Australian Stock Exchange in November 2010 (ASX: KGD).

Kula currently holds a 95% interest in the Woodlark Project located in PNG. A brief summary of the project is set out in section 4 of this Bidder's Statement.

### **7.2 Kula directors**

The Kula Directors as at the date of this Bidder's Statement are as follows.

**(a) David Frecker**

Non-Executive Chairman

Mr Frecker is a commercial lawyer with over 40 years' experience in practice in Australia and PNG. Mr Frecker was appointed as a Non-Executive Director of Kula Gold in September 2010 and was elected Chairman of the Board.

Mr Frecker continues to practise as Special Counsel at Ashurst Australia (formerly Blake Dawson), specialising in mining, oil & gas and resources law, and all aspects of commercial law in PNG. Prior to joining Blake Dawson in 1980, Mr Frecker worked for five years in the Mining and Major Projects Section of the State Solicitor's Office in PNG. He subsequently spent four years as one of Blake Dawson's resident partners in PNG.

Mr Frecker is a director of the Kokoda Track Foundation (a charitable organisation active in PNG) and member of AMPLA (the Resources and Energy Law Association of Australia).

Mr Frecker is admitted to practice in Australia and PNG and holds Bachelor of Arts, Bachelor of Laws and Masters of Laws degrees from the University of Sydney.

**(b) Mark Stowell**

Non-Executive Director

Mr Stowell is a chartered accountant with over 20 years' experience in corporate finance and resource business management.

Mr Stowell served as manager in the corporate division of Arthur Andersen and subsequently in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally. Mr Stowell was a founder of Anvil Mining Ltd (DRC) and on its board for seven years until 2000. Mr Stowell was also a founder and Non-Executive director of Incremental Petroleum Limited, an oil and gas producer with operations in Turkey and the USA.

Mr Stowell is a Non-Executive Director and founder of Mawson West Ltd, a Toronto Stock Exchange (TSX:MWE) listed copper miner operating in Africa, and its associated group company, Orrex Resources Ltd. Mr Stowell is also a Non-Executive Director of Incremental Oil and Gas Ltd, (ASX: IOG) a USA oil and gas producer.

Mr Stowell is a member of the Institute of Chartered Accountants and has a Bachelor of Business degree.

(c) **Garry Perotti**

Executive Director

Mr Perotti is an accountant with over 27 years' experience in corporate finance, financial management, accounting and commercial roles.

Mr Perotti has previously held the position of financial director of a gold mining company listed on the Zimbabwe and JSE stock exchanges and has been company secretary for a number of unlisted and listed companies on the JSE and London Stock Exchanges as well as ASX listed companies since immigrating to Australia in 2008.

Mr Perotti has a Bachelor of Commerce degree from the University of Pietermaritzburg, South Africa.

### **7.3 Publicly available information about the Kula Group**

Kula is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Kula is subject to the Listing Rules which require continuous disclosure of any information Kula has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. The Kula file is available for inspection at ASX during normal business hours.

In addition, Kula is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Kula may be obtained from, or inspected at, an ASIC office.

Sections 4, 6 and 7 include statements which have been made in, or based on statements made in, documents lodged by Kula with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, Kula is not required to consent to, and has not consented to, the inclusion of these statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, free of charge during the bid period and within 2 business days of the request, please contact Geopacific on 08 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST).

Further information relating to Kula may also be included in Kula's target's statement. In addition, a substantial amount of information about Kula is available in electronic form from: [www.kulagold.com.au](http://www.kulagold.com.au).



## **8. INFORMATION ON KULA'S SECURITIES**

### **8.1 Kula's issued securities**

According to documents provided by Kula to ASX, as at the date of this Bidder's Statement, Kula's issued securities consisted of:

- (a) 375,658,028 Kula Shares<sup>15</sup>; and
- (b) 28,616,000 Kula Options, with the following details:<sup>16</sup>
  - (i) 3,189,000 options exercisable at A\$0.17 on or before 8 November 2018;
  - (ii) 1,427,000 options exercisable at A\$0.17 on or before 20 December 2018; and
  - (iii) 24,000,000 options exercisable at A\$0.125 on or before 18 August 2018.

### **8.2 Kula Options**

#### **(a) Details of Kula Options**

According to documents provided by Kula to ASX, Kula has the following options on issue:

- (i) the 3,189,000 Kula Options exercisable at A\$0.17 on or before 8 November 2018 were issued in accordance with Kula's Option Plan (as approved by shareholders on 29 May 2013);
- (ii) the 1,427,000 Kula Options exercisable at A\$0.17 on or before 20 December 2018 were issued to the Kula Directors (as approved by shareholders on 20 December 2013); and
- (iii) the 24,000,000 Kula Options exercisable at A\$0.125 on or before 18 August 2018 were issued under a debt facility (as approved by shareholders on 20 December 2013).

#### **(b) Treatment of Kula Options under the Offer**

According to documents provided by Kula to ASX, all Kula Options are immediately exercisable and therefore Kula Option holders may exercise their Kula Options and accept the Offer in respect of the Kula Shares issued.

Geopacific is not offering to acquire the Kula Options under the Offer and will not make any separate offers to acquire the Kula Options.

As at the date of this Bidder's Statement, the exercise price of all of the Kula Options is materially above the current market price of Kula Shares, as traded on ASX.

<sup>15</sup> See Kula's Appendix 3B released to the ASX on 20 October 2016 and ASX announcement entitled "Results of Renounceable Rights Issue" released on 24 April 2017.

<sup>16</sup> See Kula's Appendix 3B released to the ASX on 22 March 2017.



### 8.3 Substantial holders in Kula Shares

As at the date of this Bidder's Statement, so far as is known to Geopacific based on publicly available information lodged with ASX, the persons who have a Substantial Holding of 5%, or more, of Kula Shares are included in the table below. This information excludes the effect of Kula's Entitlement Issue.

Substantial holder	Voting power
Pacific Road Holdings NV (and its associates)	40.80%
Franklin Advisers, Inc.	16.86%
Geopacific Resources Limited <sup>17</sup>	16.86%
RMB Australia Holdings Limited (and its associates)	13.07%

### 8.4 Geopacific's interests and dealings in Kula securities

#### (a) Geopacific's interests in Kula Shares

As at the date of this Bidder's Statement [and the date of the Offer]:

- (i) Geopacific's voting power in Kula was 16.86%; and
- (ii) Geopacific had a Relevant Interest in 56,291,886 Kula Shares,

As a result of entry into a agreement (**Pre-Bid Agreement**) with Franklin Advisers, Inc. with regards to Kula Shares held by Franklin Advisers, Inc.. Under the Pre-Bid Agreement, Franklin Advisers, Inc. as agreed to accept into the Offer within 21 days after the commencement of the Offer Period. A summary of the material terms of the Pre-Bid Agreement is set out in Section 14.2.

#### (b) Geopacific's dealings in Kula Shares

Except as disclosed in Section 8.4(a) above, neither Geopacific nor any associate of Geopacific has provided, or agreed to provide, consideration for a Kula Share under any purchase or agreement during the 4 months before the date of this Bidder's Statement [and the date of the Offer].

#### (c) Valuation of Geopacific Shares for the purposes of the minimum bid price rule

Geopacific may rely on the provisions of ASIC Corporations (Minimum Bid Price) Instrument 2015/1068. That Instrument provides relief from the requirement in section 621(4) of the Corporations Act and allows a bidder up to five business days before the date of the takeover bid to value quoted securities that it is offering as part of its bid consideration, for the purpose of determining whether the value of Geopacific's bid consideration at least equals the maximum value of consideration paid by Geopacific for Kula Shares in the four months prior to the date of the Offer (described in section 8.4(b) above).

Relying on that relief, Geopacific may value Geopacific Shares to be provided under the Offer at any date nominated by Geopacific (**Valuation Date**) up to five business days before the date of the Offer. The valuation is determined by calculating the VWAP of Geopacific Shares in the ordinary course of trading on ASX during two full trading days before the Valuation Date.

<sup>17</sup> On 5 April 2017, Geopacific entered into a pre-bid agreement with Franklin Advisers, Inc., the details of which are summarised in Section 14.2 of this Bidder's Statement.

Under section 621(4A) (as inserted in the Corporations Act by ASIC Corporations (Minimum Bid Price) Instrument 2015/1068) the following information is provided:

- (i) Valuation of Geopacific Shares under section 621(4A): A\$[0.0375] per Geopacific Share
- (ii) Valuation Date: [27 April] 2017
- (iii) Trading days on which valuation is based: [26 April] 2017 and [27 April] 2017

The value of the Offer Consideration per Kula Share for the purposes of section 621 of the Corporations Act using this valuation is therefore A\$[0.0255].

Geopacific Shares can fall as well as rise and may be subject to varied and unpredictable influences. Accordingly there is no guarantee that 1 Geopacific Share will continue to be worth equal to or above A\$[0.0375].

The highest and lowest closing prices of Geopacific Shares on the ASX in the four months before the Valuation Date were A\$[0.044] and A\$[0.032] respectively.

## 8.5 Kula Directors' interests in Kula securities

So far as Geopacific is aware based on publicly available information lodged on ASX, as at the date of this Bidder's Statement, the Kula Directors have the following Relevant Interests in Kula Securities.

Director	Class of security interest	Number	Nature of security interest
David Frecker	Kula Shares	1,332,581	Kula Shares
	Kula Options	612,000	Kula Options exercisable at A\$0.17 on or before 20 December 2018
Garry Perotti	Kula Shares	630,000	Kula Shares indirectly held through Mrs Terry Perotti
	Kula Options	Nil	
Mark Stowell	Kula Shares	6,829,258	Kula Shares indirectly held through Merchant Holdings Pty Ltd
	Kula Options	291,000	Kula Options exercisable at A\$0.17 on or before 20 December 2018 indirectly held through Merchant Holdings Pty Ltd

## 8.6 Recent share price performance of Kula

The latest recorded sale price of Kula Shares on ASX before the Announcement Date was A\$0.020 as at close of trading on ASX on 4 April 2017.

The latest recorded sale price of Kula Shares on ASX on the date before this Bidder's Statement was lodged with ASIC was A\$0.026.

## **8.7 No pre-Offer benefits**

During the period of 4 months before the date of this Bidder's Statement, neither Geopacific nor any associate of Geopacific gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- (a) accept the Offer; or
- (b) dispose of Kula Shares,

and which is not offered to all holders of Kula Shares under the Offer.

During the period from the date of this Bidder's Statement to the date before the date of the Offer, neither Geopacific nor any associate of Geopacific gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- (c) accept the Offer; or
- (d) dispose of Kula Shares,

and which is not offered to all holders of Kula Shares under the Offer.

## **8.8 No escalation agreements**

Neither Geopacific nor any associate of Geopacific has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

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## 9. SOURCES OF CONSIDERATION

The consideration for the acquisition of the Kula Shares to which the Offer relates will be satisfied by the issue of Geopacific Shares.

The maximum number of Geopacific Shares which would become payable under the Offer if acceptances are received in respect of Kula Shares on issue as at the date of this Bidder's Statement is approximately 255,150,464 Geopacific Shares.

In addition, if holders of all Kula Options on issue as at the date of this Bidder's Statement exercise those Kula Options and accept the Offer in respect of the Kula Shares issued to them, an additional 19,436,256 Geopacific Shares will be issued by Geopacific under the Offer.

Accordingly, the maximum number of Geopacific Shares that Geopacific could be required to issue under the Offer is 274,586,720. Geopacific has the capacity to issue the maximum number of Geopacific Shares which it may be required to issue under the Offer.

## **10. GEOPACIFIC'S INTENTIONS IN RELATION TO KULA**

### **10.1 Introduction**

The intentions of Geopacific are set out in this section 10 of this Bidder's Statement. These intentions have been formed on the basis of facts and information concerning Kula, and the general business environment, which are known to Geopacific at the time of preparing this Bidder's Statement. Final decisions will only be reached by Geopacific in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section 10 are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

### **10.2 Overview and rationale for the Offer**

Both Geopacific and Kula share an interest in the same underlying Project and are both leveraged to its success. As recently acknowledged by the Kula Directors in the Kula Entitlement Issue Prospectus:

*"During the term of the Farm-in Agreement, GPR will be solely responsible for managing the Project. [Kula] has limited rights in relation to GPR's management of the Project during this time and is therefore reliant on GPR management for the success of the Project."<sup>18</sup>*

Accordingly, Kula Shareholders already have an indirect reliance on Geopacific. By accepting this Offer you will become a shareholder in Geopacific with its management team that have direct responsibility for delivering the success of the Woodlark Project.

On achieving a successful takeover of Kula, Geopacific intends to move immediately to create one combined entity and to eliminate:

- (a) complex and overlapping contractual inter-relationships between Geopacific and Kula
- (b) duplication of governance, management and reporting structures; and
- (c) duplication of ASX listing fees and related compliance expenses.

Simplifying the dual ownership structure is the next logical step in advancing the Project for the benefit of the shareholders of both companies.

In addition, Geopacific will be better placed as the full owner of the Woodlark Project to represent and advance the interests of the Woodlark Project with the PNG Government, the Milne Bay Provincial Government and the Woodlark landowners. This could aid interaction on licences and approvals which is imperative to the success of the Woodlark Project.

### **10.3 Intentions for Kula as a wholly-owned controlled entity**

This section 10.3 describes Geopacific's intentions if Geopacific acquires a Relevant Interest in 90% or more of the Kula Shares, and so becomes entitled to proceed to compulsory acquisition of the outstanding Kula Shares in accordance with Part 6A.1 of the Corporations Act.

<sup>18</sup> Page 20 of the prospectus lodged by Kula on 22 March 2017

In that circumstance, Geopacific's current intentions are as follows:

(a) **Corporate matters**

Geopacific intends to:

- (i) proceed with compulsory acquisition of the outstanding Kula Shares in accordance with Part 6A.1 of the Corporations Act;
- (ii) arrange for Kula to be removed from the official list of ASX and converted into a private company; and
- (iii) replace all members of the Kula Board with its own nominees, whom it expects will be members of Geopacific's executive management team.

(b) **General operational review**

After the end of the Offer Period, Geopacific intends to conduct an immediate, broad-based review of Kula's operations on both a strategic and financial level with a view to:

- (i) eliminating all overlapping contractual inter-relationships between Geopacific and Kula;
- (ii) eliminating all duplication of governance, management and reporting structures;
- (iii) eliminating duplication of ASX listing fees and related compliance expenses; and
- (iv) integrating Kula's operations into Geopacific's operational and corporate structure.

In the course of this review, Geopacific intends to focus on a number of key specific areas including (but not limited to) closure of the Kula head office in Perth and integration of the activities and employees from this office into the Geopacific office in Perth where appropriate. Integration of roles may involve some employee redundancies. Any employees that are made redundant as a result of the Takeover Bid would be paid their full entitlements, subject to the terms of their employment.

## **10.4 Intentions for Kula as a part-owned controlled entity**

This section 10.4 describes Geopacific's intentions if it were to declare the Offer unconditional and if Kula becomes a controlled entity of Geopacific, but Geopacific is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Geopacific's current intentions are as follows:

(a) **Corporate matters**

After the end of the Offer Period, Geopacific intends:

- (i) (subject to the Corporations Act and the constitution of Kula) to seek to replace some of the members of the Kula Board with nominees of Geopacific. Geopacific would consider the recommendations in the ASX Corporate Governance Principles and Recommendations when determining the composition of the Kula Board. Replacement Kula Board members have not yet been finally decided by Geopacific and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement Kula Board members will be members of the Geopacific management team; and

- (ii) (subject to continued compliance by Kula with the Listing Rules) to maintain Kula's listing on the ASX (although Kula Shareholders should be aware that in this circumstance the liquidity of Kula Shares on ASX may be materially adversely affected).

It is possible that, even if Geopacific is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act (for example, as a result of acquisitions of Kula Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act). If so, it intends to exercise those rights.

(b) **General operational review**

After the end of the Offer Period, Geopacific intends to propose to the Kula Board that an immediate, broad-based review of Kula's operations be conducted on both a strategic and financial level, along similar lines to that described in section 10.3(b).

Geopacific intends, subject to the approval of the Kula Board, to participate in this review.

(c) **Limitations in giving effect to intentions**

The ability of Geopacific to implement the intentions set out in this section 10.4, will be subject to the legal obligations of the Kula Directors to have regard to the interests of Kula and all Kula Shareholders, and the requirements of the Corporations Act and the Listing Rules relating to transactions between related parties. Geopacific will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

## **10.5 Intentions for Kula if not controlled by Geopacific**

This section 10.5 describes Geopacific's intentions if it were to declare the Offer unconditional and if Kula does not become a controlled entity of Geopacific.

In that circumstance, Geopacific's current intentions are as follows:

(a) **Corporate matters**

After the end of the Offer Period, Geopacific intends (subject to the Corporations Act and the constitution of Kula) to seek to replace some of the members of the Kula Board with nominees of Geopacific. Geopacific would consider the recommendations in the ASX Corporate Governance Principles and Recommendations when determining the composition of the Kula Board. Replacement Kula Board members have not yet been finally decided by Geopacific and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement Kula Board members will be members of the Geopacific management team.

(b) **General operational review**

After the end of the Offer Period, Geopacific intends to propose to the Kula Board that an immediate, broad-based review of Kula's operations be conducted on both a strategic and financial level, along similar lines to that described in section 10.3(b).

Geopacific intends, subject to the approval of the Kula Board, to participate in this review.



(c) **Limitations in giving effect to intentions**

The ability of Geopacific to implement the intentions set out in this section 10.5, will be subject to the legal obligations of the Kula Directors to have regard to the interests of Kula and all Kula Shareholders, and the requirements of the Corporations Act and the Listing Rules relating to transactions between related parties. Geopacific will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

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## **11. AUSTRALIAN TAX CONSIDERATIONS**

### **11.1 Overview**

The following summary is a general overview of the Australian income tax consequences for Kula Shareholders who accept the Offer and dispose of their Kula Shares to Geopacific in accordance with the Offer. The comments set out below are relevant only to those Kula Shareholders who are residents of Australia for tax purposes and hold their Kula Shares on capital account.

Certain Kula Shareholders (such as those engaged in a business of share trading or investment, those who acquired their Kula Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, persons who are temporary residents or non-residents for Australian tax purposes or persons who acquired their Kula Shares in respect of their employment with Kula) will or may be subject to special or different tax consequences particular to their circumstances. Such Kula Shareholders should seek independent taxation advice regarding the disposal of Kula Shares based on their specific circumstances.

The summary is based on taxation law and practice in effect at the date of the Offer. It is not intended to be an authoritative or comprehensive analysis of the taxation laws of Australia, nor does it consider any specific facts or circumstances that may apply to particular Kula Shareholders. Further, it does not deal with the taxation consequences of disposing of Kula Shares which may have been issued under an employee share scheme, which may be subject to specific tax provisions.

Given the complexity of the taxation legislation, Kula Shareholders should seek independent taxation advice regarding the tax consequences of disposing of Kula Shares given the particular circumstances which apply to them.

### **11.2 Kula Shareholders holding Kula Shares on capital account**

Acceptance of the Offer is likely to involve a disposal by a Kula Shareholder of their Kula Shares for CGT purposes.

An Australian-resident Kula Shareholder may make a capital gain or capital loss, depending on whether their capital proceeds from the exchange are more than the cost base of their Kula Shares, or whether those capital proceeds are less than the cost base of those shares.

The capital proceeds that a Kula Shareholder will be taken to have received in respect of the disposal of their Kula Shares will generally be the market value of Geopacific Shares on the date of acceptance of the Offer.

The cost base of Kula Shares will generally be the cost at which they were acquired including any incidental costs of acquisition together with any additional cost base elements.

In broad terms, the Australian income tax consequences for Kula Shareholders who hold their Kula Shares on capital account and who accept the Offer will depend on whether or not 'scrip for scrip' capital gains tax rollover relief (rollover relief) is available and, if available, is elected. The following discussion considers the general Australian income tax consequences for Kula Shareholders where:

- (a) rollover relief is available and is elected; and
- (b) rollover relief is not available or is not elected.

### **11.3 Acceptance of the Offer where rollover relief is available and is elected**

Australian-resident Kula Shareholders may be entitled to rollover relief in respect of the consideration referable to Geopacific Shares where the exchange of the shares would otherwise realise an assessable capital gain. Broadly speaking, rollover relief is available to Australian-resident Kula Shareholders who exchange shares in one company for shares in another company where the transaction is made pursuant to the Offer and provided certain qualifying conditions are satisfied.

In broad terms, these qualifying conditions include the requirement that Geopacific must make an offer to all shareholders in Kula to acquire their voting shares on substantially the same terms and Geopacific must become the owner of at least 80% of the voting shares in Kula as a consequence of the Offer.

If the qualifying conditions are satisfied and an Australian-resident Kula Shareholder elects for rollover relief to apply, the rollover relief is available.

The effect of the rollover relief is that the CGT event for Australian-resident Kula Shareholders (and therefore their respective capital gains) will be deferred until they dispose of some or all of their Geopacific Shares in the future.

The CGT cost base of the new Geopacific Shares acquired in the exchange is determined by reasonably attributing to it the CGT cost base of the Kula Shares for which a rollover was obtained. For example, the CGT cost base for 1 Kula Share will be apportioned to the 0.6792 Geopacific Shares received. Further, the Australian-resident Kula Shareholders will be taken to acquire their Geopacific Shares at the time they originally acquired their Kula Shares (for the purpose of determining any entitlement to a CGT discount (discussed further below) on an otherwise assessable capital gain in relation to a subsequent dealing in their new Geopacific Shares).

As discussed above, rollover relief will only be available if the qualifying conditions are satisfied and Australian-resident Kula Shareholders elect to apply for it. Further, rollover relief is not available if Australian-resident Kula Shareholders realise a capital loss on the disposal of their Kula Shares.

Rollover relief does not apply automatically and must be elected. The election to utilise rollover relief is evidenced by the manner in which the tax return for the relevant income year is prepared although it may be prudent (though not required) to keep a written record of that election with your tax records.

Given the complexity of the provisions governing rollover relief and the various qualifying conditions that need to be satisfied, Kula Shareholders should seek independent taxation advice regarding their particular circumstances.

### **11.4 Acceptance of the Offer where rollover relief is not available or is not elected**

If Kula Shareholders do not elect to obtain rollover relief (or if it is not available), they will need to calculate whether they make a capital gain or capital loss on the disposal of their shares in Kula. As discussed above, this will involve a calculation of their cost base and capital proceeds for their shares in Kula.

Where the amount of capital proceeds received by a Kula Shareholder in respect of the disposal of their Kula Shares is greater than the cost base of those Kula Shares, then the shareholder should realise a capital gain for Australian CGT purposes.

Where the amount of capital proceeds received by a Kula Shareholder in respect of the disposal of their Kula Shares is less than the reduced cost base (broadly the cost of acquiring the shares, not

including certain incidental costs of ownership) of those Kula Shares, then the Kula Shareholder should realise a capital loss for Australian CGT purposes.

Where it is expected that a capital gain will result, if a Kula Shareholder does not elect for rollover relief, or that relief is not available, then individuals, complying superannuation funds and trusts, may be eligible for the CGT discount. Companies that hold shares in Kula are not eligible for the CGT discount.

Specifically, where Kula Shares have been held for at least 12 months (not including the day of acquisition and the day of disposal) before their disposal, a Kula Shareholder who is an individual, a complying superannuation entity or the trustee of a trust should be able to reduce the capital gain arising from the disposal of Kula Shares by the CGT discount (see below).

Subject to the Kula Shareholder having any available capital losses from previous income years or net capital losses in the tax year in which they dispose of their Kula shares, where the CGT discount is available, eligible Kula Shareholders which are individuals or trustees of trusts (excluding complying superannuation entities) will reduce the capital gain arising on the disposal of Kula Shares by one-half. For individuals, this reduced gain should be assessed at the Kula Shareholder's marginal tax rate. Trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains and whether the beneficiaries of such trust distributions may be eligible to receive a CGT discount on any net capital gain distributed.

Subject to the Kula Shareholder having any available capital losses from previous income years or net capital losses in the tax year in which they dispose of their Kula shares, where Kula Shares are held by a complying superannuation entity and the CGT discount is available, the discount will reduce the nominal capital gain on the disposal of the shares by one-third.

The CGT discount is generally applied after taking into account any available capital losses or revenue losses from previous income years or net capital losses or revenue losses in the tax year in which they dispose of their Kula shares. Kula Shareholders having any capital losses or revenue losses from previous income years or net capital losses or revenue losses in the tax year in which they dispose of their Kula Shares should seek independent advice in relation to the potential availability of the CGT discount.

If Geopacific waives the 90% minimum acceptance Condition or declares that the Offer is unconditional and Geopacific does not have a Relevant Interest in at least 80% of Kula Shares, no Kula Shareholder will be entitled to receive scrip for scrip rollover relief.

### **11.5 Kula Shareholders who are companies will not be entitled to the CGT discount**

Companies are not entitled to the CGT discount. The capital gain or capital loss will be calculated with reference to the capital proceeds less the cost base or reduced cost base of the shares. Where a company realises a capital gain, it may be eligible to reduce that gain with capital losses from previous income years, net capital losses in the tax year in which they dispose of their Kula shares or revenue losses (subject to satisfying certain tax loss integrity measures). We recommend that companies seek advice from their professional tax advisor in relation to the availability and deductibility of any tax losses.

### **11.6 GST**

GST should not apply to the disposal of Kula Shares under the Offer, the issue of Geopacific Shares under the Offer, or any subsequent disposal of Geopacific Shares.

Kula Shareholders who are registered for GST purposes may not be entitled to full input tax credits for any GST incurred on costs (e.g. accounting advisors' costs) associated with acquiring or disposing of securities in Geopacific or Kula. Kula Shareholders should seek their own tax advice in this respect.

## **12. EFFECT OF THE OFFER ON GEOPACIFIC AND THE PROFILE OF THE MERGED GROUP**

### **12.1 Introduction**

This section 12 provides a description of the effect of the Offer on Geopacific and a profile of the Merged Group, assuming that Kula becomes a wholly-owned subsidiary of Geopacific. If Geopacific does not acquire at least 90% of the Kula Shares during the Offer Period and therefore does not become entitled to compulsorily acquire the remainder of the Kula Shares, some of the benefits that would otherwise accrue to Geopacific if Kula were to become a wholly-owned subsidiary of Geopacific may not be fully realised.

### **12.2 Disclaimer regarding Kula and the Merged Group information**

In preparing the information relating to Kula and the Merged Group contained in this Bidder's Statement, Geopacific has relied on publicly available information relating to Kula and this has not been independently verified by Geopacific or the Geopacific Directors. Risks may exist in relation to Kula (which may affect the Merged Group) of which Geopacific is unaware. If any material risks are known to the directors of Kula, they must be disclosed in the Target's Statement to be issued by Kula.

Accordingly, subject to any applicable laws, Geopacific makes no representations or warranties (express or implied) as to the accuracy and completeness of such information.

### **12.3 Synergies**

As described in section 10 of this Bidder's Statement, Geopacific intends to conduct a review of Kula's operations on both a strategic and financial level with a view to integrating Kula's operations into Geopacific's operational and corporate structure. This is likely to involve the closure of the Kula head office in Perth and relocation of the activities carried out in this office to Geopacific's Perth office.

This review process is likely to identify synergies that will result in cost savings for the Merged Group.

### **12.4 Prospects of the Merged Group**

The rationale for this Offer is to create one combined entity and to eliminate:

- (a) complex and overlapping contractual inter-relationships between Geopacific and Kula;
- (b) duplication of governance, management and reporting structures; and
- (c) duplication of ASX listing fees and related compliance expenses.

Simplifying the dual ownership structure is the next logical step in advancing the Woodlark Project for the benefit of the shareholders of both companies.

In addition, Geopacific will be better placed as the full owner of the Woodlark Project to represent and advance the interests of the Woodlark Project with the PNG Government, the Milne Bay Provincial Government and the Woodlark landowners. This could aid interaction on licences and approvals which is imperative to the success of the Woodlark Project.



## 12.5 Effect of the Offer on the Merged Group's Mineral Resources and Ore Reserves Estimates

As described in this Bidder's Statement, Kula has reported Mineral Resources and Ore Reserves in respect of the Woodlark Project only.

Given that Geopacific and Kula are joint venture partners to the Woodlark Project, Kula's Mineral Resource and Ore Reserve estimates will not affect the Mineral Resource and Ore Reserve estimates of the Merged Group.

Rather, the reported Mineral Resource and Ore Reserve estimates in respect of the Woodlark Project will be 100% held by Merged Group.

## 12.6 Effect of the Offer on the Merged Group's capital structure

Under the Offer, Geopacific is offering to issue Geopacific Shares to Kula Shareholders (other than Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders).

The effect of the Offer on the capital structure of Geopacific on a post-completion basis is set out in the table below:

Securities	Numbers
<b>Shares</b>	
Current Geopacific Shares <sup>1</sup>	1,155,743,584
Maximum Geopacific Shares to be issued under the Offer <sup>2</sup>	255,150,464
<b>TOTAL</b>	<b>1,410,894,048</b>
<b>Options</b>	
Unlisted options exercisable at \$2.50 on or before the date that is 5 years after the defining on Faddy's Gold Deposit a JORC compliant ore reserve of over 200,000 of contained gold	800,000
Unlisted options exercisable at \$5.00 on or before the date that is 10 years after the defining on Faddy's Gold Deposit a JORC compliant ore reserve of over 1,000,000 of contained gold	200,000
Unlisted options exercisable at \$0.07425 on or before 5 August 2017	1,688,768
<b>TOTAL</b>	<b>2,688,768</b>

Notes:

1. The rights attaching to the Geopacific Shares are summarised in section 6.4 of this Bidder's Statement.
2. Assuming a 100% take up under the Offer (including all Kula Shares issued under the Kula Entitlement Issue), that no Kula Shareholders are Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders and that no Kula Options are exercised or other Kula Shares are issued.

## 12.7 Effect of the Offer on the Merged Group's substantial holders

The substantial holders of Geopacific as at the date of this Bidder's Statement and following completion of the Offer, so far as is known to Geopacific based on publicly available information, are as follows:

Substantial holder	Pre-takeover		Post-takeover	
	Geopacific Shares	% Voting Power	Geopacific Shares	% Voting Power
Resource Capital Fund VI L.P.	366,255,220	31.86%	366,255,220	25.96%
Tembo Capital Coöperatief UA and Ndovu Capital IV B.V.	314,039,174	27.17%	314,039,174	22.26%
Pacific Road Holdings NV (and its associates)	Nil	Nil	104,101,473	7.38%
Franklin Advisers, Inc.	Nil	Nil	43,013,225	3.05%
RMB Australia Holdings Limited (and its associates)	Nil	Nil	33,354,570	2.36%

Notes: The above table assumes that:

1. Kula's substantial holders participated in the Kula Entitlement Issue in full;
2. no Kula Shareholders are Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders, no Geopacific Options are exercised and no Kula Options are exercised or other Kula Shares are issued other than under the Kula Entitlement Issue;
3. Geopacific acquires all Kula Shares; and
4. neither Resource Capital Fund VI L.P. nor Tembo Capital Coöperatief UA and Ndovu Capital IV B.V. hold any Kula Shares.

The above table does not take into account rounding.

## 12.8 Basis for preparation of the unaudited pro forma consolidated statement of financial position of the Merged Group

The profile of the Merged Group will vary depending on the outcome of the Offer. Unless otherwise indicated, the description of the Merged Group assumes that Kula is a wholly owned subsidiary of Geopacific. If Geopacific is not entitled to compulsorily acquire Kula Shares during the Offer Period, some of the benefits that would otherwise accrue to Geopacific if Kula were to become a wholly owned subsidiary of Geopacific may not be fully realised.

Using the 31 December 2016 consolidated financial statements of Geopacific and Kula, and the total value of the Offer, on a pro forma basis the Merged Group is estimate to hold total assets of \$71,070, total liabilities of \$3,172 and net assets of \$67,898. The balance sheet of the Merged Group will depend on the outcome of the Offer.

## 12.9 Pro forma financial information for the Merged Group

	Geopacific 31 December 2016	Kula 31 December 2016	Acquisition of 5% of Woodlark Mining Limited	Kula Rights Issue	Acquisition Adjustments	Merged Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>						
Current Assets						
Cash and cash equivalents	11,469	401	-	536 <sup>b</sup>	(128) <sup>c</sup>	<b>12,278</b>
Trade and other receivables	2,265	104	(1,345) <sup>a</sup>	-	-	<b>1,024</b>
Inventories	-	383	-	-	-	<b>383</b>
<b>Total Current Assets</b>	<b>13,735</b>	<b>888</b>	<b>(1,345)</b>	<b>536</b>	<b>(128)</b>	<b>13,685</b>
Non-current Assets						
Exploration and evaluation expenditure	33,200	34,515	-	-	(24,921) <sup>e</sup>	<b>42,794</b>
Investment	-	-	1,457 <sup>a</sup>	-	(1,457) <sup>d</sup>	-
Prepayment	13,680	-	-	-	-	<b>13,680</b>
Property, plant and equipment	100	811	-	-	-	<b>911</b>
<b>Total Non-current Assets</b>	<b>46,980</b>	<b>35,326</b>	<b>1,457</b>	<b>-</b>	<b>(26,378)</b>	<b>57,385</b>
<b>TOTAL ASSETS</b>	<b>60,715</b>	<b>36,214</b>	<b>112</b>	<b>536</b>	<b>(26,506)</b>	<b>71,070</b>
<b>Liabilities</b>						
Current Liabilities						
Trade and other payables	573	185	-	-	-	<b>758</b>
Provisions	10	-	-	-	-	<b>10</b>
<b>Total Current Liabilities</b>	<b>583</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>768</b>
Non-current Liabilities						
Deferred tax liabilities	2,219	-	-	-	-	<b>2,219</b>
Provisions	-	185	-	-	-	<b>185</b>
<b>Total Non-current Liabilities</b>	<b>2,219</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,404</b>
<b>TOTAL LIABILITIES</b>	<b>2,802</b>	<b>370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,172</b>
<b>NET ASSETS</b>	<b>57,913</b>	<b>35,844</b>	<b>112</b>	<b>536</b>	<b>(26,506)</b>	<b>67,898</b>
<b>Equity</b>						
Issued capital	74,671	151,026	-	536 <sup>b</sup>	(141,560) <sup>d</sup>	<b>84,673</b>
Reserves	1,427	11,343	112	-	(11,343) <sup>d</sup>	<b>1,539</b>
Accumulated losses	(18,186)	(127,982)	-	-	127,854 <sup>d</sup>	<b>(18,314)</b>
<b>Equity attributable to equity holders of parent</b>	<b>57,913</b>	<b>34,387</b>	<b>112</b>	<b>536</b>	<b>(25,049)</b>	<b>67,898</b>
Non-controlling interest	-	1,457	-	-	(1,457) <sup>d</sup>	-
<b>TOTAL EQUITY</b>	<b>57,913</b>	<b>35,844</b>	<b>112</b>	<b>536</b>	<b>(26,506)</b>	<b>67,898</b>

Notes:

- a. As announced in Geopacific's Quarterly Cashflow Report for the period ended 31 March 2017 which was released on 1 May 2017, Geopacific's cash balance was A\$7.9 million. This will have the effect of reducing

the above cash and cash equivalent for the Merged Group to A\$8.708 million. The cash and cash equivalent for Kula is as at 31 December 2016 and does not take into account any quarterly cash flow report which may be lodged by Kula for the period ending 31 March 2017 and released on or about the date of this Bidder's Statement.

- b. To record Geopacific's 5% investment in Woodlark Mining Limited on execution of the Farm-in Agreement on 25 January 2017.
- c. To record the effect of the Kula's Renounceable Rights Issue announced to the ASX on 20 March 2017, assuming a full take up of entitlements and net of transaction costs.
- d. To record the Geopacific's estimated transaction costs in relation to the Offer.
- e. To eliminate Kula's historical equity accounts and Geopacific's minority interest in Woodlark Mining Limited.
- f. To record the fair value adjustment required to assets acquired and liabilities assumed. This will ultimately be determined at the date of closing the transaction.

#### **12.10 Effect of the Offer on the unaudited pro forma statement of financial position**

The unaudited pro forma consolidated statement of financial position incorporates the following pro forma assumptions in relation to Geopacific's proposed acquisition of Kula:

- (a) the issue of 255,150,464 Geopacific Shares at \$0.0392 per Geopacific Share under the Offer;
- (b) the estimated merger costs of \$128,276 in relation to the Offer as outlined in section 14.11 of this Bidder's Statement; and
- (c) the difference between the purchase price and the net assets acquired has been allocated to exploration costs.

#### **12.11 Forecast financial information for the Merged Group**

Geopacific has given consideration as to whether a reasonable basis exists to produce reliable and meaningful information in relation to the Merged Group and has concluded that a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable. This is mainly due to the fact that the Kula assets are at an early stage of development and a reasonable basis does not exist for forecasting production and cost guidance or financial information for these assets.

## **13. RISKS ASSOCIATED WITH THE OFFER**

### **13.1 Introduction**

If the Offer becomes unconditional, Kula Shareholders who accept the Offer will become Geopacific Shareholders,<sup>19</sup> and Geopacific will acquire an interest in Kula. In that event, Kula Shareholders will continue to be indirectly exposed to the risks associated with having an interest in Kula's assets and general economic, share market and industry risks. There are also additional risks relating to the Offer and the Merged Group, to which Kula Shareholders will be exposed through their holding of Geopacific Shares.

### **13.2 Risks relating to the Offer**

#### **(a) Conditions of the Offer**

As described in section 15.8 of the Bidder's Statement, the Offer is subject to a number of Conditions.

Subject to any statutory withdrawal rights that may be available (see section 15.13 of the Bidder's Statement), Kula Shareholders who accept the Offer whilst it still remains conditional will no longer be able to trade their Kula Shares on the ASX or withdraw their acceptance of the Offer. Kula Shareholders should be aware that the market price of Kula Shares may exceed the implied price under the Offer during the Offer Period.

For those Kula Shareholders who accept the Offer and the Conditions remain unsatisfied at the end of the Offer Period and are not otherwise waived by Geopacific, there is no obligation on Geopacific to issue Geopacific Shares to you as consideration for your Kula Shares. In those circumstances, any acceptances of the Offer will be void and you would then be free to deal with your Kula Shares.

#### **(b) Limited withdrawal rights**

As described in section 15.5 of this Bidder's Statement, Kula Shareholders may only withdraw their acceptance of the Offer in limited circumstances. Otherwise, Kula Shareholders will be unable to withdraw their acceptances, even if the value of the Geopacific Shares to be issued to Kula Shareholders as consideration varies from the date of their acceptance.

#### **(c) Issue of Geopacific Shares as the Offer Consideration**

Kula Shareholders are being offered consideration under the Offer that comprises a specified number of Geopacific Shares, rather than a number of Geopacific Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the Geopacific Shares.

Furthermore, if current Geopacific Shareholders or current Kula Shareholders who accept the Offer do not wish to hold shares in the Merged Group and seek to sell their shares, this may have a material adverse effect on the Merged Group and the market price of Geopacific Shares.

<sup>19</sup> If you are a Foreign Kula Shareholder or Unmarketable Parcel Shareholder, you will not receive Geopacific Shares as part of the Offer Consideration. Please see sections 12.11 and 13.7 of this Bidder's Statement for further details.

Accordingly, the market value of the Geopacific Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer. This may result in the value of the consideration to Kula Shareholders increasing as well as decreasing.

(d) **Rollover relief**

A condition of the Offer is that the level of acceptance must result in Geopacific obtaining a Relevant Interest in at least 90% of all Kula Shares. Geopacific reserves the right to free the Offer from the 90% minimum acceptance Condition.

If Geopacific does not acquire a Relevant Interest in at least 80% of Kula Shares, and Geopacific waives the 90% minimum acceptance Condition or declares the Offer to be unconditional, CGT rollover relief will not be available to Kula Shareholders. Refer to section 11 of this Bidder's Statement for further details.

(e) **Acquisition of less than 90% of Kula Shares**

If Geopacific decides to waive the 90% minimum acceptance Condition, it is possible that Geopacific could acquire a Relevant Interest of less than 90% of Kula Shares on issue under the Offer. The existence of a minority interest in Kula may have an impact on the operations of the Merged Group, although this impact will depend upon the ultimate level of Kula ownership acquired by Geopacific.

### 13.3 Risks relating to the Merged Group

(a) **Integration risks**

There are risks that any integration between the businesses of the Geopacific Group and Kula Group may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible inability to achieve synergy benefits and cost savings.

(b) **No alternative source of revenue**

Geopacific's only business is the exploration and pre-development of exploration and mining tenements in Papua New Guinea, Cambodia and Fiji. Until Geopacific is able to realise value from the Tenements, it is likely to incur ongoing operating losses. Geopacific has no other means of generating income (apart from interest) or cash flows.

(c) **Financing**

Future funding will be required by the Merged Group to support its proposed activities. There can be no assurance that such funding (whether it be equity or debt) will be available on satisfactory terms or at all. The Merged Group's capital requirements will depend on numerous factors. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Merged Group is unable to secure additional financing as needed, it may be required to reduce the scope of its operations. There is however, no guarantee that the Merged Group will be able to secure any additional funding or be able to secure funding on terms favourable to the Merged Group.

Further, loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Merged Group may contain covenants, undertakings and other



provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Merged Group would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by Merged Group or default under a finance lease could also result in the loss of assets.

(d) **Resource and reserve estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans that may, in turn, adversely affect the Merged Group's operations.

A Mineral Resource and Ore Reserve estimate has been released for the Woodlark Project by a competent (JORC, industry expert) person. A Mineral Resource estimate has also been released for the Kou Sa Project by a competent (JORC, industry expert) person. To advance these projects, additional work will be required to increase the confidence in the Mineral Resource and Ore Reserve estimate classifications. This work will require additional drilling, assaying and geological investigation. The likelihood of this work adversely affecting the viability of the projects by downgrading the size, tenor and continuity of the Mineral Resource or Ore Reserve is considered low but the consequence of any downgrade could be major.

(e) **Exploration and mining**

The mineral exploration licences comprising the Merged Group's projects are at exploration and feasibility study stage, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that future exploration of these licences, or any other mineral licences that may be acquired in the future, will result in the discovery or realisation of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Merged Group may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Merged Group.

The success of the Merged Group will also depend upon its ability to maintain title to the mineral exploration licences including those licences comprising the Woodlark Project and obtaining and retaining all required approvals for its contemplated development activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Merged Group's projects, a reduction in the cash reserves of the Merged Group and possible relinquishment of one or more of the mineral exploration licences comprising the projects.

(f) **Operational risk**

Mineral exploration activities are subject to numerous risks, many of which are beyond Geopacific's control, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, extended interruptions due to inclement or hazardous adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. The operational risk is likely to be higher in developing countries such as Papua New Guinea, Cambodia and Fiji due to limited access to services, skilled staff and infrastructure relative to developed countries.

While Geopacific intends to maintain insurance within ranges of coverage consistent with exploration industry practice, no assurance can be given that Geopacific will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of operating risks leading to the curtailment, delay or cancellation of Geopacific's operations may result in Geopacific incurring significant financial costs. This may have a material adverse effect on the profitability of Geopacific and ultimately the value of Geopacific and its securities.

(g) **Title risk**

The licences comprising the Merged Group's projects are subject to various local laws, regulations and conditions. Failure to comply with or satisfy these laws, regulations and conditions may render those licences liable to forfeiture or other adverse consequences. There is no guarantee that any licence applications or conversions in which the Merged Group has a current or potential interest will be granted or that the conditions, obligations and terms can be economically complied with. All of the licences will be subject to application for renewal from time to time. All the exploration licences in PNG are initially granted for a period of 2 years with the ability to apply for renewals for a further 2 year period, the special prospecting licences in Fiji can be renewed by approval of the Director of Mines for a period prescribed by the Director of Mines while in Cambodia the licences are initially granted for a period of 3 years with the ability to apply for renewals for a further 2 year period. The Cambodian licence will be due for renewal in March 2019. Renewal of the term of each mining licence is subject to applicable legislation. If any mining licence approval or renewal is delayed or denied for any reason, Geopacific may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that licence.

(h) **Approvals, permits and licences**

The Merged Group's exploration and development activities are subject to extensive laws and regulations relating to numerous matters that include resource licence consent, environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, protection of endangered and protected species, and others. The Merged Group requires permits from regulatory authorities to authorise the Merged Group's operations. These permits relate to exploration, development, production and rehabilitation activities.

Applications for necessary permits must be made to relevant authorities in a timely manner as part of the ordinary course of business. Obtaining the necessary permits can be time consuming and there is a risk that the Merged Group will not obtain them on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining or retaining the necessary permits and complying with those permits and applicable laws and regulations could materially delay or restrict the Merged Group from proceeding with the development of a project or the operation of a mine and/or constructing mineral treatment and processing facilities. Any failure to comply with applicable laws and regulations and permit conditions, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in loss of permits, the suspension of the Merged Group's activities or forfeiture of one or more of the Merged Group's tenements.

(i) **Country risk**

The Merged Group is developing a number of projects in foreign jurisdictions, specifically Papua New Guinea, Cambodia and Fiji. Any future material adverse changes in government policies or legislation in any of those jurisdictions that affect ownership, mineral exploration, development or mining activities, may affect the viability and future profitability of the Merged Group.

The legal systems operating in foreign jurisdictions are different to those operating in Australia and this may result in risks such as:

- (i) different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- (ii) a higher degree of discretion on the part of governmental agencies;
- (iii) differences in political and administrative guidance on implementing applicable rules and regulations, including, in particular, as regards local taxation and property rights;
- (iv) different attitudes of the judiciary and courts, and
- (v) difficulty in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured.

(j) **Commodity price risk**

The future revenue that the Merged Group may derive through the sale of commodities exposes the potential income of the Merged Group to commodity price and exchange rate risks that could impact the Merged Group's income. Commodity prices fluctuate and are affected by many factors that would be beyond the control of the Merged Group. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. These fluctuations could have a material adverse effect on the financial modelling of the Merged

Group's project and could impact its ability to raise finance and undertake development and production activities.

If exploration and development is successful, a substantial source of revenue and operating cash flow of the Merged Group may be derived from the sale of gold from the Woodlark Project. Gold prices have been and will continue to be subject to fluctuation as a result of a number of factors which would be beyond the control of the Merged Group. These include demand for the product, prices agreed by the world's largest producers with their customers, production costs and capacities of other suppliers of gold, the level of competition between producers and end-users of the product. If realised product prices fall, the business, results of operations, financial condition and prospects of the Merged Group could be materially adversely affected.

Future material price declines in the market value of the commodities to be supplied by the Merged Group could cause the continued development of, and eventually the commercial production from, the Merged Group's projects to be uneconomic. Depending on the price of these commodities, the Merged Group could be forced to discontinue production or development and may lose its interest in, or be forced to sell, some of its properties. There is no assurance that, even as commercial quantities of the commodities are produced, a profitable market will exist for them.

Geopacific will appropriately monitor and assess such risks and may from time to time implement measures, such as commodity hedging, to manage these risks. However, the implementation of such measures cannot be assured of eliminating all such risks and the measures themselves may expose Geopacific to related risks.

(k) **Exchange rate risk**

A substantial portion of exploration expenditures, future development costs and future income will be denominated in foreign currency which exposes the Merged Group to exchange rate risks. Exchange rates fluctuate and are affected by many factors beyond the control of the Merged Group including macroeconomic and global market conditions.

Geopacific will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign currency hedging, to manage these risks. However, the implementation of such measures cannot be assured of eliminating all such risks and the measures themselves may expose Geopacific to related risks.

(l) **Environmental risk**

As with most exploration projects and mining operations, Geopacific's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is Geopacific's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. However, the legal framework governing environmental laws is constantly changing and compliance may be difficult, costly and result in delays to project activities.

Mining, development and exploration can be potentially environmentally hazardous, giving rise to potentially substantial costs for environmental rehabilitation, damage control and losses. The Merged Group will be subject to environmental laws and regulations in connection with its operations and could be subject to liability due to risks inherent in its activities, including unforeseen circumstances.

(m) **Regulatory risks**

Geopacific's operations are subject to various Federal, State and local laws and plans including those relating to mining, prospecting, development, permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, land access, mine safety and occupational health.

Approvals, licences and permits required to comply with such rules may, in some instances, be subject to the discretion of the applicable government or government officials, and, in some cases, the local community. No assurance can be given that Geopacific will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, Geopacific may be curtailed or prohibited from continuing or proceeding with production and exploration.

(n) **Water sources**

The effects of changes in rainfall patterns, water shortages and changing storm patterns and intensities may adversely impact the costs and operational activities of the Merged Entity. There is no guarantee that there will be sufficient future rainfall to support Geopacific's future water demands in relation to its sites and operations, and this could adversely affect production and Geopacific's ability to develop or expand projects and operations in the future. In addition, there can be no assurance that Geopacific will be able to obtain alternative water sources on commercially reasonable terms or at all in the event of prolonged drought conditions.

(o) **Weather and climatic conditions**

Some of Geopacific's sites and operations may be subject from time to time to severe storms and high rainfall leading to flooding and associated damage which may result in development delays to or future loss of production.

(p) **Insurance risk**

Geopacific currently maintains insurance coverage. No assurance can be given that the Merged Group will continue to be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover all claims.

(q) **Community relations**

Geopacific has an established community relations function, both at a corporate and operational levels. Geopacific recognises that a failure to appropriately manage local community stakeholder expectations may lead to dissatisfactions which have the potential to disrupt production, development and exploration activities.

## 13.4 General risks

(a) **Economic conditions**

Factors such as (but not limited to) political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, foreign exchange rates, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on

Geopacific's operating costs, profit margins and share price. These factors are beyond the control of Geopacific and Geopacific cannot, to any degree of certainty, predict how they will impact on Geopacific.

Prolonged deterioration in general economic conditions could potentially have an adverse impact on Geopacific and its operations.

**(b) Share market conditions**

Share market conditions may affect the value of Geopacific Shares regardless of Geopacific's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and mining stocks in particular. Neither Geopacific nor the Geopacific Directors warrant the future performance of Geopacific or any return on an investment in Geopacific.

**(c) Forward looking information**

Certain information in this Bidder's Statement constitutes forward looking information that is subject to risks and uncertainties and a number of assumptions, which may cause the actual expenditure and achievement of milestones and other outcomes of the combined group to be different from the expectations expressed or implied in this Bidder's Statement.



## 14. ADDITIONAL INFORMATION

### 14.1 Date for determining holders of Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

### 14.2 Pre-bid Agreement

As announced on 5 April 2017, Geopacific has entered into an agreement with Franklin Advisers, Inc., pursuant to which Franklin Advisers, Inc. has agreed to accept into the Offer in respect of the 56,291,886 Kula Shares (representing 16.86% of all Kula Shares on issue as at the date of this Bidder's Statement) within 21 day after the commencement of the Offer Period (**Acceptance Date**).

Franklin Advisers, Inc.'s obligation to accept into the Offer will be released:

- (a) if, before the earlier of its acceptance into the Offer and the Acceptance Date, a competing bid is announced under which the consideration per Kula Share would be more than the consideration under the Offer (or any revised Offer announced by Geopacific prior to the competing bid being announced) and on other conditions no less favourable to Kula Shareholders than the conditions attaching to the Offer (**a Higher Competing Bid**). However, if a Higher Competing Bid is announced prior to the Acceptance Date, Geopacific will have ten Business Days to increase the consideration under the Offer to at least match the High Competing Bid;
- (b) if, prior to acceptance of the Offer by Franklin Advisers, Inc., the Takeovers Panel makes a declaration of unacceptable circumstances in respect of the Offer; or
- (c) unless otherwise terminated in accordance with the Pre-bid Agreement, on 31 August 2017 (or such later date agreed to by the parties, acting reasonably).

Geopacific has agreed to indemnify and hold harmless Franklin Advisers, Inc. and its affiliates for any reasonable costs and expenses incurred in connection with the Pre-bid Agreement, including any costs and expenses incurred in connection with any Takeovers Panel proceedings.

### 14.3 Farm-in Agreement

As announced on 30 January 2017, Geopacific has entered into an agreement with Kula and Woodlark Mining Limited (**WML**), the entity that holds a 100% interest in the Woodlark Project, pursuant to which Geopacific and Kula agreed to form a Joint Venture in relation to operations on the Woodlark Project (**Farm-in Agreement**). A summary of certain key terms of the Farm-in Agreement is set out below. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of each of Geopacific and Kula under the Farm-in Agreement.

- (a) (**Farm-in Rights**) Under the Farm-in Agreement, Geopacific has the right to earn up to a 75% interest in the issued share capital of WML (**WML Shares**) in three stages:
  - (i) (**Stage One**): upon execution Geopacific earned the first farm-in interest in 5% of the issued share capital of WML (**First Farm-in Interest**).
  - (ii) (**Stage Two**): Geopacific may earn an additional:



- (A) 35% interest in WML (**Second Farm-in Interest**) (resulting in an aggregate interest of 40%) by:
  - (1) providing loans to WML for a total amount of at least \$8,000,000; and
  - (2) causing WML to incur and spend a minimum of \$8,000,000 in undertaking the minimum work program, meeting expenditure requirements and exploration activities on the Project's tenements held by WML (**Project Operations**); or
- (B) 46% interest in WML (**Alternative Second Farm-in Interest**) (resulting in an aggregate interest of 51%) by:
  - (1) carrying out exploration activities which achieve a JORC compliant reserve of 1,200,000 ounces of gold (**Incentive Target**); and
  - (2) providing loans to WML for a total amount sufficient for the purposes of carrying out the exploration activities to achieve the Incentive Target,

by 25 January 2019 (**Second Farm-in Period**).

- (iii) (**Stage Three**) Upon completion of Stage Two, Geopacific must issue a notice to Kula stating whether it wishes to earn a further term-in interest in WML (**Third Farm-in Election Notice**). If Geopacific elects to earn a further interest in WML, it may increase its interest in WML to:

- (A) 60% (**Third Farm-in Interest**) by:
  - (1) providing loans to WML for a total amount of at least \$10,000,000; and
  - (2) causing WML to incur and spend a minimum of \$10,000,000 in undertaking the Project Operations; or
- (B) 75% (**Alternative Third Farm-in Interest**) by:
  - (1) achieving the Incentive Target;
  - (2) completing a bankable feasibility study in respect of the Project which shows that the Project is economically viable; and
  - (3) providing loans to WML for a total amount sufficient for the purposes of carrying out the exploration activities to achieve the Incentive Target and complete the bankable feasibility study,

within 24 months from the date Kula receives the Third Farm-in Election Notice (**Third Farm-in Period**).

- (b) (**Buyback Rights**) In the event that Geopacific does not satisfy the requirements of Stage Two or Stage Three within the Second Farm-in Period or Third Farm-in Period (as applicable), Kula shall have the right to buy-back Geopacific's interests in WML within 30

days following the end of the Second Farm-in Period or Third Farm-in Period (as applicable).

Geopacific may, at any time during the Second Farm-in Period or Third Farm-in Period, withdraw from the Farm-in Agreement by giving Kula and WML 30 days written notice of its intention. At the end of the 30 day period, Kula will have the right to buy-back Geopacific's interest in WML, and Geopacific will not be obliged to fund or carry out any further work on the Woodlark Project.

- (c) **(PNG Government Funding)** The Papua New Guinea Government (**PNG Government**) has agreed to purchase and fund equity to WML at the time of financial commitment to mine development, in consideration for a 5% interest in WML, which will be taken from Kula's interest in WML.
- (d) **(Manager)** During the term of the Farm-in Agreement Geopacific will be the manager of the Woodlark Project, being solely responsible for contributing funds to WML for capital expenditure, maintaining relations with the PNG Government, managing and carrying out the Project Operations and applying for all necessary permits, tenements and approvals for continuance of the Woodlark Project.
- (e) **(Board appointments)** Upon execution of the Farm-in Agreement, Geopacific has the right to appoint one director to WML, and will obtain the right to appoint another director upon completion of the Stage Two.
- (f) **(Termination)** The Farm-in Agreement will automatically terminate, without any further action required, if:
  - (i) the Second Farm-in Period expires and Geopacific fails to meet its requirements under the Second Farm-in Interest or Alternative Second Farm-in Interest;
  - (ii) Geopacific issues Third Farm-in Election Notice which specifies that Geopacific does not wish to earn a further interest;
  - (iii) Geopacific acquires the Third Farm-in Interest or Alternative Third Farm-in Interest;
  - (iv) the Third Farm-in Period expires and Geopacific fails to meet its requirements under the Third Farm-in Interest or Alternative Third Farm-in Interest;
  - (v) Kula exercises its Buy-back Rights (as described in paragraph (b) above); or
  - (vi) Kula and Geopacific mutually agree to the terminate the Farm-in Agreement.

#### 14.4 Shareholders Agreement

As announced on 30 January 2017, Geopacific and Kula have entered into an agreement to govern their rights and obligations in relation to their respective holdings in WML upon termination of the Farm-in Agreement (**Shareholders Agreement**). A summary of certain key terms of the Shareholders Agreement is set out below. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of each of Geopacific and Kula under the Shareholders Agreement.

- (a) **(Commencement)** The Shareholders Agreement comes into force and effect on and from the date that the Farm-in Agreement terminates and Geopacific retains an interest in WML.

- (b) **(PNG Equity)** Geopacific and Kula acknowledge and agree that the PNG Government will provide equity funding to WML and in consideration will obtain a 5% interest in WML to be transferred to the Milne Bay Provincial Government (**MBPG**) and the Woodlark landowners (**Landowners**).
- (c) **(Directors)** Geopacific and Kula may appoint two directors each and require the removal or substitution of any their own nominee directors. Any other shareholder may appoint one director and require the removal or substitution of their own director. A nominee director must resign where the nominating shareholder ceases to hold an interest in WML.
- (d) **(Programs and Funding)** Operations at the Woodlark Project are to be funded as follows:
  - (i) **(Debt Funding):** The shareholders agree to encumber their shares in WML for the purposes of allowing WML to procure debt funding to meet the cost of mining operations under the bankable feasibility study.
  - (ii) **(Equity Funding)** Any additional funding required to meet the mining operations will be funded in advance by Geopacific and Kula in proportion to their shareholdings in WML. If Kula cannot demonstrate to Geopacific it has sufficient funding available then:
    - (A) Geopacific must procure funding to enable Geopacific to fund both Kula's and its own share of the Equity Funding; and
    - (B) Kula will transfer an additional 5% interest in WML to Geopacific.

If the MBPG and the Landowners are shareholders in WML prior to a decision to mine, each shall be responsible for funding their respective share of the Equity Funding, based on their respective shareholdings in WML.
  - (iii) **(Cash Calls)** WML may issue a cash call not more than one month prior to the commencement of any quarter (the quarter starting 1 January), to each shareholder for its share of estimated company expenditure which WML anticipates will be incurred during that quarter. Cash calls must be paid within 15 business days of receipt. Failure to contribute to a cash call will dilute the shareholder's interests in accordance with a prescribed formula in the Shareholders Agreement.
  - (iv) **(Decision to Mine)** After the Debt Funding and Equity Funding are available, WML must prepare a financing plan, accompanied by the bankable feasibility study, to be considered by the Board in making a decision to mine.
- (e) **(Board Reporting)** the Board will inform shareholders by providing a monthly report which sets out the expenditure, work undertaken, commitments and purchase orders entered into within that month, management accounts, any results from exploration activities and any material environment, safety or community relations issues. Additionally the Board will have the obligation to inform shareholders of any information that would have a material effect on the price or value of WML securities.
- (f) **(Tag Along Option)** If a third party offers to purchase all WML Shares held by a shareholder with an interest greater than 50% (**Vendor**), the other shareholders will have the right to require the Vendor to cause the third party to purchase all of their WML Shares. If the third party does not purchase the other shareholders' WML Shares then the Vendor may not sell or transfer any of its WML Shares to the third party.

- (g) **(Drag Along Option)** If shareholders with more than 50% of the WML Shares (**Majority Shareholders**) have agreed to jointly sell all of their WML Shares to a third party, the Majority Shareholders have the option to require the other shareholders (except the entities who hold the PNG Equity) (**Minority Shareholders**) to transfer to that third party all of their WML Shares on the same terms of sale as applicable to the Majority Shareholders.
- (h) **(Event of Default)** If an event of default occurs then the defaulting shareholder is deemed to have granted a call option to non-defaulting shareholders to acquire all of the WML Shares held by the defaulting shareholder, on a pro-rata basis. Where non-defaulting shareholders do not exercise the call-option, WML is entitled to sell the defaulting shareholder's WML Shares and assign any loans from that defaulting shareholder to a third party.
- (i) **(Termination)** The Shareholders Agreement has no definite term and will terminate automatically where:
  - (i) one shareholder becomes the holder of all WML Shares and all rights to subscribe for or convert a security into further WML Shares; or
  - (ii) the shareholders mutually agree to terminate the Shareholders Agreement.

## 14.5 Consents

Boardroom Pty Limited as Geopacific's share registrar for the Offer has given, and has not, before the date of this Bidder's Statement (being the date this Bidder's Statement is lodged with ASIC), withdrawn their consent to be named in this Bidder's Statement in the form and context in which it is so named.

Other than as specifically outlined above, Boardroom Pty Limited has not caused or authorised the issue of this Bidder's Statement and does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Xavier Group Pty Ltd has given, and has not, before the date of this Bidder's Statement (being the date this Bidder's Statement is lodged with ASIC), withdrawn their consent to be named in section 14.9 of this Bidder's Statement in the form and context in which it is so named.

Other than as specifically outlined above, Xavier Group Pty Ltd has not caused or authorised the issue of this Bidder's Statement and does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and to the maximum extent permitted by law, expressly disclaims takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

This Bidder's Statement also includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, free of charge, during the bid period, and within 2 business days of the request, please contact Geopacific on (08) 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST).

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Bidder's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Bidder's Statement contains share price trading data sourced from IRESS without that party's consent.

## **14.6 Competent Person statements**

### **(a) Competent Person statement**

The information in this Bidder's Statement that relates to Mineral Resources and Ore Reserves for the Woodlark Project is extracted from the 2016 annual report released by Kula on 3 April 2017 (**2016 Kula Annual Report**) and is available to view at [www.asx.com.au](http://www.asx.com.au). The Mineral Resources reported under the 2012 JORC Code were initially released by Kula on 31 January 2017.

Pursuant to the 2016 Kula Annual Report, Kula confirmed that it is not aware of any new information or data that materially affects the information included in the above announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

### **(b) Competent Person statement**

The information in this Bidder's Statement that relates to Mineral Resources for the Kou Sa Project is extracted from the ASX announcement entitled "Kou Sa: Status & Initial Resource Estimate" released on 6 July 2016 and is available to view at [www.geopacific.com.au](http://www.geopacific.com.au). Geopacific confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Geopacific confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

## **14.7 Social security and superannuation implications of Offer**

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

## **14.8 Disclosure of interests of certain persons**

Other than as set out elsewhere in this Bidder's Statement no:

- (a) director or proposed director of Geopacific;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (c) promoter of Geopacific; or

- (d) underwriter to the issue of Geopacific Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of Geopacific Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- (a) the formation or promotion of Geopacific;
- (b) property acquired or proposed to be acquired by Geopacific in connection with its formation or promotion, or the offer of Geopacific Shares under the Offer; or
- (c) the offer of Geopacific Shares under the Offer.

#### 14.9 Disclosure of fees and benefits received by certain persons

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (a) to a director or proposed director of Geopacific to induce them to become, or to qualify as, a director of Geopacific; or
- (b) for services provided by an Interested Person in connection with the formation or promotion of Geopacific or the offer of Geopacific Shares under the Offer.

Mr Milan Jerkovic is a director and shareholder of Xavier Group Pty Ltd, which has provided corporate services to Geopacific in connection with the Offer. Fees paid to Xavier Group Pty Ltd are estimated to be approximately \$50,000 (exclusive of GST).

#### 14.10 Disclosure of interests of directors

##### (a) Interests in Geopacific securities

As at the date of this Bidder's Statement, the Geopacific Directors have the following Relevant Interests in Geopacific securities:

Director	Geopacific Shares	Geopacific Options
Milan Jerkovic	10,418,889	Nil
Ron Heeks	7,523,757	Nil
Philippa Leggat	Nil	Nil
Mark Bojanjac	3,416,666	Nil
Ian Clyne	Nil	Nil

##### (b) Interests in Kula securities

As at the date of this Bidder's Statement, none of the Geopacific Directors has any Relevant Interest in Kula securities.

##### (c) Fees and benefits of Directors

The Constitution of Geopacific provides that the Directors may be paid for their services as Directors. Non-executive Directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by Geopacific in general meeting, to be divided among the Non-executive Directors and in default of agreement then in equal shares.

In the two years preceding lodgement of this Bidder's Statement, approximately \$1,055,787 (excluding GST where applicable) has been paid by Geopacific by way of



remuneration for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of Geopacific and other miscellaneous expenses.

#### 14.11 Expenses of the Offer

The total amount of cash that Geopacific may become obliged to pay to satisfy all expenses incurred by Geopacific and relating to the Offer will be provided from Geopacific's existing cash balances.

Geopacific estimates it will incur fees for services provided in connection with the Offer, including for legal, taxation, financial advisors, share register and ASX and other professional fees, and advisory fees payable by Geopacific if the Offer becomes unconditional, in the amount of approximately \$128,276 (excluding GST).

Description	\$
ASX listing fees for new Geopacific Shares	\$20,676
Legal and corporate fees	\$105,350
Other	\$2,250
<b>TOTAL</b>	<b>\$128,276</b>

#### 14.12 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

#### 14.13 Foreign jurisdictions

The distribution of this Bidder's Statement in jurisdictions outside Australia may be restricted by law, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Bidder's Statement does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Geopacific disclaims all liabilities to such persons.

Except to the extent set out in this document, no action has been taken to register or qualify Geopacific or to otherwise permit an offering of Geopacific Shares outside Australia.

#### 14.14 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Kula Shareholder whether or not to accept the Offer; and
  - (b) known to Geopacific,
- which has not previously been disclosed to Kula Shareholders.



## **15. THE TERMS AND CONDITIONS OF THE OFFER**

### **15.1 Offer**

- (a) Geopacific offers to acquire all of Your Kula Shares on and subject to the terms and conditions set out in this section 15 of this Bidder's Statement.
- (b) The consideration under the Offer is 1 Geopacific Share for every 1.4723 of Your Kula Shares. If this calculation results in an entitlement to a fraction of an Geopacific Share, that fraction will be rounded down to the nearest whole number of Geopacific Shares.
- (c) If, at the time this Offer is made to you, you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder, then, despite any other provision of this Offer, you will not receive Geopacific Shares as part of the Offer Consideration. Instead, you will receive a cash amount determined in accordance with section 15.7 of this Bidder's Statement.
- (d) The Geopacific Shares to be issued are ordinary shares in Geopacific and will be credited as fully paid and have the rights summarised in section 6.4 of this Bidder's Statement.
- (e) By accepting this Offer, you undertake to transfer to Geopacific not only the Kula Shares to which the Offer relates, but also all Rights attached to those Kula Shares (see section 15.5(c)(vi) and section 15.6(c)).
- (f) This Offer is being made to each person registered as the holder of Kula Shares in the register of Kula Shareholders at 5.00pm (WST) on the Register Date. It also extends to:
  - (i) holders of securities that come to be Kula Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and
  - (ii) any person who becomes registered, or entitled to be registered, as the holder of Your Kula Shares during the Offer Period.
- (g) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Kula Shares, then:
  - (i) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Kula Shares;
  - (ii) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Kula Shares you hold to which the Offer relates; and
  - (iii) this Offer will be deemed to have been withdrawn immediately at that time.
- (h) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Kula Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as this Offer had been made in relation to each of those distinct parcels and any distinct parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of

this Bidder's Statement and/or the Acceptance Form, please call Geopacific on 08 6143 1820 (within Australia) or +61 8 6143 1820 (from outside of Australia), Monday to Friday between 8.30am to 5.30pm (WST) to request those additional copies.

- (i) If Your Kula Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.
- (j) The Offer is dated [●] 2017.

## 15.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5.00pm (WST) on the later of:
  - (i) [●] 2017; or
  - (ii) any date to which the Offer Period is extended.
- (b) Geopacific reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (i) the Offer is varied to improve the consideration offered; or
  - (ii) Geopacific's voting power in Kula increases to more than 50%,
 then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

## 15.3 How to accept this Offer

- (a) **General**
  - (i) Subject to section 15.1(g) and section 15.1(h), you may accept this Offer only for all of Your Kula Shares.
  - (ii) You may accept this Offer at any time during the Offer Period.
- (b) **Shares held in your name on Kula's issuer sponsored subregister**

To accept this Offer for Kula Shares held in your name on Kula's issuer sponsored subregister (in which case your Securityholder Reference Number will commence with 'I'), you must:

  - (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
  - (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.
- (c) **Shares held in your name in a CHESS Holding**
  - (i) If Your Kula Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your Controlling Participant (for Kula Shareholders who are not institutions, this is normally the stockbroker either through whom you bought your Kula Shares or through whom you ordinarily

acquire shares on the ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

- (ii) If Your Kula Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (iii) Alternatively, to accept this Offer for Kula Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.
- (iv) If Your Kula Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASX Settlement Operating Rules.

**(d) Shares of which you are entitled to be registered as holder**

To accept this Offer for Kula Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

**(e) Acceptance Form and other documents**

- (i) The Acceptance Form forms part of the Offer.
- (ii) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by Geopacific at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (iii) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration to which you are entitled until your original Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received at one of the addresses shown on the Acceptance Form.
- (iv) When using the Acceptance Form to accept this Offer in respect of Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form)

are received by Geopacific in time for Geopacific to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

- (v) The postage and transmission of the Acceptance Form and other documents is at your own risk.

## **15.4 Validity of acceptances**

- (a) Subject to this section 15.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 15.3.
- (b) Geopacific will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. Geopacific is not required to communicate with you prior to or after making this determination. The determination of Geopacific will be final and binding on all parties.
- (c) Notwithstanding sections 15.3(b), 15.3(c), 15.3(d) and 15.3(e), Geopacific may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Kula Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Geopacific.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Kula Shares, Geopacific may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Kula Shares but not the remainder.
- (e) Geopacific will provide the consideration to you in accordance with section 15.6, in respect of any part of an acceptance determined by Geopacific to be valid.

## **15.5 The effect of acceptance**

- (a) Once you have accepted the Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Kula Shares from the Offer or otherwise dispose of Your Kula Shares, except as follows:
  - (i) if, by the relevant times specified in section 15.5(b), the conditions in section 15.8 of this Bidder's Statement have not all been fulfilled or freed, this Offer will automatically terminate and Your Kula Shares will be returned to you; or
  - (ii) if the Offer Period is extended for more than one month and the obligations of Geopacific to deliver the consideration are postponed for more than 1 month and, at the time, this Offer is subject to one or more of the conditions in section 15.8, you may be able to withdraw your acceptance and Your Kula Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 15.5(a)(i) are:
  - (i) in relation to the condition in section 15.8(d), the end of the third Business Day after the end of the Offer Period; and

- (ii) in relation to all other conditions in section 15.8, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 15.3, you will be deemed to have:
  - (i) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in section 15.8 being fulfilled or freed and agreed to transfer to Geopacific all of Your Kula Shares (even if the number of Kula Shares specified on the Acceptance Form differs from the number of Your Kula Shares), subject to section 15.1(g) and section 15.1(h);
  - (ii) represented and warranted to Geopacific, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Kula Shares (including any Rights) to Geopacific is registered, that all Your Kula Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Kula Shares (including any Rights) to Geopacific, and that you have paid to Kula all amounts which at the time of acceptance have fallen due for payment to Kula in respect of Your Kula Shares;
  - (iii) irrevocably authorised Geopacific (and any director, secretary, nominee or agent of Geopacific) to alter the Acceptance Form on your behalf by inserting correct details relating to Your Kula Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Geopacific to make it an effective acceptance of this Offer or to enable registration of Your Kula Shares in the name of Geopacific;
  - (iv) if you signed the Acceptance Form in respect of Kula Shares which are held in a CHESS Holding, irrevocably authorised Geopacific (or any director, secretary, nominee or agent of Geopacific) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Kula Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
  - (v) if you signed the Acceptance Form in respect of Kula Shares which are held in a CHESS Holding, irrevocably authorised Geopacific (or any director, secretary, nominee or agent of Geopacific) to give any other instructions in relation to Your Kula Shares to your Controlling Participant, as determined by Geopacific acting in its own interests as a beneficial owner and intended registered holder of those Kula Shares;
  - (vi) irrevocably authorised and directed Kula to pay to Geopacific, or to account to Geopacific for, all Rights in respect of Your Kula Shares, subject, if this Offer is withdrawn, to Geopacific accounting to you for any such Rights received by Geopacific;
  - (vii) irrevocably authorised Geopacific to notify Kula on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Kula Shares is the address specified by Geopacific in the notification;



- (viii) whether or not the Offer or the contract resulting from your acceptance of the Offer has become unconditional, to have irrevocably appointed Geopacific (and any director, secretary or nominee of Geopacific) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Kula Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings and all court convened meetings of Kula and to request Kula to register, in the name of Geopacific or its nominee, Your Kula Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
- (ix) with effect from the date on which all the conditions to this Offer in section 15.8 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting or any court-convened meeting of Kula or to exercise or purport to exercise any of the powers and rights conferred on Geopacific (and its directors, secretaries and nominees) in section 15.5(c)(viii);
- (x) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 15.5(c)(viii), the attorney will be entitled to act in the interests of Geopacific as the beneficial owner and intended registered holder of Your Kula Shares;
- (xi) agreed to do all such acts, matters and things that Geopacific may require to give effect to the matters the subject of this section 15.5(c) (including the execution of a written form of proxy to the same effect as this section 15.5(c) which complies in all respects with the requirements of the constitution of Kula) if requested by Geopacific;
- (xii) agreed to indemnify Geopacific in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of Your Kula Shares to Geopacific being registered by Kula without production of your Holder Identification Number or your Securityholder Reference Number for Your Kula Shares;
- (xiii) represented and warranted to Geopacific that, unless you have notified it in accordance with section 15.1(h), Your Kula Shares do not consist of separate parcels of Kula Shares;
- (xiv) irrevocably authorised Geopacific (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer Your Kula Shares to Geopacific's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer;
- (xv) agreed, subject to the conditions of this Offer in section 15.8 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Geopacific may consider necessary or desirable to convey Your Kula Shares registered in your name and Rights to Geopacific; and
- (xvi) agreed to accept the Geopacific Shares to which you have become entitled by acceptance of this Offer subject to the constitution of Geopacific and have

authorised Geopacific to place your name on its register of shareholders in respect of those Geopacific Shares.

- (d) The undertakings and authorities referred to in section 15.5(c) will remain in force after you receive the consideration for Your Kula Shares and after Geopacific becomes registered as the holder of Your Kula Shares.

## 15.6 Payment of consideration

- (a) Subject to sections 15.4(b), 15.6 and 15.7 and the Corporations Act, Geopacific will provide the consideration due to you for Your Kula Shares on or before the earlier of:
  - (i) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
  - (ii) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
  - (i) if that document is given with your Acceptance Form, Geopacific will provide the consideration in accordance with section 15.6(a);
  - (ii) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, Geopacific will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
  - (iii) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, Geopacific will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of the Offer Period; or
  - (iv) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, Geopacific will provide the consideration within 21 days after that document is given. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, Geopacific will provide the consideration due to you within 21 days after the Offer becomes unconditional.
- (c) If you accept this Offer and it becomes or is declared unconditional, Geopacific is entitled to all Rights in respect of Your Kula Shares. Geopacific may require you to provide all documents necessary to vest title to those Rights in Geopacific, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Geopacific, or if you have (or any previous owner of Your Kula Shares has) received the benefit of those Rights, Geopacific will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Geopacific) of those Rights and any such deduction will be made from any Geopacific Shares otherwise due to you on the basis that one Geopacific Share is worth A\$0.042, being the closing price of Geopacific Shares on the trading day prior to the announcement of the Offer.



- (d) If you have accepted the Offer and you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder, you will receive your share of the proceeds from the sale of the Geopacific Shares in accordance with section 15.7.
- (e) Payment of any cash amount to which you are entitled under the Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to the address as shown either, at the discretion of Geopacific, on your Acceptance Form, or on the register copy supplied by Kula from time to time.
- (f) The obligation of Geopacific to issue and allot any Geopacific Shares to which you are entitled will be satisfied by Geopacific:
  - (i) entering your name on the register of members of Geopacific; and
  - (ii) dispatching or procuring the dispatch to you by pre-paid post to your address recorded in Kula's register of members at 5.00pm (WST) on the Register Date, an uncertificated holding statement in your name. If Your Kula Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in Kula's register of members at 5.00pm (WST) on the Register Date.
- (g) If at the time you accept the Offer, any authority, clearance or approval is required for you to receive any consideration for Your Kula Shares, including (but not limited to) any authority, clearance or approval of:
  - (i) the Reserve Bank of Australia (whether under the *Banking (Foreign) Exchange Regulations 1959* (Cth) or otherwise);
  - (ii) the Minister for Foreign Affairs (whether under the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) or any other regulations made thereunder, or otherwise);
  - (iii) the ATO; or
  - (iv) any other person as required by any other law of Australia that would make it unlawful for Geopacific to provide any consideration for Your Kula Shares,

then you will not be entitled to receive any consideration for Your Kula Shares until all requisite authorities, clearances or approvals have been received by Geopacific.

## 15.7 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders

- (a) If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder, you will not be entitled to receive Geopacific Shares as part of the Offer Consideration for Your Kula Shares as a result of accepting this Offer, and Geopacific will:
  - (i) arrange for the issue to a nominee approved by ASIC (the **Nominee**) of the number of Geopacific Shares to which you and all other Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders would have been entitled but for section 15.1(c). Geopacific may arrange for the Geopacific Shares to be issued to the Nominee in tranches. Geopacific has the sole and complete discretion as to when and in how many batches to aggregate the Geopacific Shares to be issued as a result of acceptances;

- (ii) cause the Geopacific Shares so issued to be offered for sale by the Nominee (in one or more tranches) on ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
- (iii) cause the Nominee to pay to you the amount ascertained in accordance with the formula, being your pro rata share of the proceeds from the Geopacific Shares sold in the relevant sale tranche, less brokerage and sale expenses:

$$\frac{N \times YS}{TS}$$

where:

**N** is the amount which is received by the Nominee upon the sale of the Geopacific Shares in the relevant tranche under this section 15.7 less brokerage and sale expenses;

**YS** is the number of Geopacific Shares which would, but for section 15.1(c), otherwise have been allotted to you; and

**TS** is the total number of Geopacific Shares allotted to the Nominee in the relevant tranche under this section 15.7.

- (b) You will receive your share of the proceeds of the sale of Geopacific Shares by the Nominee in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address provided on your Acceptance Form within the period required by the Corporations Act.
- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of Geopacific Shares by the Nominee, regardless of any delay in remitting these proceeds to you.
- (e) The Nominee may sell the Geopacific Shares in such manner, at such price or prices and on such terms as the Nominee determines. The Nominee will sell the Geopacific Shares on ASX as soon as practicable and has sole and complete discretion with regards to the number of tranches in which to sell the Geopacific Shares that are issued to them.

## 15.8 Conditions of this Offer

- (a) **Minimum Acceptance**  
 During, or at the end of, the Offer Period, the number of Kula Shares in which Geopacific and any Associate of Geopacific together have Relevant Interests in is at least 90% (by number) of all Kula Shares on issue.
- (b) **No regulatory action**  
 Between the Announcement Date and the end of the Offer Period (each inclusive):
  - (i) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
  - (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and

- (iii) no application is made to any Government Agency (other than by Geopacific or any Associate of Geopacific),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by Geopacific of any Kula Shares or any material assets of Geopacific or any of its Subsidiaries.

(c) Material adverse change

- (i) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs (whether or not becoming public):

- (A) an Event (including a decision of a Government Agency or a change in law) occurs or will or is reasonably likely to occur;
- (B) information is disclosed or announced by Kula concerning any Event; or
- (C) information concerning any event becomes known to Geopacific (whether or not becoming public),

(each of (1), (2) and (3) a **Specified Event**) which, whether individually or when aggregated with all such Events (including a decision of a Government Agency or a change in law) of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (D) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects (**Material Adverse Effect**) of the Kula Group taken as a whole; or
- (E) without limiting the generality of the previous clause:
  - (1) the effect of a diminution in the value of the consolidated net assets of the Kula Group, taken as a whole, by at least A\$2.5 million against what it would reasonably have been expected to have been but for such Specified Event; or
  - (2) the effect of impairing, terminating or otherwise adversely affecting or changing any Tenements or any Authorisation in connection with any Tenements.

- (ii) A Specified Event shall not include an Event:

- (A) fully and fairly disclosed by Kula on the ASX within 6 months prior to the Announcement Date;
- (B) relating to the state of securities markets in general; or
- (C) resulting from any changes in the gold mining industry in general.

- (iii) In this paragraph, **Event** means any event, change, condition, matter or thing.

(d) Prescribed occurrences

Between the Announcement Date and the date that is 3 Business Days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (i) Kula converting all or any of the Kula Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Kula or any of its Subsidiaries resolving to reduce its share capital in any way;
- (iii) Kula or any of its Subsidiaries entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Kula or any of its Subsidiaries:
  - (A) issuing Kula Shares (other than Kula Shares issued as a result of the exercise of Kula Options);
  - (B) granting an option over Kula Shares; or
  - (C) agreeing to make such an issue or grant such an option;
- (v) Kula or any of its Subsidiaries issuing, or agreeing to issue, convertible notes;
- (vi) Kula or any of its Subsidiaries disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Kula or any of its Subsidiaries granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (viii) Kula or any of its Subsidiaries resolving that it be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of Kula or any of its Subsidiaries;
- (x) the making of an order by a court for the winding up of Kula or any of its Subsidiaries;
- (xi) an administrator of Kula or any of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Kula or any of its Subsidiaries executing a deed of company arrangement; or
- (xiii) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Kula or any of its Subsidiaries.

- (e) No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against any Kula Group Member which may reasonably result in a judgement of A\$2.5 million or more is commenced, is threatened to be commenced, is announced, or is made known to Geopacific (whether or not becoming public) or Kula, other than that which is in the public domain as at the Announcement Date.

## 15.9 Nature and benefit of conditions

- (a) The conditions in section 15.8 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the

conditions in section 15.8(d), until the end of the third business day after the end of the Offer Period), prevent a contract to sell Your Kula Shares from arising, but non-fulfilment of any of those conditions will have the consequences set out in section 15.10(b).

- (b) Subject to the Corporations Act, Geopacific alone is entitled to the benefit of the conditions in section 15.8, or to rely on any non-fulfilment of any of them.
- (c) Each condition in section 15.8 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

### **15.10 Freeing the Offer of conditions**

- (a) Geopacific may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in section 15.8, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to Kula and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
  - (i) in the case of the condition in section 15.8(d), not later than 3 business days after the end of the Offer Period; and
  - (ii) in the case of all the other conditions in section 15.8, not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period (or in the case of the conditions in section 15.8(d), at the end of the third business day after the end of the Offer Period), the conditions in section 15.8 have not been fulfilled and Geopacific has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

### **15.11 Official quotation of Geopacific Shares**

- (a) Geopacific has been admitted to the official list of ASX. Geopacific Shares of the same class as those to be issued as consideration have been granted official quotation by ASX.
- (b) An application will be made within 7 days after the start of the bid period to ASX for the granting of official quotation of the Geopacific Shares to be issued in accordance with the Offer. However, official quotation is not granted automatically on application.
- (c) Pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by ASX of the Geopacific Shares to be issued pursuant to the Offer being granted no later than 7 days after the end of the bid period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

### **15.12 Notice on status of conditions**

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is [●] 2017 (subject to extension in accordance with section 630(2) if the Offer Period is extended).

### **15.13 Withdrawal of this Offer**

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Geopacific will give notice of the withdrawal to ASX and to Kula and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in section 15.8 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 15.8, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to this section 15.13 will be deemed to take effect:
  - (i) if the withdrawal is not subject to conditions imposed by ASIC, on the date after the date on which that consent in writing is given by ASIC; or
  - (ii) if the withdrawal is subject to conditions imposed by ASIC, on the date after the date on which those conditions are satisfied.

### **15.14 Variation of this Offer**

Geopacific may vary this Offer in accordance with the Corporations Act.

### **15.15 No stamp duty**

Geopacific will pay any stamp duty on the transfer of Your Kula Shares to it.

### **15.16 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.



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## 16. DEFINITIONS AND INTERPRETATION

### 16.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

**\$ or A\$** means Australian dollars, the lawful currency of the Commonwealth of Australia.

**2004 JORC Code** means the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**2012 JORC Code** means the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

**Acceptance Form** means the acceptance form enclosed with this Bidder's Statement.

**Announcement Date** means the date of the announcement of the Offer by Geopacific on the ASX, being 5 April 2017.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning set out in section 12 of the Corporations Act as if subsection 12(1) of the Corporations Act included a reference to this document and Kula was the designated body.

**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.

**ASX Operating Rules** means the operating rules of ASX in force from time to time.

**ASX Operating Rules Procedures** means the procedures of the ASX Operating Rules.

**ASX Settlement** means ASX Settlement Pty Limited (ABN 49 008 504 532).

**ASX Settlement Operating Rules** means the operating rules of the ASX Settlement which govern the administration of the Clearing House Electronic Sub-register System.

**ATO** means Australian Taxation Office.

**Authorisation** means any approval, licence, consent, authority or permit.

**Bidder's Statement** means this document, being the statement of Geopacific under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

**Business Day** means a day that is not a Saturday, Sunday or public holiday or bank holiday in Perth.

**CHESS Holding** means a number of Kula Shares which are registered on the Kula share register, being a register administered by ASX Settlement and which records uncertificated holdings of shares.

**Controlling Participant** means in relation to Your Kula Shares, has the same meaning as in the ASX Settlement Operating Rules.

**Corporations Act** mean *Corporations Act 2001* (Cth).

**Condition** means a condition to the Offer as set out in section 15.8 of this Bidder's Statement.

**D&O Insurance Policy** has the meaning given in section 14.10(d)(ii) of this Bidder's Statement.

**Directors' Deeds** has the meaning given in section 14.10(c) of this Bidder's Statement.

**Event** has the meaning given in section 15.8(c) of this Bidder's Statement.



**Geopacific** means Geopacific Resources Limited (ABN 57 003 208 393).

**Geopacific Board** the board of directors of Geopacific and a **Geopacific Board Member** means any director of Geopacific comprising part of the Geopacific Board.

**Geopacific Director** means each member of the Geopacific Board.

**Geopacific Group** means Geopacific and each of its Subsidiaries and **Geopacific Group Member** means any member of the Geopacific Group.

**Geopacific Option** has the meaning given in section 6.5 of this Bidder's Statement.

**Geopacific Share** means a fully paid ordinary share in the capital of Geopacific.

**Geopacific Shareholder** means each person who is registered as the holder of a Geopacific Share in the Geopacific share register (at the relevant time).

**Government Agency** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.

**Holder Identification Number** has the same meaning as in the ASX Settlement Operating Rules.

**Ineligible Foreign Shareholder** means a Kula Shareholder:

- (a) who is a citizen or resident of a jurisdiction other than residents of Australia and its external territories, New Zealand, PNG, Cayman Islands and Luxembourg; or
- (b) whose address shown in the register of members of Kula is a place outside of Australia and its external territories, New Zealand, PNG, Cayman Islands and Luxembourg,

unless Geopacific determines that:

- (c) it is lawful and not unduly onerous or unduly impracticable to issue that Kula Shareholder with Geopacific Shares on completion of the Offer; and
- (d) it is lawful for that Kula Shareholder to participate in the Offer by the law of the relevant place outside Australia and its external territories, New Zealand, PNG, Cayman Islands and Luxembourg.

**Issuer Sponsored Holding** means a holding of Kula Shares on Kula's issuer sponsored subregister.

**Joint Venture** means the incorporated joint venture transaction between Geopacific and Kula, the terms of which are governed by the Farm-in Agreement and the Shareholders Agreement and summarised in sections 14.3 and 14.4 of this Bidder's Statement.

**Kula** means Kula Gold Limited (ABN 83 126 741 259).

**Kula Board** means the board of directors of Kula.

**Kula Director** means each member of the Kula Board.

**Kula Entitlement Issue** means the renounceable entitlement offer conducted by Kula, as announced to ASX on 20 March 2017, pursuant to which Kula announced on 24 April 2017 that it had received valid applications for the issue of 36,319,294 Kula Shares and a shortfall of a further 5,420,487 Kula Shares.

**Kula Entitlement Issue Price** means issue price of Kula Shares offered in the Kula Entitlement Issue, being \$0.015 per Kula Share.

**Kula Entitlement Issue Prospectus** means the prospectus lodged by Kula on 22 March 2017 in connection with the Kula Entitlement Issue.

**Kula Group** means Kula and each of its Subsidiaries and **Kula Group Member** means any member of the Kula Group.

**Kula Option** means an option, issued by Kula, to acquire a Kula Share.

**Kula Share** means a fully paid ordinary share in the capital of Kula.

**Kula Shareholder** means each person who is registered as the holder of a Kula Share.

**Listing Rules** means the official listing rules of ASX, as amended and waived by ASX from time to time.

**Marketable Parcel** has the meaning given in the ASX Operating Rules Procedures which, among other things, includes a parcel of shares, the value of which is not less than A\$500.

**Merged Group** means the Geopacific Group (including the Kula Group) which will exist following the Offer, should the Offer be successful and Kula become a Subsidiary of Geopacific.

**Mineral Resources** has the meaning given to it in the 2004 JORC Code or the 2012 JORC Code (as applicable).

**Nominee** has the meaning given in section 15.7 of this Bidder's Statement.

**Offer** means the offer for Kula Shares under the terms and conditions contained in section 15 of this Bidder's Statement.

**Offer Consideration** means the consideration under the Offer, determined in accordance with section 15 of this Bidder's Statement.

**Offer Period** means the period during which the Offer is open for acceptance in accordance with section 15.2 of this Bidder's Statement.

**Ore Reserves** has the meaning given to it in the 2004 JORC Code.

**Participant** means an entity admitted to participate in the Clearing House Electronic Sub-register System under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.

**PNG** means Papua New Guinea.

**Register Date** means the date set by Geopacific under section 633(2) of the Corporations Act, being 2 May 2017.

**Relevant Interest** has the meaning given in sections 608 and 609 of the Corporations Act.

**Relevant Period** has the meaning given in section 14.10(c) of this Bidder's Statement

**Rights** means all accreditations, rights or benefits of whatever kind attaching or arising from Kula Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Kula or any of its subsidiaries).

**Security Interest** means an interest or power:

- (a) reserved in or over an interest in any asset; or
- (b) created or otherwise arising in or over any interest in any asset under a security agreement, a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to:

- (c) any agreement to grant or create any of the above; and
- (d) a security interest within the meaning of section 12(1) of the *Personal Property Securities Act 2009* (Cth).

**Securityholder Reference Number** has the same meaning as in the ASX Settlement Operating Rules.

**Specified Event** has the meaning given in section 15.8(c) of this Bidder's Statement.

**Subsidiary** has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

**Substantial Holding** has the meaning given in section 9 of the Corporations Act.

**Takeover Bid** means the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.

**Takeover Transferee Holding** has the same meaning as in the ASX Settlement Operating Rules.

**Tenements** means any and all tenements that Kula or its Subsidiaries have a direct or indirect interest in from time to time (including as holder, owner, operator or joint venturer), including any tenement that is a successor, renewal, modification, extension or substitute for the whole or part of any such tenement.

**Third Party** means a person other than Geopacific and its Associates.

**Unmarketable Parcel** means a parcel of Geopacific Shares that does not constitute a Marketable Parcel.

**Unmarketable Parcel Shareholder** means a Kula Shareholder to whom, if they accept the Offer, Geopacific Shares would be issued which would not constitute a Marketable Parcel.

**VWAP** means volume weighted average price.

**WML** means Woodlark Mining Limited, a company incorporated in Papua New Guinea (reg no: 1-57121).

**WST** means Australian Western Standard Time.

**Your Kula Shares** means the Kula Shares (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Kula at 5.00pm (WST) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

## 16.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, paragraph, clause, attachment and schedule is a reference to a section, paragraph or, clause of and an attachment and schedule to this Bidder's Statement as relevant;

- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Perth, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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## 17. APPROVAL OF BIDDER'S STATEMENT

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of Geopacific.

Signed for and on behalf of Geopacific Resources Limited by:



Ron Heeks  
Director

## **ATTACHMENT 1 - ANNOUNCEMENTS BY GEOPACIFIC IN RELATION TO THE OFFER**



5 April 2017

**GEOPACIFIC RESOURCES LIMITED**  
ACN 003 208 393

**ASX Code: GPR**

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**DIRECTORS**  
Chairman: Milan Jerkovic  
Managing Director: Ron Heeks  
Executive Director: Philippa Leggat  
Non-Exec Director: Mark Bojanjac  
Non-Exec Director: Ian Clyne

**COMPANY SECRETARY**  
Matthew Smith

**PROJECTS**  
PAPUA NEW GUINEA:  
Woodlark Island Gold

CAMBODIA:  
Kou Sa Copper

FIJI:  
Nabila Gold  
Rakiraki Gold  
Sabeto Gold-Copper  
Vuda Gold-Copper  
Cakaudrove Gold-Silver

## Takeover Offer for Kula Gold Limited

The [Board](#) of Geopacific Resources Limited (ASX:GPR) (Geopacific) is pleased to announce its intention to make an off-market takeover offer (the Offer) to acquire all of the ordinary shares of Kula Gold Limited (ASX:KGD) (Kula). Pre-bid acceptance of the Offer has been secured from Franklin Advisers, Inc., as investment manager on behalf of certain funds and accounts, which holds 17% of Kula's issued capital.

### Offer

Geopacific's Offer is 1 Geopacific share for every 1.4723 Kula shares.

The Offer allows Kula shareholders to continue their economic participation in the successful development of the Woodlark Gold Project (Woodlark) by exchanging shares in Kula for shares in Geopacific.

The Offer is equivalent to approximately \$0.028 per Kula Share compared to the closing price of Kula shares yesterday<sup>1</sup> of \$0.02, and represents:

- A 25% premium based on a 5 day vwap<sup>2</sup>
- A 77.5% premium to the current Kula Rights Issue price of \$0.015<sup>3</sup>

The Offer extends to any shares subscribed for under Kula's Rights Issue.

The Offer is subject to a limited number of conditions as set out in **Annexure A**, including a 90% minimum acceptance of the Offer.

Further details of the Offer will be set out in a Bidder's Statement which will be sent to Kula's shareholders shortly. The Bidder's Statement will also set out how to accept the Offer, provide further information about Geopacific and set out the reasons why Kula's shareholders should accept the Offer. Geopacific is not making an offer to acquire any of the options issued by Kula, though it will offer to acquire any shares issued as a result of the exercise of an option.

### Why Geopacific is making the Offer to Kula's Shareholders

Geopacific has a strong management team with significant experience in developing mineral projects from the exploration stage into production.

Kula's shareholders are aware that in July last year the Board of Kula announced that Geopacific had been chosen to advance Woodlark in a joint venture (JV) transaction. The JV transaction allows Geopacific to earn up to an 80% interest in Kula's subsidiary company Woodlark Mining Limited, which holds all Woodlark assets, by meeting milestones over a period of up to four years.

The first stage of Geopacific advancing this plan involved Geopacific conducting due diligence on Woodlark and preparing a development plan. This stage was completed in October 2016 and Geopacific is progressing towards the next milestone, advancing Woodlark with economic studies and a development drilling programme.

<sup>1</sup> Geopacific's closing price of \$0.042 and Kula's closing price of \$0.020 on 4 April 2017

<sup>2</sup> Volume weighted average price (vwap) from 29 March 2017 to 4 April 2017, sourced from IRESS

<sup>3</sup> Kula Rights Issue announced 20 March 2017



Having successfully advanced to this point, Geopacific believes there is compelling commercial logic in bringing the ownership of the Woodlark Gold Project under a single management structure.

Geopacific believes the current dual ownership structure causes inefficiencies for both sets of shareholders by prohibiting shareholders of either company having an unimpeded ownership interest in Woodlark. This diminishes the investment value to current and potential investors. The dual structure also duplicates governance, management and reporting structures, causing excess leakage of funds from development activities.

## Benefits of the Offer

Geopacific is making the Offer to Kula shareholders as it believes that combining Woodlark under a single ownership structure is in the interests of the shareholders of both companies.

### Geopacific believes that successful completion of the Offer will:

- enhance the investment value to existing and potential investors and financiers by consolidating ownership in a single company.
- Eliminate:
  - complex and overlapping contractual inter-relationships between Geopacific and Kula;
  - duplication of governance, management and reporting structures; and
  - duplication of ASX listing fees and related compliance expenses.
- Allow Geopacific as the owner of Woodlark, to give full and proper representation to other important stakeholders including:
  - the Papua New Guinea Government;
  - the Milne Bay Provincial Government; and
  - the Woodlark landowners.

Further details will be set out in the Bidder's Statement which will be forwarded to all Kula Shareholders.

## Pre-bid Acceptance

Geopacific is pleased to advise that Franklin Advisers, Inc., as investment manager on behalf of certain funds and accounts, an international investment fund manager and substantial Kula Shareholder, has entered into a "Pre-bid Acceptance Agreement" with Geopacific under which it has agreed to sell the approximate 17% interest it manages in Kula into the Geopacific Offer. A copy of the Pre-bid Acceptance Agreement is attached under **Appendix B**.

### Geopacific Managing Director, Ron Heeks commented

*"Geopacific and Kula exist for the same ultimate objective of advancing the Woodlark Gold Project to development. However, the current dual ownership structure is inefficient, expensive and a combined, single entity is likely to be significantly more attractive for investors and financiers. Simplifying this structure is the next logical step in advancing the Project for the benefit of the shareholders of both companies."*

## **CONTACT**

For further information on this update or the Company generally, please visit our website at [www.geopacific.com.au](http://www.geopacific.com.au) or contact:

**Mr. Ron Heeks**  
**Managing Director**

**Ms. Philippa Leggat**  
**Executive Director Corporate**

## Annexure A

### Offer Conditions

The Offer and any contract arising from the acceptance of the Offer is subject to fulfilment or waiver of the following conditions before the end of the Offer Period.

#### 1.1 Minimum Acceptance

During, or at the end of, the Offer Period, the number of Kula Shares in which Geopacific and any Associate of Geopacific together have Relevant Interests in is at least 90% (by number) of all Kula Shares on issue.

#### 1.2 No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (b) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (c) no application is made to any Government Agency (other than by Geopacific or any Associate of Geopacific),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by Geopacific of any Kula Shares or any material assets of Geopacific or any of its Subsidiaries.

#### 1.3 Material adverse change

- (a) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs (whether or not becoming public):

- (i) an Event (including a decision of a Government Agency or a change in law) occurs or will or is reasonably likely to occur;
- (ii) information is disclosed or announced by Kula concerning any Event; or
- (iii) information concerning any event becomes known to Geopacific (whether or not becoming public),

(each of (1), (2) and (3) a **Specified Event**) which, whether individually or when aggregated with all such Events (including a decision of a Government Agency or a change in law) of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (iii) *a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects (**Material Adverse Effect**) of the Kula Group taken as a whole; or*
- (iv) without limiting the generality of the previous clause;

- (A) the effect of a diminution in the value of the consolidated net assets of the Kula Group, taken as a whole, by at least A\$2.5 million against what it would reasonably have been expected to have been but for such Specified Event; or
  - (B) the effect of impairing, terminating or otherwise adversely affecting or changing any Tenements or any Authorisation in connection with any Tenements.
- (b) A Specified Event shall not include an Event:
  - (i) fully and fairly disclosed by Kula on the ASX within 6 months prior to the Announcement Date;
  - (ii) relating to the state of securities markets in general; or
  - (iii) resulting from any changes in the gold mining industry in general.
- (c) In this paragraph, **Event** means any event, change, condition, matter or thing.

#### 1.4 Prescribed occurrences

Between the Announcement Date and the date that is 3 Business Days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (a) Kula converting all or any of the Kula Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Kula or any of its Subsidiaries resolving to reduce its share capital in any way;
- (c) Kula or any of its Subsidiaries entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Kula or any of its Subsidiaries:
  - (i) issuing Kula Shares (other than Kula Shares issued as a result of the exercise of Kula Options);
  - (ii) granting an option over Kula Shares; or
  - (iii) agreeing to make such an issue or grant such an option;
- (e) Kula or any of its Subsidiaries issuing, or agreeing to issue, convertible notes;
- (f) Kula or any of its Subsidiaries disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Kula or any of its Subsidiaries granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (h) Kula or any of its Subsidiaries resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Kula or any of its Subsidiaries;
- (j) the making of an order by a court for the winding up of Kula or any of its Subsidiaries;
- (k) an administrator of Kula or any of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Kula or any of its Subsidiaries executing a deed of company arrangement; or

- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Kula or any of its Subsidiaries.

**1.5 No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against any Kula Group Member which may reasonably result in a judgement of A\$2.5 million or more is commenced, is threatened to be commenced, is announced, or is made known to Geopacific (whether or not becoming public) or Kula, other than that which is in the public domain as at the Announcement Date.



## Defined Terms

**Announcement Date** means the date of the announcement of the Offer by Geopacific on the ASX, being on or about 5 April 2017.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning set out in section 12 of the Corporations Act as if subsection 12(1) of the Corporations Act included a reference to this document and Kula was the designated body.

**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.

**Authorisation** means any approval, licence, consent, authority or permit.

**Bidder's Statement** means the statement of Geopacific under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

**Business Day** means a day that is not a Saturday, Sunday or public holiday or bank holiday in Perth.

**Corporations Act** mean *Corporations Act 2001* (Cth).

**Geopacific** means Geopacific Resources Limited (ABN 57 003 208 393).

**Geopacific Share** means a fully paid ordinary share in the capital of Geopacific.

**Government Agency** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.

**Kula** means Kula Gold Limited (ABN 83 126 741 259).

**Kula Group** means Kula and each of its Subsidiaries and **Kula Group Member** means any member of the Kula Group.

**Kula Option** means an option, issued by Kula, to acquire a Kula Share.

**Kula Share** means a fully paid ordinary share in the capital of Kula.

**Offer** means the offer for Kula Shares by Geopacific on the basis of 1 Geopacific Share for every 1.4723 Kula Shares.

**Offer Period** means the period during which the Offer is open for acceptance in accordance with the Bidder's Statement.

**Relevant Interest** has the meaning given in sections 608 and 609 of the Corporations Act.

**Security Interest** means an interest or power:

- (a) reserved in or over an interest in any asset; or
- (b) created or otherwise arising in or over any interest in any asset under a security agreement, a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to:

- (c) any agreement to grant or create any of the above; and

- (d) a security interest within the meaning of section 12(1) of the *Personal Property Securities Act 2009* (Cth).

**Subsidiary** has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

**Takeover Bid** means the off-market takeover bid constituted by the dispatch of the Offer in accordance with the Corporations Act.

**Takeovers Panel** means the Australian Takeovers Panel.

**Tenements** means any and all tenements that Kula or its Subsidiaries have a direct or indirect interest in from time to time (including as holder, owner, operator or joint venturer), including any tenement that is a successor, renewal, modification, extension or substitute for the whole or part of any such tenement.

**Third Party** means a person other than Geopacific and its Associates.

## **Annexure B**

### **Pre-bid Acceptance Agreement**

4 April 2017

Franklin Advisers, Inc.  
One Franklin Parkway  
San Mateo, CA 94403  
Attn: Steve Land; Christopher Chen

Dear Sirs

**Kula Gold Limited**

Geopacific Resources Limited (**Geopacific**) believes a strong business rationale exists to combine the businesses of Geopacific and Kula Gold Limited (**KGD**) and proposes making an off-market takeover offer for all of the issued shares of KGD on the basis set out below (**Offer**).

Franklin Advisers, Inc., as investment manager on behalf of certain funds and accounts (Franklin) is, at the date of this letter, the beneficial owner of 56,291,886 shares in KGD (Franklin Shareholding).

By this letter, and in consideration of the mutual promises contained in this letter, Geopacific enters into a pre-bid agreement with Franklin, whereby Franklin, by executing in the space provided below, agrees to accept Geopacific's Offer, in respect of the Franklin Shareholding, subject to the following terms and conditions:

- Geopacific will publicly announce on ASX, by no later than 5pm (Perth time) on the date two business days after the date Franklin returns this executed letter to Geopacific, its intention to make the Offer (on terms no less favourable to shareholders than those specified below).
- Geopacific will make the Offer (on terms no less favourable to shareholders than those specified below) by no later than the date required under s631(1) of the Corporations Act.
- The Offer will be a scrip bid, offering Geopacific ordinary shares in exchange for KGD shares. The Geopacific ordinary shares will be listed on the Australian Securities Exchange (ASX), will be pari passu with existing Geopacific shares and will be freely tradeable with no restrictions.
- The Offer consideration will be at an implied value of no less than a 25% premium to the VWAP of KGD shares in the five ASX trading days prior to announcement of the Offer, by reference to the VWAP of Geopacific shares over the last five days on which trading of Geopacific shares on ASX could occur.
- The conditions to the Offer are set out in their entirety in Annexure A, which may be waived (in full or in part) by Geopacific.
- If during the period of the Offer Geopacific increases the Offer consideration (including after Franklin tenders its acceptance as provided below), Franklin will be entitled to the increased Offer consideration on the same basis as all other offerees in accordance with the Corporations Act.
- Franklin will deliver a signed acceptance form (or if the holding is through one or more nominees,







cause the relevant nominee to deliver a signed acceptance form) in respect of all of the Franklin Shareholding to Geopacific within 21 days after the commencement of the Offer period (and as otherwise as provided in the Bidder's Statement).

- Franklin will be entitled to terminate this agreement by notice in writing if, prior to Franklin's acceptance of the Offer in accordance with this agreement:
  - (a) another party announces an intention to make an offer (by takeover bid or otherwise) to acquire, or (b) KGD announces a proposal under which another party will acquire (by way of scheme of arrangement or otherwise), all of the ordinary shares in KGD (Competing Offer);
  - at the time of announcement the Competing Offer values KGD shares at a premium to the Geopacific Offer (or any revised Offer announced prior to the Competing Offer); and
  - Geopacific does not announce an increase in the Offer consideration to equal or exceed the price or value offered under the Competing Offer (calculated at the date of Geopacific's announcement), with other material terms and conditions no less favourable than those offered under the Competing Offer, within 10 business days of the announcement of the Competing Offer.
- Franklin will be entitled to terminate this agreement by notice in writing if, prior to Franklin's acceptance of the Offer in accordance with this agreement, the Takeovers Panel makes a declaration of unacceptable circumstances in respect of the Offer.
- Franklin agrees not to dispose of or grant any other party an interest in the Franklin Shareholding.
- Geopacific agrees not to publicly disclose this letter, Franklin or the Franklin Shareholding in any press release, filing, document or otherwise without the prior written consent of Franklin (not to be unreasonably withheld or delayed), except to the extent required by applicable law, provided that (to the extent reasonably practicable in the circumstances) Geopacific provides advance notice of the form of such required disclosure.
- Geopacific agrees to indemnify and hold harmless Franklin and its affiliates from any reasonable costs and expenses (including attorneys fees) incurred in connection with this letter including, without limitation reasonable costs and expenses (including attorneys fees) incurred in connection with any Takeovers Panel proceedings.
- Geopacific agrees to reimburse Franklin for its reasonable legal costs incurred in connection with this letter.
- Except to the extent specifically set out in this letter, Franklin does not forego any rights it has under law in respect of the Offer.
- If Geopacific does not comply with its obligations under the terms and conditions set out in this letter, this agreement may be terminated immediately by Franklin by notice in writing.
- Upon provision of notice of termination by Franklin in accordance with these terms and conditions, Franklin will have no further obligations under this letter.
- Unless terminated earlier, the obligations of Franklin in this letter will cease at 5pm (Perth time) on 31 August 2017 (or such later date agreed to by the parties, acting reasonably) and this letter terminates at that time.
- This letter is governed by the laws of New South Wales.



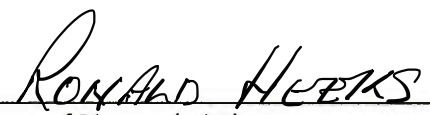
**GEOPACIFIC**  
RESOURCES LIMITED

Please indicate your agreement to these terms and conditions by signing this letter where indicated below.

**Executed by Geopacific Resources Limited**

**ACN 003 208 393** in accordance with section 127  
of the *Corporations Act 2001* (Cth) by or in the  
presence of:

  
\_\_\_\_\_  
Director Signature

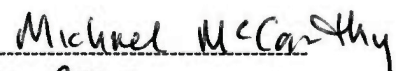
  
\_\_\_\_\_  
Name of Director (print)

  
\_\_\_\_\_  
Secretary/Director Signature

  
\_\_\_\_\_  
Name of Secretary/Director (print)

Franklin Advisers, Inc., as investment manager on behalf of certain funds and accounts, accepts  
the Offer subject to the terms and conditions as listed above.

  
\_\_\_\_\_  
Authorised Signatory

  
\_\_\_\_\_  
Title CIO

Date: 4/4/17





## **Annexure A: Offer Conditions**

The Offer and any contract arising from the acceptance of the Offer is subject to fulfilment or waiver of the following conditions before the end of the Offer Period.

### **1.1 Minimum Acceptance**

During, or at the end of, the Offer Period, the number of Kula Shares in which Geopacific and any Associate of Geopacific together have Relevant Interests in is at least 90% (by number) of all Kula Shares on issue.

### **1.2 No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (b) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (c) no application is made to any Government Agency (other than by Geopacific or any Associate of Geopacific),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by Geopacific of any Kula Shares or any material assets of Geopacific or any of its Subsidiaries.

### **1.3 Material adverse change**

- (a) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs (whether or not becoming public):
  - (i) an Event (including a decision of a Government Agency or a change in law) occurs or will or is reasonably likely to occur;
  - (ii) information is disclosed or announced by Kula concerning any Event; or
  - (iii) information concerning any event becomes known to Geopacific (whether or not becoming public),

(each of (1), (2) and (3) a **Specified Event**) which, whether individually or when aggregated with all such Events (including a decision of a Government Agency or a change in law) of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (iii) *a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects (**Material Adverse Effect**) of the Kula Group taken as a whole; or*
- (iv) without limiting the generality of the previous clause;
  - (A) the effect of a diminution in the value of the consolidated net assets of the Kula Group, taken as a whole, by at least A\$2.5 million against what it

would reasonably have been expected to have been but for such Specified Event; or

- (B) the effect of impairing, terminating or otherwise adversely affecting or changing any Tenements or any Authorisation in connection with any Tenements.

(b) A Specified Event shall not include an Event:

- (i) fully and fairly disclosed by Kula on the ASX within 6 months prior to the Announcement Date;
- (ii) relating to the state of securities markets in general; or
- (iii) resulting from any changes in the gold mining industry in general.

(c) In this paragraph, **Event** means any event, change, condition, matter or thing.

#### 1.4 Prescribed occurrences

Between the Announcement Date and the date that is 3 Business Days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (a) Kula converting all or any of the Kula Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Kula or any of its Subsidiaries resolving to reduce its share capital in any way;
- (c) Kula or any of its Subsidiaries entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Kula or any of its Subsidiaries:
  - (i) issuing Kula Shares (other than Kula Shares issued as a result of the exercise of Kula Options);
  - (ii) granting an option over Kula Shares; or
  - (iii) agreeing to make such an issue or grant such an option;
- (e) Kula or any of its Subsidiaries issuing, or agreeing to issue, convertible notes;
- (f) Kula or any of its Subsidiaries disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Kula or any of its Subsidiaries granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (h) Kula or any of its Subsidiaries resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Kula or any of its Subsidiaries;
- (j) the making of an order by a court for the winding up of Kula or any of its Subsidiaries;
- (k) an administrator of Kula or any of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Kula or any of its Subsidiaries executing a deed of company arrangement; or





- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Kula or any of its Subsidiaries.

**1.5 No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against any Kula Group Member which may reasonably result in a judgement of A\$2.5 million or more is commenced, is threatened to be commenced, is announced, or is made known to Geopacific (whether or not becoming public) or Kula, other than that which is in the public domain as at the Announcement Date.

## ATTACHMENT 2 - ASX ANNOUNCEMENTS BY GEOPACIFIC SINCE 17 MARCH 2017

The following table lists announcements made to the ASX by Geopacific over the period between 17 March 2017 and 1 May 2017.

Date	Headline
17/03/2017	Corporate Governance Statement
17/03/2017	Appendix 4G
21/03/2017	WOODLARK 21m @ 3.27 g/t gold at Kulumadau
21/03/2017	KGD: Woodlark – 5m @7.33 g/t at Kulumadau
04/04/2017	Research Update Q & A with Ron Heeks
05/04/2017	Takeover Offer for Kula Gold Limited
05/04/2017	KGD: Receipt of Unsolicited Intention to make a T/O Offer
06/04/2017	Notice of initial substantial holder for KGD
21/04/2017	KGD: Supplementary Prospectus
24/04/2017	Notice of Annual General Meeting/Proxy Form
28/04/2017	2016 Annual Report
01/05/2017	Quarterly Activities Report
01/05/2017	Quarterly Cashflow Report

## CORPORATE DIRECTORY

**Geopacific Resources Limited**

ABN 57 003 208 393

Level 1, 278 Stirling Highway

Claremont WA 6010

**Geopacific share registrar for the Offer**

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

**Stock Exchange Listing**

Geopacific ordinary shares are quoted by the Australian Securities Exchange (ASX: GPR)