

ASX Announcement & Media Release

Quarterly Activities Report

For Period Ended 31 March 2018

Highlights:

- **The Preliminary Feasibility Study released in March 2018**
 - **1.1Moz gold reserve- ~ 100Koz of gold per annum - mine life of 10 years**
 - **Low stripping ratio 3.1:1**
 - **Strong cashflow delivering 2.2-year payback on \$180m capex**
- **Significant exploration upside – work to commence to find more**
- **Definitive Feasibility Study commenced with release scheduled for Q3 2018.**

OPERATIONAL OVERVIEW

Geopacific Resources Limited ("**Geopacific**"), continues to fund the Woodlark Island Gold Project through the Farm-in Agreement.

Exploration and development activities undertaken by Geopacific on Woodlark Island since October 2016 have culminated in the completion of Resource and Reserve calculations and the tabling of the Pre-Feasibility Study ("**PFS**") which was announced on 12 March 2018¹. Following the PFS, Lycopodium has been engaged to finalise the Definitive Feasibility Study ("**DFS**").

Pre-Feasibility Study Highlights:

- Mining, social and environmental permits granted
- Annual production of 100Koz of gold over 10-year mine life for 1.01Moz of gold (incl. 51Koz of gold Inferred)
- Free milling ore, recovery of 92% for first 5 years and 90% over mine life
- Up to 60% of gold recoverable by gravity
- Conventional 2.4Mtpa CIL circuit optimised with upgraded ore from year three
- Head grade up to 1.63g/t of gold in first years
- Low strip ratio of 2.5:1 for first 5 years, 3.1:1 over mine life
- All-In Sustaining Cost A\$990 for first 5 years, A\$1,100 over mine life
- Capital cost A\$180M
- 2.2-year, post-tax payback
- Free cash flow over life of mine A\$338M (pre-tax) and A\$314M (post tax) at A\$1,650 / oz gold price
- Post-tax IRR 33%
- Recent Boscalo discovery demonstrates significant regional exploration potential across the Woodlark Goldfield-work will commence to increase reserves

¹ All material assumptions underpinning the production target and forecast financial information continue to apply and have not changed materially.

Reserve:

- High conversion of Resources to Reserves
- 34.7 million tonnes at 0.99g/t for 1,101,600 ounces of gold

Resource:

- 86% of Resource in Measured and Indicated JORC categories
- 47.04 million tonnes at 1.04g/t for 1,573,000 ounces of gold

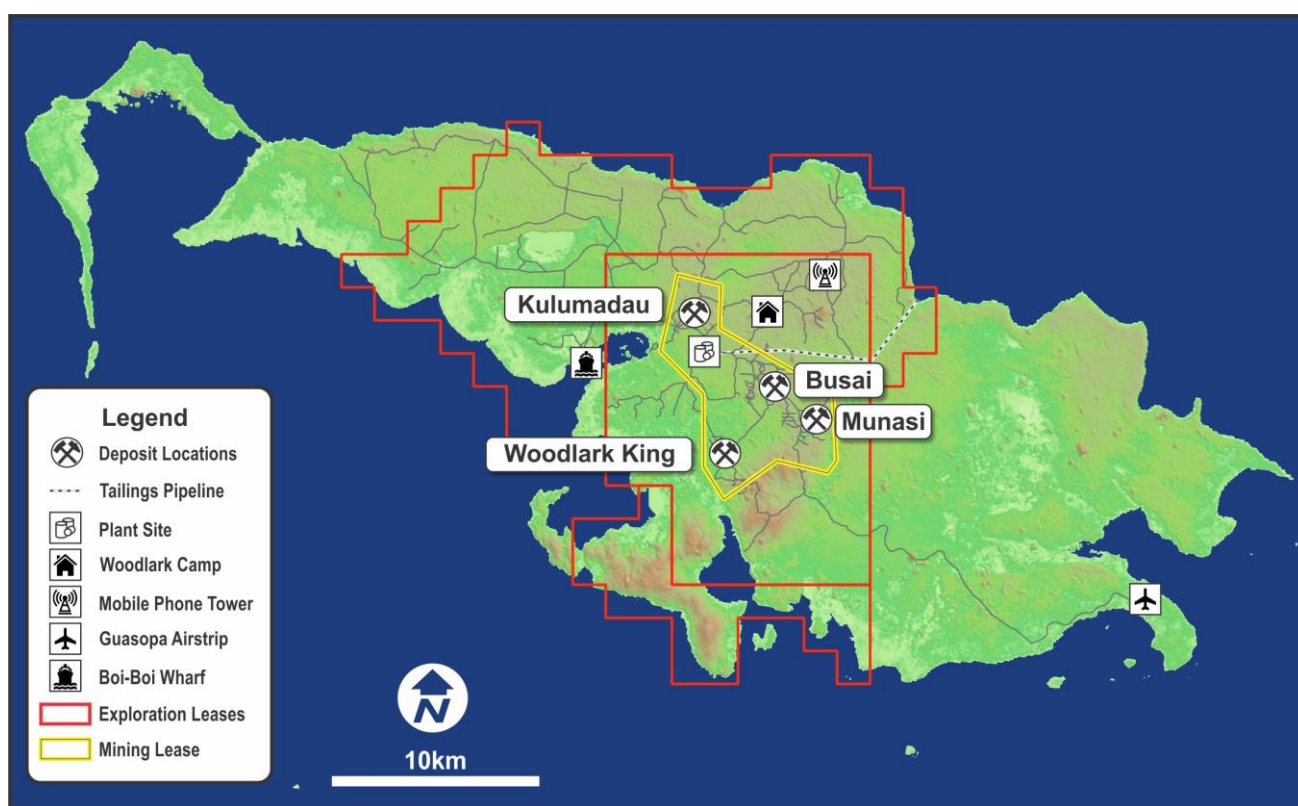


Figure 1: Topographic map of Woodlark Island showing location of deposits and licence boundaries.



JORC 2012 Ore Reserve:

Independent consultants, Mining Plus have completed the initial Ore Reserve with results reflected in the table below.

Table 1. Woodlark Ore Reserves

Total by deposit	Category (>0.3g/t lower cut)	Tonnes (Mt)	Grade (g/t gold)	Ounces (oz)
Busai	Proven	11.0	0.92	326,100
	Probable	5.2	0.78	131,200
Kulumadau	Proven	8.6	1.23	338,500
	Probable	6.4	1.02	209,500
Woodlark King	Proven	2.4	0.92	70,400
	Probable	1.1	0.71	25,900
Total Ore Reserve	Proven	22.0	1.04	735,000
	Probable	12.7	0.90	366,600
	Total	34.7	0.99	1,101,600

JORC 2012 Mineral Resource Estimate:

Resource Estimations were undertaken for the Kulumadau, Busai, Woodlark King and Munasi deposits by Independent consultants, MPR Geological Consultants of Perth.

The resulting resource, calculated using Multiple Indicator Kriging method, shows a high proportion of resources reporting to Measured and Indicated categories and an associated elevated confidence in the resource calculation outputs.

Table 2: Woodlark Global Resource

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

Definitive Feasibility Study:

The DFS commenced in March 2018 following the completion of the PFS, the outcomes of which supported Woodlark's future development.

The DFS was awarded to Lycopodium and will focus is the final design parameters and estimated cost of the Woodlark processing plant and tailing facilities. Consulting engineers, Mincore, will be responsible for cost estimates on the associated infrastructure, including the camp and roads.



The aim of the DFS is to finalise and optimise the plant design and infrastructure to deliver capital cost estimates to within a 15% level of accuracy and further optimise operating costs. Aspects of the PFS have already been completed to a DFS-level, these include mining costs and metallurgical testwork. The breadth and rigour of the PFS work supports the targeted completion of the DFS in Q3 2018.

CORPORATE OVERVIEW

In December 2017 the Company entered into a loan agreement with Geopacific for a loan of up to \$500,000, at zero interest and convertible to equity at the option of Geopacific either under the agreed terms under the Farm-in Agreement or at 30 day VWAP. The entering into the loan agreement was announced on the ASX on 21 December 2017, this loan facility provides working capital for the Company for 12 months from the date of entering the loan agreement.

The consideration payable by the PNG Government for its 5% interest pursuant to the terms of the exploration licence from which the Mining Lease was derived will be determined based on a pro rata proportion of the exploration and development costs to the time of purchase. Costs to date indicate that Kula would be entitled to receive a sum of approximately A\$6 million from the PNG Government in consideration for a 5% interest in the Project.



Background on the Woodlark Island Gold Project, PNG

Kula Gold Limited owns 95% of the Woodlark Island Gold Project, which has been granted an Environmental Permit and Mining Lease. Geopacific Resources Limited (“**Geopacific**”) holds the remaining 5% of the Project and is also Kula’s largest shareholder with 85% of the Company. The Project is located 600 kilometres east of Port Moresby in the Milne Bay Province, Papua New Guinea.

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

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

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

Geopacific Resources’ Feasibility Study, based on a JORC 2012 Ore Reserve of 1,101,600 ounces of gold and a gold price of A\$1,650/ounce, defined a Project with a mine life of ten years and a 2.4Mtpa gravity and carbon in leach plant (GPR ASX release 12 March 2018).

For further information, contact:

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Mark Stowell	Non-executive director
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Philippa Leggat	Director
Garry Perotti	Executive director

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Competent Person's Statement

The information in this announcement that relates to exploration results is based on information compiled by or under the supervision of James Kerr, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and General Manager, Geology for Geopacific. Mr Kerr has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kerr consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

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

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

Appendix A: Table 1. Woodlark Island 2018 Reserve Table

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