

KULA GOLD LIMITED
ACN 126 741 259

ENTITLEMENT ISSUE PROSPECTUS

For a renounceable entitlement issue of one (1) Share for every eight (8) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.015 per Share to raise up to approximately \$626,100 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

The Offer is partly underwritten in the sum of \$300,000 by CPS Capital Group Pty Ltd. Refer to Section 8.5 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

David Frecker (Chairman)
Garry Perotti (Executive Director)
Mark Stowell (Non-Executive Director)

Company Secretary

Garry Perotti

Registered Office

Level 2, 20 Howard Street
Perth WA 6000

Telephone: + 61 8 6144 0588
Facsimile: +61 8 6144 0589

Email: info@kulagold.com.au
Website: www.kulagold.com.au

Share Registry*

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303

Auditor*

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Telephone: +61 8 9249 2222

Investor relations*

Six Degrees
18 Howard Street
Perth WA 6000

Telephone: +61 400 164 067

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Telephone: +61 8 9321 4000

Underwriter, Lead Manager and Nominee for Ineligible Shareholders

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace
Perth WA6000

Telephone: + 61 8 9223 2283

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	22 March 2017
Lodgement of Prospectus & Appendix 3B with ASX	22 March 2017
Notice sent to Optionholders	23 March 2017
Notice sent to Shareholders	23 March 2017
Ex date	24 March 2017
Rights start trading	24 March 2017
Record Date for determining Entitlements	27 March 2017
Prospectus sent out to Shareholders & Company announces this has been completed	29 March 2019
Opening Date	29 March 2017
Rights stop trading	6 April 2017
Last day to extend the Closing Date*	13 April 2017
Closing Date*	13 April 2017
Issue date/Shares entered into Shareholders' security holdings	24 April 2017

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 22 March 2017 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements

contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a renounceable entitlement issue of one (1) Share for every eight (8) Shares held by Shareholders registered at the Record Date at an issue price of \$0.015 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 41,739,781 Shares will be issued pursuant to this Offer to raise up to \$626,100.

As at the date of this Prospectus the Company has 28,616,000 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

4.2 Minimum subscription

There is no minimum subscription however it is noted that the Offer is partly underwritten by the Underwriter in the sum of \$300,000 representing 20,000,000 Shares.

The Company will proceed with the Offer in the event that the Underwriting Agreement is terminated.

4.3 What Eligible Shareholders may do

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to Section 4.4);
- (b) sell all of their Entitlement on ASX (refer to Section 4.5);
- (c) take up a proportion of their Entitlement and sell the balance on ASX (refer to Section 4.6);
- (d) take up a proportion of their Entitlement and allow the balance to lapse (refer to Section 4.7);
- (e) sell all or a proportion of their Entitlement other than on ASX (refer to Section 4.8); or
- (f) allow all or part of their Entitlement to lapse (refer to Section 4.9).

4.4 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the application monies indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Kula Gold Limited – Entitlement Issue Account" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's Share Registry (by delivery or by post) at:

Kula Gold Limited
C/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

If you wish to pay via BPAY® you must follow the personalised instructions in your Entitlement and Acceptance Form. Make sure that you use the specific Biller Code and unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations outlined below in Section 4.10. If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those shareholdings only use the CRN specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your shareholdings. This can result in your application monies being applied to your Entitlement in respect of only one of your shareholdings (with the result that any application in respect of your remaining shareholdings will not be valid).

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 4:00 pm (WST) on the Closing Date.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

4.5 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable which means that all or part of an Eligible Shareholder's rights to subscribe for Shares under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 24 March 2017 and will cease on 6 April 2017.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

4.6 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in section 4.4, or make a payment by BPAY® in accordance with Section 4.12.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

4.7 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in Section 4.4. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

4.8 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for payable to "Kula Gold Limited – Entitlement Issue Account" and crossed "Not Negotiable" to the Share Registry (by delivery or by post at any time after the issue of this Prospectus and on or before the Closing Date) at the following address:

Kula Gold Limited
C/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with Section 4.4.

4.9 Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Entitlement are renounceable, which enable Eligible Shareholders who do not

wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.10 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any application monies, the application may not be varied or withdrawn except as required by law.

4.11 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Kula Gold Limited – Entitlement Issue Account**" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00 pm WST on the Closing Date.

4.12 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.13 Underwriting and sub-underwriting

The Offer is partly underwritten by the Underwriter. Refer to section 8.5 of this Prospectus for details of the terms of the underwriting.

The Underwriter has entered into a sub-underwriting agreement with Mr Mark Stowell, a Director of the Company, under which Mr Stowell has agreed to sub-underwrite the issue of up to 6,666,667 Shares under the Offer (being Shares to the value of \$100,000). Mr Stowell will be entitled to a fee of 3% (payable by the Underwriter) of the amount raised by the Company through the issue of Underwritten Shares to Mr Stowell. Details of the terms of Mr Stowell's sub-underwriting agreement are set out in Section 8.6.

4.14 Effect on control of the Company and Shareholder Dilution

The Underwriter currently holds 833,333 Shares giving it a voting power in the Company of 0.25%. The maximum voting power of the Underwriter in the event that it takes up all of the Underwritten Shares and no other Shares are issued under the Offer will be 5.89%. However, the Underwriter will seek to appoint a number of sub-underwriters to take up Shares under the Offer (including Mark Stowell, a Director of the Company) and to the extent that Underwritten Shares are taken up by such sub-underwriters, the potential voting power of the Underwriter will be reduced.

The Underwriter will ensure that no sub-underwriter or other recipient of Shortfall Shares will acquire Shares resulting in them increasing their voting power from a level below 20% to a level above 20% and no sub-underwriter or recipient of Shortfall Shares will have a voting power greater than 20% at the time of issue of Shortfall Shares to that person.

Mark Stowell currently holds 3,922,582 Shares and 291,000 Options resulting in Mr Stowell having a voting power of 1.17% and 1.26% in the event that Mr Stowell exercises all Options held by him (and no other Shares are issued). In the event that:

- (a) Mr Stowell takes up his Entitlement of 490,323 Shares;
- (b) Mr Stowell takes up 6,666,667 Underwritten Shares;
- (c) a total of \$300,000 is raised under the Offer through the issue of 20,000,000 Shares (being the underwritten amount of the Offer); and
- (d) no other Shares are issued (including upon the exercise of Options),

Mr Stowell's voting power in the Company would increase to 3.13% and 3.21% in the event that Mr Stowell exercises all Options held by him following the Record Date. Mr Stowell's sub-underwriting commitment will cease in the event that the Underwriting Agreement is terminated. A summary of the terms of Mr Stowell's sub-underwriting agreement is set out in Section 8.6.

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 12.5% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	2.99%	1,250,000	10,000,000	2.66%
Shareholder 2	5,000,000	1.50%	625,000	5,000,000	1.33%
Shareholder 3	1,500,000	0.45%	187,500	1,500,000	0.40%
Shareholder 4	400,000	0.12%	50,000	400,000	0.11%
Shareholder 5	50,000	0.015%	6,250	50,000	0.013%
Total	333,918,247		41,739,781		375,658,028

Notes:

1. This assumes that the rights issue is fully subscribed.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

4.15 Lead Manager

CPS Capital Group Pty Ltd (**CPS**) has been appointed as Underwriter and Lead Manager to the Offer. The terms of the appointment of the Underwriter and Lead Manager are summarised in Section 8.5 of this Prospectus.

4.16 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.015 being the price at which Shares have been offered under the Offer.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion and in respect of the Shares underwritten by the Underwriter (20,000,000) in conjunction with the Underwriter). Accordingly, do not apply for Shortfall Shares unless instructed to do so by the Directors.

4.17 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.18 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.19 Overseas shareholders jurisdictions

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Appointment of nominee

Pursuant to ASX Listing Rule 7.7, the Company has appointed CPS as its nominee to sell the Entitlements to which Ineligible Shareholders are entitled. The

nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee may sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements at a particular price.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

CPS will be paid a fee equal to 1% of the value of the rights it sells as nominee for Foreign Shareholders, subject to a minimum fee of \$5,000, for this for this service.

4.20 Enquiries

Any questions concerning the Offer should be directed to Garry Perotti, Executive Director, on +61 8 6144 0588.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$626,100.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Underwritten Subscription (\$)	%	Full Subscription (\$)	%
1.	Expenses of the Offer ¹	70,500	23.50%	90,066	14.39%
2.	Working capital	229,500	76.50%	536,034	85.61%
	Total	300,000	100%	626,100	100%

Notes:

1. Refer to Section 8.11 of this Prospectus for further details relating to the estimated expenses of the Offer.

In the event the Company raises more than the underwritten subscription of \$300,000, the additional funds raised will be applied towards working capital. On completion of the Offer, the Board believes our Company will have sufficient working capital to achieve its current objectives.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$536,034 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 333,918,247 as at the date of this Prospectus to 375,658,028 Shares.

5.3 Pro-forma balance sheet

The balance sheet as at 31 December 2016 (currently undergoing audit) and pro forma balance sheets showing the effect of the Offer on both a raising of the Underwritten Amount and if all Shareholders take up their Entitlements, each shown below, have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 31 December 2016	PRO-FORMA 31 December 2016 (Assuming raising of maximum subscription)	PRO-FORMA 31 December 2016 (Assuming raising of Underwritten Amount)
CURRENT ASSETS			
Cash	391,705	932,739	621,205
Other current assets	466,809	466,809	466,809
TOTAL CURRENT ASSETS	858,514	1,399,548	1,088,014
NON-CURRENT ASSETS			
Property, Plant & Equipment	770,236	770,236	770,236
Exploration and Evaluation Expenditure	32,758,101	32,758,101	32,758,101
TOTAL NON-CURRENT ASSETS	33,528,337	33,528,337	33,528,337
TOTAL ASSETS	34,386,851	34,927,885	34,616,351
CURRENT LIABILITIES			
Creditors and borrowings	181,019	181,019	181,019
TOTAL CURRENT LIABILITIES	181,019	181,019	181,019
NON-CURRENT LIABILITIES			
Provision for rehabilitation	176,166	176,166	176,166
TOTAL CURRENT LIABILITIES	176,166	176,166	176,166
TOTAL LIABILITIES	357,185	357,185	357,185
NET ASSETS (LIABILITIES)	34,029,666	34,570,700	34,259,166
EQUITY			
Share capital	151,025,894	151,651,994	151,325,894
Options Reserve	1,159,104	1,159,104	1,159,104
Foreign Currency Translation Reserve	9,847,916	9,847,916	9,847,916
Retained loss	(128,003,248)	(128,088,314)	(128,073,748)
TOTAL EQUITY	34,029,666	34,570,700	34,259,166

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	333,918,247
Shares offered pursuant to the Offer	41,739,781
Total Shares on issue after completion of the Offer	375,658,028

Options

	Number
Options currently on issue: (3,189,000 unquoted exercisable at \$0.17 on or before 8/11/2018) (1,427,000 unquoted exercisable at \$0.17 on or before 20/12/2018) (24,000,000 unquoted exercisable at \$0.125 on or before 18/8/2018)	28,616,000
New Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	28,616,000

The capital structure on a fully diluted basis as at the date of this Prospectus would be 362,534,247 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 404,274,028 Shares.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

5.5 Details of substantial holders

Based on publicly available information as at 22 March 2017, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Pacific Road Holdings NV (and its associates)	136,238,755	40.80%
Franklin Templeton	56,450,792	16.91%
RMB Australia Holdings Limited (and its associates)	43,651,496	13.07%

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1 General meeting and notices

Each Shareholder is entitled to receive notice of, and to attend, general meetings of Kula Gold and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

6.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of Kula Gold every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a Shareholder has appointed two proxies or has appointed a proxy who is also a Shareholder, in which case the proxy or proxies has or have no vote on a show of hands) and one vote per Share on a poll.

A person who holds a 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.

Where there are two or more joint holders of a Share and more than one of them is present at a general meeting, in person or by proxy, attorney or representative, and tender a vote in respect of the Share, Kula Gold will count only the vote cast by, or on behalf of, the Shareholder whose name appears first in Kula Gold's register of Shareholders.

6.3 Issues of further shares

The Board may, on behalf of Kula Gold, 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 Board decides. However, the Board must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the Shares in any special class of those Shares.

6.4 Variation of class rights

As at the date of the Offer, Kula Gold has on issue one class of Shares only, named ordinary Shares.

Subject to the Corporations Act, if Kula Gold issues different classes of Shares or divides issues Shares into different classes, the rights attached to the Shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by

special resolution passed at a separate meeting of the holders of the issued Shares of the attached class.

6.5 Transfer of shares

Subject to the Constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

The Shares may be transferred by any computerised or electronic system of transferring or dealing with Shares established or recognised by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules and as otherwise permitted by the Corporations Act or by a document, the usual form of which is permitted by law.

The Board may refuse to register a transfer of Shares only if that refusal would not contravene the Listing Rules or the ASX Settlement Operating Rules. If the Board refuses to register a transfer, Kula Gold must give the lodging party written notice of the refusal and the reasons for it within five business days after the transfer is delivered to Kula Gold. The Board must not register a transfer of Shares if the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules forbid registration.

6.6 Partly paid shares

The Board may, subject to compliance with the Constitution, the Corporations Act and the Listing Rules, issue partly paid Shares upon which there are outstanding amounts payable.

6.7 Dividends

Subject to the Constitution and the Corporations Act, the Board may resolve to pay any dividend it thinks appropriate and fix the time for payment, subject to the terms of issue of Shares. Kula Gold may pay a dividend on one class of Shares to the exclusion of another class.

Each Share of a class on which the Board resolves to pay a dividend carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the Share (excluding any amount paid in advance of calls) bears to the total issue price of the Share.

6.8 Dividend reinvestment and share plans

Subject to the provisions of the Listing Rules, the Board may adopt and implement dividend reinvestment plans (under which any Shareholder may elect that dividends payable by Kula Gold be reinvested by way of subscription for fully paid Shares in Kula Gold) and any other share plans (under which any Shareholder may elect to forgo any dividends that may be payable on all or some of the Shares held by that Shareholder and to receive instead some other entitlement, including the issue of fully paid Shares).

6.9 Share buy-backs

Subject to the provisions of the Corporations Act and the Listing Rules, Kula Gold may buy back Shares in itself on terms and at times determined by the Board.

6.10 Unmarketable parcels

Subject to the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules, Kula Gold may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

6.11 Directors – appointment and removal

The Constitution states that the minimum number of Directors is three and the maximum is seven.

Directors are elected at annual general meetings of Kula Gold. A Director must retire from office at the third annual general meeting of Kula Gold after the Director was elected or last re-elected. A retiring Director is eligible for re-election, subject to certain restrictions.

The Directors may also appoint a Director at any time (except during a general meeting), who will then automatically retire at the next annual general meeting of Kula Gold and is eligible for election by that general meeting.

6.12 Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Board has power to manage the business of Kula Gold to the exclusion of the company in general meeting and Shareholders (except to sell or dispose of the main undertaking of Kula Gold).

6.13 Winding up

Subject to the terms of issues of Shares, if Kula Gold is wound up, Shareholders will be entitled to participate in any surplus assets of Kula Gold in proportion to the percentage of the capital paid up on their Shares.

6.14 Shareholder liability

As the Shares offered under this Prospectus are fully paid, they are not subject to any calls for money by Directors and will therefore not become liable to forfeiture.

6.15 Alteration of the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of the total number of votes cast by Shareholders voting in person, by proxy, or by attorney or in the case of the corporate Shareholders, by corporate representative.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Potential for dilution

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 333,918,247 currently on issue to 375,658,028. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last closing price of Shares on ASX prior to the prospectus being lodged of \$0.023 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(b) Gold Price

The success of the Company's Woodlark Island Gold Project, located on Woodlark Island, Papua New Guinea (**Project**) will be primarily dependent on the price of gold as substantially all of the Company's potential revenues will be derived from the sale of gold. Gold prices are volatile and may fluctuate as a result of numerous factors, which are beyond the control of the Company.

The possible adverse consequences of future declines in the gold price could include the following:

- (i) the Project may become uneconomical because the projected future revenues no longer justify the cost of development;
- (ii) the Company may be unable to raise finance to construct or complete the Project on acceptable terms, or at all;

- (iii) after production has commenced, the Company's revenues may decline to a point at which its operations are unprofitable, as a result of which the Company may cease production;
- (iv) the value of the Company's assets may decline, causing it to write down asset values and thereby incur losses;
- (v) the Company may be required to restate its ore reserves; and
- (vi) the Project may experience delays while the Company reassesses the economics of the Project under different gold price assumptions.

Any of these effects could result in a decline in the Company's share price, an inability to pay dividends in the future, or even the loss of your investment.

(c) **Farm-in and Joint Venture Agreements**

As announced on 30 January 2017, the Company entered into Farm-in and Joint Venture Agreements (**Woodlark Agreements**) with Geopacific Resources Limited (ASX: **GPR**) under which GPR has a right to earn an interest in Woodlark Mining Limited (**Woodlark**), the Company's subsidiary that holds the Project (**Project**).

Under the Farm-in Agreement, GPR has committed to the second period of the farm-in and will sole fund Woodlark by spending at least \$8 million or achieving the target of 1.2 million ounces of gold reserves, in a two year period from its election to proceed in October 2016, to earn up to 51% in Woodlark. Should GPR proceed to the third tranche of the farm-in, it will sole fund Woodlark by spending a further \$10 million or achieving the target of 1.2 million ounces of gold reserves and completing a bankable feasibility study, over a further two year period, to progress Woodlark to bankable feasibility and in so doing earn up to 75% of Woodlark.

During the term of the Farm-in Agreement, GPR will be solely responsible for managing the Project. The Company 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. Woodlark is also party to various contracts in relation to the development of the Project and is reliant on funding from GPR under the Woodlark Agreements to meet its payment obligations under these contracts.

GPR is entitled to withdraw from the Woodlark Agreements at any time and, if GPR elects to do so, the Company will resume all management of Woodlark and the Project and the Company will be responsible for its share of the costs of the Project. Should this eventuate, the Company will be required to raise additional capital to meet the costs of managing the Project and any such capital, to the extent raised through equity, may dilute Shareholders.

In addition, the Company's interest in the Project will be diluted to the extent that GPR earns an interest in Woodlark.

(d) **Mineral Resource and Ore Reserve estimates**

The ore quantities and grades reported by the Company for the Project are estimates and may not prove to be an accurate indication of the quantity or grade of the ore that will be extracted by Woodlark.

Estimating the size and/or grade of an ore body depends on interpreting and extrapolating a limited amount of geological data, including drilling samples and assays. Many complex geological and metallurgical judgments are required in order to estimate Resources, including the interpretation of observable geological structures, the location, spacing direction and depth of drill holes, the application of sampling techniques and the statistical controls to apply to the resulting data. As a result, Resource estimates are inherently uncertain, and there can be no assurance that the Resources of the Project will not be subject to future downward revision.

In addition, investors should be aware that the inclusion of material in a Resource estimate does not require a conclusion that the material may be economically extracted at the yield indicated or at all. Investors should not assume that Resource estimates are capable of being directly reclassified as Reserves under the 2012 JORC Code. The inclusion of Resource estimates should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on Resource estimates, particularly Inferred Resource estimates, which are highly uncertain.

Converting a Resource into a Reserve requires additional judgments and assumptions, including estimates of mining techniques and costs. Infrastructure and processing costs, metallurgical recoveries, transport costs, taxes and royalties and the price at which Woodlark will be able to sell its production. Such estimates and judgments may prove to be inaccurate and are subject to changing circumstances. As Woodlark commences mining, it will gain additional geological and production data, which may result in revision to the assumptions on which the Company has estimated the Reserves of the Project. In addition, future changes in circumstances, such as increased costs, changes in taxes or regulations or lower gold prices may alter the economic assumptions on which the Reserve estimates are based, which may result in a downward revision.

Any material reductions in estimates of Resources and Reserves, or of Woodlark's ability to extract these Reserves, could have a material adverse effect on the Company's prospects, value, business, results of operations and financial condition. In addition, a reduction in Reserves could impact depreciation and amortisation rates, asset-carrying values and provisions for closedown, restoration and environmental clean-up costs.

(e) **Development and Exploration drilling**

The Company is dependent in significant part on the success of Woodlark's drilling programs to expand Resources and Reserves at the Project. Resource drilling is an inherently speculative endeavour and there can be no assurance that commercial quantities of ore remain to be discovered on Woodlark's exploration tenements. In addition, explorative efforts can be hampered by the unpredictable nature of

mineral deposits, unforeseen and adverse ground conditions, inclement weather, poor equipment availability and cost overruns from unforeseen events.

(f) **Development**

The Company's future profitability will depend on the economic returns and the costs of developing the Project, which may differ significantly from its current estimates.

Feasibility studies estimate the expected or anticipated project economic returns. These estimates are based on assumptions regarding future gold and other metal prices, anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed, anticipated recover rates of gold from the ore, anticipated capital expenditure and cash operating costs; and the required return on investment. Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. Operating costs and capital expenditure are determined particularly by the costs of the commodity inputs, including the cost of fuel, chemical reagents explosives, tires and steel consumed in mining activities. There are a number of uncertainties inherent in the development and construction of any new mine and mineral processing facility. In addition to those discussed above these uncertainties include the:

- (i) timing and cost, which can be considerable, of the construction of mining and processing facilities;
- (ii) availability and cost of skilled labour, power, water and transportation facilities;
- (iii) need to obtain necessary governmental permits and the timing of those permits; and
- (iv) availability of funds to finance construction and development activities.

The Project is located in a remote location, which may increase the costs, timing and complications of mine development and construction. Mining operations at Woodlark Island could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur. Finally, operating costs and capital expenditure estimates could fluctuate considerably as a result of changes in the prices of commodities consumed in the construction and operation of mining projects. Accordingly, the development of the Project may be less profitable than currently anticipated or may not be profitable at all.

(g) **Exploration and mining tenements**

Exploration licences do not confer authority to develop the Project. In order to move into development and production Woodlark, as the Project company, needs to hold mining tenements over all areas that may potentially be affected by the Project (a mining lease together with associated leases for mining purposes and/or mining easements to cover mining infrastructure not included in the mining lease).

Woodlark has applied for and been granted Mining Lease 508 (**ML508**) covering the Project area and all associated mining tenements currently anticipated as necessary for the Project. However, the work being undertaken on the Project will require an extension or variation of ML508, and a revised feasibility study may show that other mining tenements are necessary.

ML508 is subject to a condition which requires completion and construction of a mine by 3 July 2017. While, Woodlark has submitted an application to extend this condition, should the application to extend be unsuccessful the land will revert back to the underlying exploration lease and Woodlark will be required to apply for a new Mining Lease at the appropriate time.

The grant and variation of mining tenements is subject to the relevant mining legislation. Mining tenements granted on the terms and conditions that the PNG Minister for Mining considers appropriate and any variations must be approved by the Minister. There is a risk that ML508 will not be extended or varied, or that additional mining tenements that are required may not be granted, or granted in a timely manner, which may delay the development of the Project, or that they will be varied or granted with unexpected and possibly adverse conditions attached that affect the potential profitability of the Project. In addition, once granted, mining tenements are liable to forfeiture upon the breach of any conditions.

(h) **Exchange rates**

The Company's future revenue from gold sales will be received in US dollars while a significant portion of its operating expenses will be incurred in Australian dollars and PNG Kina. Because the Company's financial statements are in Australian dollars, appreciation of the Australian dollar against the US dollar, without offsetting improvement in US dollar denominated gold prices, could adversely affect the Company's reported profitability and financial position.

In addition, the development plans anticipate that certain capital expenditure will be made in US dollars and that certain consumable items required for operations (notably diesel and HFO fuel) will be priced in US dollars. These costs will increase in Australian dollar terms if there is a depreciation of the Australian dollar against the US dollar, which could adversely affect the Company's profitability, results of operations and financial position.

(i) **Financing and funding risk**

The Company's ability to effectively implement its business and operation plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the

financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company 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 Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(j) **Local community relations, compensation and relocation**

The development of the Project will depend in significant part on the ability to maintain good relations with the local community on Woodlark Island. Under the Mining Act, a tenement holder is liable to compensate landowners for its entry onto and occupation of the land and for loss and damage caused by exploration, mining or related activities. To this end, compensation arrangements have already been entered into with the local community. Part of these arrangements cover the relocation of the village at Kulumadau. Although the Company believes that the local communities generally welcome the Project and perceive that it will bring benefits to them, no assurance can be given that negotiation with local communities about the benefits they will derive from the Project, covering compensation, royalties, equity participation, employment and local business, will be successful. Any failure to adequately manage community and social expectations may lead to local dissatisfaction with the Project, which in turn may lead to disruptions of the Project's proposed operations.

(k) **Political risk**

The Project is Located on Woodlark Island in Papua New Guinea, which is a developing country that has experienced political instability and economic uncertainty. The formulation or implementation of PNG Government policies may be unpredictable on certain issues including laws, policies and regulations that impact the Company's operations. The Company's exploration and mining operations are and will be subject to various PNG laws, policies and regulations governing the ownership, prospecting, development and mining of Reserves, taxation and royalties, exchange controls, import and export duties, currency transfers, restrictions and foreign currency holding and repatriation of earnings, investment approvals, environmental matters, employee and social community relations and other matters.

The possibility that the current, or a future Government may adopt substantially different policies with regard to the economy, taxation or the operation or regulation of nationally important assets such as mines cannot be ruled out. If the Company were not able to obtain or maintain necessary permits, authorisations or agreements to implement the Project under conditions or within time frames that make such plans and operations economic, or if legal, ownership, fiscal (including all royalties and duties), exchange control, employment, environmental and social laws and regimes, or the governing political authorities change materially, resulting in changes to such laws and regimes, the

Company's results of operations and its financial condition could be adversely affected.

(l) Asset concentration

The Project accounts for all of the Company's Resources and Reserves and the potential for the future generation of revenue. As the Company's operations are not diversified, any adverse development affecting the progress of the Project may have a material adverse effect on the Company's financial performance and results of operations. Factors such as demand for commodities, unusual and unexpected geological formations, variations in grade deposit size, density and other geological problems, unanticipated regulatory changes, environmental and weather related issues, labour disruption, project financing difficulties, equipment shortages, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery. There is no assurance that the development of the mineral interests currently held by the Company in the Project will result in the development of an economically viable mine.

(m) Insurance

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures and natural phenomena such as inclement weather conditions (including cyclones), floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties and the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance will not cover all of the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover those risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from any of these events may cause the Company to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

7.3 Industry Specific

(a) Licences, Permits and Approvals

Mining companies must obtain numerous licences permits and approvals issued by various PNG governmental agencies and regulatory bodies that regulate operational, environmental and safety matters in connection with gold mining in Papua New Guinea. The applicable rules and regulations are complex and may change over time.

Although the environment permit for the Project has already been obtained, there is a risk that all necessary licences, permits and approvals will not be granted, may be granted on terms not satisfactory to the Company, or may be granted by not within the timeframes anticipated by the Company.

(b) **Operations**

Gold mining and processing ore into gold are susceptible to numerous events that may have an adverse impact on the ability to extract ore and produce gold. Woodlark Island experiences heavy rainfalls averaging approximately four metres per annum, which may cause severe flooding, temporarily prevent access to the Island and disrupt operations. These events or other events which may have an adverse impact on mining operations at the Project include (but are not limited to) inclement weather conditions (including cyclones and flooding) and tropical cyclones, seismic activity and other natural disasters; unexpected maintenance or technical problems; failure of key equipment; electrical power interruptions, environmental hazards (including discharge of metals, pollutants or hazardous chemicals), increased or unexpected reclamation costs; safety related stoppages, ingresses of water, failure of mining pit slopes, heap leach facilities, water dams and waste stockpiles and interruptions due to transportation delays.

Other difficulties may arise as a result of variations in mining conditions from those projected from drilling, such as variations in gold seam thickness and quality, variations in the strip ratio, variations in rock and other natural materials and other variations in geological conditions. The adverse impact of any of these events may be exacerbated by the remoteness of Woodlark Island.

In addition, the open-pit mines will mine through several levels of workings from the old historical underground mine, and this drilling and blasting around the existing voids and within the old workings may affect planned rock fragmentation. The occurrence of any of these events may result in higher operating and maintenance costs and/or ongoing unplanned capital expenditure than expected to meet gold production targets, which would have a material adverse impact on the Company's operational results and its financial position.

(c) **Environment**

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products. Laws and regulations involving the protection and remediation of the environment and the government policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. If environmental compliance obligations for the Project alter as a result of changes in laws and regulations, or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions arise at its operations, its expenses and provisions would increase. If material, these expenses and provisions could adversely affect the Company's results and financial condition.

Despite the Company's best intentions and best efforts, there remains a risk that environmental and/or community incidents may occur that

may negatively impact the Company's reputation or Woodlark's licence to operate.

(d) **Availability and cost of mining equipment and skilled labour**

Increases in worldwide mining activities may create cost pressures for services and skilled personnel in the gold industry, which may affect the ability to purchase or hire equipment, supplies and services and to recruit skilled personnel in relation to the Project. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling activity in Papua New Guinea or in other areas in South-East Asia and Australia may reduce the availability of equipment and services to the Company.

In addition, an increased demand for mineral commodities may significantly increase the demand for many mining and processing inputs, which has resulted in shortages, as well as longer lead times for delivery and increases in pricing, of mining equipment and metallurgical plant, strategic spares and critical consumables. The reduced availability of equipment, services and skilled personnel may delay the planned exploration, development and production activities at the Project. A shortage of skilled labour in the PNG and Asia Pacific regional mining industry could result in the Company having insufficient employees or contractors to operate its business, which could adversely affect the Company's business, results of operations and financial condition.

(e) **Occupational health and safety**

Woodlark's operations are subject to a variety of industry specific health and safety laws and regulations which are formulated to improve and to protect the safety and health of employees. Mining operations are inherently dangerous, and in particular the identification of cavities in the proposed open pits resulting from the old underground mine will be important in ensuring a safe working environment. While Woodlark will implement training strategies on site to improve the existing health and safety culture of local workers, the occurrence of any industrial accidents, workplace injuries or fatalities may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

7.4 General risks

(a) **Market conditions**

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

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;

- the demand for, and supply of, capital; and
- terrorism or other hostilities.

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

(b) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(c) Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
21/03/2017	Initial Director's Interest Notice
21/03/2017	Final Director's Interest Notice
21/03/2017	Director Appointment/Resignation
21/03/2017	Woodlark - 5m @ 7.33 g/t at Kulumadai
20/03/2017	Renounceable Rights Issue
16/03/2017	Woodlark - 23m @ 4.82 g/t at Kulumadai
09/03/2017	Woodlark – Engineering Update
23/02/2017	Woodlark – Additional High Grade Intersection
02/02/2017	Woodlark Gold Project Further Assay Results
31/01/2017	Woodlark Gold Project Drilling Update
30/01/2017	KGD: Woodlark Execution Completed
27/01/2017	Trading Halt Request
27/01/2017	Trading Halt
25/01/2017	December 2016 Quarterly Reports
09/01/2017	Assays at Woodlark
22/12/2016	Third Drill rig Arrives
20/12/2016	Woodlark - Project Engineering Update
15/12/2016	Change of Director's Interest Notice - MS
15/12/2016	Change of Director's Interest Notice - LR
15/12/2016	Change of Director's Interest Notice - DF
05/12/2016	Final Director's Interest Notice
02/12/2016	Woodlark - Rigs arrive and drilling commences
02/12/2016	Woodlark - Land Declaration Ceremony
26/10/2016	September 2016 Quarterly Report
26/10/2016	Director Appointment/Resignation
20/10/2016	Appendix 3B

Date	Description of Announcement
07/10/2016	Geopacific Resources Elects to Proceed
06/10/2016	GPR: Woodlark Election To Proceed
06/09/2016	30 June 2016 Half Year Accounts
15/08/2016	Woodlark Islanders Granted Customary Land
04/08/2016	GPR: Woodlark Development Plan for Busai
01/08/2016	GPR: Woodlark Development Plan at Kulumadau
27/07/2016	June 2016 Quarterly Report
21/07/2016	A Clear Path to Production
19/07/2016	Director Resignation
19/07/2016	Change of Director's Interest Notice
11/07/2016	Earn-in Agreement with Geopacific Resources Limited
07/07/2016	Trading Halt
28/06/2016	Appendix 3B
31/05/2016	Results of Meeting
31/05/2016	Chairman's Address to Shareholders
02/05/2016	Notice of Annual General Meeting/Proxy Form
27/04/2016	Corporate Governance Statement
21/04/2016	March 2016 Quarterly Report
07/04/2016	Change of Director's Interest Notice - LS Amended
06/04/2016	Change of Director's Interest Notice DF Amended
06/04/2016	Change of Director's Interest Notice - LS
06/04/2016	Change of Director's Interest Notice - LR
06/04/2016	Change of Director's Interest Notice - MS
06/04/2016	Change of Director's Interest Notice - DF
05/04/2016	Appendix 4G
04/04/2016	Appendix 3B Updated
04/04/2016	Appendix 3B
04/04/2016	Results of Share Purchase Plan
31/03/2016	Full Year Statutory Accounts

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.kulagold.com.au.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.028	12 January 2017 and 9 February 2017
Lowest	\$0.020	21, 22, 23, 26 and 27 December 2016
Last	\$0.023	21 March 2017

8.4 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

8.5 Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to underwrite part of the Offer for 20,000,000 Shares (**Underwritten Shares**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of \$18,000 (**Underwriter Fee**) (being 6% of the value of the underwritten amount of \$300,000 (**Underwritten Amount**)). The Underwriter will also receive a fee of \$22,500 in consideration for acting as lead manager to the Offer.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) (**Indices fall**): the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 7% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) (**Price**): the issue price under the Offer is greater than the volume weighted average market price for Shares in the Company as quoted by the ASX calculated over 5 consecutive trading days prior to the allotment of new Shares (the volume weighted average price for Shares in the Company over the 5 consecutive trading days prior to the date of this Prospectus was \$0.0239);
- (c) (**Prospectus**): the Offer is withdrawn by the Company;
- (d) (**No Listing Approval**): the Company fails to lodge an Appendix 3B in relation to the Underwritten Shares with ASX by the time required by the Listing Rules, the Corporations Act or any other regulations;
- (e) (**No Official Quotation**): ASX has advised the Company that it will not or may not grant official quotation to the Underwritten Shares or admit the Company to trading on the ASX following completion of the Offer (including issue of the Shortfall Shares) on or prior to the Shortfall Notice Deadline Date (being the date within 4 Business Days after the Closing Date or any other date agreed in writing between the Underwriter and the Company as the date by which the Company must give the Underwriter written notice of the Shortfall Securities and the Certificate (being a letter to the Underwriter signed by one director and the secretary or by two directors of the Company as set out in the Annexure A to the Underwriting Agreement)) (**Shortfall Notice Deadline Date**);

- (f) **(Supplementary prospectus):**
- (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in clause 10.2(r)(iv) of the Underwriting Agreement, forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a Supplementary Prospectus without the prior written agreement of the Underwriter;
- (g) **(Non-compliance with disclosure requirements):** it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
- (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Underwritten Shares;
- (h) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (i) **(Restriction on issue):** the Company is prevented from issuing the Underwritten Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (j) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (k) **(ASIC application):** an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (l) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act;
- (m) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are

unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;

- (n) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China other than hostilities involving Libya, Afghanistan, Iraq, Iran, Syria, Lebanon or Israel;
- (o) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;
- (p) **(Event of Insolvency)**: an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of a Relevant Company;
- (q) **(Indictable offence)**: a director or senior manager of a Relevant Company is charged with an indictable offence;
- (r) **(Termination Events)**: subject always to such an event having a materially adverse effect on the Company, upon the occurrence of any of the following events:
 - (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (iii) **(Contravention of constitution or Act)**: a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (iv) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect (as defined in the Underwriting Agreement) or any adverse change or any development including a likely Material Adverse Effect after the date of this Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
 - (v) **(Error in Due Diligence Results)**: it transpires that any of the Due Diligence Results or any part of the Verification Material was false, misleading or deceptive or that there was an omission from them;
 - (vi) **(Significant change)**: a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;

- (vii) **(Public statements):** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus other than a statement the Company is required to make in order to comply with its disclosure obligations under the Listing Rules and/or the Corporations Act;
- (viii) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreement;
- (x) **(Prescribed Occurrence):** a Prescribed Occurrence occurs, other than as disclosed in the Prospectus;
- (xi) **(Judgment against a Relevant Company):** a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (xii) **(Litigation):** litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against any Relevant Company, other than any claims foreshadowed in the Prospectus;
- (xiii) **(Board and senior management composition):** there is a material change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Shares without the prior written consent of the Underwriter, such consent not to be unreasonably withheld;
- (xiv) **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Offer or a matter disclosed in the Prospectus) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xv) **(Force Majeure):** a Force Majeure (as defined in the Underwriting Agreement) affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xvi) **(Certain resolutions passed):** a Relevant Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to

amend its constitution without the prior written consent of the Underwriter;

- (xvii) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus excluding the issue of any Shares upon the exercise of options issued in the Company, such options having been disclosed to the ASX as at the date of the Underwriting Agreement;
- (xviii) **(Breach of Material Contracts)**: any of the Contracts is terminated or substantially modified;
- (xix) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or
- (xx) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.6 Sub-Underwriting

The Underwriter has entered into a sub-underwriting agreement pursuant to which it has appointed Mark Stowell to sub-underwrite the Underwritten Shares on the following material terms:

- (a) in the event of a Shortfall under the Offer, Mr Stowell will be required to subscribe for the number of Shortfall Shares as notified by the Underwriter, up to a maximum of 6,666,667 Shortfall Shares;
- (b) Mr Stowell is not permitted in any way to assign, transfer, lay-off sub-syndicate in part or in whole or in any other manner deal with his rights or obligations pursuant to the sub-underwriting agreement, without the prior written consent of the Underwriter;
- (c) the Underwriter will pay Mr Stowell a fee of 3% of the amount sub-underwritten by Mr Stowell of \$100,000 (being \$3,000). No fee will be payable if the Offer does not proceed, if the Underwriter terminates the Underwriting Agreement or if the Underwriter is not paid its fee for any reason; and
- (d) the sub-underwriting agreement shall terminate if the Offer does not proceed or the Underwriting Agreement is terminated.

8.7 Mandate Letter

By a mandate letter between CPS Capital Group Pty Ltd and the Company (**Mandate Letter**), CPS Capital Group Pty Ltd agreed to assist the Company in respect of the Offer and the Shortfall Offer.

CPS Capital Group Pty Ltd will be paid a fee equal to 6% of the amount of any shortfall it places on behalf of the Company in relation to the Shortfall Offer. This fee will not apply to the Underwritten Amount, and will be paid in addition to the Underwriting Fee to be paid to the Underwriter as set out in section 8.5 above.

8.8 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
David Frecker ¹	1,184,516	612,000	148,065	\$2,221.00
Garry Perotti ²	560,000	Nil	70,000	\$1,050
Mark Stowell ^{3 4}	3,922,582	291,000	490,323	\$7,354.85

1. All securities held indirectly through David Frecker and Joanne Frecker as trustees of the GEO Superannuation Fund; 612,000 Options exercisable at \$0.17 on or before 20/12/2018.
2. 1,137,204 Shares held by Mr Perotti's wife, Mrs Terry Perotti.
3. 3,922,582 Shares held by Merchant Holdings Pty Ltd of which Mr Stowell is a majority shareholder. 291,000 Options exercisable at \$0.17 on or before 20/12/2018 are held by Merchant Holdings Pty of which Mr Stowell is a majority shareholder.
4. Mark Stowell has entered into a sub-underwriting agreement with the Underwriter on the terms set out in section 8.6. Pursuant to the terms of the sub-underwriting, in the event of a Shortfall Mark Stowell may be allocated up to \$100,000 worth of Shares, being 6,666,667 Shares, in addition to his Entitlement.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in

general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors (excluding superannuation).

Director	Proposed 2017	Unaudited 2016*	2015
David Frecker	\$35,000	\$35,000	\$43,750
Garry Perotti ¹	\$153,000	\$153,000	\$149,686
Mark Stowell	\$25,000	\$25,000	\$31,250

* The Company's financial year ends 31 December

1. Garry Perotti was appointed as Executive Director on 21 March 2017. All amounts paid to him prior to that date were paid in consideration for his role as Company Secretary and Chief Financial Officer.

Pursuant to the provisions of the Company Constitution, there may be changes in the Company's Directors at its annual general meeting to be held in May 2017.

8.9 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; or

(f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(g) the formation or promotion of the Company; or

(h) the Offer.

CPS Capital Group Pty Ltd will be paid an underwriting and placement fee of approximately \$37,566 (being \$18,000 (being 6% of the value of the Underwritten Amount of \$300,000) plus a placement fee of 6% of any shortfall placed) together with a \$22,500 Lead Manager fee in respect of this Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, CPS Capital Group Pty Ltd has been paid fees totalling \$22,500 by the Company.

CPS Capital Group Pty Ltd has also been appointed as the nominee under ASX Listing Rule 7.7.1 (c). CPS Capital Group Pty Ltd will be paid a fee equal to 1% of the value of the rights it sells as nominee for Foreign Shareholders, subject to a minimum fee of \$5,000, for this service.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin not more than \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$68,181 (excluding GST and disbursements) for legal services provided to the Company.

8.10 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

CPS Capital Group Pty Ltd has given its written consent to being named as underwriter and lead manager to the Offer and nominee for Foreign Shareholders in this Prospectus, in the form and context in which it is named. CPS Capital Group Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.11 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$90,066 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,350
ASX fees	1,750
Underwriting and Placement fees	37,566
Lead Manager to the offer fees	22,500
Nominee for foreign shareholders fees	5,000
Legal fees	10,000
Printing and distribution	9,000
Miscellaneous	1,900
Total	<u>90,066</u>

8.12 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 6144 0588 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.kulagold.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.13 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.14 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification

Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.15 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Mark Stowell
Non-executive Director
For and on behalf of
KULA GOLD LIMITED

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company or **Kula Gold** means Kula Gold Limited (ACN 126 741 259).

Constitution means the constitution of the Company as at the date of this Prospectus.

Contracts means all material agreements of the Company as disclosed to ASX together with any other material agreements described in the Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Due Diligence Program means the investigations of the assets and affairs of each Relevant Company implemented under a resolution of the Board for the purpose of preparing and verifying the Prospectus and ensuring that the Prospectus complies with the Corporations Act.

Due Diligence Results means the results of the investigations which make up the Due Diligence Program, as maintained by the Company including but not limited to any reports of the Board and all supporting documents and work papers to which the Due Diligence Program relates.

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder as at the Record Date other than an Ineligible Shareholder.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Offer means the renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Project Means the Woodlark Island Gold Project owned by Woodlark Mining Limited

Prescribed Occurrence means:

- (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares;
- (b) a Relevant Company resolving to reduce its share capital in any way;
- (c) a Relevant Company:
 - (i) entering into a buy-back agreement or;
 - (ii) resolving to approve the terms of a buy-back agreement under Section 257D or 257E of the Corporations Act;
- (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares or any other securities, or agreeing to make such an issue or grant such an option (other than pursuant to the Prospectus or on conversion of convertible securities on issue as at the date of the Underwriting Agreement or as previously notified to the Underwriter prior to the date of the Underwriting Agreement);
- (e) a Relevant Company issuing, or agreeing to issue, convertible notes;
- (f) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) a Relevant Company charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) a Relevant Company resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of a Relevant Company;
- (j) the making of an order by a court for the winding up of a Relevant Company;
- (k) an administrator of a Relevant Company, being appointed under Section 436A, 436B or 436C of the Corporations Act;
- (l) a Relevant Company executing a deed of company arrangement; or

- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Relevant Company means the Company and each Subsidiary.

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

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus, which will be provided only to those persons who are instructed by the Company to apply for Shortfall Shares.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.16 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

Subsidiary means each company which is now, or before the issue of all the Underwritten Shares becomes, a subsidiary of the Company as that term is defined in the Corporations Act.

Supplementary Prospectus means any supplementary prospectus or replacement prospectus or both in relation to the Offer and the Prospectus lodged pursuant to Section 719 of the Corporations Act as the Underwriter in its absolute discretion may approve.

Verification Material means the material maintained by the Company being the documents and information provided by the Company in verification of statements made in the Prospectus, as inspected and approved by the Underwriter immediately before the date of lodgement with ASIC of the Prospectus.

Woodlark means Woodlark Mining Limited, a PNG incorporated subsidiary of Kula Gold Limited.

WST means Western Standard Time as observed in Perth, Western Australia.