

ASX Announcement & Media Release

Quarterly Activities Report

For Period Ended 31 March 2017

Highlights:

- Large-scale 15,000m drilling program underway at Woodlark Island Gold Project with two diamond drill rigs and an RC rig in operation
- Numerous mine grade results received from program in the quarter, including;
 - Busai Deposit
 - 26m @ 3.17 g/t gold from 70m (including 11m @ 6.56 g/t gold from 71m)
 - 23m @ 1.39 g/t gold from 24m
 - 22m @ 1.98 g/t gold from 126m
 - Kulumadau Deposit
 - 23m @ 4.82 g/t gold from 102m (including 9m @ 9.05 g/t gold)
 - 21m @ 3.27 g/t gold from 40m (including 5m @ 7.33 g/t gold)
 - 6m @ 4.53 g/t gold from 138m
- Kula currently has a 95% interest in the Project and is free carried through A\$8 million expenditure via earn-in agreement with Geopacific Resources Limited
- Independent engineering review indicates potential for 27% reduction in capital cost at Woodlark Island Gold Project
- Significant potential to add additional gold resources and reserves to existing JORC Resource base of 2.1 million ounces of gold and a JORC Reserve of 766,000 ounces of gold
- Post quarter end, Kula received an unsolicited takeover bid from its Joint Venture partner Geopacific Resources Limited
- Cash balance, post the Renounceable Rights Issue, as at 26 April 2017 was \$676,095

Kula Gold Limited (ASX: KGD) ("Kula" or "the Company") is pleased to provide its Quarterly Activities Report for the period ended 31 March 2017.



OPERATIONAL OVERVIEW

Woodlark Island Drilling Program

The Company's Joint Venture partner, Geopacific Resources Limited (ASX: GPR), is undertaking the current drill program as part of its earn-in agreement, with an RC and two diamond drill rigs currently in operation at the Kulumadau and Busai deposits respectively.

Execution of Formal Agreements with GPR

In January, the Company announced the completion of the agreements for the earn-in to the WIGP with Geopacific Resources Limited ("GPR"). The formal agreements executed at that time replace the Binding Term Sheet entered into on 7 July 2016. GPR's earn-in rights are in three tranches or stages which are summarised below. Following GPR's commitment in October 2016 to proceed with the second tranche and the execution of the formal agreements in January 2017, GPR has acquired a 5% interest in WIGP (through a shareholding in the project company, Woodlark Mining Limited) and Kula retains a 95% interest.

GPR's earn-in rights

Tranche 1 [completed]

- GPR spent \$141,134 in under 6 months to complete due diligence and establish optimal work program to deliver incentive target of a 1.2Moz gold reserve for WIGP
- On 6 October 2016, GPR committed to proceed with Tranche 2.

Tranche 2 [underway]

- GPR to spend up to \$8M in 24 months and to do 15,000 metres of diamond drilling (4,800 metres completed at the end of the quarter) to undertake the work program developed in Tranche 1
- If GPR spends \$8M and completes the 15,000 metres of diamond drilling commitment it will earn an additional 35% interest
- Alternatively, if GPR achieves the incentive target of 1.2 million ounce gold Reserve within 24 months it will earn an additional 46% interest

Tranche 3 [GPR has not committed to this]

- GPR to spend up to \$10M undertaking the WIGP work program
- If GPR spends \$10M without achieving the incentive target and without achieving 'bankable' status it will earn an additional 20% interest to go to 60%
- Alternatively, if GPR achieves the incentive target and 'bankable' status within the allocated spend it will earn an additional 15% interest giving it a total of 75%

Kula's election: Kula may elect for GPR to fully fund it through to production, repayable without interest from Kula's share of future cashflow, in return for ceding an additional 5% interest to GPR thereby reducing Kula's interest from 25% to 20% (or 15% if the PNG Government pays Kula to acquire 5% as it has said it will do).

Busai is one of three main deposits on Woodlark Island that comprise a global resource of 45.1Mt @ 1.5 g/t Gold for approximately 2.1 million ounces of gold.

In January, Kula received assay results from two new diamond holes at the Busai Deposit. Figure 1 shows a geological cross section with the first hole, BS16DD001, in relation to the current Busai pit design. The location of BS16DD004 is also shown in Figure 1 with the intervals of geological interest shown.

Gold intercepts in first hole (BS16DD001) included:

- 2.9m @ 8.87g/t Gold from 1.1m;
- 7m @ 3.32 g/t Gold from 38m;
- 19m @ 0.89 g/t Gold from 73m;
- 3m @ 8.51 g/t Gold from 138m; and
- 16m @ 1.16 g/t Gold from 160m.

Gold intercepts in second hole (BS16DD002) included:

- 3m @ 6.37 g/t Gold from 5m; 5m @ 1.40 g/t Gold from 27m;
- 4m @ 2.55g/t Gold from 44m; and
- 8.4m @ 1.28 g/t Gold from 50m

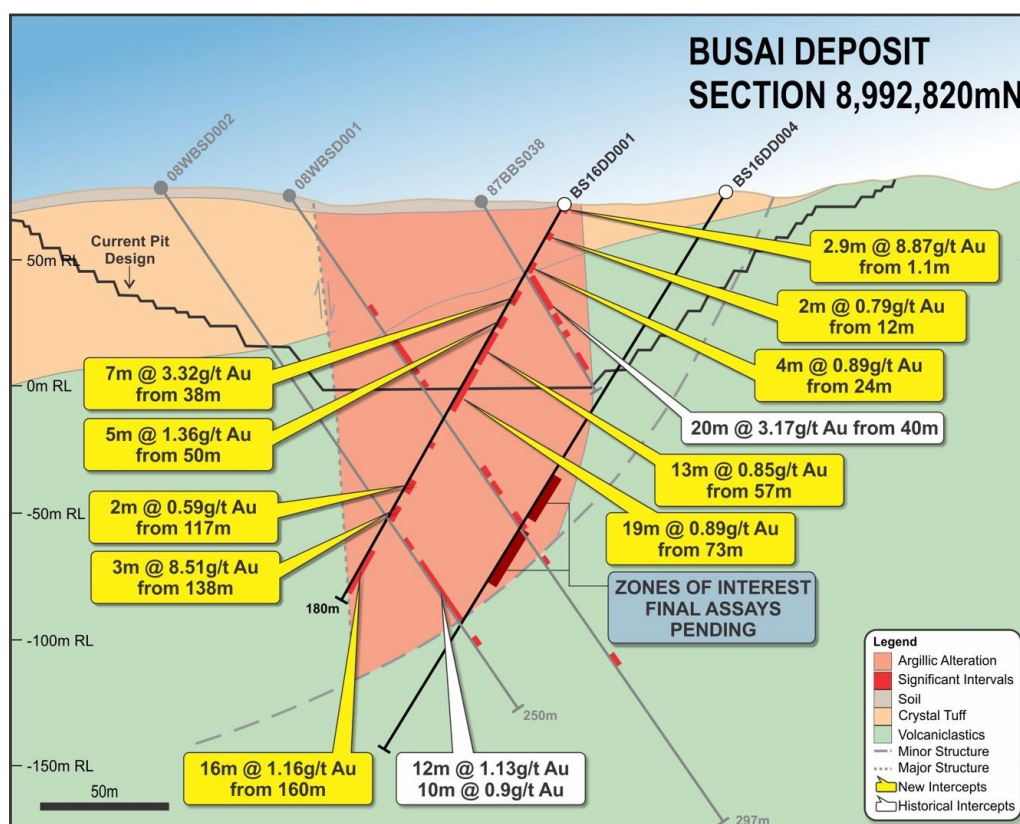


Figure 1: Cross section of the Busai Deposit showing assay results from BS16DD001 within and below the existing pit outline



In February, Kula reported new assays for the three diamond drill holes at the Busai Deposit which included:

BS16DD004:

- 22 m @ 1.98 g/t Gold from 126m
- 23.1 m @ 1.75 g/t Gold from 152m

BS16DD005:

- 2 m @ 2.35 g/t Gold from 17m
- 2 m @ 8.43 g/t Gold from 52m
- 6 m @ 1.62 g/t Gold from 57m

BS16DD003:

- 1 m @ 1.29 g/t Gold from 20m
- 1 m @ 2.89 g/t Gold from 36m
- 4 m @ 2.31 g/t Gold from 65m

Further positive results were also received during this time from an unassayed geotechnical drill hole at the Busai Deposit, with hole 10WBSD004 including the below positive intersections:

- 11m @ 1.84 g/t Gold from 5m
- 23m @ 1.39 g/t Gold from 24m
- 26m @ 3.17 g/t Gold from 70m, incl. 11m @ 6.56 g/t Gold from 71m

The historic drill hole - 10WBSD004 - is notable not only for the strong gold values intersected, but also that it is the only hole drilled towards the south of the current pit, as opposed to neighbouring holes drilled east-west. A reassessment of possible east-west-oriented mineralised structures at the Vulcan zone, which may have gone unrecognised in earlier drilling is also underway and will be used to determine additional follow-up drilling.

Kulumadau Deposit Drilling

In March, Kula reported additional positive results from drilling at the Company's Kulumadau deposit – with the newly completed holes designed to test for extensions to known mineralisation to the south of the current Kulumadau West pit design.

Initial results from RC drill hole KU17RD004 included:

- 3m at 2.20 g/t Gold from 44m
- 23m at 4.82 g/t Gold from 102m (including 9m at 9.05 g/t gold)
- 6m at 4.53 g/t Gold from 138m

The location of these drill holes is in red on the drill hole location plan in **Figure 2**, showing gold intersections in areas outside of current pit designs. A number of new drill holes that have been completed, and are in the process of being assayed, are in light red on the plan.

Drill hole KU17RD004 was designed to target a cross-cutting shear to the south of the main Kulumadau mineralisation that is potentially a gold feeder zone. The hole is situated in an area that has not been previously tested by drilling, and encountered milled breccias within several shear zones at the target depth. The zone is strongly mineralised and similar in style to gold mineralised zones within the current Kulumadau pit outline.

Further significant gold intersections were recorded at the Kulumadau deposit in late March with RC drill hole KU17RC009, shown on Figure 3, recording **21m at 3.27 g/t gold from 40m, including 5m at 7.33 g/t gold**.

Drilling at Kulumadau East was designed to extend and infill the inferred mineralisation north of the current Kulumadau pit design and has intercepted a wide zone of mineralisation in Reverse Circulation (RC) hole KU17RC009. An adjacent diamond hole, KU17DD003, shown on Figure 3, (located approximately 10m to the east of KU17RC009) was designed to further test this zone and aid geological interpretation has been drilled with results pending. A wide zone of alteration in KU17DD003 was logged and included two zones of visible gold within a wide zone of brecciation, alteration and quartz veining.

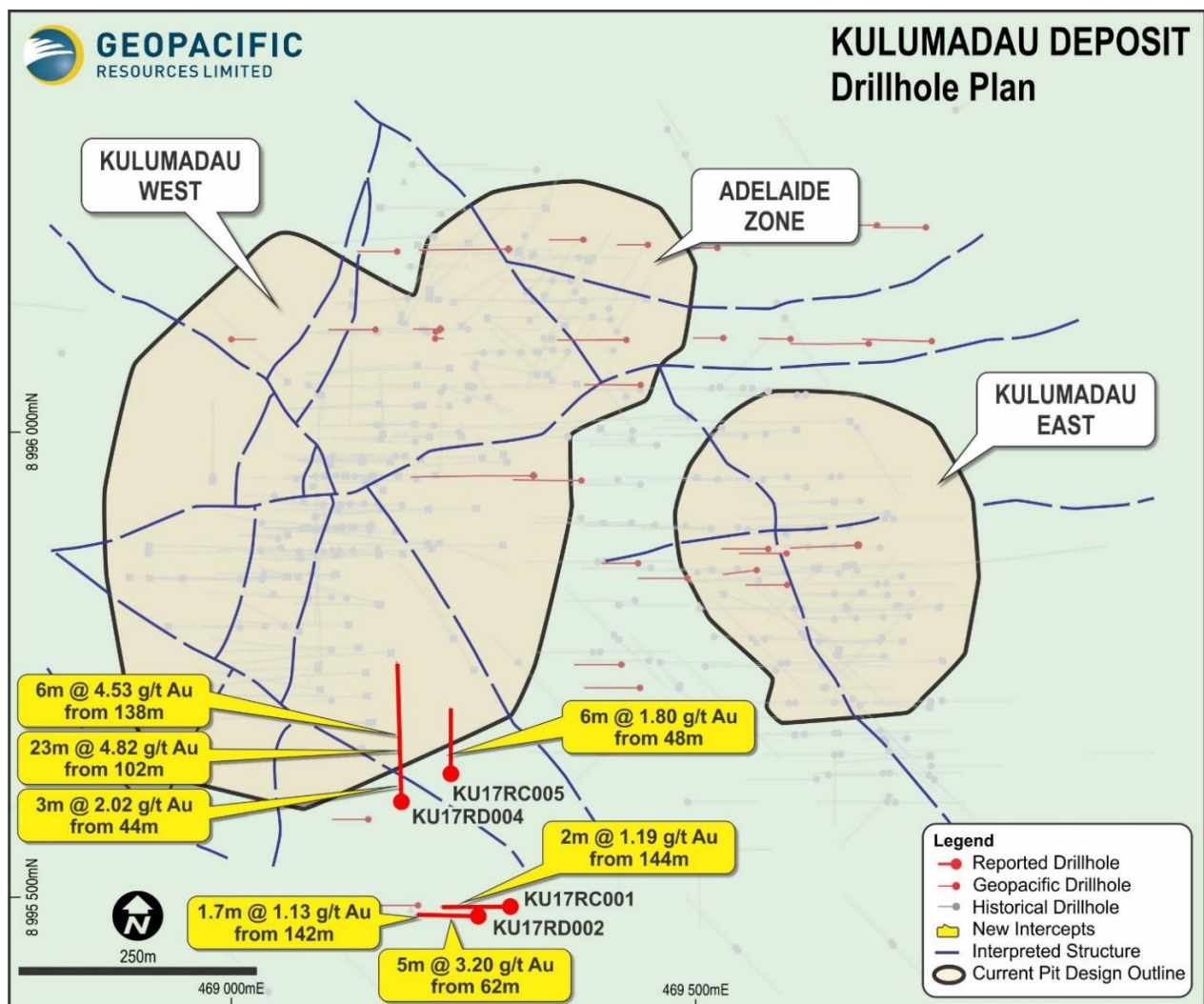


Figure 2: Drill hole location plan showing the drillholes for current results (bold red) and in relation to current pit designs at the Kulumadau deposit.

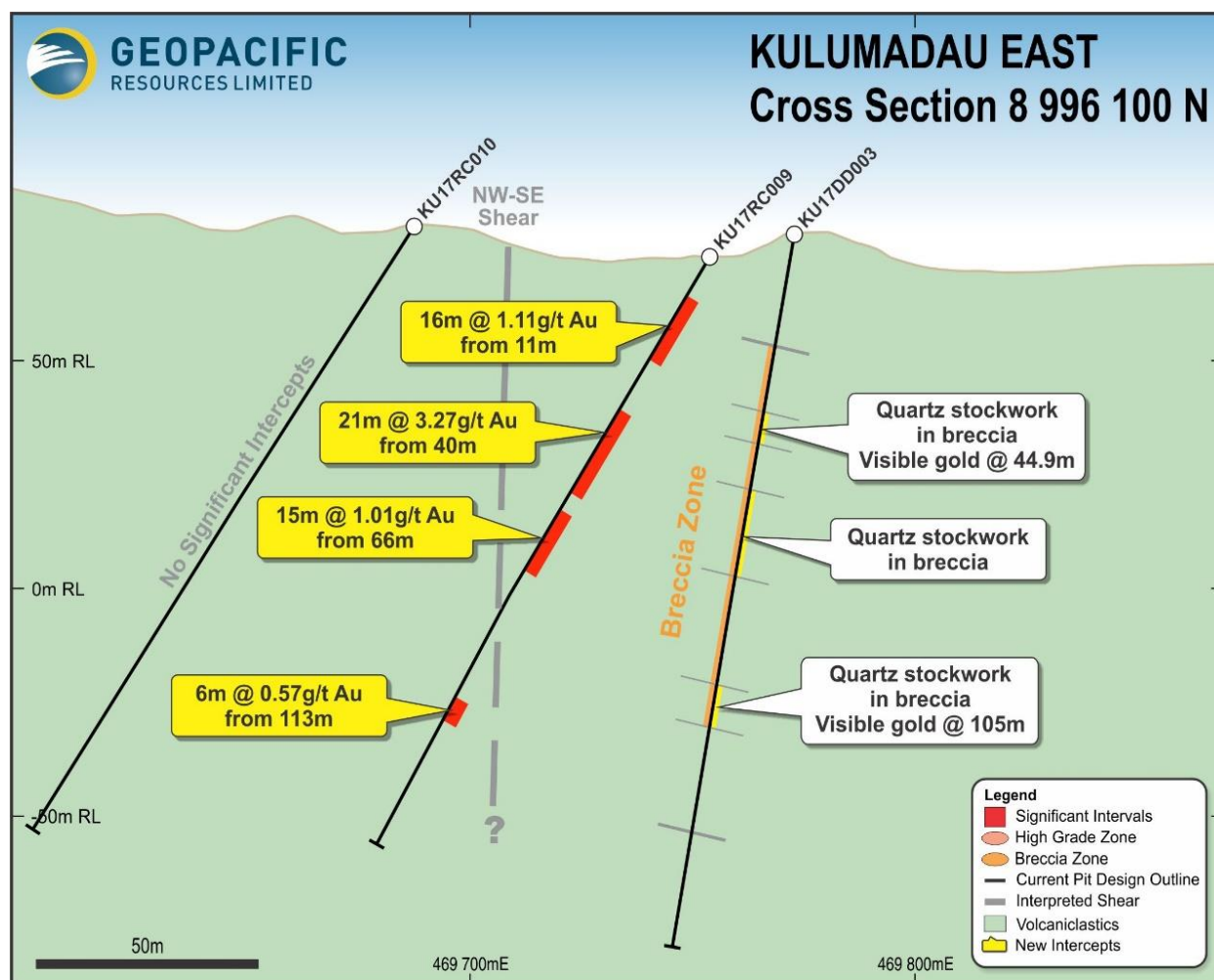


Figure 3: Cross section showing new, broad, high-grade intercepts in KU17RC009 to the north of the Kulumadau East pit design and the altered zones with visible gold logged in KU17DD003.

Engineering Review Identifies Significant CAPEX Cost Savings

In early March, Kula advised that a detailed engineering review had identified significant reductions in capital expenditure (“CAPEX”) at the Woodlark Island Gold Project. The study was initiated by the Company’s Joint Venture partner, Geopacific Resources Limited (ASX: GPR).

As part of the review, Mincore Engineers has been appointed to undertake a “like-for-like” comparison with costs outlined in Kula’s 2012 Definitive Feasibility Study (“DFS”). Mincore’s first-stage review demonstrates that a CAPEX saving of \$25 million, which equates to a 27% reduction, could be achieved by constructing the original processing plant design in the current economic environment.

Further CAPEX reductions associated with infrastructure costs are expected to be realised during the second stage of the review which is currently underway.



CORPORATE OVERVIEW

Geopacific Resources Limited Takeover Bid

After the end of the quarter, on 5 April 2017, Kula received an unsolicited takeover bid from its Joint Venture partner Geopacific Resources Limited (“GPR”), with key details outlined below:

- Offer of 1 GPR share for every 1.4723 KGD shares
- Offer equivalent to approx. \$0.028 per KGD share at the time of the bid – now approx. \$0.0245 on last GPR share price of \$0.036

The Board of Kula views the proposed offer as opportunistic and undervalued and advises shareholders to **TAKE NO ACTION** until further guidance from the Board.

Renounceable Rights Issue

On 20th March, the Company announced a Renounceable Entitlement Issue, with the Offer of one (1) share for every eight (8) shares held by those Shareholders registered at the Record Date, 29 March 2017.

Post quarter end, Kula advised that the Renounceable Rights Issue had raised the maximum amount of \$626,097. The Company gives notice that it received valid applications under the Renounceable Rights Issue for 36,319,294 new shares, an 87% take-up, and a shortfall of 5,420,487 shares which were placed by CPS Capital Group Pty Ltd pursuant to the Underwriting Agreement.

The funds will be used for working capital, noting that the bulk of the expenditure advancing the company’s Woodlark Island Gold project are being funded at this time by Kula’s JV partner Geopacific Resources Limited (ASX:GPR).

Board Changes

During the quarter, Mr Louis Rozman resigned as a non-executive director of Kula Gold Limited to focus on his other business responsibilities.

Mr Garry Perotti, who has served in an executive capacity as Chief Financial Officer since October 2014, was appointed as an executive director of Kula Gold Limited. He was already on the board of the company's PNG subsidiary, Woodlark Mining Limited.



Background on the Woodlark Island Gold Project, PNG

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

Kula's Joint Venture Partner Geopacific Resources Limited is funding the next \$8 million expenditure to advance the gold reserves to a target of 1.2 million ounces of gold to earn additional equity in the Project.

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

The Resource Estimates for the Kulumadau and Busai Deposits were re reported and released on 31 January 2017 in accordance with JORC 2012. The estimates for Munasi and Woodlark King have not been re reported in accordance with JORC 2012, as there has been no additional work within these deposits since the previous estimate.

Kula Gold's Feasibility Study, based on a JORC 2004 Ore Reserve of 766,000 ounces and a gold price of US\$1200/ounce, defined a Project with a mine life of nine years, three open pit mining areas and a 1.8Mtpa gravity and carbon in leach plant (KGD ASX release 27 September 2012).

The Company's 95% owned subsidiary, Woodlark Mining Limited, has been granted the Environment Permit and the Mining Lease for the Project.

For further information, contact:

Garry Perotti
Chief Financial Officer
Kula Gold Limited

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Directors and Management

David Frecker	Chairman
Mark Stowell	Non-executive director
Garry Perotti	Executive director

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The information in this report that relates to geology and exploration is based on information compiled by Mr Paul Dunbar, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr. Dunbar is employed by Dunbar Resource Management, a Geology and Exploration Management consultancy, who has been engaged by Kula Gold. Mr. Dunbar has sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the 2012 JORC Code). Mr. Dunbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information relating to the 2012 JORC Resource estimates was initially released in the 31 January 2017 ASX release and is available on the company's website. The company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The company confirms that the form and context of the resource estimates have not been materially modified from the original ASX release.

Information contained in this report is a compilation of previously announced exploration results, ASX releases of January 9, 30 and 31, February 2 and 23 and March 9, 16 and 21. The company confirms that the information and all assumptions contained in those releases remain valid. These ASX releases are available on the company and ASX websites.

Appendix A: Table 1. Woodlark Island 2012 Resource Table

Reported as per JORC 2012
As of July 2012 at 0.5g/t Gold lower cutoff

Deposit	Category	Resource (Mt)	Grade – cut (g/t gold)	Gold – cut (Oz)
Kulumadai	Measured	5	1.78	285,000
	Indicated	4.4	1.75	250,000
	Inferred	8.6	1.4	380,000
	Totals	18	1.6	910,000
Busai	Measured	3.9	1.54	190,000
	Indicated	10.4	1.4	470,000
	Inferred	4.9	1.6	250,000
	Totals	19	1.5	910,000
All	Measured	8.9	1.66	475,000
	Indicated	14.8	1.5	720,000
	Inferred	13.5	1.5	630,000
Totals	All	37.2	1.5	1,820,000

Notes

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

Appendix A: Table 2. Woodlark Island 2004 Resource Table

**Reported as per JORC 2004
As of July 2012 at 0.5g/t Gold lower cutoff**

Deposit	Category	Resource (Mt)	Grade – cut (g/t gold)	Gold – cut (Oz)
Munasi	Inferred	3.9	0.9	110,000
	Total	3.9	0.9	110,000
Woodlark King	Indicated	3	1.2	115,000
	Inferred ²	1	1.8	60,000
	Total	4	1.4	175,000
Total	All	7.9	1.1	285,000

1: Totals may appear incorrect due to rounding.

2: The Woodlark King Inferred Resource includes 0.3Mt @ 3.0g/t for 30,000oz Gold from Watou (1.5km south of Woodlark King)

3: These Resources are reported under JORC 2004 and have not been updated.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Kula Gold Limited

ABN

83 126 741 259

Quarter ended ("current quarter")

31 March 2017

Statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(21)	(21)
(b) development	-	-
(c) production	-	-
(d) staff costs	(45)	(45)
(e) administration and corporate costs	(85)	(85)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(150)	(150)

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

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings (a non-recourse loan from JV partner, Geopacific Resources Limited, to the Company's subsidiary, Woodlark Mining Limited, to fund earn-in expenditure)	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-

Statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	222	222
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(150)	(150)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	72	72

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9	9
5.2	Call deposits	63	213
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	72	222

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

Directors fees for the quarter ended 31 March 2017

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

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


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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	100
9.6 Other (takeover costs)	75
9.7 Total estimated cash outflows	175

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

Compliance statement

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

Sign here:  Date: ...28 April 2017.....
(Director/Company secretary)

Print name:GARRY PEROTTI.....

Notes

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

NOTE 1:

The formal agreements to implement the farm-in and joint venture with Geopacific Resources Limited ("GPR") were executed by the Company, GPR and Woodlark Mining Limited ("WML") on 25 January 2017. Under these arrangements GPR was entitled to 5% equity in WML prior to 31 December 2016 and shares in WML representing this percentage were issued to GPR when the formal agreements were executed. Under the terms and conditions of the Agreements, GPR has assumed responsibility for the management of WML and the funding of the next stage of work on the Woodlark Island Gold Project owned by WML; as a result, under the Accounting Standards, WML ceased to be a controlled entity of the Company from 25 January 2017 and has been deconsolidated from the Group accounts.

This Appendix 5B applies to Kula Gold Limited only.