

## ASX Announcement & Media Release

### Quarterly Activities Report

For Period Ended 30 September 2017

#### Highlights:

- Depth extensions confirmed below pit designs
- Broad zones of mineralisation at Busai and Kulumadau
- Continuity of mineralisation confirmed
- Strong gold values in diamond drilling surrounding and within 2012 pit design
- Wide zones of mineralisation over numerous intercepts
- Numerous mine grade results received from program in the quarter, including;
  - Busai Deposit
    - 40m @ 2.04 g/t gold from 121m
    - 18m @ 5.55 g/t gold from 178m
  - Kulumadau Deposit
    - 18m @ 10.29 g/t gold from 231m
    - 22m @ 2.78 g/t gold from 53m
    - 3m @ 63.44 g/t gold from 212m
    - 10m @ 7.84 g/t gold from 53m
    - 13m @ 3.11 g/t gold from 82m
    - 12.3m @ 2.23 g/t gold from 137.7m
    - 4m @ 2.32 g/t gold from 219m
    - 18m @ 3.39 g/t gold from 229m
    - 13m @ 1.68 g/t gold from 256m
- Kula currently has a 95% interest (diluting) in the Project and Geopacific Resources Limited continues to fund all project expenditure under the Farm-in Agreement
- Kula is a subsidiary of Geopacific Resources Limited who hold 85% of Kula

Kula Gold Limited (ASX: KGD) (“Kula” or “the Company”) is pleased to provide its Quarterly Activities Report for the period ended 30 September 2017.



## **OPERATIONAL OVERVIEW**

### **Woodlark Island Drilling Program**

The development drill program, funded through the Company's Joint Venture partner Geopacific Resources Limited (ASX: GPR), continues under the current Farm-in Agreement producing encouraging results and a clearer understanding of the project resources and reserves. There are four drill rigs on site ensuring continual drilling under the program.

### **Busai Deposit Drilling**

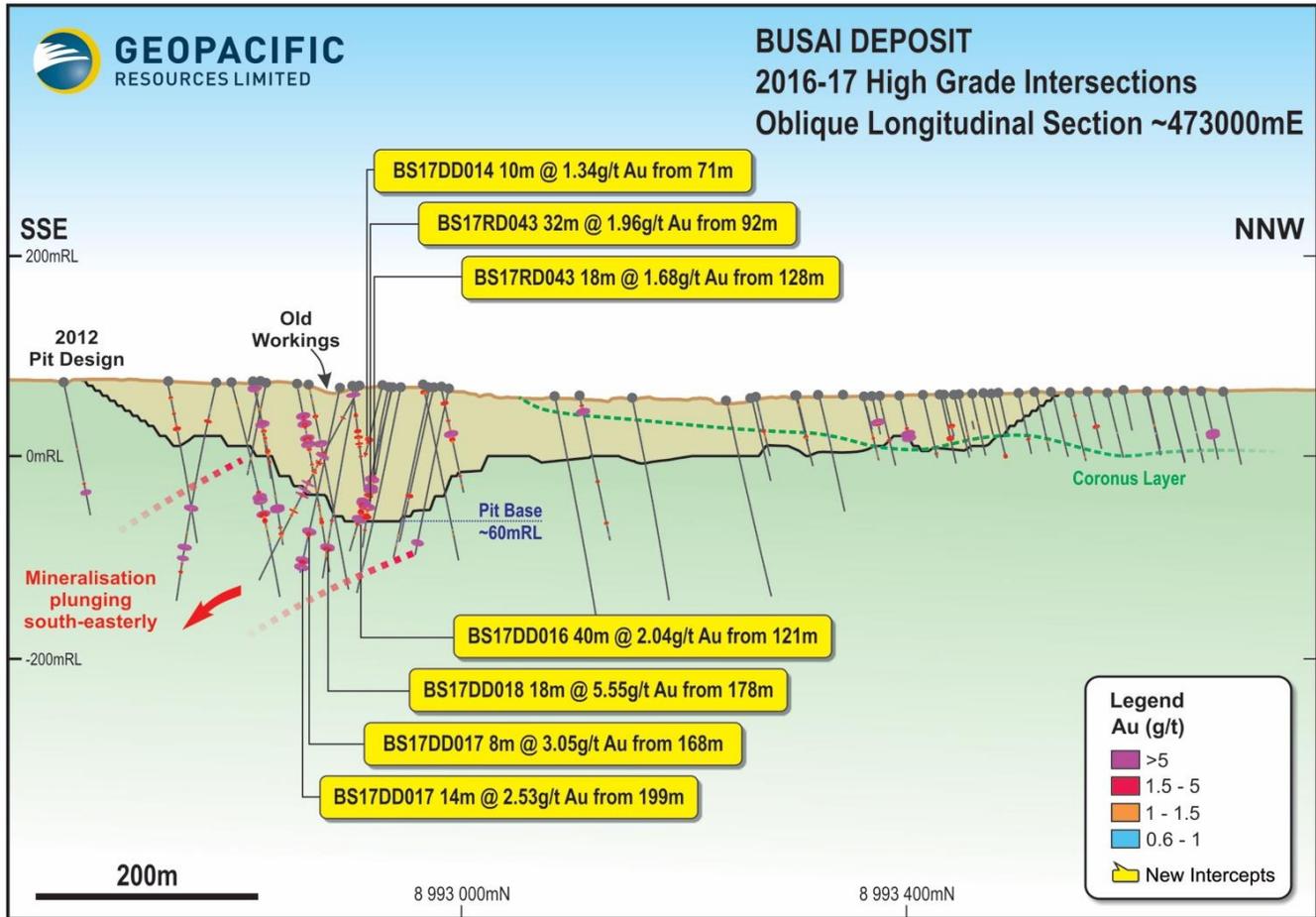
Recent drilling was designed to test the potential for strike and down dip extensions of gold mineralisation at Busai, focusing primarily on the Busai Main portion of the deposit where earlier drilling indicated the likelihood for mineralisation to continue at depth. These drill results confirm the continuity of mineralisation up to 70 metres below the 2012 pit design.

Geological logging has identified a correlation between higher gold grades and complex, multiple phases of breccia development.

Gold grades are higher where brecciation is accompanied by cherty haematite, haematite alteration, quartz-carbonate veining and particularly the presence of minor base metal sulphides such as galena, sphalerite and chalcopyrite. Modelling of the breccias can then be used to predict the orientation of the gold zones.

Using the recently-developed breccia logging system established by Geopacific, modelling indicated a strong possibility for the mineralised system to persist down dip as shown in Figure 1 below.



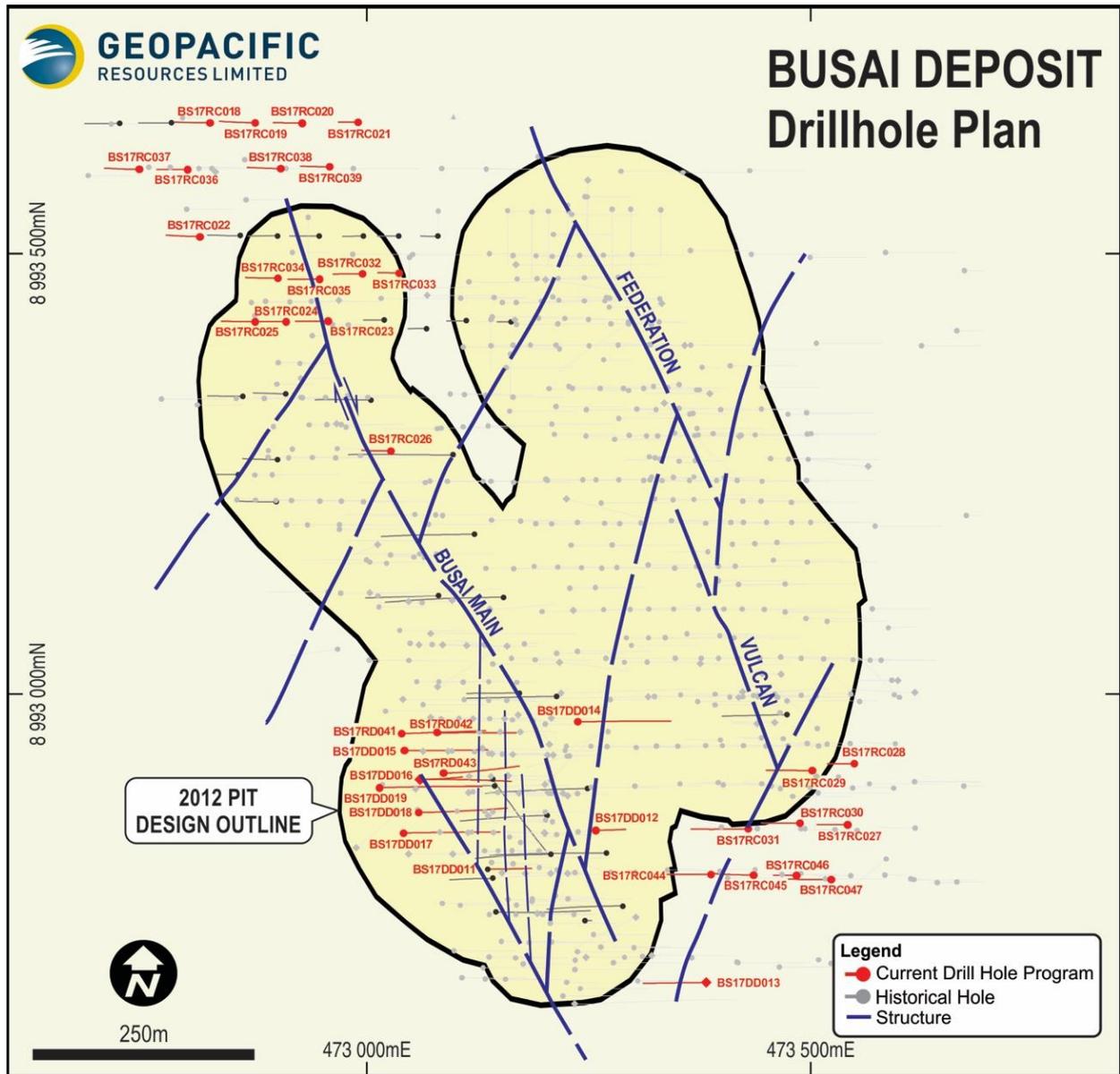


**Figure 2: Oblique longitudinal section of the Busai deposit**

(In order to simplify the image, results for historical drillholes are not included in Figure 2)

Shallow RC drilling in the northern portion of Busai Main, designed to test for possible extensions of gold deposited at the unconformity between underlying volcanics and much younger coronus marine sediment cover, continued to define relatively thin zones of gold mineralisation.

The location of recent drillholes is indicated on the drillhole location plan in Figure 3.



**Figure 3: Drillhole location plan at the Busai deposit**

A round of metallurgical drilling for metallurgical variability studies at Woodlark has been completed. The results for the initial holes have been received and continue to highlight the wide zones of gold mineralisation that have previously been identified.

Stages of the testwork will be used to calculate independent reserve estimates, with all results to be used in the updated Definitive Feasibility Study (DFS). The main aim of the testwork is to confirm that historic testwork is representative of the mineralisation. The testwork program has been designed by Lycopodium Engineering and will be supervised from their Brisbane office. ALS laboratories has been engaged to undertake the testwork in Australia.

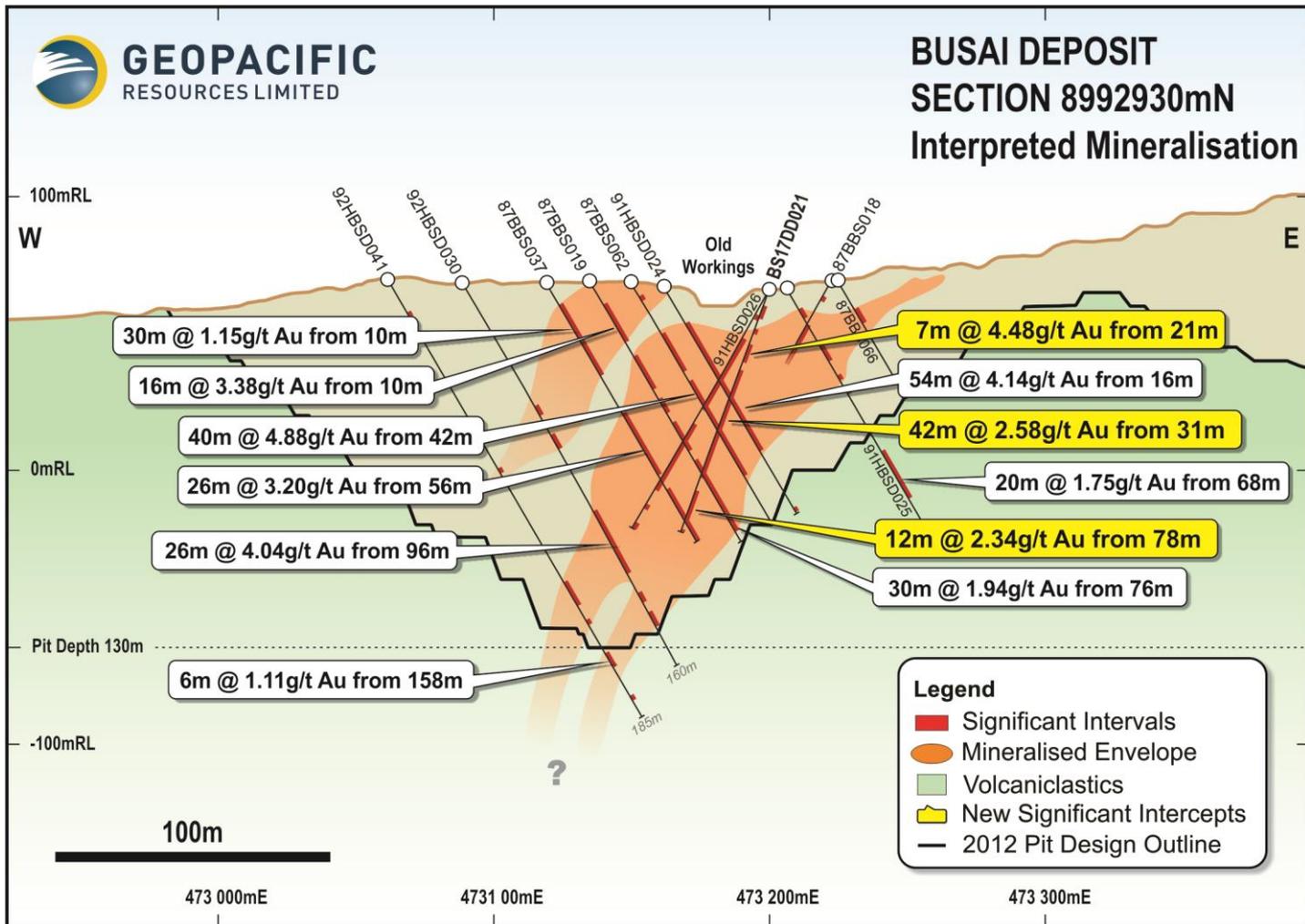


Figure 4: Cross section of the Busai deposit showing results from recent metallurgical drilling

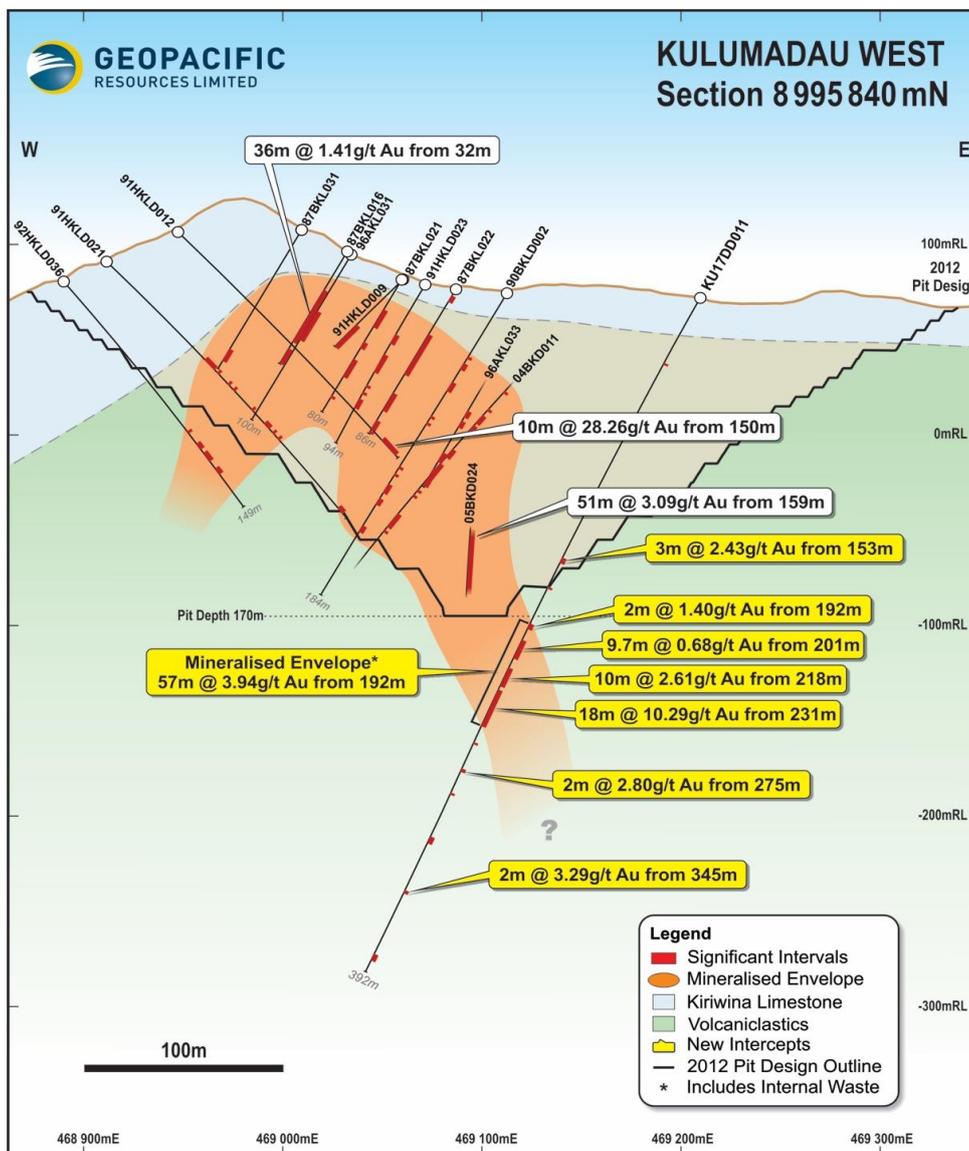
The aim of the drilling is to maximise mineralised samples to provide material for metallurgical testing. Approximately 5 tonnes of PQ size (85mm) has been dispatched for testwork at ALS laboratories in Australia. The testwork is expected to take approximately 16 weeks. Results will be released as they become available.

**Kulumadau Drill Results**

**Depth extensions at Kulumadau West**

Kulumadau West is the main area of the Kulumadau deposit, characterised by broad, strong zones of gold mineralisation. This mineralisation is generally associated with cataclastic breccias and related clay alterations.

Recent drilling at Kulumadau West aimed to define depth extensions to the mineralisation and to improve inferred resources below the base of the 2012 pit design. Results have confirmed and extended the down-dip continuity of mineralisation which remains open at depth, with the deepest hole recording 57m @ 3.94 g/t gold. The depth of the 2012 pit design varies between 130 to 150 metres, with current results to 100 metres below the base of the 2012 DFS pit.



The high-grade nature of the Kulumadau deposit's central zone can clearly be seen in the longitudinal section with impressive historical results including:

- 11m @ 36.3g/t gold
- 36m @ 12.52g/t gold
- 48m @ 10.39g/t gold
- 52m @ 4.72g/t Au

Drillhole KU17DD011 intersected 18m @ 10.29g/t gold from 231m, confirming the high-grade, down-dip continuity of Kulumadau West mineralisation.

New results are marked with the yellow labels. Mineralisation remains open at depth.

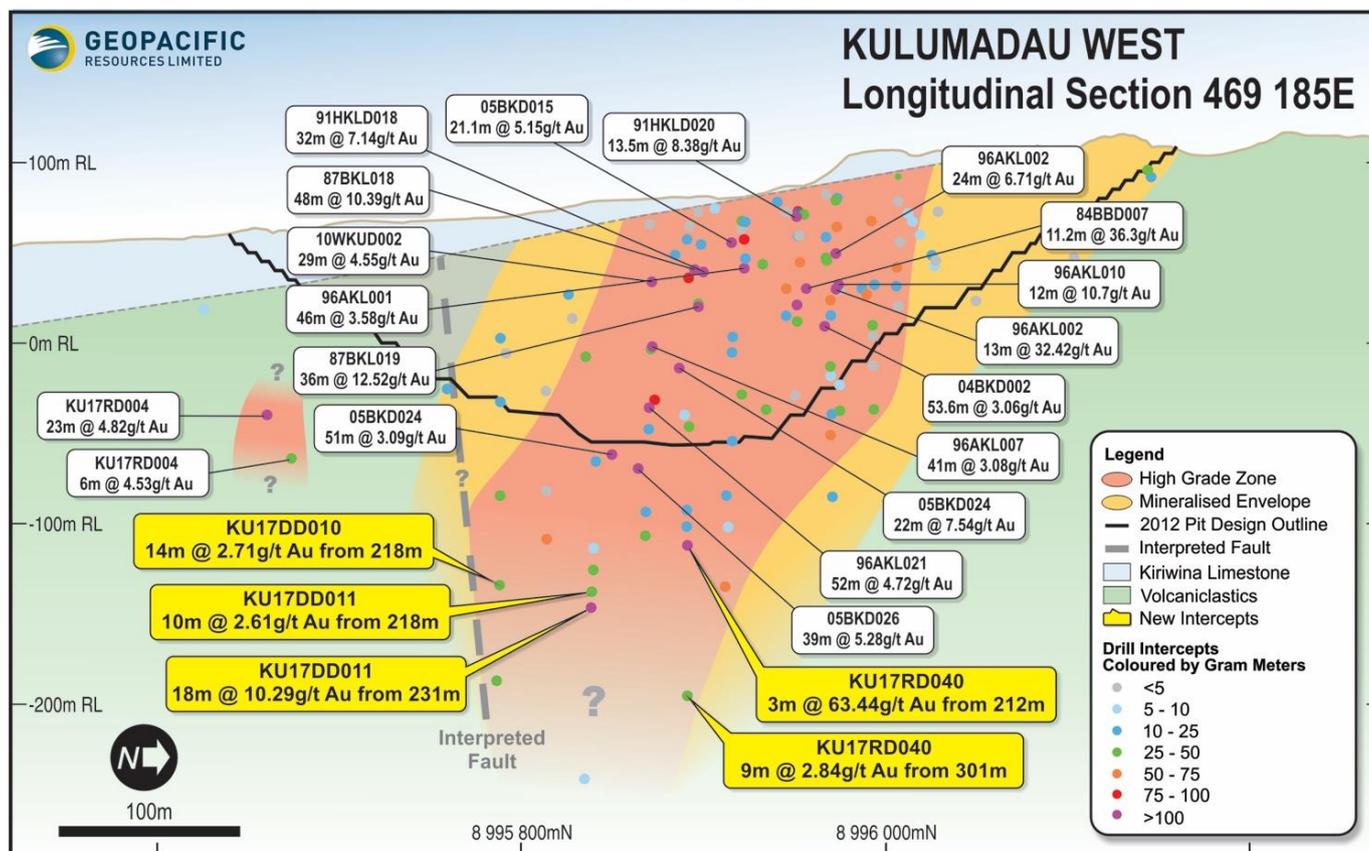


Figure 6: Longitudinal section showing the high-grade core of the deposit with high-grade zone continuing below the pit design (yellow labels), which remains open at the Kulumadau West deposit.

### North of Kulumadau East

New significant intercepts include:

- 22m @ 2.8g/t gold from 53m
- 30m @ 2.08g/t gold from 28m

Geopacific’s geological team were able to use their growing knowledge of the deposit to target mineralisation, returning results that continue the trend of broad intersections of mineralisation from surface. The grades and style of mineralisation are consistent with the Kulumadau East deposit. Mineralisation remains open along strike and at depth, with further drilling underway to test the dimensional aspects of the mineralisation.

Mineralisation in this area falls outside the current Reserve inventory and is approximately 100m north-east of the 2012 proposed East Kulumadau pit boundary as seen in the drillhole location plan Figure 7.

Mineralisation at Kulumadau East is “blind”, covered at surface by a thin layer of soft coronus material (limestone). The coronus covers a large portion of the island and has hindered exploration in the past. Geophysical techniques present the opportunity to unlock the exploration potential of Woodlark by aiding further discoveries of this nature.

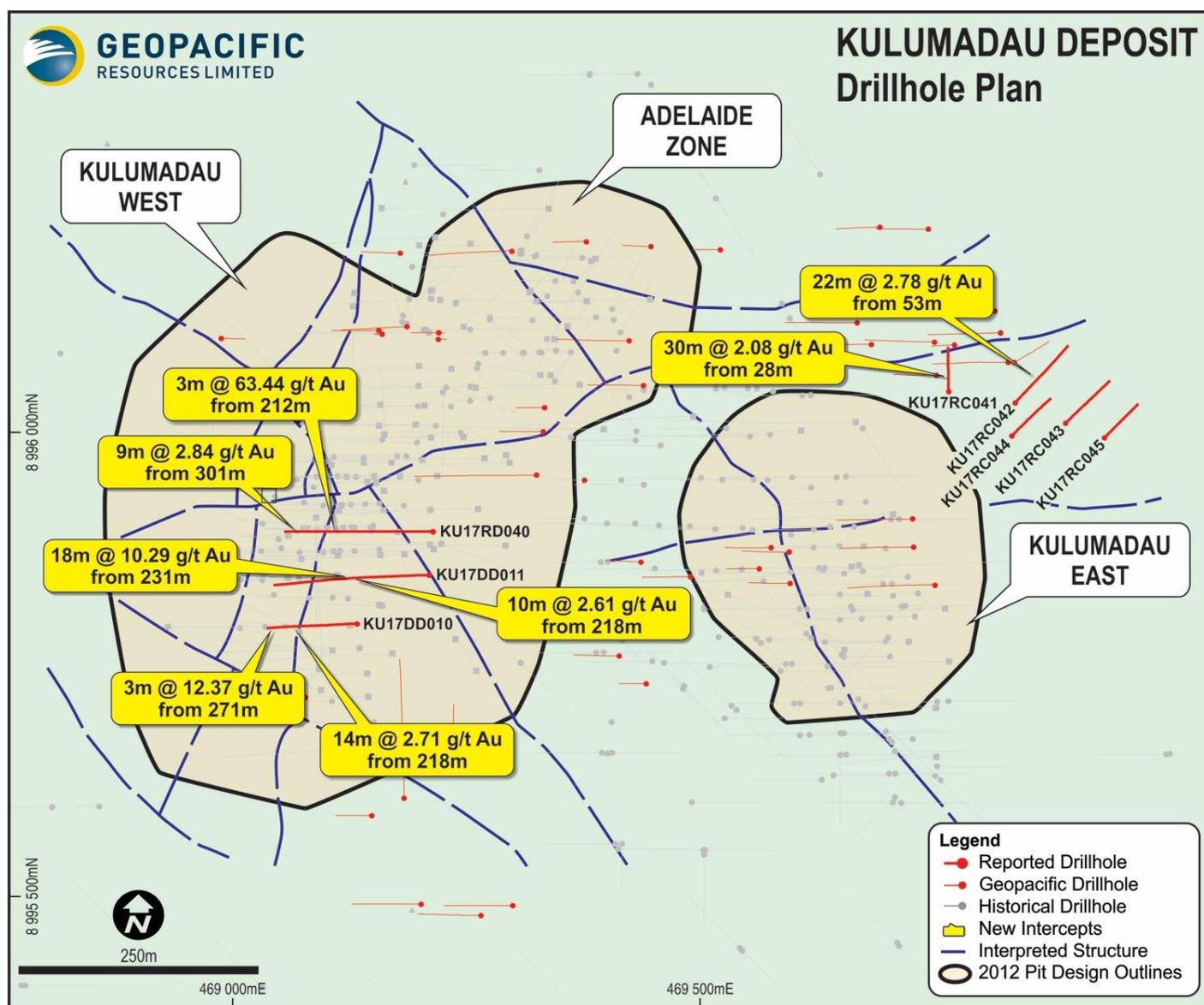


Figure 7: Drillhole location plan Kulumadau West deposit showing current significant intercepts.

## Kulumadaw West

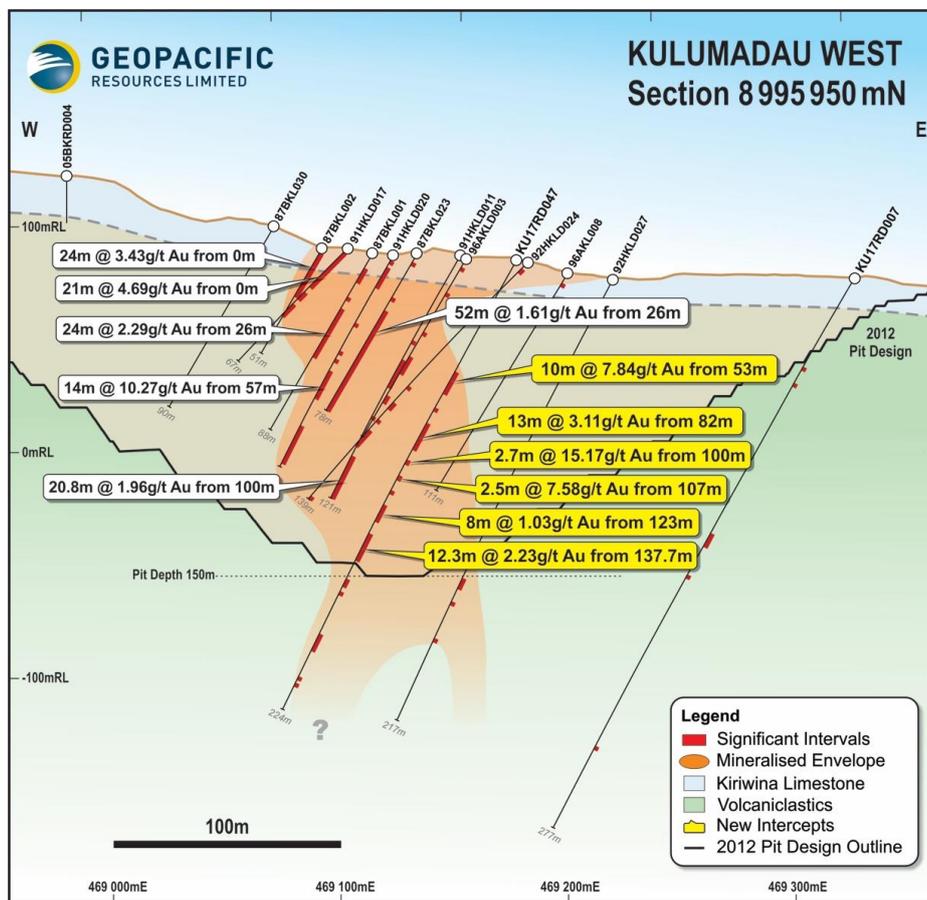
A detailed evaluation of the Kulumadaw West deposit, including re-logging historical drilling, has helped define structural elements thought to control emplacement of gold mineralisation. Although structurally complex, geological modelling has confirmed that mineralisation shows good strike-continuity and has enabled the targeting of likely in-pit zones of mineralisation that until now remained inadequately tested.

**Hole KU17RD047 intersected multiple zones of gold mineralisation in an area previously thought to be poorly mineralised.**

Figure 8 shows that the orebody continues as a broadly-mineralised package of cataclasites opposed to a narrow, steeply dipping body that pinches out at depth, as previously interpreted. Cataclasites are strongly fractured rocks that exhibit symptoms of rock fragments being milled down to very fine fragments through continuous movement along a fault plane.

Hole KU17DD016 intersected strong zones of mineralisation below the current pit design, confirming continuation of mineralisation at depth.

The hole intersected multiple zones of mineralisation including **18m @ 3.39g/t gold from 229m** and **13m @ 1.68 g/t gold from 256m**.



**Figure 8: Cross section of Kulumadaw West showing mineralised intersections in KU17RD047.**

At Kulumadau East, hole KU17DD019 intersected previously unrecognised zones of mineralisation within the current pit design. Intercepts included **8m @ 2.75 g/t gold from 25m** and **14m @ 1.68 g/t gold from 38m**.

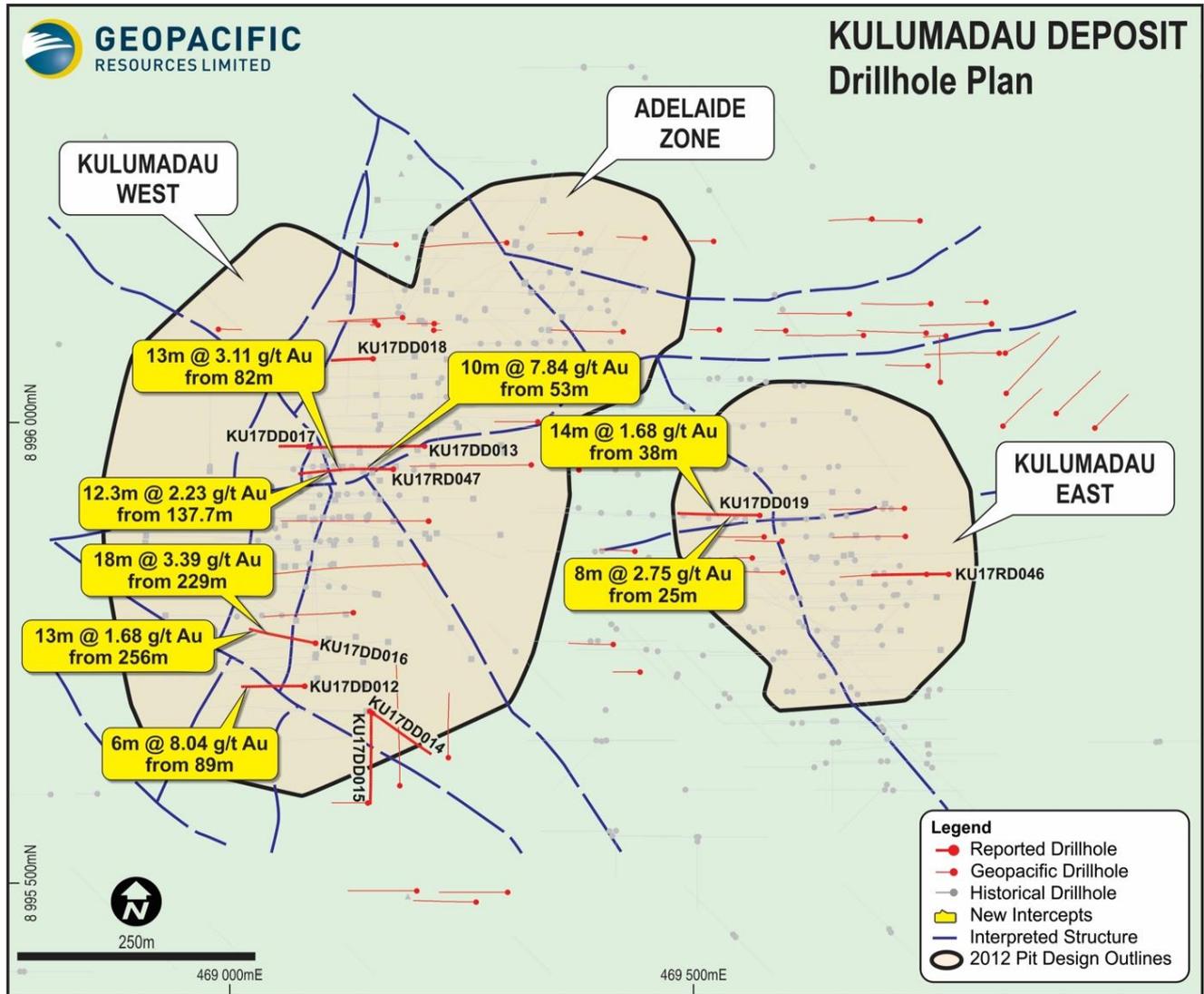


Figure 9: Drill hole location plan for Kulumadau.



## **CORPORATE OVERVIEW**

### **Geopacific Resources Limited Takeover Offer**

The off-market takeover offer by Kula's Joint Venture partner Geopacific Resources Limited ("Geopacific") was open during the quarter with Geopacific gaining control of Kula on 9 August 2017, when they acquired 69.3% of the issued shares of Kula. Geopacific nominated Mark Bojanjac, who was appointed as a director of Kula on 22 August 2017 and as chairman effective 12 September 2017. Geopacific nominated a further two directors for appointment, being Ms Philippa Leggat and Mr Matthew Smith, who were appointed as directors of Kula on 29 August 2017.

The takeover offer closed on Friday 13 October 2017 with Geopacific having secured 85% of Kula's issued shares. As Geopacific have not achieved the 90% ownership required to proceed to compulsory acquisition of Kula, Kula Gold Limited remains listed on the Australian Securities Exchange (ASX).

### **Mining Lease condition 7 Extension**

On 5 July 2017 Kula announced that the Minister for Mining in Papua New Guinea, the Honourable Byron Chan, had approved a variation to extend the condition of the mining lease, requiring Project construction and commissioning to be completed by 4 July 2017, for a two-and-a-half year period to 5 January 2020.



### Background on the Woodlark Island Gold Project, PNG

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

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

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

The Resource Estimates 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).

### For further information, contact:

Garry Perotti  
Chief Financial Officer  
Kula Gold Limited

T: + 61 8 6143 5411

### Directors and Management

Mark Bojanjac	Chairman
Mark Stowell	Non-executive director
Matthew Smith	Director
Philippa Leggat	Director
Garry Perotti	Executive director

### Registered office

Level 1, 278 Stirling Highway  
Claremont, WA 6010, Australia  
T: + 61 8 6143 5411  
E: info@kulagold.com.au  
W: www.kulagold.com.au  
Tw: twitter.com/kulagold

### Auditor

Ernst & Young  
11 Mounts Bay Road,  
Perth, WA 6000, Australia  
Office: +61 8 9249 2222

### Share registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000, Australia  
T: 1300 554 474 or +61 2 8280 7111



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 July 14, August 16 and August 28. 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)
Kulumadau	Measured	5	1.78	285,000
	Indicated	4.4	1.75	250,000
	Inferred	8.6	1.4	380,000
	<b>Totals</b>	<b>18</b>	<b>1.6</b>	<b>910,000</b>
Busai	Measured	3.9	1.54	190,000
	Indicated	10.4	1.4	470,000
	Inferred	4.9	1.6	250,000
	<b>Totals</b>	<b>19</b>	<b>1.5</b>	<b>910,000</b>
All	Measured	8.9	1.66	475,000
	Indicated	14.8	1.5	720,000
	Inferred	13.5	1.5	630,000
<b>Totals</b>	<b>All</b>	<b>37.2</b>	<b>1.5</b>	<b>1,820,000</b>

#### 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 Resource includes 0.4Mt @ 1.2/t 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
	<b>Total</b>	<b>3.9</b>	<b>0.9</b>	<b>110,000</b>
Woodlark King	Indicated	3	1.2	115,000
	Inferred <sup>2</sup>	1	1.8	60,000
	<b>Total</b>	<b>4</b>	<b>1.4</b>	<b>175,000</b>
<b>Total</b>	<b>All</b>	<b>7.9</b>	<b>1.1</b>	<b>285,000</b>

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.