

## ASX Announcement & Media Release

### Quarterly Activities Report

For Period Ended 30 June 2017

#### Highlights:

- Development drilling program underway at Woodlark Island Gold Project with four drill rigs in operation
- Numerous mine grade results received from program in the quarter, including;
  - Busai Deposit
    - 9m @ 17.29 g/t gold from 28m – hole BS17RC007
    - 42m @ 2.77 g/t gold from 31m – hole BS17DD007
    - 73m @ 1.5 g/t gold from 73m – hole BS17DD010
  - Kulumadau Deposit
    - 51m @ 2.82g/t gold from 35m in KU17DD003
    - 11m @ 6.03 g/t gold from 44m and 18m @ 8.89g/t gold from 102m in KU17RC038
    - 13m @ 3.19 g/t gold from 57m in KU17RC024
    - 4m @ 4.82 g/t gold from 29m in KU17RC027
    - 6m @ 4.99 g/t gold from 34m and 4m @ 1.13g/t gold 50m in KU17RC028
    - 4m @ 1.74g/t gold from 126m and 6m @ 9.17g/t gold from 133m in KU17DD006
- 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
- Drilling program highlights significant potential to expand existing Project Resource inventory in the near-term
- Kula received a takeover offer from its Joint Venture partner Geopacific Resources Limited, which remains open
- Cash balance was \$371,656

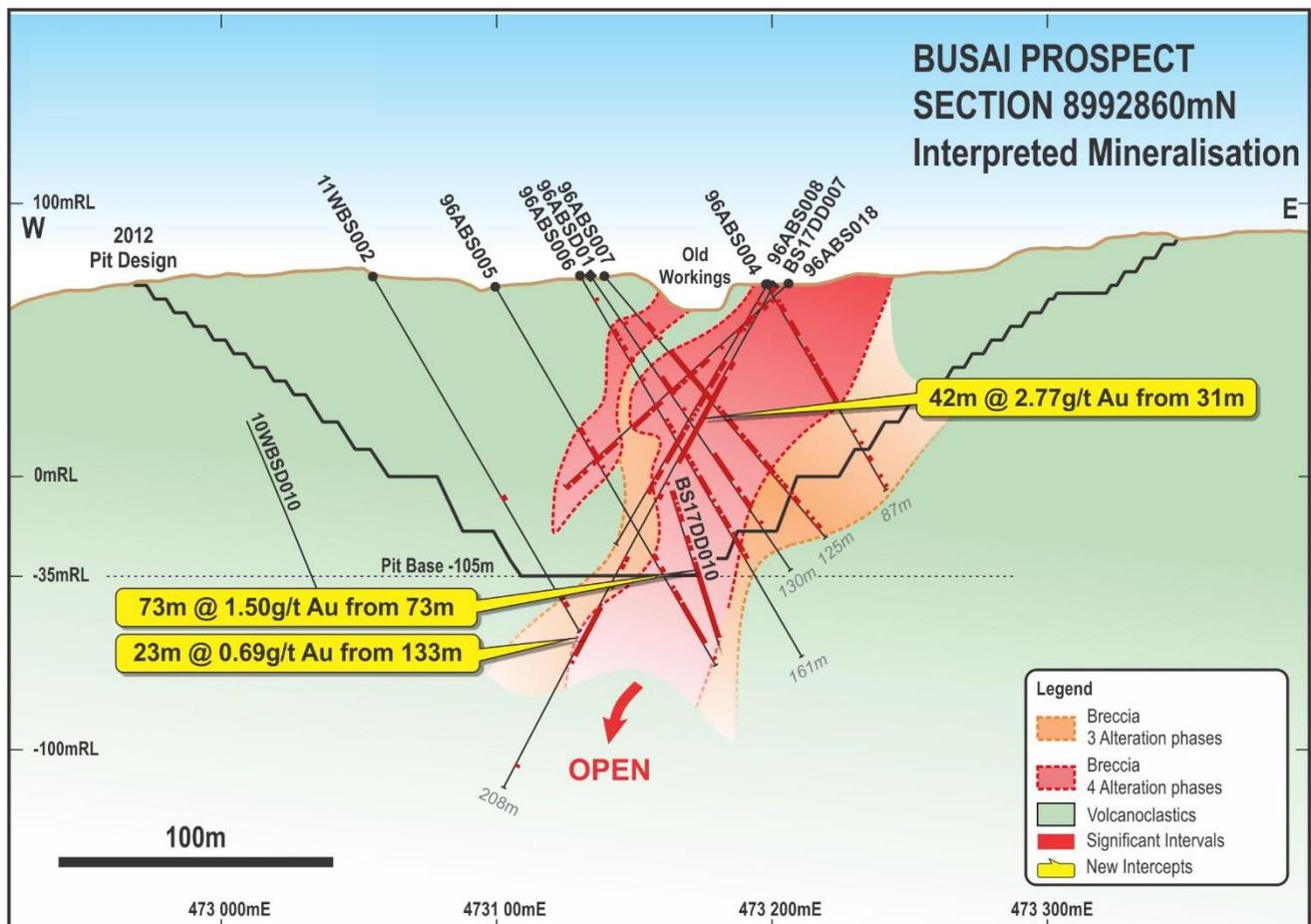
Kula Gold Limited (ASX: KGD) (“Kula” or “the Company”) is pleased to provide its Quarterly Activities Report for the period ended 30 June 2017.

**Woodlark Island Drilling Program**

The Company’s Joint Venture partner, Geopacific Resources Limited (ASX: GPR), is undertaking the current development drill program (which must include 15,000m of diamond drilling) as part of its earn-in agreement, with four drill rigs currently in operation on site.

**Busai Deposit Drilling**

Towards the southern end of the Busai deposit, drilling has confirmed the continuity of gold mineralisation below the base of the 2012 pit design. Logging of new drill holes and re-logging of historic drilling has identified that understanding the breccia units is significant, because they appear to influence the grade and distribution of gold. Higher gold grades are located within breccias that have four distinct phases of development. An understanding of the nature of the breccias is greatly improving the interpretation of the mineralisation and aiding more efficient drillhole targeting, evident by the results shown in Figure 1. below.



**Figure 1: Cross section showing selected results and the alteration phases in the breccia units**

Diamond hole BS17DD010 intersected several broad zones of gold mineralisation both within and below the current pit design. Intersections include 73m @1.50 g/t Au from 73m.

Details of the breccia model being used to interpret the geology and grade distribution are shown in Figure 1. The number of alteration phases can usually be readily identified. The interpretation is that the more alteration phases that are present, the higher the gold grade. Modelling of the breccias can then be used to predict the orientation of the gold zones. The number of alteration phases within a breccia are highlighted in the cross section.

Figure 2 below is an oblique long section along the Busai orebody, showing intersections from recent drilling and historical drillhole locations. Greater understanding of the geology has highlighted the plunge of the mineralisation shown in red, extending from the southern end of the 2012 pit design.

High-grade intercepts above 5g/t of gold (magenta) are shown on Figure 2, are both within and outside the 2012 pit designs. Gold mineralisation appears to plunge towards the south-east. This will be followed up with drilling.

High grade results have been encountered at the northern end of the Busai deposit including 9m @ 17.29 g/t gold from 28m in hole BS17RC007. This gold mineralisation is found in a colluvial channel, which was formed when mineralisation that had shed off the ore zone was subsequently covered by the coronus layer (the coronus is a thin layer of limestone, which formed after the gold mineralisation). Some of the colluvial gold appears to have undergone chemical re-deposition, forming delicate wire gold and small nuggets.

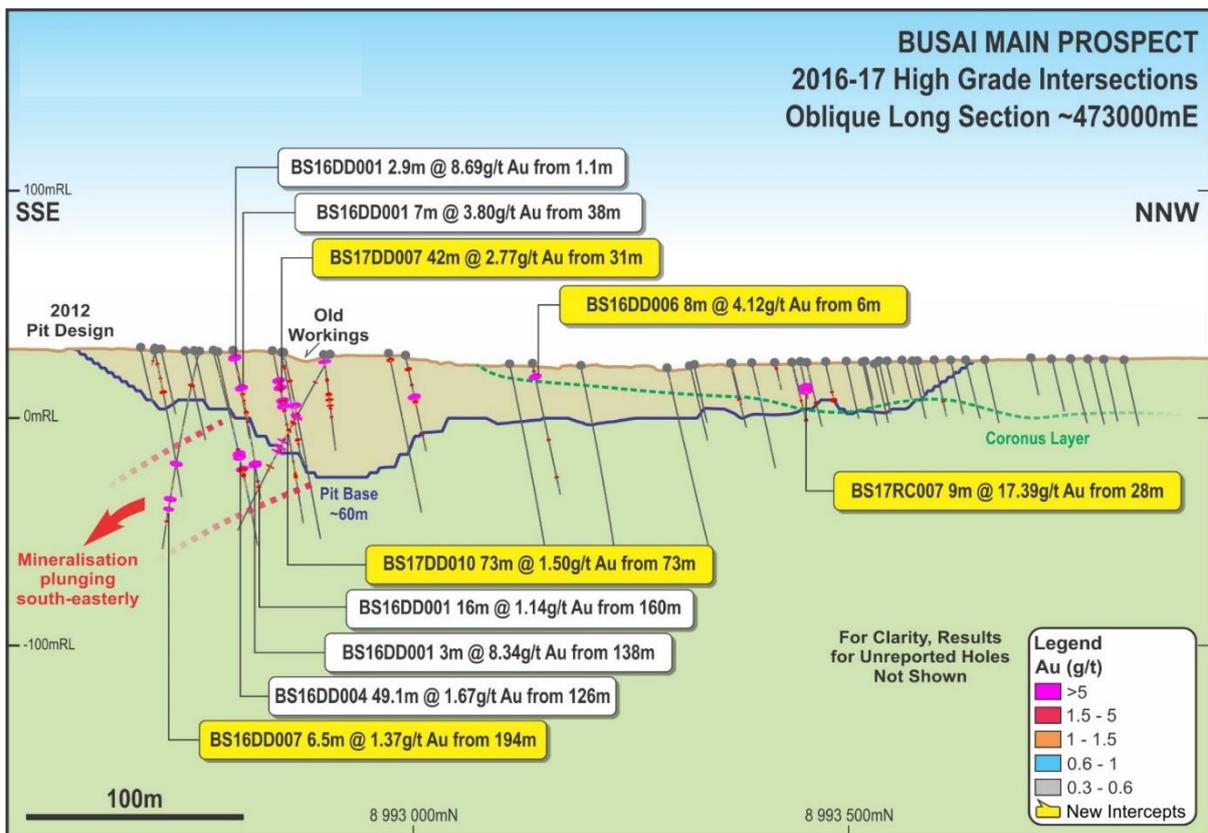
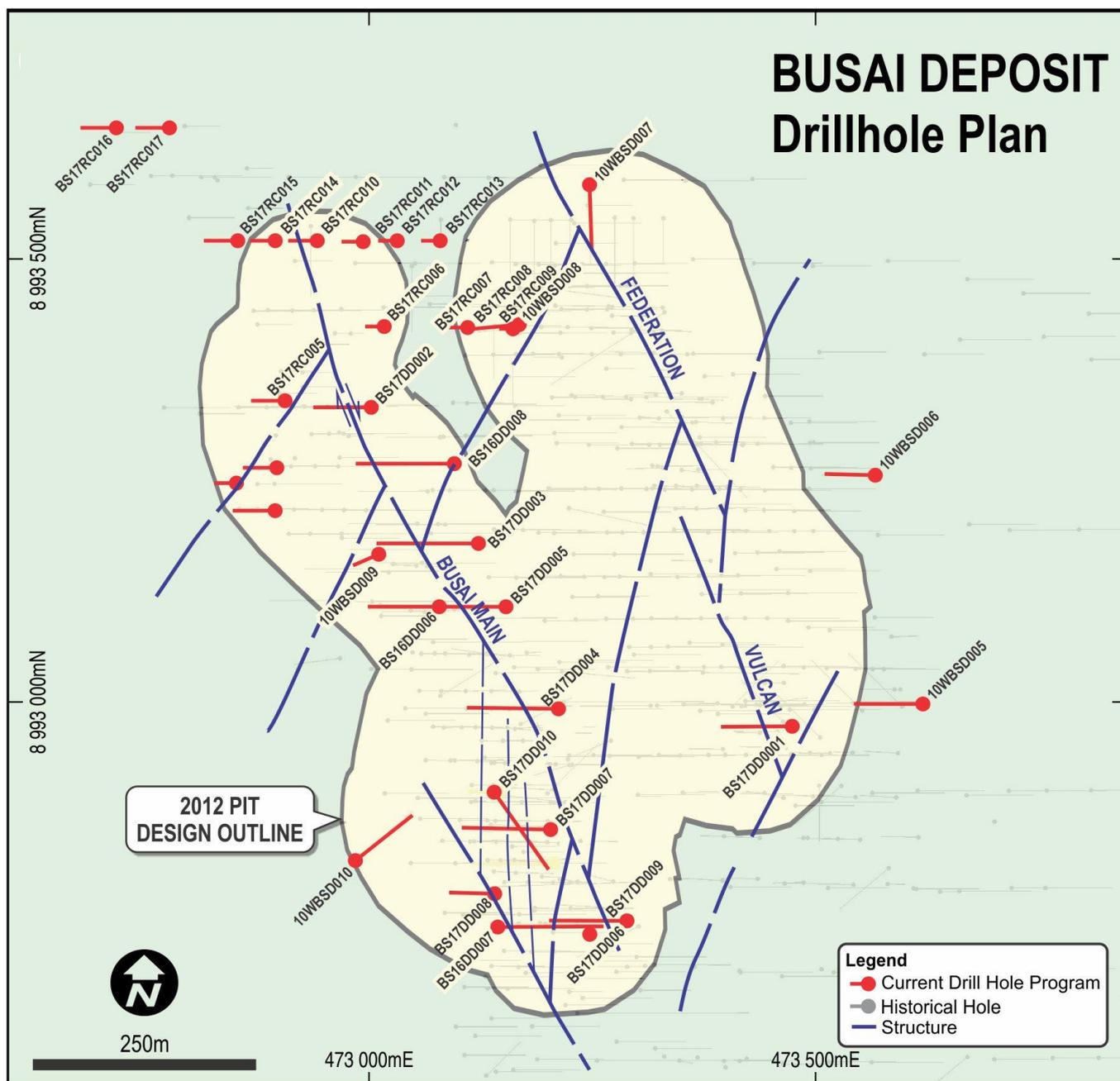


Figure 2: Oblique Long Section of the Busai deposit – recent results shown

In pursuit of the aim of upgrading Resources to improve certainty, drilling has tested potential depth and strike extensions. The mineralisation intersected in the drilling continues to confirm expectations and is consistent with that of the current Resource estimate. The location of the drillholes for recent drilling at Busai are shown in red on the drillhole location plan in Figure 3.



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

Drilling continues and further results will be reported in due course.

**Kulumadai Drill Results**

Recent drilling at the Kulumadai deposit has focused on two key areas including firstly, following up the discovery intersection north of Kulumadai East, which confirmed additional broad, high-grade gold values downhole. The close proximity of this area to the 2012 pit designs demonstrates the potential to expand the existing Reserve. Secondly, further improving confidence in the resource classification – with drilling continuing to intersect gold mineralisation inside and surrounding current pit designs at grades consistent with the current resource.

Both RC and diamond drilling methods have been used at the Kulumadai Deposit, with recent drilling including 1,790 metres of diamond and 4,041 metres of RC drilling completed in and around the area. A number of RC holes were drilled as pre-collars, intended for completion with diamond tails.

Many of the RC pre-collars intersected gold mineralisation which falls outside the modelled mineralised Resource envelopes.

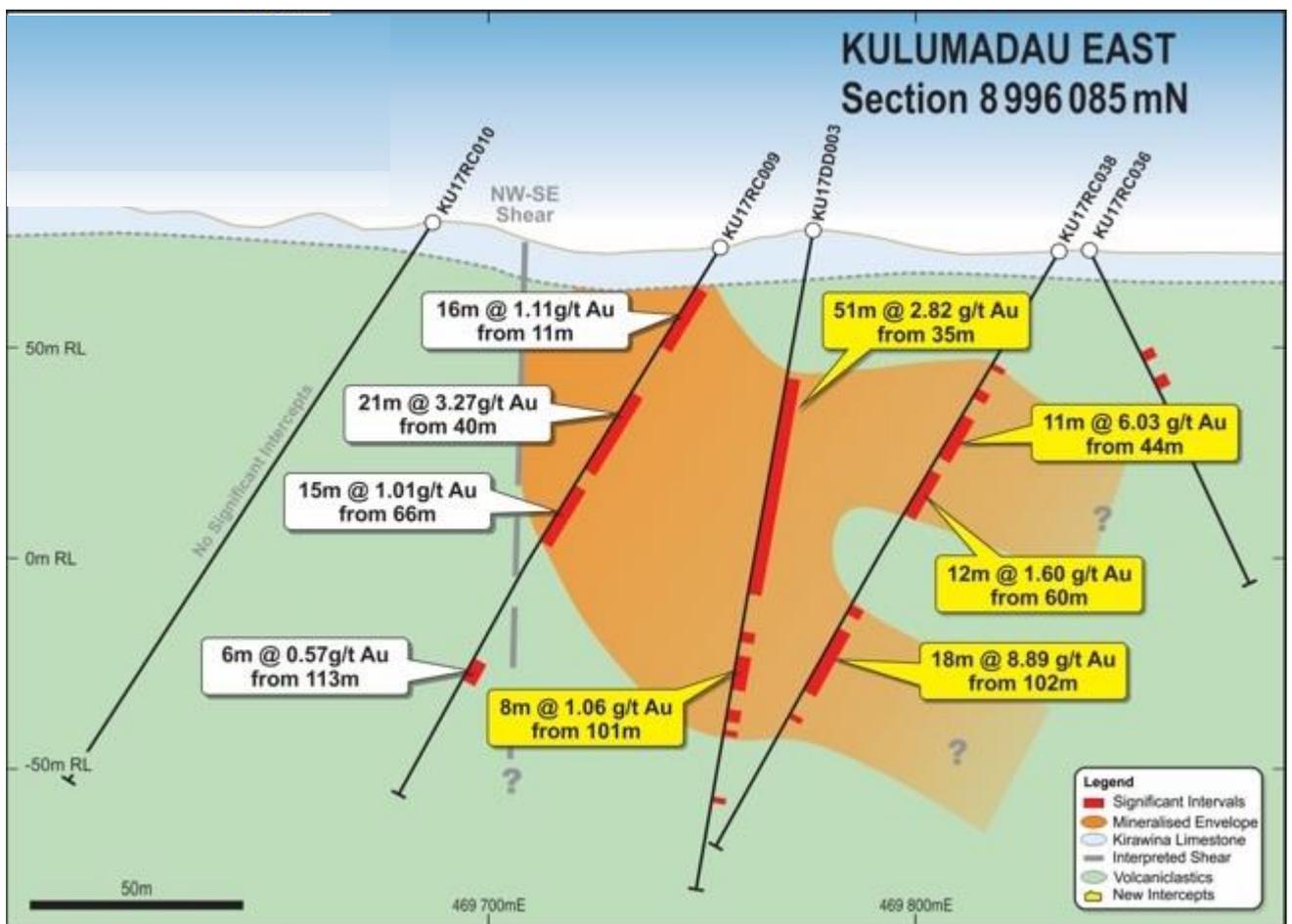


Figure 4: Cross section showing selected results to the north of the Kulumadai East deposit.

### Kulumadau East

The results of RC hole KU17RC009 [see ASX release of 21 March 2017] are shown in Figure 4. The broad intersections of high-grade mineralisation from surface were sufficiently attractive to warrant follow-up drilling, which has resulted in further success. The Kulumadau East Deposit was discovered with sterilisation drilling and was consequently characterised by shallow holes, some of which end in mineralisation. The impact of this being a shallow, flat-bottomed 2012 pit design with a depth of 80 metres shown in Figure 5.

Drilling targets will look to capture and extend the mineralisation below the 2012 pit designs. Diamond drill hole KU17DD006 intersected significant zones of mineralisation before continuation was impacted by poor ground conditions.

Significant intercepts are displayed in Figure 5 with new results labelled in yellow.

Mineralisation encountered in both diamond and RC drilling falls outside the current resource inventory, approximately 100m north-east of the 2012 proposed East Kulumadau pit boundary as seen in the drillhole location plan Figure 6.

Mineralised intersections were encountered in both sheared volcaniclastic rocks as well as late-stage breccias.

The nature of the significant intersections being broad widths of high-grade, near-surface mineralisation is shown in the cross section below.

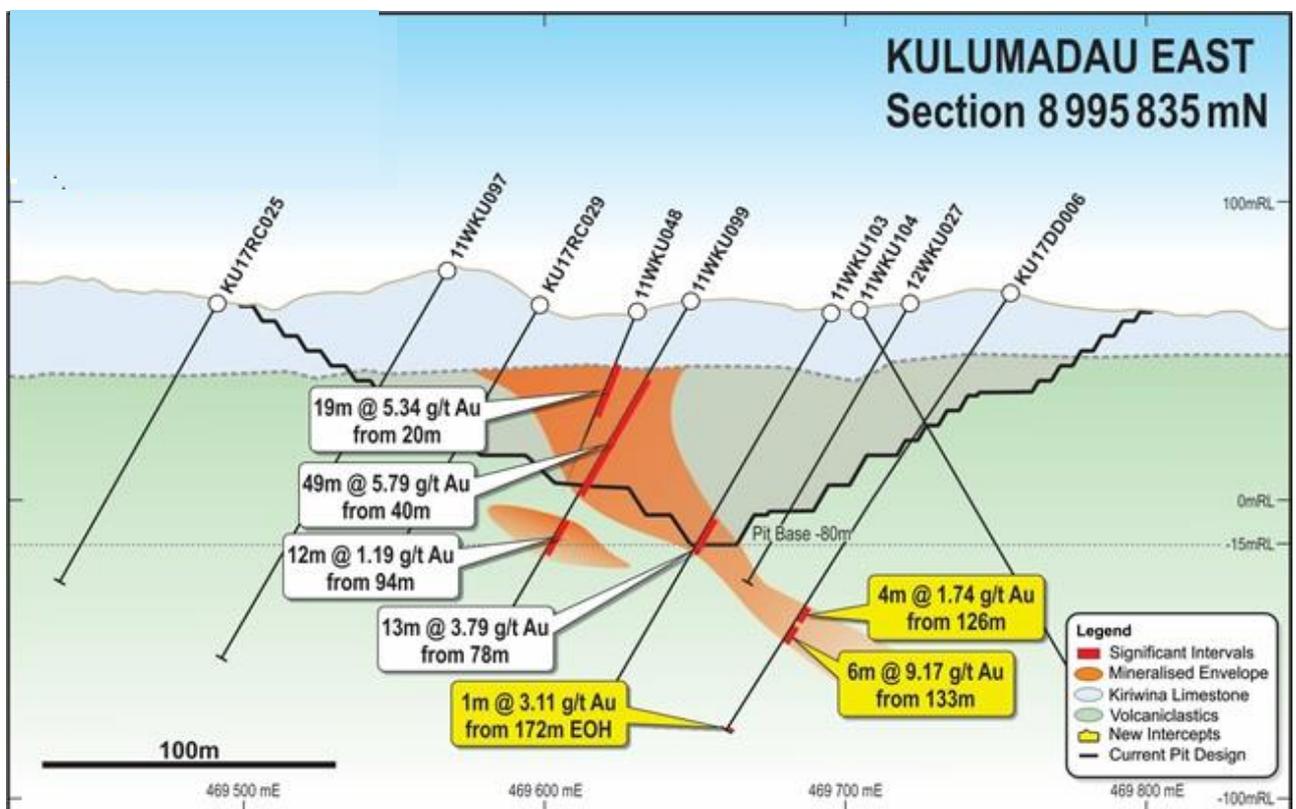


Figure 5: Cross section at the Kulumadau East deposit.

## Kulumadau West

Drilling at Kulumadau West is infill drilling aimed at increasing confidence around mineralisation to upgrade the classification of the Resource. The main focus involved testing the depth extensions of mineralisation and infilling existing drilling to improve the resource category of deeper ore blocks from Inferred to Measured and Indicated to allow their inclusion into future Reserve calculations. Drilling began in the north-west of the deposit and the rigs are being moved, drilling progressively towards the south.

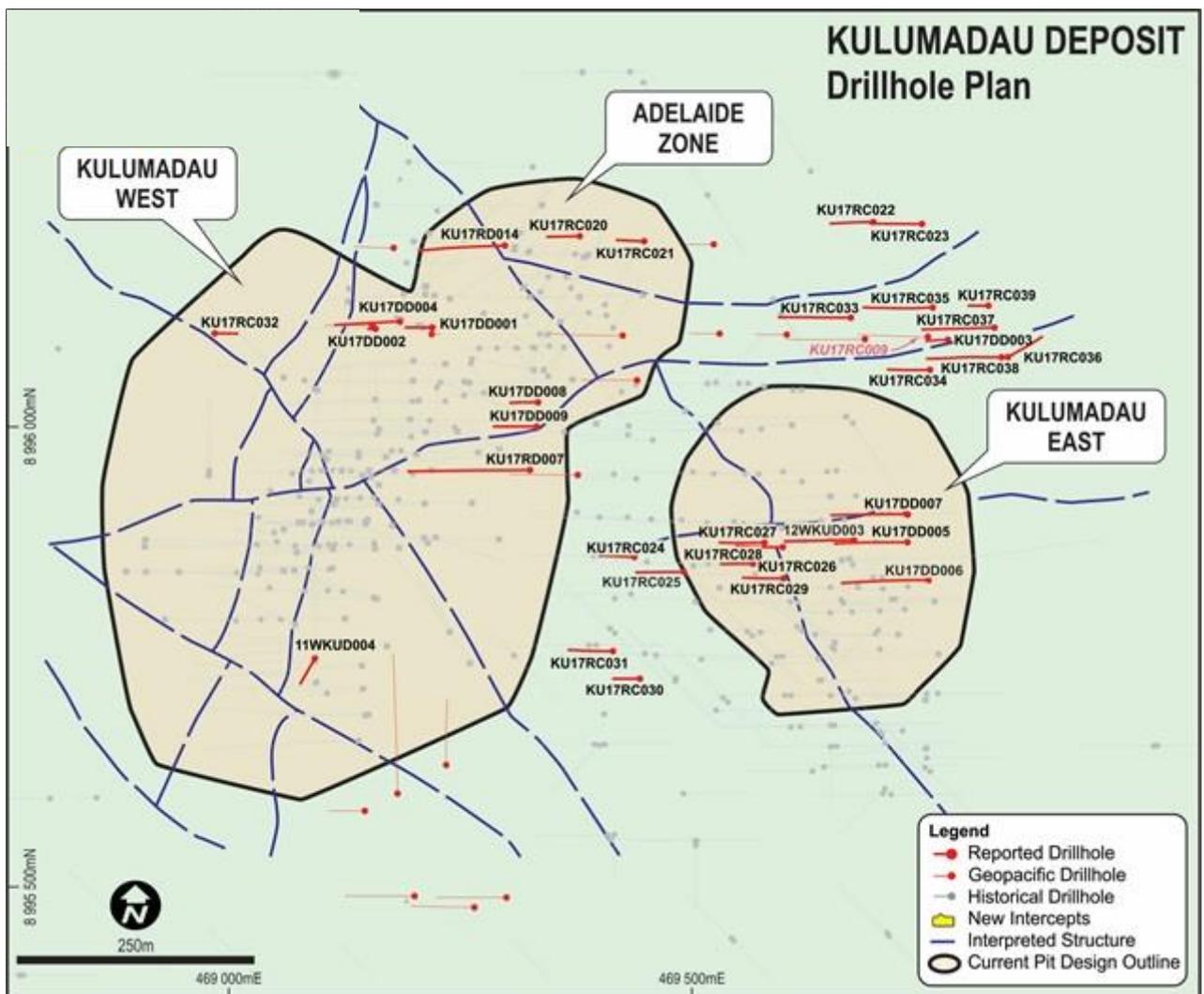


Figure 6: Drillhole location map of Kulumadau.

## Geotechnical Holes

Sampling of historical geotechnical drill core revealed several previously unrecognised significant intersections:

- 3m @ 14.88g/t Au from 46m in hole 11WKUD004
- 14m @ 1.19g/t Au from 74m and 11m @ 1.69g/t Au from 94m in hole 12WKUD003



## CORPORATE OVERVIEW

### Renounceable Rights Issue

The Renounceable Rights Issue (“RRI”), with the Offer of one (1) share for every eight (8) shares held by eligible Shareholders, closed on 13 April 2017. The RRI was fully subscribed and underwritten and, pursuant to the RRI, on 24 April 2017 the Company issued 41,739,781 shares at 1.5 cents per share, amounting to \$626,097. This realised cash of \$551,157 after capital raising costs of \$74,940.

These funds are being used for working capital including funding the takeover defence of the takeover offer by GPR.

### Geopacific Resources Limited Takeover Offer

On 5 April 2017, Kula’s Joint Venture partner Geopacific Resources Limited (“GPR”) announced its intention to make an off-market takeover offer to acquire all of the shares in Kula. Since then there have been a series of events and announcements on the ASX as detailed below:

- 1 May 2017 – Announcement of Bidder’s Statement by GPR offering 1 GPR share for every 1.4723 KGD shares
- 19 May 2017 – Announcement of Supplementary and Replacement Bidder’s Statements by GPR
- 7 June 2017 – Announcement of Replacement Bidder’s Statement with notice of Dispatch by GPR
- 13 June 2017 – Announcement of Target’s Statement being lodged by Kula
- 16 June 2017 – Target’s Statement dispatched by Kula
  - The unanimous Kula Board recommendation was and remains to:
    - “**REJECT the Offer and TAKE NO ACTION**”
    - Independent Valuator’s opinion is that the Offer is “**NOT FAIR and NOT REASONABLE**” to Kula shareholders
- 29 June 2017 – Announcement of Kula takeover and extension of time by GPR
  - Offer closing date extended to 20 July 2017
- 13 July 2017 – Announcement of Kula takeover and extension of time by GPR
  - Offer closing date extended to 4 August 2017
- 27 July 2017 – GPR announcement to increase the offer to 1 GPR share for 1.1 Kula shares
- 27 July 2017 – Kula announcement for Kula shareholders to take no action on the GPR increased offer until the Kula directors had reviewed the increased offer and issued a formal response
- Increased offer equivalent to approx. \$0.032 on last GPR share price of \$0.035
- Comparison of increased offer to volume weighted average prices detailed in the following table:

Company	Cents per share		
	5 day VWAP	10 day VWAP	30 day VWAP
Kula shares	2.98	2.90	2.95
Implied value of 1.1 Kula shares	3.28	3.19	3.24
GPR shares	2.91	2.88	2.95
Discount on VWAP of offer of 1 GPR share for 1.1 Kula shares (cents)	0.37	0.31	0.29
Percentage discount on VWAP of offer of 1 GPR share for 1.1 Kula shares	11.1%	9.7%	9.1%



### **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.

Pursuant to the Farm-in Agreement GPR must offer to take a placement of Kula shares at the VWAP for the 30 trading days prior to the extension (being a price of 3.0 cents per share) to the value of \$300,000. To date no such offer has been received from GPR despite Kula's request for GPR to honour their contractual commitment.



### 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

T: + 61 8 6144 0588  
F: + 61 8 6144 0589

### Directors and Management

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

Registered office  
20 Howard Street  
Perth, WA 6000, Australia  
T: + 61 8 6144 0588  
F: + 61 8 6144 0589  
E: [info@kulagold.com.au](mailto:info@kulagold.com.au)  
W: [www.kulagold.com.au](http://www.kulagold.com.au)  
Tw: [twitter.com/kulagold](https://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

Investor relations  
Six Degrees  
18 Howard Street  
Perth, WA 6000, Australia  
T: +61 (0) 400 164 067



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 May 10, June 15 and July 14. 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 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
	<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.