KULA GOLD LIMITED

ABN 83 126 741 259

2017 ANNUAL REPORT

Corporate Directory

Directors:	Mark Bojanjac	Chairman
	Mark Stowell	Independent Non-executive director
	Matthew Smith	Non-executive director
	Philippa Leggat	Non-executive director
	Garry Perotti	Executive Director
	David Frecker	Chairman – resigned 1 September 2017
	Louis Rozman	Non-executive director – resigned 21 March 2017

Company secretary:	Garry Perotti
Registered office**:**	Level 1, 278 Stirling Highway Claremont, WA 6010 T: + 61 8 6143 5411 Email: info@kulagold.com.au Website: www.kulagold.com.au
Auditor:	Ernst & Young 11 Mounts Bay Road Perth, WA 6000 T: + 61 8 9429 2222
Share registry:	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 T: 1300 554 474 or + 61 2 8280 7111
Stock exchange listing:	Australian Securities Exchange ASX code: KGD

Contents

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Kula Gold Limited (referred to hereafter as "Kula Gold" or the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors
The following persons were directors of Kula Gold during the whole of the financial year and up to the date of this report unless noted otherwise:

David Frecker – resigned on 1 September 2017
Mark Stowell
Louis Rozman – resigned on 21 March 2017
Garry Perotti – appointed on 22 March 2017
Mark Bojanjac – appointed on 21 August 2017
Matthew Smith – appointed on 29 August 2017
Philippa Leggat – appointed on 29 August 2017

Principal activities
The principal activity of the Group was to hold a non-controlling interest in Woodlark Mining Limited which is a company incorporated in Papua New Guinea and engaged in the development of the Woodlark Island Gold Project (the "Project") located on Woodlark Island in Papua New Guinea ("PNG").

Dividends
No dividends have been paid or declared during the year (2016: $nil).

Result of operations
The net loss from operations of the Company was $14,915k (2016: loss of $6,562k).

Review of operations

On 25 January 2017, the formal agreements to implement the farm-in and joint venture with Geopacific Resources Limited ("Geopacific") – being the Farm-in Agreement and the Shareholders Agreement – were executed by the Company, Geopacific and Woodlark Mining Limited ("WML"). Under the joint venture arrangements Geopacific was entitled to 5% equity in WML prior to 31 December 2016 and shares in WML representing this percentage were issued to Geopacific when the formal agreements were executed. The terms and conditions of the farm-in Agreement collectively resulted in the Company ceding control of WML from 25 January 2017 and, accordingly, WML was deconsolidated from the Group accounts on 25 January 2017.

The Company recorded a loss of $14,915k for the year ended 31 December 2017 (2016: $6,562k). The loss for the period includes a loss from discontinued operations of $14,156k which relates to the reclassification of the Company's interest in the Woodlark project as an available for sale investment. This change in accounting treatment was triggered by the signing of the farm-in agreement with Geopacific which resulted in Kula losing control over the project to Geopacific and the consequent requirement to re-measure the Company's retained interest in the Woodlark Project at fair value. Post deconsolidation, the Group retains no control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. Decisions about the relevant activities rests solely with Geopacific.

The takeover offer valuation metrics were considered as the most relevant methodology of valuation. This adjustment is required under accounting principles to reflect the fair value of the Company's ongoing interest in the project under the farm-in agreement with Geopacific and is independent of the inherent merits of the Woodlark Project and the ongoing expenditure towards increasing its size and future economics.

The consolidated entity had cash and cash equivalents at 31 December 2017 of $41k.Cash at 16 March 2018 was $3k. The draw down under the loan arrangement with Geopacific is at the beginning of each month and is for the sum of the budgeted expenditure and anticipated expenditure for the month.

Farm-in Agreement with Geopacific

On 5 October 2016 Geopacific elected to proceed to the second earn-in period of the farm-in agreement, notwithstanding that the final agreements had not been executed at that time. Geopacific, as the manager of the Woodlark Gold Project ("the Project"), mobilised three drill rigs in late 2016 and the development drilling program commenced in December 2016 and continued for the whole of 2017 with the objective of increasing gold reserves on the Project. To the end of the reporting period Geopacific has spent in excess of the A$12 million expenditure and drilled approximately 15,500 metres of diamond drilling, thereby meeting the commitments for expenditure and drilling, which entitles Geopacific to increase their share in the project to 40% subject to the issue of a completion notice. There is also a provision for the achievement of an incentive target of 1.2 million gold reserve ounces, which entitles Geopacific to increase their share in the project to 51% subject to the issue of a completion notice and confirmation that the incentive target has been achieved.

Geopacific completed a pre-feasibility study and on 12 March 2018 Geopacific announced an updated gold reserve of 1.1 million ounces and gold resources of 1.6 million ounces.

Directors' report (continued)

Capital raising

The company completed a rights issue raising the maximum amount of $626k.

Unbudgeted expenditure in response to the takeover offer of $196k was incurred during the takeover offer period from Geopacific, which closed on 13 October 2017. The company became a controlled subsidiary of Geopacific on 31 July 2017, when Geopacific acquired greater than 50% of the shares issued in the Company and on 13 October 2017 the takeover offer closed with Geopacific acquiring 85% of the shares issued in the Company.

The Company continues to manage corporate costs closely and is relieved of the Project costs that are fully covered by Geopacific under the Farm-in Agreement during the earn-in period. Geopacific is the manager of the Project, driving the development drilling program and progression of the Project, and continuing with stakeholder and landowner engagement and community projects.

Significant matters relating to the ongoing viability of operations
At 31 December 2017, the Company had a cash and cash equivalents balance of $41k. The Company reported a net loss of $14,915k for the current financial year.

There remains some uncertainty as to whether the Company will be successful in securing funds in the future. However, with the project costs being covered by Geopacific during the earn-in period under the Farm-in Agreement and the reduced corporate costs of the Company; and loan facility in place with Geopacific for up to $500,000 with a maturity date of 22 December 2018, the Directors are satisfied that the Company will be able to meet its debts as and when they fall due until the end the year. At 31 December 2017 the Company had drawn down $20,000 against the loan facility and at the date of this report the Company had drawn down a total of $85,000 against the loan facility. This loan is convertible to shares subject to regulatory approvals, at the discretion of the lender.

The Company is also expected to have the ability to raise further equity capital via the share market as and when required. Going forward, for a period of 12 months from the date of signing of the financial report, Geopacific has indicated its intent to provide financial support to the company to enable it to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

Refer to note 1(b) to the Financial Statements for further detail.

Significant changes in the state of affairs
In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this annual report.

Events occurring after the reporting period
On 12 March 2018 Geopacific released an announcement relating to the most recent pre-feasibility study with the following highlights:

- Annual production of 100Koz over 10-year mine life for 1.01Moz Au (incl. 51Koz Au Inferred)
- Free milling ore, with recovery of 92% for first five years and 90% over mine life
- Up to 60% of gold recoverable by gravity
- Conventional 2.4Mt.pa CIL circuit optimised with upgraded ore from year three
- Head grade up to 1.63g/t Au in first years
- Low stripping ratio of 2.5:1 for first five years, 3.1:1 over mine life
- All in sustaining cost A$990/oz for first five years, A$1,110/oz over mine life
- Capital cost A$180m
- 2.2-year, post-tax project payback
- Free cashflow over life of mine A$388m (pre-tax) and A$314m (post-tax) at A$1,650 gold price
- Post-tax IRR 33%
- Recent discovery shows significant, regional exploration potential across Woodlark goldfield

Reserve

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

Resource

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

Directors' report (continued)

Geopacific has completed a pre-feasibility study on the Woodlark Island Gold Project which concluded that a viable gold Project exists. The key assumptions used in the base case forecast were as follows:

- Recovery of 1,011K ounces over the life of mine through a 2.4 Mtpa plant with feed from a gravity upgrade plant from year 3.5.
- All in sustaining costs of A$990/ounce for years 1 to 5 and A$1,110 over life of mine.
- Establishment capital cost of A$162 million.
- Gold price of A$1,650 per ounce.
- Discount rate of 8%.
- NPV pre-tax of A$226 million.

The announcement included a calculation of JORC compliant gold reserves for the purposes of determining whether Geopacific had achieved the incentive gold reserve target under the Farm-in Agreement ("**the Agreement**"). A gold reserve of 1,202,100 was calculated on a gold price of A$1,694/oz, which was agreed between Geopacific and Kula and announced by Kula on 23 February 2018.

Geopacific is of the view that the next incentive milestone has now been satisfied such that its overall economic interest in Woodlark will increase to 93% comprising a direct interest of 51% and a further interest of 42% by virtue of its 85% holding of Kula shares.

Geopacific has spent in excess of the A$12 million expenditure and drilled approximately 15,500 metres of diamond drilling, thereby meeting the commitments for expenditure and drilling, which entitles Geopacific to increase their share in the project to 40% subject to the issue of a completion notice. There is also a provision for the achievement of an incentive target of 1.2 million gold reserve ounces, which entitles Geopacific to increase their share in the project to 51% subject to the issue of a completion notice and confirmation that the incentive target has been achieved. Geopacific has until 5 October 2018 to provide the Company with the completion notice. The Company's interest in WML includes the 5% equity to be acquired by the PNG Government.

Other than the above, management is not aware of any other significant events that have occurred from the balance date to the date in which this report is authorised for issue.

Likely developments and expected results of operations

With the Project being fully licensed and permitted, the Company will continue to seek capital to fund the Project to progress it to the construction phase. If Geopacific completes its earn-in under the Farm-in Agreement to the point where it has a 75% shareholder interest in WML (and therefore a 75% direct interest in the Project) and the decision is made to proceed with mine development, the Company will have the right under the Shareholders Agreement to elect to have Geopacific fund its share of equity funding required for mine development (including any cost overruns) in return for an additional 5% shareholder interest in WML.

The PNG Government has agreed to purchase and 5% interest in the project at the time of financial commitment to mine development. This transaction will reduce KGD's Shareholder Interest in WML and the proceeds as a result of the PNG Government purchasing the shares in WML will be paid to the Company.

Environmental regulation

The Group currently has a non-controlling interest in Woodlark Mining Limited ("WML"), a company engaged in exploration activities in PNG and is subject to the environmental regulation of PNG. WML need to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

Directors' report (continued)

Information on directors

David Frecker BA, LLM *Independent Chairman and Non-executive director.* Age 69.

Experience and expertise
David Frecker was a Non-executive director of Kula Gold and Chairman of the Board since September 2010 until his resignation on 1 September 2017.

David is a commercial lawyer with over 35 years' experience in practice in Australia and PNG. He is an employee (as special counsel) of Ashurst Australia (formerly Blake Dawson), practising in the corporate and commercial area and specialising in mining, oil & gas and resources law, and all aspects of commercial law in PNG. Prior to joining Ashurst Australia in 1980, David worked for five years in the Mining and Major Projects section of the State Solicitor's Office in PNG. He subsequently spent four years as one of Ashurst Australia's resident partners in PNG.

David is a member of AMPLA (the Resources and Energy Law Association of Australia). He is admitted to practise in Australia and PNG and holds Bachelor of Arts, Bachelor of Laws and Masters of Laws degrees from the University of Sydney.

Other current directorships
None.

Former directorships in last 3 years
The Kokoda Track Foundation Limited.

Special responsibilities
Independent Chairman.
Member of the audit committee.
Member of the remuneration and nomination committee.

Interests in shares and options as at the date of this report
- 1,332,581 ordinary fully paid shares.
- 612,000 KGDOPT8 class options to acquire ordinary fully paid shares. Exercise price $0.17, expiry 20 Dec 2018

Louis Rozman BEng (Mining), Masters in Geoscience (Min Ec) *Non-executive director.* Age 60.

Experience and expertise
Louis Rozman was a Non-executive director of Kula Gold from July 2007 until his resignation on 21 March 2017.

Louis is a mining engineer and executive with 30 years' experience operating and constructing Projects in Africa, Australia and Papua New Guinea. Louis was Chief Operating Officer of Aurion Gold Limited and was instrumental in the development of its predecessor, Delta Gold Limited. He was also Chief Executive Officer of CH4 Gas Ltd, a successful pioneering coal bed methane developer and producer.

Louis is a founding partner and director of Pacific Road Capital Management Pty Ltd.

Louis is a Fellow and Chartered Professional (Management) of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors. He has a Bachelor of Engineering (Mining) degree from the University of Sydney and a Masters in Geoscience (Min Ec) from Macquarie University.

Other current directorships
Pacific Energy Ltd and Carbon Energy Ltd.

Former directorships in last 3 years
Mawson West Ltd.

Special responsibilities
Non-executive director.
Chairman of the risk committee for the reported period.
Chairman of the remuneration and nomination committee for the reported period.

Interests in shares and options as at the date of this report
- 291,000 KGDOPT8 class options to acquire ordinary fully paid shares. Exercise price $0.17, expiry 20 Dec 2018
- 20,944 KGDOPT9 class options to acquire ordinary fully paid shares. Exercise price $0.125, expiry 31 Aug 2018

Directors' report (continued)

Information on directors (continued)

Mark Stowell BBus, CA *Independent Non-executive director.* Age 54.

Experience and expertise
Mark Stowell has been a Non-executive director of Kula Gold since September 2010.

Mark is a chartered accountant with over 20 years of corporate finance and resource business management experience.

He served as manager in the corporate division of Arthur Andersen and subsequently in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally. He was a founder of Anvil Mining Ltd (DRC) and on its Board for seven years until 2000. He was also a founder and director of Incremental Petroleum Limited, an oil and gas producer with operations in Turkey and the USA until its takeover in 2009. Mark is also Chairman of Incremental Oil and Gas Ltd, (ASX: IOG) a USA oil and gas producer.

Mark is a member of the Institute of Chartered Accountants and has a Bachelor of Business degree from Edith Cowan University (formerly the WA College of Advanced Education).

Other current directorships
Eon NRG Limited formerly Incremental Oil and Gas Ltd.

Former directorships in last 3 years
Mawson West Limited, Orrex Resources Limited

Special responsibilities
Chairman of the audit committee.
Member of the risk committee.
Member of remuneration and nomination committee.

Interests in shares and options as at the date of this report
- 7,429,193 ordinary fully paid shares
- 291,000 KGDOPT7 class options to acquire ordinary fully paid shares. Exercise price $0.17, expiry 20 Dec 2018

Mark Bojanjac CA *Director.* Age 55 – appointed 21 August 2017.

Experience and expertise
Mark is a Chartered Accountant with over 20 years' experience in developing resource companies.

He was a founding director of Gilt-Edged Mining Limited which discovered one of Australia's highest grade gold mines and was managing director of a public company which successfully developed and financed a 2.4m oz gold resource in Mongolia. He also co-founded a 3million oz gold project in China.

Mark was most recently Chief Executive Officer of Adamus Resources Limited and oversaw its advancement from an early stage exploration project through its definitive feasibility studies, and managed the debt and equity financing of its successful Ghanaian gold mine.

Other current directorships
Executive Chairman of PolarX Limited and a Non-Executive Director of Geopacific Resources Limited.

Former directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options as at the date of this report
None

Directors' report (continued)

Information on directors (continued)

Matthew Smith CA *Director.* Age 36 – appointed 29 August 2017.

Experience and expertise
Matthew has over 14 years of experience in the resource industry in the across a broad range of commodities including precious metals, industrials and bulk commodities.

He has worked for a range of companies operating in the Asia Pacific region and most recently held the role of Chief Financial Officer at ASX-listed Kingsrose Mining Limited, with gold operations in Indonesia.

Matthew is a Chartered Accountant with relevant industry experience on a range of financing transactions across debt and equity markets. He also brings specialist knowledge in the areas of international taxation, corporate structuring, accounting and corporate governance.

Matthew previously held the role of Company Secretary at Straits Resources Limited and currently serves as Chief Financial Officer and Company Secretary of Geopacific Resources Limited.

Other current directorships
None.

Former directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options as at the date of this report
None

Philippa Leggat BCom, BArts, GAICD *Director.* Age 41 – appointed 29 August 2017.

Experience and expertise
Philippa is a corporate advisor and company director with over 15 years of experience in assisting international organisations that operate in Africa, Asia, Australia and Europe.

Her experience covers; negotiations, mergers and acquisitions, fund raising, defining and executing business improvement strategies. She has provided these services to private, listed and public organisations across range of sectors, clients in the resource sector include MMG, Anglo-Gold Ashanti, Anglo Platinum and Xstrata.

Philippa holds a Bachelor of Commerce in finance, risk & strategic management, a Bachelor of Arts and is a Graduate member of the Australian Institute of Company Directors (GAICD).

Other current directorships
Geopacific Resources Limited

Former directorships in last 3 years
Ensurance Limited

Special responsibilities
None

Interests in shares and options as at the date of this report
None

Garry Perotti BCom *Executive director.* Age 54.

Experience and expertise
Garry Perotti has held the position of Chief Financial Officer since October 2014 and was appointed executive director of Kula Gold on 21 March 2017.

Garry has over 27 years of experience in corporate finance, financial management, accounting and commercial roles and held the position of financial director of a gold mining company listed on the Zimbabwe and Johannesburg stock exchanges. Garry has been company secretary for a number of private companies and companies listed on the Johannesburg Stock Exchange and London Stock Exchanges as well as ASX listed companies since immigrating to Australia in 2008.

Garry has a BCom Accounting degree from University of Pietermaritzburg, South Africa.

Directors' report (continued)

Information on directors (continued)

Other current directorships
Woodlark Mining Limited – the PNG registered subsidiary of the Company

Former directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options as at the date of this report
None

Company secretary
Mr Garry Perotti is also the Company secretary.

Directors' report (continued)

Meetings of directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 31 December 2017, and the numbers of meetings attended by each director were:

	Board meetings		Meetings of committees					
			Audit		Risk		Remuneration and nomination	
Name	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
D Frecker (i)	11	11	1	1	-	-	2	2
L Rozman (ii)	3	3	-	-	-	-	1	1
M Stowell	15	15	2	2	-	-	2	2
G Perotti (iii)	11	11	-	-	-	-		
M Bojanjac (iv)	5	5	-	-	-	-	-	-
M Smith (v)	4	4	-	-	-	-	-	-
P Leggat (vi)	4	4	-	-	-	-	-	-

(i) *Mr David Frecker ceased to be a director of the Company on 21 September 2017*
(ii) *Mr Louis Rozman ceased to be a director of the Company on 21 March 2017*
(iii) *Mr Garry Perotti was appointed a director of the Company on 22 March 2017*
(iv) *Mr Mark Bojanjac was appointed a director of the Company on 21 August 2017*
(v) *Mr Matthew Smith was appointed a director of the Company on 29 August 2017*
(vi) *Ms Philippa Leggat was appointed a director of the Company on 29 August 2017*

Remuneration report (audited)

This remuneration report sets out remuneration information for Kula Gold's executive directors, Non-executive directors and other key management personnel.

(i) Principles used to determine the nature and amount of remuneration
(ii) Role of remuneration and nomination committee
(iii) Details of remuneration
(iv) Service agreements of key management personnel
(v) Share-based compensation
(vi) Bonuses
(vii) Additional information

This remuneration report forms part of the Directors' Report and has been audited by the auditors in accordance with section 300A of the *Corporations Act 2001* as required by section 308(C).

I. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The following table shows the Company's performance over the reporting period and the previous four financial years against overall remuneration for these years:

	2017	2016	2015	2014	2013
Basic loss per share ($)	($0.004)	($0.0021)	($0.0957)	($0.3502)	($0.0735)
Year-end share price ($)	$0.023	$0.020	$0.010	$0.040	$0.100
Market Capitalisation ($ million)	$8.640	$6.678	$3.162	$10.428	$12.625
Total KMP Remuneration ($)	$321,215	$420,621	$577,908	$720,634	$1,343,581

Directors' report (continued)

Remuneration report (audited)

II. Role of remuneration and nomination committee

The Board has established a remuneration and nomination committee which makes recommendations to the Board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and Non-executive directors. The Corporate Governance Statement (available on the Company website) provides further information on the role of this committee.

The role of the remuneration and nomination committee is to attend to matters relating to Kula Gold's remuneration policy to enable Kula Gold to attract and retain executives who will create value for shareholders and to oversee remuneration packages for executive directors and senior management of Kula Gold.

Remuneration surveys are reviewed by the committee from time to time to ensure the group's remuneration system and reward practices are in line with current market practice.

The committee also attends to matters relating to Board succession planning. The committee will periodically assess the appropriate mix of skills, experience and expertise required on the Board and assess the extent to which the required skills and experience are represented on the Board.

The members of the remuneration and nomination committee during 2017 were Louis Rozman (Chairman) until his resignation on 21 March 2017, Mark Stowell and David Frecker until his resignation on 1 September 2017. With the Board comprising of only one Non-executive director the Board has taken on the role of the committee. Should the composition of the Board change the requirement for a remuneration and nomination committee will be reassessed.

Non-executive directors

Non-executive directors are remunerated by way of directors' fees within the limit approved by shareholders. The Board determines fees paid to individual Board members. The current maximum aggregate sum which shareholders have fixed to be paid as fees to Non-executive directors is $300,000 per annum. This is unchanged from the prior year. This amount was fixed by shareholders at the general meeting held on 20 September 2010.

At that time in 2010, the Board determined that the Chairman should be paid an annual fee of $70,000, other non-executive directors should be paid an annual base fee of $40,000 and each chairman of a Board committee should be paid an additional fee of $10,000 (but only for one committee), plus superannuation in each case. With effect from April 2017, directors fees (payable to directors legible to receive directors fees) the Board determined that the Chairman should be paid an annual fee of $40,000, other non-executive directors should be paid an annual base fee of $30,000 and each chairman of a Board committee should be paid an additional fee of $10,000 (but only for one committee), plus superannuation in each. Louis Rozman waived his rights to receive directors' fees and Matthew Smith and Philippa Leggat receive remuneration in line with the aforementioned fees from the Company's holding company, Geopacific Resources Limited.

Remuneration to Non-executive directors is not paid by commission on, or percentage of, profits or operating revenue.

Fees and payments to Non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

Executive compensation

Remuneration to executives is not paid by commission on, or percentage of, profits or operating revenue.

The executive compensation and reward framework has three components:

- Fixed compensation which includes base pay and benefits, including superannuation;
- Short-term performance incentives, and
- Long-term incentives through participation in the Kula Gold Limited Option Plan.

Fixed compensation

Fixed compensation consists of base compensation which is calculated on a total cost basis, as well as employer contributions to superannuation funds.

Short-term incentives ("STI")

The objective of the STI's is to link the achievement of the Company's targets with the performance of the employee charged with meeting those targets. The total STI is discretionary and set at a level so as to remunerate the executives for achieving the operational targets and such that the cost to the Company is reasonable in the circumstances.

The key performance indicators (KPI's) considered are selected to reflect the Company's core values and ensuring performance is aligned to the Company's corporate goals and objectives.

The remuneration and nomination committee, in its sole discretion, is responsible for assessing whether the KPI's for each executive employee are. The evaluation is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved and the development of management and personnel.

Directors' report (continued)

Remuneration report (continued)

The aggregate of annual STI payments available for executives is subject to approval of the remuneration and nomination committee and Board. Payments are usually delivered as a cash bonus but the Board, in their discretion, may elect to pay the bonus in Company shares where the Company has inadequate cash.

Long-term incentives ("LTI")
Long-term incentives are provided to certain employees via the Kula Gold Limited Option Plan (Plan). The role of the Plan is detailed under the heading 'share-based compensation' within the remuneration report.

III. Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and key management personnel of the Group are set out in the following tables:

Executive director	**Position**
G Perotti	Chief Financial Officer and Company Secretary Executive director – appointed on 21 March 2017

Non-executive directors	**Position**
D Frecker	Non-executive chairman – resigned on 1 September 2017
L Rozman	Non-executive director – resigned on 21 March 2017
M Stowell	Non-executive director
M Bojanjac	Non-executive chairman – appointed 22 August 2017
M Smith	Non-executive director – appointed on 29 August 2017
P Leggat	Non-executive director – appointed on 29 August 2017

Other key management personnel	
G Perotti	Chief Financial Officer and Company Secretary

Key management personnel – 2017

	Short-term employee benefits						
	Cash	Cash	Annual	Long service	Termination	Post-employment benefits	
Name	**salary and fees**	**bonus**	**leave**	**leave**	**pay**	**Superannuation**	**Total**
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
D Frecker (i)	25,598	-	-	-	-	2,432	28,030
L Rozman (ii)	-	-	-	-	-	-	-
M Stowell	36,250	-	-	-	-	3,444	39,694
M Bojanjac (iv)	14,457	-	-	-	-	1,373	15,830
M Smith (v)*	10,000	-	-	-	-	950	10,950
P Leggat (vi)*	10,000	-	-	-	-	950	10,950
G Perotti (iii)	153,000	25,130	23,096	-	-	14,535	215,761
Total	**249,305**	**25,130**	**23,096**	**-**	**-**	**23,684**	**321,215**

(i) Mr David Frecker resigned on 1 September 2017. *(ii) Mr Louis Rozman resigned on 21 March 2017.*
(iii) Mr Garry Perotti was appointed on 22 March 2017. *iv) Mr Mark Bojanjac was appointed on 21 August 2017.*
(v) Mr Matthew Smith was appointed on 29 August 2017. *(vi) Ms Philippa Leggat was appointed on 29 August 2017.*
**The Geopacific appointed directors receive remuneration, in line with the Company remuneration to directors, directly from Geopacific for their role and duties performed as Company directors.*

Directors' report (continued)

Remuneration report (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2017 %	At risk short-term incentives 2017 %	At risk long-term incentives 2017 %
Directors			
D Frecker	100	-	-
L Rozman	-	-	-
M Stowell	100	-	-
M Bojanjac	100	-	-
M Smith	100	-	-
P Leggat	100	-	-
G Perotti *	88	12	-

*Fixed remuneration is $190,631 as a percentage of $215,761 (88%) and at risk short term incentives is $25,130 as a percentage of $215,761 (12%).

Key management personnel – 2016

Name	Short-term employee benefits: Cash salary and fees	Cash bonus	Annual leave	Post-employment benefits Superannuation	Termination payments	Share based payments	Total
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
D Frecker	35,000	-	-	3,325	-	-	38,325
L Rozman (iv)	-	-	-	-	-	-	-
L Spencer (ii)	10,000	-	-	950	-	-	10,950
M Stowell	25,000	-	-	2,375	-	-	27,375
A Vogel (iii)	-	-	-	-	-	-	-
Other key management personnel							
S Pether (i)	46,070	-	-	4,377	88,395	-	138,842
G Perotti (iv)	153,000	8,950	12,464	16,715	-	14,000	205,129
Total	**269,070**	**8,950**	**12,464**	**27,742**	**88,395**	**14,000**	**420,621**

(i) Mr Stuart Pether resigned on 26 February 2016.
(ii) Mr Lee Spencer resigned on 18 July 2016.
(iii) Mr Arnold Vogel resigned on 25 October 2016.
i(v) Mr Garry Perotti holds the positions of CFO and Company secretary.

IV. Service agreements of key management personnel

Compensation and other terms of employment for the Chief Executive Officer are formalised in a service agreement. All contracts with an executive may be terminated early, subject to termination payments as detailed below.

With effect from April 2017, the Board determined the directors fees (payable to directors legible to receive directors fees) to be as follows, that the Chairman should be paid an annual fee of $40,000, other non-executive directors should be paid an annual base fee of $30,000 and each chairman of a Board committee should be paid an additional fee of $10,000 (but only for one committee), plus superannuation in each.

The Board determined that as executives of the Geopacific group, Matthew Smith and Philippa Leggat were not entitled to receive directors' fees from the Company. Geopacific Resources Limited, the holding company of Kula, remunerates Matthew Smith and Philippa Leggat directly for the duties and responsibilities they perform as Kula directors in line with the Company director.

Directors' report (continued)

Remuneration report (continued)

G Perotti, Chief Financial Officer

- Commencement date 21 October 2014 as contract Chief Financial Officer, engaged as full time permanent Chief Financial Officer from 1 November 2015;
- Terms of agreement: Contracted to 31 October 2015;
- Base salary: $150,000 per annum plus superannuation guarantee, inclusive of all benefits; increased to $153,000 per annum effective 1 July 2015;
- Terms of employment agreement: effective 1 November 2015;
- Base salary: $153,000 per annum plus superannuation guarantee, to be reviewed annually on 1 January each year with the first review in 2017.
- Performance bonus: Eligible to be paid a performance related bonus on the successful completion of mutually agreed KPI's up to 15% of total fixed remuneration. The bonus will be paid in cash unless the employee elects to receive shares in the Company or the directors in their discretion decide to give the bonus in Company shares because the Company has inadequate cash;
- Duties of director of the Company were included with effect from 22 March 2017 with no adjustment to remuneration;
- Termination benefits, 90 days' notice is required on resignation.

V. Share-based compensation

Options

Options over shares in Kula Gold Limited are granted under the Kula Gold Limited Option Plan (Plan) to employees. The Plan is designed to provide long-term incentives for executives and senior employees to deliver long-term shareholder returns. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits. Options granted under the Plan carry no dividend or voting rights.

During the current financial year, no new options were granted, nor were any of the current options on issue were exercised or lapsed or forfeited.

VI. Bonus

The maximum annual bonus of 15% of total fixed remuneration was granted to Mr G Perotti on 21 May 2017 for the 2017 financial year, based on assessment of performance against mutually agreed operational and financial benchmarks (KPIs). This is the total bonus payable for 2017 and there was nil forfeited. No part of the bonus is payable in future years.

Name	Bonus paid %	Potential Bonus unearned %
G Perotti	100	-

Shares under option

The numbers of options over ordinary shares in the Company held during the financial year by each director of Kula Gold Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Name 2017	Balance at start of the year	Granted	Expired	Others*	Balance at end of the year	Vested and exercisable	Unvested
Directors of Kula Gold Limited							
D Frecker	612,000	-	-	(612,000)	-	-	-
L Rozman	-	-	-	-	-	-	-
M Stowell	291,000	-	-	-	291,000	291,000	-
G Perotti	-	-	-	-	-	-	-
M Bojanjac	-	-	-	-	-	-	-
M Smith	-	-	-	-	-	-	-
P Leggat	-	-	-	-	-	-	-

All vested options are exercisable.

* Represents options removed as director is no longer a KMP at the end of the year.

Directors' report (continued)

Remuneration report (continued)

Share holdings

The numbers of shares in the Company held during the financial year by key management personnel of Kula Gold Limited, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2017 – Ordinary shares

Name	Balance at the start of the year	Purchased during the year on renounceable rights issue	Acceptance of takeover offer from Geopacific Resources Limited	Other changes during the year*	Balance at the end of the year
Directors of Kula Gold Limited					
D Frecker	1,184,516	148,065	-	(1,332,581)	-
L Rozman	1,137,204	142,151	(1,279,355)	-	-
M Stowell	3,922,582	490,324	-	3,016,287	7,429,193
G Perotti	560,000	70,000	(630,000)	-	-
M Bojanjac	-	-	-	-	-
M Smith	-	-	-	-	-
P Leggat	-	-	-	-	-

* Represents shares purchased/(sold) on market or removed as director is no longer a KMP at the end of the year.

2016 – Ordinary shares

Name	Balance at the start of the year	Purchased during the year on placement	Received as bonus during the year	Received during the year on rights issue	Balance at the end of the year
Directors of Kula Gold Limited					
D Frecker	1,120,000	64,516	-	-	1,184,516
L Spencer	579,870	-	-	-	579,870
L Rozman	813,605	323,599	-	-	1,137,204
M Stowell	5,515,001	322,581	-	(1,915,000)	3,922,582
Other key management personnel					
S Pether	2,600,000	-	-	(600,000)	2,000,000
G Perotti	-	-	560,000	-	560,000

(d) Loans and other transactions with key management personnel

There were no loans made to key management personnel during the reporting period (2016: $nil).

Other transactions with key management personnel are disclosed in note 23, and as follows:

- In September 2015 the Company entered into a lease agreement with Ascot Park Enterprises Pty Ltd, a company associated with Director, Mr Mark Stowell, to rent office space at 20 Howard Street, Perth. The rent has been set at a rate of $2,000 per month, which is at an arms-length commercial rate for comparable premises. The lease agreement terminated on 30 June 2017 when the office was vacated.
- In July 2017 the Company moved office to Level 1, 278 Stirling Highway, Claremont. This premises is leased by Geopacific Resources Limited, the major shareholder of the Company, and Geopacific Resources Limited have waived rental to its subsidiary.

END OF REMUNERATION REPORT

Directors' report (continued)

Shares under option
Unissued ordinary shares of Kula Gold Limited under options at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of shares	Number under option
08 Nov 2013	08 Nov 2018	$0.170	3,189,000
20 Dec 2013	20 Dec 2018	$0.170	1,427,000
20 Dec 2013	31 Aug 2018	$0.125	24,000,000
			28,616,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Indemnification and insurance of officers
To the extent permitted by law, the Company has agreed to indemnify the directors and officers of the Group for any:
(i) liability for any act or omission in their performance as director or officer; and
(ii) costs incurred in settling or defending any claim or proceeding relating to any such liability, not being a criminal liability.

During the financial year, Kula Gold paid premiums to insure the directors and the officers of the Group. In accordance with commercial practice the policy has a confidentiality clause which prohibits the disclosure of the amount of the premium and the nature and amount of the liability covered. There were no claims under the policy during the reporting period.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnification of auditors
To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Employees
Staff members as at 31 December 2017:

Position	**Kula Gold Limited**	
	Male	Female
Directors (Executive)	1	-
Directors (Non-executive)	3	1
Senior executive	-	-
Other	-	-
	4	1

Proceedings on behalf of the Group
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Directors' report (continued)

During the current and previous year, no fees were paid or payable for non-audit services provided by the auditor of the Group, its related practices and non-related audit firms:

Functional and presentation currency
The amounts included in the directors' report and consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 54 and forms part of this report.

Rounding of amounts
The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial /Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

This report is made in accordance with a resolution of directors.

Garry Perotti
Director
Perth, 29 March 2018

Kula Gold Limited ABN 83 126 741 259
Annual report - 31 December 2017

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Financial Statements

These financial statements are the consolidated financial statements of Kula Gold Limited. Woodlark Mining Limited ("**WML**") was deconsolidated effective 25 January 2017 as the Group does not have control, joint control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. Decisions about the relevant activities now rest solely with Geopacific Resources Limited. The financial statements are presented in Australian dollars.

Kula Gold Limited is a Company limited by shares, incorporated and domiciled in Australia. The registered and principal place of business is Level 1, 278 Stirling Highway, Claremont, WA 6010.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 4 to 18, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 29 March 2018. The directors have the power to amend and reissue the financial statements.

	Notes	**2017 $'000**	2016 $'000
Revenue	6	**1**	**10**
Expenses			
Employee benefits expense		**(265)**	(360)
Professional and consulting expenses		**(365)**	(192)
Rental expense	7	**(10)**	(17)
Insurance expense		**(42)**	(37)
Foreign exchange (loss)/ gain		**(5)**	15
Other expenses		**(73)**	(182)
Loss from continued operations		**(759)**	(763))
Income tax benefit/(expense)	8	**-**	-
Loss for the year from continuing operations after- tax		**(759)**	(763))
Discontinued operations			
Loss from discontinued operations	4	(14,156)	(5,799)
Total Loss for the year after- tax		**(14,915)**	**(6,562)**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translation of foreign operations		**(1,240)**	(1,943)
Accumulated gains in foreign currency translation reserve transferred to profit or loss on deconsolidation of subsidiary		(9,059)	-
Movement in fair value of Available for Sale Investment		(325)	-
Total comprehensive (loss)/income for the year		**(10,624)**	(1,943)
Total comprehensive income/(loss) for the year		**(25,539)**	(8,505)
Profit/(loss) for the year attributable to:			
Equity holders of the parent		**(14,915)**	(6,562)
Non-controlling interest		**-**	-
		(14,915)	(6,562)
Total comprehensive (loss)/income for the year			
Attributable to:			
Equity holders of the parent		**(25,477)**	(8,572)
Non-controlling interest		**(62)**	67
		(25,539)	(8,505)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
From continuing operations			
-Basic and diluted loss per share in cents	26	**(0.21)**	(0.22)
From total operations			
--Basic and diluted loss per share in cents	26	**(4.04)**	**(1.91)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**Consolidated 2017 $'000**	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**41**	401
Receivables and other assets	10	**31**	104
Inventories	11	**-**	383
Total current assets		**72**	888
Non-current assets			
Property, plant and equipment	12	**2**	811
Exploration and evaluation assets	13	**-**	34,515
Available for sale financial assets	14	**9,920**	-
Total non-current assets		**9,922**	35,326
Total assets		**9,994**	36,214
LIABILITIES			
Current liabilities			
Trade and other payables	15	**57**	173
Provisions	15	**13**	12
Total current liabilities		**70**	185
Non-current liabilities			
Provisions	16	**10**	185
Total non-current liabilities		**10**	185
Total liabilities		**80**	370
Net assets		**9,914**	35,844
EQUITY			
Contributed equity	17(a)	**151,577**	151,026
Reserves	18(a)	**1,234**	11,343
Accumulated losses	18(b)	**(142,897)**	(127,982)
Equity attributable to equity holders of parent		**9,914**	34,387
Non-controlling interest	17(g)	**-**	1,457
Total equity		**9,914**	35,844

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Attributable to owners of Kula Gold Limited

	Notes	Contributed equity $'000	Share-based payments reserve $'000	Available for sale financial asset reserve $'000	Foreign currency translation reserve $'000	Consolidation reserve $'000	Total reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2016		**150,505**	**1,181**	**-**	**11,794**	**-**	**12,975**	**(121,420)**	**-**	**42,060**
Loss for the year		-	-	-	-	-	-	(6,562)	-	(6,562)
Exchange differences on translation of foreign operations	18	-	-	-	(2,010)	-	(2,010)	-	67	(1,943)
Total comprehensive income/(loss) for the year		-	-	-	(2,010)	-	(2,010)	(6,562)	67	(8,505)
Transactions with owners in their capacity as owners:										
Contributions of equity, net of transactions costs and tax	17	521	-	-	-	-	-	-	-	521
Cancellation of Options	18	-	(20)	-	-	-	(20)	-	-	(20)
Contribution by Minority interest	18	-	-	-	-	398	398	-	1,390	1,788
Balance at 31 December 2016		**151,026**	**1,161**	**-**	**9,784**	**398**	**11,343**	**(127,982)**	**1,457**	**35,844**

	Notes	Contributed equity $'000	Share-based payments reserve $'000	Available for sale financial asset reserve $'000	Foreign currency translation reserve $'000	Consolidation reserve $'000	Total reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2017		**151,026**	**1,161**	**-**	**9,784**	**398**	**11,343**	**(127,982)**	**1,457**	**35,844**
Loss for the year		-	-	-	-	-	-	(14,915)	-	(14,915)
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(14,915)**	**-**	**(14,915)**
Transactions with owners in their capacity as owners:										
Contributions of equity, net of transactions costs and tax	17	551	-	-	-	-	-	-	-	551
Other Comprehensive Income	17	-	-	(325)	(9,784)	-	(10,109)	-	(62)	(10,171)
Non-Controlling interest eliminated on deconsolidation of Subsidiary	4	-	-	-	-	-	-	-	(1,395)	(1,395)
Balance at 31 December 2017		**151,577**	**1,161**	**(325)**	**-**	**398**	**1,234**	**(142,897)**	**-**	**9,914**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2017 $'000	2016 $'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(573)**	(999)
Interest income		**1**	10
Net cash outflow from operating activities	25	**(572)**	(989)
Cash flows from investing activities			
Payments for property, plant and equipment		**-**	(30)
Payments for exploration activities		**-**	(803)
Loss of control over subsidiary's cash	4	**(345)**	-
Net cash outflow from investing activities		**(345)**	(833)
Cash flows from financing activities			
Advance from Geopacific		**20**	601
Proceeds from issues of shares (net of transaction costs)	17(b)	**551**	521
Net cash inflow from financing activities		**571**	1,122
Net decrease in cash and cash equivalents		**(346)**	(700)
Cash and cash equivalents at the beginning of the financial year		**401**	1,059
Effects of exchange rate changes on cash and cash equivalents		**(14)**	42
Cash and cash equivalents at end of year		**41**	401

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements are the consolidated financial statements of Kula Gold Limited. Woodlark Mining Limited ("**WML**") was deconsolidated effective 25 January 2017 as the Group does not have control, joint control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. Decisions about the relevant activities now rest solely with Geopacific Resources Limited.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and *Corporations Act 2001*. Kula Gold Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Kula Gold Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention except for AFS Investment which is carried at fair value.

Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial /Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

New and amended standards adopted by the group

The Group has adopted all new and amended Accounting Standards and Interpretations that are mandatory for the first time for the financial year beginning 1 January 2017.

i) AASB 2016-1 Amendments to Australian Accounting Standards **–** *Recognition of deferred tax assets for unrealised losses*

ii) AASB 2016-2 Amendments to Australian Accounting Standards **–** *Disclosure initiative: amendments to AASB 107*

The adoption of the above has had no material effect on the financial position or performance of the Company or disclosures made by the Company.

(b) Significant matters relating to the ongoing viability of operations

The consolidated entity recorded a loss of $14.9 million for the year ended 31 December 2017 (2016: $6.6 million) and the company had a net cash outflow from operating and investing activities of $917,000 for the year ended 31 December 2017 (2016: $1,822,000). The consolidated entity had cash and cash equivalents at 31 December 2017 of $41k. Cash at 15 March 2018 was $3k.

The Group's cashflow forecast for the period ending 31 March 2019 reflects that the Group will need to raise additional working capital to enable it to continue to fund its corporate expenditure during the continuation of the farm-in agreement.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following pertinent matters:

- The Group became a controlled subsidiary of Geopacific Resources Limited ("**Geopacific**") on 31 July 2017, when Geopacific acquired greater than 50% of the shares issued in the Company. Going forward, for a period of 12 months from the date of signing of the financial report, Geopacific has indicated that they will provide financial support to the Group to enable it to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

1 Summary of significant accounting policies (continued)

(b) Significant matters relating to the ongoing viability of operations (continued)

- Geopacific is currently the manager of the Woodlark Gold Project under the farm-in agreement which enables Geopacific to fund up to $18.65 million over 3.5 years to earn up to a 75% interest in the Project and cover all operational costs of the Project. To the end of the reporting period Geopacific spent $12.3 million on the project and the balance is expected to be spent over the remaining tenure of the farm in arrangement.

- The consolidated entity had cash and cash equivalents at 31 December 2017 of $41K.Cash at 16 March 2018 was $3k. The draw down under the loan arrangement with Geopacific is at the beginning of each month and is for the sum of the budgeted expenditure and anticipated expenditure for the month. For further detail on the loan arrangement with Geopacific, refer to note 15.

In the event that Geopacific withdraw their financial support and the Group is unable to raise additional funds to meet the Group's ongoing working capital and development funding requirements as and when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(c) Principles of consolidation

(i) Consolidation principles

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kula Gold Limited ("Company" or "Parent entity") as at 31 December 2017 and the results of all subsidiaries for the year then ended. Kula Gold Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

1 Summary of significant accounting policies (continued)

(ii) Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Where the Group losses control of entity through share issues to third parties or via a contractual arrangement this is also deemed to be a disposal. Accordingly, following loss of control, Woodlark Mining Limited has been presented as a discontinued operation.

The financial performance of the discontinued operations (including the comparatives) are presented separately in the profit and loss statement as a single line item.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors and the Chief Executive Officer.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's operations are measured using the currency of the primary economic environment in which it operates (”the functional currency”). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) Revenue recognition

Revenue represents interest income and is recognised using the effective interest method.

1 Summary of significant accounting policies (continued)

(g) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the balance sheet full liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liability is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Available for Sale Investments

Investments in equity instruments of other entities (other than subsidiaries) are designated as available-for-sale (AFS) financial assets. ASF financial assets are initially recognised at their fair value. After initial recognition AFS financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and as a separate component of equity until the asset is derecognised or until the asset is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1 Summary of significant accounting policies (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(k) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill and exploration and evaluation expenditure, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They carried at amortised cost using the effective interest rate method and, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets, are classified as current assets.

(n) Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Buildings and leasehold improvements	25 years
- Motor vehicles and boats	3 years
- Plant and equipment	6 years
- Furniture and fittings	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1 Summary of significant accounting policies (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

(p) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are expensed as incurred except where they may be carried forward as an item in the consolidated statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

(i) the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation expenditure is written-off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

(o) Property, plant and equipment

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment loss will be measured in accordance with the group's impairment policy (note 1 (k)).

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a repayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharge, cancelled or expired.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(t) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of significant accounting policies (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and other short term benefits expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employee renders the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the Projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds, or where appropriate, high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Kula Gold Limited Option Plan (Plan). Information relating to the Plan is set out in note 27.

The fair value of options granted under the Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Parent entity financial information

The financial information for the parent entity, Kula Gold Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Kula Gold Limited.

1 Summary of significant accounting policies (continued)

(ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(y) New accounting standards and interpretations

Certain new and amended accounting standards and interpretations have been issued but are not mandatory for the reporting period ended 31 December 2017. No new and amended accounting standards have been early adopted by the group. The relevant standards and interpretations are set out below.

i) AASB 9 - Financial Instruments (effective for reporting periods from 1 January 2018)
AASB 9 (2014) is a new standard which replaces parts of AASB 139 Financial Instruments: Recognition and measurement. The main changes are described below.

- There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.
- Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.
- For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.
- All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.
- The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.

i) AASB 9 - Financial Instruments (effective for reporting periods from 1 January 2018)(continued)
The group does not expect any change in accounting treatment on the Group's AFS Investments on applying the classification and measurement requirements of AASB 9.

ii) AASB 15 – Revenue from Contracts (effective for reporting periods from 1 January 2018)

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 *Leases* (or AASB 16 *Leases*, once applied).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The adoption of AASB 15 is not expected to have any significant impact as the Group currently does not have any revenue from operations.

iii) AASB 2016-5 – Classification and Measurement of Share-based Payment Transactions (effective for reporting periods from 1 January 2018)

This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

1 Summary of significant accounting policies (continued)

iv) AASB 2017-2 Amendments to Australian Accounting Standards- Further Annual Improvements 2014-2016 Cycle

This Standard clarifies the scope of AASB 12 *Disclosure of interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

v) AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for reporting periods from 1 January 2018)

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

vi) AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for reporting periods from 1 January 2018)

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

Vii) AASB 16 – Leases (effective for reporting periods from 1 January 2019)

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, equity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks. Liquidity risk is managed by budgets to structure maturity dates of investments to meet anticipated outgoings of expenditure.

Risk management is carried out under policies approved by the Board of directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

It is not the Group's present policy to hedge foreign exchange risk.

The Company's functional currency is Australian dollars (AUD).

The Group does not have significant foreign currency risk at the balance sheet date.

2 Financial Risk Management (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk arising from cash and cash equivalents.

Group sensitivity
At 31 December 2017, the Group's exposure to interest received rates is not deemed to be material to its primary activities and the interest is generally floating rate. Interest payable would not be deemed material to the results of the group. Reasonably possible movements in interest rates would not have a material impact on the results of the Group or the fair value of any borrowings.

iii) Credit risk

Cash deposits are held with a major Australian Bank, Westpac Banking Corporation (Westpac). This bank currently hold the following long-term credit rating:

Rating Agency	**Westpac**
Fitch Ratings	AA-
Moody's Investors Service	Aa2
Standard & Poor's	AA-

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through timing of rollover dates on its term deposits currently held by the Group. This ensures the best balance between highest interest rates available and funding requirements.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual maturities of financial liabilities						
	Less than 6 months	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying Amount liabilities**
At 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	80	-	-	-	-	80	80
Total non-derivatives	**80**	**-**	**-**	**-**	**-**	**80**	**80**
At 31 December 2016							
Trade and other payables	185	-	-	-	-	185	185
Total non-derivatives	**185**	**-**	**-**	**-**	**-**	**185**	**185**

(d) Fair value measurements

The carrying values of receivables and payables approximate their fair values due to their short-term nature.

3 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3 Critical Accounting Estimates and Judgements (continued)

(i) Control of Subsidiary

As at 31 December 2016 Geopacific Resources Limited ("GPR") had exercised their option to proceed to the second period of the farm-in under the broad terms of the term sheet entered into on 7 July 2016 and the subsidiary Woodlark Mining Limited ("WML") remained a controlled entity of the Company.

The formal agreements to implement the farm-in and joint venture with GPR – being the Farm-in Agreement and the Shareholders Agreement – were executed by the Company, GPR and WML on 25 January 2017. Under 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. The terms and conditions of the Farm-in Agreement collectively resulted in the Company losing control of WML from 25 January 2017 and, accordingly, WML has been deconsolidated from the Group accounts on 25 January 2017. Post deconsolidation, the Group retains no control or significant influence over the operations of WML. All the financial and operating policy decisions relating to WML are unilaterally taken by GPR.

ii) Fair value methodology

At each reporting date, the AFS Investment are measured at fair value. Also refer to Note 14 on AFS Investments.

4 Discontinued Operations

Divestment of Woodlark Mining Limited

On 25 January 2017, the Company, Geopacific Resources Limited (**"Geopacific"**) and Woodlark Mining Limited (**"WML"**) executed a Farm-in Agreement (**"Agreement"**) which resulted in the Group losing control of WML and deconsolidating WML with effect from this date. Post deconsolidation, the Group retains no control or significant influence over the operations of WML. The key terms of the Agreement are:

- First earn-in period: Geopacific committed to spend up to $650,000 in under 6 months to complete due diligence and establish the optimal work program required to deliver the incentive target of an aggregate Ore Reserve for the Project of 1.2 million ounces of gold.

  On 5 October 2016 Geopacific elected to proceed with and commenced the second earn-in period. With the issuing of notice to proceed, Geopacific earned the right to acquire 5% of the shares issued in WML on the execution of the formal Agreement.

  Geopacific were issued shares in WML on the execution of the Farm-in Agreement on 25 January 2017 such that their holding was 5% of the issued shares of WML.

- In the second earn-in period, Geopacific will spend up to $8 million in 24 months undertaking the work program developed in the first earn-in period:

  - If Geopacific spends the full A$8 million and completes 15,000 metres of diamond drilling within the 24 months without achieving the incentive target of a 1.2 million ounces of gold reserve for the Project, it will earn an additional 35% interest in WML giving it a total of 40%;

  or alternatively:

  - If Geopacific achieves the incentive target of 1.2 million ounces of gold reserve for the Project within the allocated time frame, Geopacific will earn an additional 46% interest in WML giving it a total of 51%.

Geopacific has spent in excess of the A$12 million expenditure and drilled approximately 15,500 metres of diamond drilling, thereby meeting the commitments for expenditure and drilling, which entitles Geopacific to increase their share in the project to 40% subject to the issue of a completion notice. There is also a provision for the achievement of an incentive target of 1.2 million gold reserve ounces, which entitles Geopacific to increase their share in the project to 51% subject to the issue of a completion notice and confirmation that the incentive target has been achieved. Geopacific has until 5 October 2018 to provide the Company with the completion notice. The Company's interest in WML includes the 5% equity to be acquired by the PNG Government.

At such time as the notice of completion is received from Geopacific, the Kula board will then review the notice in connection with the ownership milestones pursuant to the terms of the Farm-In Agreement.

Should Geopacific elect to proceed to the third earn-in period then:

- In the third earn-in period Geopacific will spend up to $10 million undertaking the work program developed in the first earn-in period, which it aims to do in 12 months:

4 Discontinued Operations (continued)

- If Geopacific reaches the full spend without attaining the incentive target of a 1.2 million ounces of gold reserve for the Project and without achieving 'bankable' status for the Project, it will earn an additional 20% interest in WML giving it a total of 60%;

  or alternatively:

- If Geopacific achieves the incentive target of 1.2 million ounces of gold reserve for the Project and achieves 'bankable' status for the Project within the allocated spend, it will earn an additional 15% interest in WML giving it a total of 75%.

"Bankable" status means that economic, engineering and geotechnical inputs to the Project have been completed to a degree sufficient so that the Project can secure the required development capital and achieve financial close.

Once the 'bankable' status is reached, Kula has the right to raise its share of the development finance proportionate to its interest in WML.

If Geopacific reaches a 1.2 million ounce of gold reserve and achieves 'bankable' status for the Project within the allocated spend and should Kula be unable to, or elect not to, raise its share of development finance then Geopacific will have the right to arrange Kula's share of the development finance and thereby earn an additional 5% interest in WML, taking its total interest to 80%.

At the end of the reporting period Geopacific is a 5% direct shareholder of WML and is in the second earn-in period of the Agreement. Geopacific is manager of the Project and responsible for all Project costs and liabilities during the tenure of the Agreement.

Analysis of loss from discontinued operations	**2017**	2016
	$'000	$'000
Other expenses	**(6)**	-
Impairment of Exploration and evaluation asset	**-**	(5,859)
Loss on disposal of subsidiary**	**(23,209)**	-
Exchange gain on foreign currency translation reserve transferred to profit and loss on disposal of subsidiary	**9,059**	-
Loss from discontinued operation	**(14,156)**	(5,859)

** Loss on disposal of subsidiary

	31 December 2017
	$'000
Fair value of retained interest at the date of deconsolidation (available for sale investment)***	10,245
Less: Net assets of WML at disposal date 25 Jan 2017	(33,454)
Loss on disposal of subsidiary	(23,209)

*** Refer Note 14 which explains the fair value methodology

The loss on disposal of subsidiary for the period of $23.2 million relates to the reclassification of the Company's interest in the Woodlark project as an available for sale investment. This change in accounting treatment was triggered by the signing of the farm-in agreement with Geopacific which resulted in Kula losing control over the project to Geopacific and the consequent requirement to re-measure at fair value of the Group's retained interest in the Woodlark Project having regard to the farm-in agreement.

4 Discontinued Operations (continued)

The major classes of assets and liabilities of WML as at 25 January 2017 were as follows:

	25 January 2017 $'000
Assets	
Cash and cash equivalents	345
Other debtors	412
Inventories	363
Property, plant and equipment	773
Exploration and evaluation expenditure	33,540
Total Assets	**35,433**
Liabilities	
Trade creditors & accruals	(406)
Provisions for rehabilitation	(178)
Total Liabilities	**(584)**
Net assets	**34,849**
Less non-controlling interest	(1,395)
Net assets directly associated with disposal group	**33,454**

Loss per share	**Cents**	Cents
From discontinuing operations		
'- Basic and diluted per share in cents	**3.83**	1.69

5 Segment information

For management purposes, the Group is organised into one main operating segment. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment.

Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

	Consolidated	
Geographic information:	**2017 $'000**	2016 $'000
Non-current assets (excluding financial assets)		
Australia	**-**	-
Papua New Guinea	**10,245**	34,515
	10,245	34,515

6 Other income

Interest income	**1**	10

7 Expenses

Loss before income tax includes the following specific expenses

		Consolidated
	2017	2016
	$'000	$'000
Depreciation:		
Buildings	**-**	32
Plant and equipment	**-**	228
Furniture and fittings	**2**	7
Less: Capitalised to mineral exploration and evaluation expenditure	**-**	(259)
Total depreciation and amortisation	**2**	8
Continued operations:		
Employee benefit expense	**265**	360
Professional and consulting expenses	**365**	192
Total continued operation expenses	**632**	560
Loss from discontinued operations	**14,156**	5,799

8 Income tax (benefit)/expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from operations before income tax expense	**(14,915)**	(6,562)
Tax at the Australian tax rate of 27.5% (2016: 30%)	**(4,101)**	(1,969)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss from discontinued operations	**4,101**	1,740
Other non-deductible expenses	**-**	(41)
Allowable capital expenditure (Papua New Guinea)	**-**	33
Income tax benefit not recognised	**-**	237
Total income tax expense	**-**	-

(b) Tax losses	**$'000**	$'000
Australian unused tax losses for which no deferred tax asset has been recognised	**1,914**	1,154
Potential tax benefit at the Australian tax rate of 27.5% (2016: 30%)	**526**	346

Benefits for tax losses will only be obtained if:

(i) the consolidated entity derives future Australian assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

(c) Unrecognised temporary differences

The following represents unrecognised deferred tax on timing differences:		
Employee provision	**(3)**	28
Capital raising costs	**(75)**	(22)
Accruals	**-**	13
Sundry items	**-**	(33)
	(78)	(14)

9 Current assets - Cash and cash equivalents

		Consolidate
	2017	2016
	$'000	$'000
Cash at bank and in hand	**41**	188
Short-term deposits*	**-**	213
	41	401

Reconciliation to consolidated statement of cash flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	**41**	188
Short-term deposits*	**-**	213
	41	401

*Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(a) Risk exposure
The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

10 Current assets – Receivables and other assets

Goods & services tax receivable	**4**	17
Prepayment and other receivables	**27**	87
	31	104

(a) Impaired receivables
There were no impaired receivables for the Group.

(b) Past due but not impaired
There were no receivables past due for the Group.

(c) Foreign exchange and interest rate risk
Information about the Group's exposure to foreign currency risk and interest rate risk in relation to receivables is provided in note 2.

(d) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

11 Current assets – Inventories

Inventory: Consumables	**383**	535
Less: provision for write-down	**(20)**	(152)
Less: inventory derecognised on disposal of subsidiary	**(363)**	-
	-	383

(a) Inventory expense
A provision for write-down to net realisable value was created to reflect the expected value of drilling consumables.

12 Non-current assets - Property, plant and equipment

	Consolidated				
	Buildings and leasehold improvements $'000	**Plant and equipment $'000**	**Furniture and fittings $'000**	**Motor vehicles and boats $'000**	**Total $'000**
At 1 January 2016					
Gross carrying amount- at cost	868	3,349	164	1,519	5,900
Accumulated depreciation	(263)	(2,888)	(132)	(1,519)	(4,802)
Net carrying amount	605	461	32	-	1,098
Year ended 31 December 2016					
Opening net book amount	605	461	32	-	1,098
Additions	-	28	2	-	30
Depreciation charge	(32)	(228)	(7)	-	(267)
Exchange differences	(27)	(21)	(2)	-	(50)
Closing net book amount	546	240	25	-	811
At 31 December 2016					
Gross carrying amount- at cost	868	3,377	166	1,519	5,930
Accumulated depreciation	(322)	(3,137)	(141)	(1,519)	(5,119)
Net carrying amount	546	240	25	-	811
Year ended 31 December 2017					
Opening net book amount	**546**	**240**	**25**	**-**	**811**
Additions			**-**	**-**	**-**
Depreciation charge			**(2)**	**-**	**(2)**
Derecognised on disposal of subsidiary	**(546)**	**(240)**	**(21)**	**-**	**(807)**
Closing net book amount	**-**	**-**	**2**	**-**	**2**
At 31 December 2017					
Gross Carrying amount- at cost	**-**	**47**	**79**		**126**
Accumulated depreciation	**-**	**(47)**	**(77)**		**(124)**
Net book amount	**-**	**-**	**2**	**-**	**2**

Total depreciation charge for the year is $1,600 (2016: $267,377) of which nil (2016: $259,060) has been capitalised under exploration and evaluation expenditure in accordance with the Group's accounting policy.

13 Non-current assets – Mineral exploration and evaluation expenditure

	Deferred exploration expenditure $'000
Year ended 31 December 2016	
Opening net book amount	40,000
Exchange differences	(1,935)
Additions net	2,249
Impairment of exploration and evaluation expenditure	(5,799)
Net book amount as at 31 December 2016	34,515
Year ended 31 December 2017	
Opening net book amount	**34,515**
Exchange differences	**(1,509)**
Additions to 25 January 2017	**534**
E&E asset derecognised on disposal of subsidiary*	**(33,540)**
Closing net book amount at 31 December 2017	**-**
	-

*Refer Note 4 on Discontinued operations.

14 Non-current assets – Available for sale financial asset

	2017 $'000	2016 $'000
Unlisted investment at fair value at 25 January 2017	**10,245**	-
Movement for the period	**(325)**	-
Investment at fair value at 31 December 2017	**9,920**	-

The available for sale investment relates to the Company's share in Woodlark Mining Limited ("WML") as at 31 December 2017. As detailed in Note 1, during the financial period ended 31 December 2017, the Group lost control over Woodlark Mining Limited ("WML"), as a result WML was deconsolidated effective 25 January 2017. Post deconsolidation, the Group does not have control, joint control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. All Decisions (financial and operating policy related) about the relevant activities of WML now rest solely with Geopacific Resources Limited.

Fair value methodology

On 1 May 2017, Geopacific Resources Limited ("Geopacific") made an off market takeover bid to acquire all of the ordinary shares of Kula Gold Limited. The takeover offer from Geopacific was declared final and unconditional on 27 July 2017 with the majority shareholders having accepted the offer.

In determining the fair value of the AFS investment, the valuation methodology is market based having regard to the transaction value of the takeover offer by Geopacific, assuming the takeover offer was 100% successful. Adopting this methodology equates to a transaction value of A$10,245,219 assuming a Geopacific share price of 3 cents. The share price used is the share price at the time of amending the takeover offer (27 July 2017). The valuation of the AFS investment is considered to be level 3 in the valuation hierarchy.

In estimating the fair value of the Group's investment in WML as at 31 December 2017, the directors have considered the value of Kula's share in the Woodlark project on a resource multiple basis.

15 Current liabilities - Trade and other payables

	Consolidated	
	2017	2016
	$'000	$'000
Trade payables *	**33**	112
Short term loan – Geopacific Resources Limited**	**20**	-
Other payables and accruals	**4**	61
	57	173
Provision for annual leave	**13**	12
*Trade payables derecognised on disposal of subsidiary	**23**	-

**The terms of the short term loan facility are that it is for an amount of up to $500,000, interest free, unsecured, and end date of 19 December 2018. The facility is payable in cash or convertible to shares at the lenders option at the Company's 30 day VWAP share price subject to receiving all regulatory approvals including under the Corporations Act or Listing Rules and from shareholders. The lender is not entitled to demand repayment of the outstanding sum before maturity date except when there is a case of default.

(b) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

16 Non-current liabilities - Provisions

Other - Provisions	**10**	-
Provision for rehabilitation	**-**	185
	10	185

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provision for long service leave, are set out below:

Provision for rehabilitation

Carrying amount at the start of the year - 1 January 2017	**185**	194
- exchange differences	**-**	(9)
- provision derecognised on disposal of Woodlark Mining Limited	**(185)**	-
Carrying amount at the end of the year - 31 December 2017	**-**	185

17 Contributed equity

	Parent entity		Parent entity	
	2017 Shares	2016 Shares	**2017 $'000**	2016 $'000
(a) Share capital				
Ordinary shares	**375,658,028**	333,918,247	**151,577**	151,026

(b) Movements in share capital

Date	Details	Number of shares	Issue price $	Total $'000
1 January 2016	Opening balance	**316,212,018**		**150,505**
1 April 2016	Share purchase plan	9,612,896	0.031	298
27 June 2016	Share placement	6,700,000	0.031	208
17 October 2016	CPS Capital Group – break fee	833,333	0.027	23
17 October 2016	G Perotti – Annual Bonus	560,000	0.025	14
31 December 2016	Transaction costs of all share issues			(22)
31 December 2016	**Balance**	**333,918,247**		**151,026**
1 January 2017	Opening balance	333,918,247		151,026
24 April 2017	Renounceable Rights issue	41,739,781	0.015	626
24 April 2017	Renounceable Rights issue - costs			(75)
31 December 2017	**Balance**	**375,658,028**		**151,577**

Details of renounceable rights issue in April 2017 are as follows:

Renounceable rights issue:	
Share price of issue:	1.5 cents per share
Number of shares issued:	41,739,781 ordinary shares
Capital raised:	A$626,097
Associated costs of issue:	A$ 74,940
Date of issue:	24 April 2017

Details of share purchase plan and placement in April and June 2016 are as follows:

Share purchase plan and placement:	
Share price of issue:	3.1 cents per share
Number of shares issued:	16,312,896 ordinary shares
Capital raised:	A$505,710
Associated costs of issue:	A$ 21,525
Date of issue:	1 April and 27 June 2016

A share purchase plan offer of 1 share for every 5 shares held at an issue price of 3.1 cents per share was taken up by 70 eligible shareholders and the subsequent share placement to the major shareholder, following shareholder approval at the Annual General Meeting, of 6,700,000 shares at the same price of 3.1 cents per shares.
Details of share issues in October 2016 are as follows:

Break fee payment:	
Share price of issue:	2.7 cents per share
Number of shares issued:	833,333 ordinary shares
Capital raised:	A$22,500
Date of issue:	17 October 2016

The company paid a break fee of 50% of the lead manager fee to CPS Capital Group in shares at the agreed 10 day VWAP issue price of 2.7 cents per share.

17 Contributed equity (continued)

CFO Bonus payment:

Share price of issue:	2.5 cents per share
Number of shares issued:	560,000 ordinary shares
Capital raised:	A$14,000
Date of issue:	17 October 2016

The company opted to pay the CFO net bonus payment in shares at the issue price of 2.5 cents per share as stated in the employment contract.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to, one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to the options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 27.

(e) Share buy-back

There is no current on-market buy-back.

(f) Capital risk management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the directors may decide to restrict dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to provide additional cash resources.

(g) Non-controlling interest

On 25 January 2017, the Company, Geopacific Resources Limited (**"Geopacific"**) and Woodlark Mining Limited (**"WML"**) executed a Farm-in Agreement (**"Agreement"**) which resulted in the Group losing control of WML and deconsolidating WML with effect from this date. Post deconsolidation, the Group retains no control or significant influence over the operations of WML.

As a result, the Company had derecognised the 5% minority interest held by GPR in WML effective 25 January 2017.

	Country of incorporation	**% Equity interests of NCI 2017**	2016
Woodlark Mining Limited	Papua New Guinea	**0%**	5%

18 Reserves and accumulated losses

	Consolidated	
(a) Reserves	**2017 $'000**	2016 $'000
Share-based payments reserve	**1,161**	1,161
Foreign currency translation reserve	**-**	9,784
Consolidation reserve	**398**	398
Available for sale financial asset reserve	**(325)**	-
	1,234	11,343
Movements:		
Share-based payments reserve		
Balance 1 January	**1,161**	1,181
Options cancelled	**-**	(20)
Balance 31 December	**1,161**	1,161
Foreign currency translation reserve		
Balance 1 January	**9,784**	11,794
Currency translation differences arising during the year	**(9,784)**	(2,010)
Balance 31 December	**-**	9,784
Consolidation reserve		
Balance at 1 January	**398**	-
Movement	**-**	398
Balance 31 December	**398**	398
Available for Sale Investment reserve		
Balance at 1 January	**-**	-
Movement	**(325)**	-
Balance 31 December	**(325)**	-
(b) Accumulated losses		
Balance 1 January	**(127,982)**	(121,420)
Net loss for the year	**(14,915)**	(6,562)
Balance 31 December	**(142,897)**	(127,982)

(b) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iii) Consolidation reserve

This reserve represents the difference between the minority interest recognised and the equity contributions received from Geopacific.

iv) Available for Sale investment reserve

The Available for Sale ("**AFS**") reserve represents the cumulative gains and losses including foreign currency gains or losses, arising on the re-measurement of available for sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

19 Key management personnel disclosures

(a) Key management personnel

The names of persons who were key management personnel of Kula Gold Limited at any time during the financial year are as follows:

Key management personnel compensation

	Consolidated **2017** **$**	2016 $
Short-term employee benefits	**297,531**	392,879
Post-employment benefits	**23,684**	27,742
	321,215	420,621

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 16.

(c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to key management personnel of Kula Gold Limited group during the period ended 31 December 2017 and 2016 are set out below. When exercisable, each option is convertible into one ordinary share of Kula Gold Limited. Further information on the options is set out in note 27.

No options were granted as remuneration to key management personnel of the Group during the year ended 31 December 2017 (2016: Nil).

(ii) Shares provided on exercise of remuneration options

No options were exercised during the period ended 31 December 2017 (2016: Nil).

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated **2017** **$**	2016 $
(a) Ernst & Young Australia		
Audit and other assurance services		
Statutory audit and review of financial statements	**30,500**	45,000
Total remuneration for audit and other assurance services	**30,500**	45,000
Taxation services		
Tax compliance services	**-**	-
Other tax advice	**-**	-
Total remuneration for taxation services	**-**	-
Total remuneration of Ernst & Young Australia	**30,500**	45,000

21 Contingencies

The Group had no contingent assets or liabilities at 31 December 2017 (2016: $nil).

22 Commitments

(a) Lease commitments

There are no lease commitments. The Group leases office space on a monthly basis from a related party as disclosed in Note 23.

23 Related party transactions

(a) Subsidiaries

Details of the interest in the subsidiary are set out in note 24.

(b) Key management personnel compensation

Details of key management personnel remuneration are disclosed in note 19 and the remuneration report section of the directors' report.

(c) Transactions with other related parties

The following transactions occurred with related parties during the year ended 31 December 2017:

- There was an existing lease agreement to 31 July 2017 with Ascot Park Enterprises Pty Ltd, a company associated with Director, Mr Mark Stowell, to rent office space at 20 Howard Street, Perth. The rent has been set at a rate which is at an arms-length commercial rate for comparable premises. The lease agreement terms are as follows:

  Lease term: Monthly
  Rental payment: $2,000 per month.

  The Company terminated the lease agreement at the end of June 2017.

The following transactions occurred with related parties during the year ended 31 December 2016.

- Companies associated with Pacific Road group of entities, who are the majority shareholder of the Company participated in a share placement during the year.

  Shares:
  Share price of placement: 3.1 cents per share (equal to the share purchase plan issue price)
  Number of shares issued: 6,700,000 (six million seven hundred thousand) ordinary shares
  Date of issue: 27 June 2016

  This share placement was approved by the shareholders at the Annual General Meeting held in Sydney at the offices of Ashurst Lawyers on Tuesday 31 May 2016.

- In July 2017 the Company moved office to Level 1, 278 Stirling Highway, Claremont. This premises is leased by Geopacific Resources Limited, the major shareholder of the Company, and Geopacific Resources Limited have waived rental to its subsidiary.

24 Subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(c):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2017 **%**	2016 %
Woodlark Mining Limited ("WML")	Papua New Guinea	Ordinary	**-**	95

At 31 December 2017 the Company held 95% of WML, however WML was deconsolidated effective 25 January 2017 as the Group does not have control, joint control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. Decisions about the relevant activities now rest solely with Geopacific Resources Limited.

25 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2017	2016
	$'000	$'000
Loss for the year	**(14,915)**	(6,562)
Depreciation and amortisation	**2**	8
Non-cash employee benefits expense – share-based payments	**-**	(20)
Loss from discontinued operations	**14,156**	5,799
Change in operating assets and liabilities:		
Decrease/(increase) in net current assets	**185**	(214)
Net cash outflow from operating activities	**(572)**	(989)

26 Earnings per share

(a) Basic and diluted loss per share

From attributable to the ordinary equity holders of the Company	**4.04**	1.91
From continuing operations	**0.21**	0.22
From discontinued operations	**3.83**	1.69

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**369,001,651**	343,989,717
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**369,001,651**	343,989,717

(c) Information concerning the classification of securities

(i) Options
The options have not been included in the determination of diluted earnings per share as they are anti-dilutive for the current period presented. Details relating to the options are set out in note 27.

*As the resulting EPS is anti-dilutive no adjustment is recorded to basic EPS.

27 Share-based payments

(a) Employee option plan

The Kula Gold Limited Option Plan (Plan) is designed to provide long-term incentives for executives and employees to deliver long-term shareholder returns. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

Options were granted under the Plan for no cash consideration.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on market value at the time of grant. The options vest immediately and may be exercised at the discretion of the option holder.

There were no options granted under the Plan during the year.

27 Share-based payments (continued)

There were no options granted to directors during the year.

(b) Options granted under the employee option plan and to Non-executive directors

2017

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
8 Nov 2013	8 Nov 2018	$0.17	3,189,000	-	-	-	3,189,000	3,189,000
20 Dec 2013	20 Dec 2018	$0.17	1,427,000	-	-	-	1,427,000	1,427,000
Total			**4,616,000**	**-**	**-**	**-**	**4,616,000**	**4,616,000**
Weighted average exercise price			$0.17			-	$0.17	

2016

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
16 Mar 2011	16 Mar 2016	$1.80	80,000	-	-	80,000	-	-
14 Apr 2011	16 Mar 2016	$1.80	120,000	-	-	120,000	-	-
16 Dec 2011	16 Dec 2016	$2.00	3,000,000	-	-	3,000,000	-	-
25 Jan 2013	25 Jan 2016	$0.48	1,000,000	-	-	1,000,000	-	-
29 May 2013	29 May 2016	$0.16	500,000	-	-	500,000	-	-
8 Nov 2013	8 Nov 2018	$0.17	3,189,000	-	-	-	3,189,000	3,189,000
20 Dec 2013	20 Dec 2018	$0.17	1,427,000	-	-	-	1,427,000	1,427,000
Total			**9,316,000**	**-**	**-**	**4,700,000**	**4,616,000**	**4,616,000**
Weighted average exercise price			$0.83			$1.47	$0.17	

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.9 years (2016: 1.8 years).

(c) CFO shares

There were no bonus shares issued in 2017.

28 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

		Parent entity
Balance sheet	**2017**	2016
	$'000	$'000
Current assets	**72**	578
Non-current assets	**9,922**	34,230
Total assets	**9,994**	34,519
Current liabilities	**70**	105
Non-current liabilities	**10**	-
Total liabilities	**80**	105
Net Assets	**9,914**	34,703
Shareholders' equity		
Contributed equity	**151,577**	151,026
Share-based payment reserve	**1,234**	1,160
Accumulated losses	**(142,897)**	(117,481)
Total equity	**9,914**	34,703
(Loss)/Profit for the year	**(14,915)**	(5,938)
Total comprehensive (loss)/profit	**(25,539)**	(5,938)

(b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 31 December 2017 (2016: Nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2017 (31 December 2016: $nil).

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitments for the acquisition of property, plant and equipment as at 31 December 2017 (31 December 2016: $nil).

29 Events occurring after the reporting period

On 12 March 2018 Geopacific released an announcement relating to the most recent pre-feasibility study with the following highlights:

- Annual production of 100Koz over 10-year mine life for 1.01Moz Au (incl. 51Koz Au Inferred)
- Free milling ore, with recovery of 92% for first five years and 90% over mine life
- Up to 60% of gold recoverable by gravity
- Conventional 2.4Mt.pa CIL circuit optimised with upgraded ore from year three
- Head grade up to 1.63g/t Au in first years

29 Events occurring after the reporting period (continued)

- Low stripping ratio of 2.5:1 for first five years, 3.1:1 over mine life
- All in sustaining cost A$990/oz for first five years, A$1,110/oz over mine life
- Capital cost A$180m
- 2.2-year, post-tax project payback
- Free cashflow over life of mine A$388m (pre-tax) and A$314m (post-tax) at A$1,650 gold price
- Post-tax IRR 33%
- Recent discovery shows significant, regional exploration potential across Woodlark goldfield

Reserve

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

Resource

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

Geopacific has completed a pre-feasibility study on the Woodlark Island Gold Project which concluded that a viable gold Project exists. The key assumptions used in the base case forecast were as follows:

- Recovery of 1,011K ounces over the life of mine through a 2.4 Mtpa plant with feed from a gravity upgrade plant from year 3.5.
- All in sustaining costs of A$990/ounce for years 1 to 5 and A$1,110 over life of mine.
- Establishment capital cost of A$162 million.
- Gold price of A$1,650 per ounce.
- Discount rate of 8%.
- NPV pre-tax of A$226 million.

The announcement included a calculation of JORC compliant gold reserves for the purposes of determining whether Geopacific had achieved the incentive gold reserve target under the Farm-in Agreement ("**the Agreement**"). A gold reserve of 1,202,100 was calculated on a gold price of A$1,694/oz, which was agreed between Geopacific and Kula and announced by Kula on 23 February 2018.

Geopacific is of the view that the next incentive milestone has now been satisfied such that its overall economic interest in Woodlark will increase to 93% comprising a direct interest of 51% and a further interest of 42% by virtue of its 85% holding of Kula shares.

Geopacific has spent in excess of the A$12 million expenditure and drilled approximately 15,500 metres of diamond drilling, thereby meeting the commitments for expenditure and drilling, which entitles Geopacific to increase their share in the project to 40% subject to the issue of a completion notice. There is also a provision for the achievement of an incentive target of 1.2 million gold reserve ounces, which entitles Geopacific to increase their share in the project to 51% subject to the issue of a completion notice and confirmation that the incentive target has been achieved. Geopacific has until 5 October 2018 to provide the Company with the completion notice. The Company's interest in WML includes the 5% equity to be acquired by the PNG Government.

Other than the above, management is not aware of any other significant events that have occurred from the balance date to the date in which this report is authorised for issue.

In accordance with a resolution of the directors of Kula Gold Limited, I state that:

1. In the opinion of the directors:

    - the financial statements and notes of Kula Gold Limited for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001,* including:

    - giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the year ended on that date; and

    - complying with Accounting Standards and the Corporations Regulations 2001;

    - the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

    - subject to achieving the matters set out in note 1(b) to the annual report, there are reasonable grounds to believe that Kula Gold Limited will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Financial Officer and a Company Director in accordance with section 295A of the Corporations Act 2001 for financial year ended 31 December 2017.

On behalf of the Board

Garry Perotti
Director

Perth
29 March 2018

Ernst & Young
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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Kula Gold Limited

As lead auditor for the audit of Kula Gold Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kula Gold Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
29 March 2018

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Independent auditor's report to the Members of Kula Gold Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Kula Gold Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the only key audit matter to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Deconsolidation and value of the Group's investment in Woodlark Mining Limited

Why significant	How our audit addressed the key audit matter
As detailed in Note 4 Discontinued operations, on 25 January 2017, the Group executed the farm in agreement with Geopacific Resources Limited ("GPR"), which resulted in the Group losing control of Woodlark Mining Limited ("WML"), with effect from this date. The loss of control of WML was accounted for as a discontinued operation in accordance with Australian Accounting Standards. Post deconsolidation, the Group retains no control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. The accounting for the deconsolidation and the subsequent valuation of the Group's investment in WML was a key audit matter as the valuation of the Group's ongoing investment in WML is subject to significant judgment.	▸ We enquired with the Group and reviewed the farm-in agreement to assess whether the accounting treatment complies with the requirements of Australian Accounting Standards. In particular, we focussed on the dates the Group lost control over WML and the attribution of results to discontinued or continuing operations. ▸ We used our valuation specialists to assess the appropriateness of the valuation methodology and inputs used to value the investment in WML. ▸ We assessed the financial report disclosures relating to discontinued operations and the group's valuation methodology in relation to the investment in WML.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 11-16 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Kula Gold Limited for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
29 March 2018

Shareholder Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in the report is as follows:

The shareholder information set out below was applicable as at 28 March 2018.

Ordinary share capital

As at 28 March 2018, the issued capital comprised of 375,658,028 ordinary fully paid quoted shares.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Options	
Holding	**Number of Holders**	**Number of Shares**	**Number of Holders**	**Number of options**
1 to 1,000	45	15,014	-	-
1,001 to 5,000	46	130,329	-	-
5,001 to 10,000	39	288,054	-	-
10,001 to 100,000	141	5,846,054	-	-
100,001 and over	79	369,377,902	6	4,616,000
	350	375,658,028	6	4,616,000

There were 352 holders of less than a marketable parcel of ordinary shares.

Unquoted options

The Company had the following unquoted options on issue:

a) Employee option plan – there are 3,189,000 unquoted options on issue, held by 2 former employees.

b) Other unlisted options

Option holder	Number of Options	Percentage
DC Frecker & JM Frecker ATF The GEO Superannuation Fund	612,000	42.89%
Pacific Road Capital Management Holdings Pty Ltd	291,000	20.39%
Merchant Holdings Pty Ltd ATF The Zulu Family Trust	291,000	20.39%
Lee Keith Spencer & Ani Susilo Spencer	233,000	16.33%
	1,427,000	100.00%

Shareholder Information (continued)

Twenty largest holders of quoted equity securities

No.	Shareholder	Ordinary shares	
		Number held	Percentage of quoted shares
1	Geopacific Resources Limited	196,029,972	52.18%
2	Geopacific Resources Limited	123,333,477	32.83%
3	Mr Michael Soucik & Mrs Weather Soucik	6,000,000	1.60%
4	Mahe Investments Pty Limited	4,701,425	1.25%
5	Merchant Holdings Pty Limited	3,600,000	0.96%
6	Merchant Holdings Pty Limited	3,329,193	0.89%
7	Mr Theofanis Perdikis & Mrs Dimitra Perdikis	2,136,573	0.57%
8	Mr Richard Alexander Caldwell	2,100,000	0.56%
9	Mr David Crichton Frecker & Mrs Joanne Margaret Frecker	1,332,581	0.35%
10	Mr Patrick Kedemos	1,010,666	0.27%
11	Aris Nominees Pty Ltd	1,000,000	0.27%
11	Acronym Pty Limited	1,000,000	0.27%
13	Sugarloaf Ventures Pty Limited	1,000,000	**0.27%**
14	Mr Matthew Nunn	940,676	0.25%
15	Citicorp Nominees Pty Limited	822,223	0.22%
16	Mr Stanislaw Antoni Zychewicz	805,000	0.21%
17	DJ & DA Neate Pty Limited	738,236	**0.20%**
18	Sabia Holdings Pty Ltd	726,487	**0.19%**
19	JDW Investments Australia Pty Limited	640,000	0.17%
20	Graham Brown Pty Limited	603,000	0.16%
		351,849,519	**93.66%**

Substantial holders

Substantial holders in the Company are set out below:

Name of substantial shareholder	Number of shares held	Percentage of issued shares
Geopacific Resources Limited	319,363,449	85.01%
	319,363,449	**85.01%**

Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

Interest in Mining Tenements

Current interest in tenements held by Woodlark Mining Limited a previous subsidiary of Kula Gold, as at 29 March 2018 are listed below:

Country / Location	Tenement	Interest
Papua New Guinea / Woodlark Island	EL 1172	95%
Papua New Guinea / Woodlark Island	EL 1279	95%
Papua New Guinea / Woodlark Island	EL 1465	95%
Papua New Guinea / Woodlark Island	ML 508	95%
Papua New Guinea / Woodlark Island	LMP 89	95%
Papua New Guinea / Woodlark Island	LMP 90	95%
Papua New Guinea / Woodlark Island	LMP 91	95%
Papua New Guinea / Woodlark Island	LMP 92	95%
Papua New Guinea / Woodlark Island	LMP 93	95%
Papua New Guinea / Woodlark Island	ME 85	95%
Papua New Guinea / Woodlark Island	ME 86	95%

Interest in Mining Leases

Current interest in mining leases held by Woodlark Mining Limited, as at 29 March 2018 are listed below:

Country / Location	Mining Lease	Interest
Papua New Guinea / Woodlark Island	ML 508	95%

Mining Lease 508 ("ML508") has received a variation to condition 7 which requires completion of a mine and production by 3 January 2020.

Mineral Resources and Ore Reserves Statement

The initial Geopacific Woodlark Mineral Resource Estimate is JORC 2012 compliant. Global Resource Estimates and individual deposit Resource Estimates are presented below the tables below.

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

The total Ore Reserve for the Woodlark Gold Project was 34.7 million tonnes at 0.99g/t Au.

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

The above resources and reserves tables were released as part of the Robust Woodlark Gold Project PFS Support Development announcement released on 12 March 2018.

COMPETENT PERSONS STATEMENT

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

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

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

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included in this report including, without limitation, statements regarding future plans and objectives of Kula Gold Limited (Kula Gold) are forward-looking statements. When used in this report, forward-looking statements can be 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 report, 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 the Company, its directors and management of Kula Gold that could cause Kula Gold's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Kula Gold does not undertake 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 report, except where required by applicable law and stock exchange listing requirements.