KULA GOLD LIMITED

ABN 83 126 741 259

2018 ANNUAL REPORT

Corporate Directory

Directors:	Mark Bojanjac	Chairman
	Mark Stowell	Independent Non-executive director
	Matthew Smith	Non-executive director
	Garry Perotti	Executive director
	Ron Heeks	Non-executive director – appointed 10 September 2018

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

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Directors' report

Your directors present their report on Kula Gold7 Limited (referred to hereafter as "Kula" or the "Company") for the year ended 31 December 2018.

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

Mark Bojanjac
Mark Stowell
Matthew Smith
Garry Perotti
Philippa Leggat – resigned on 10 September 2018
Ron Heeks – appointed on 10 September 2018

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

Dividends
No dividends have been paid or declared during the year (2017: nil).

Result of operations
The net loss from operations of the Company was $415,667 (2017: loss of $14,914,762).

Review of operations

The Company recorded a loss after tax and discontinued operations of $422,008 (2017: loss of $14,914,762) for the year ended 31 December 2018. The loss for the year includes a loss from discontinued operations of $6,341 which relates to the recharge of expenses paid on behalf of the Company's interest in the Woodlark project. The consolidated entity had cash and cash equivalents at 31 December 2018 of $8,014. Cash at 25 March 2019 was $4,796. The draw down under the loan arrangement with Geopacific Resources Limited ("Geopacific") is at the beginning of each month and is for the sum of the budgeted and anticipated expenditure for the month. By mutual agreement the loan facility amount has been increased to up to A$750,000 and the maturity date extended to the earlier of completion of the proposed transaction for the sale of Kula's interest in WML to Geopacific, or 7 days after either party giving written notice that the transaction is contemplated by the Term Sheet dated 6 March 2019 will not be proceeding, or 30 June 2019.

Farm-in Agreement with Geopacific

On 12 March 2018 Geopacific released an announcement relating to the most recent pre-feasibility study, which 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 FIA**"). 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.

On 23 August 2018 Geopacific elected to proceed with the third earn-in period of the farm-in agreement, having met the obligations and achieved the target incentive of 1.2 million ounces of JORC compliant gold reserves, increasing their shareholding in the Project to 51% with the Company's holding reducing to 49%.

Definitive Feasibility Study

The progression of the Project by Geopacific through the farm-in agreement lead to the announcement of the Definitive Feasibility Study (DFS)[1] on 7 November 2018, with the highlights as follows:

- Cashflow from operations A$626 million
- Capital expenditure A$202 million
- All In Sustaining Cost A$866 / oz (years 1 to 5) and A$1,033 / oz (life of mine)
- 2.2 year project payback period
- Pre Tax NPV @8% discount rate of A$251 million
- Pre Tax IRR of 33%
- Reserves: tonnes grade, and total oz (table)
- Resources: tonnes grade and total oz (table)

[1] All material assumptions underpinning the production target and forecast financial information continue to apply and have not changed materially.

Directors' report (continued)

The Woodlark DFS demonstrates a robust 13-year project with a compelling development option both from a technical and financial perspective. The feasibility of the Project is driven by low costs, a positive operating environment and a simple processing route.

The Project progression and all associated costs are being met by Geopacific under the third earn-in period of the farm-in agreement. Geopacific has not issued a notice of completion.

The Company maintains costs at the current minimal level and should the sale transaction referred to under "Events occurring after the reporting period" below be concluded, will be pursuing a number of business opportunities in mineral exploration.

Significant matters relating to the ongoing viability of operations
At 31 December 2018, the Company had a cash and cash equivalents balance of $8,014. The Company reported a net loss of $422,008 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, reduced corporate costs; and the loan facility in place with Geopacific, increased by mutual agreement, to up to A$750,000 and the maturity date extended to the earlier of completion of the proposed transaction for the sale of Kula's interest in WML to Geopacific, or 7 days after either party giving written notice that the transaction is contemplated by the Term Sheet dated 6 March 2019 will not be proceeding, or 30 June 2019, the Directors are satisfied that the Company will be able to meet its debts as and when they fall due. At 31 December 2018 the Company had drawn down $416,000 against the loan facility and at the date of this report the Company had drawn down a total of $500,000 against the loan facility. Under the loan facility agreement this loan is convertible to Kula shares subject to regulatory approvals, at the discretion of the lender. Should the sale agreement referred to under "Events occurring after the reporting period" below proceed the loan will be fully repaid to Geopacific from the proceeds received from the sale agreement.

The Company is also expected to have the ability to raise further equity capital via the share market as and when required. Going forward Geopacific has indicated its intent to provide financial support to the company while the Company is a controlled subsidiary of Geopacific, 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

- **Proposed sale of the Company's interest in WML to Geopacific**

On 6 March 2019 the Company entered into an agreement to sell all its rights and interests in the Project to Geopacific, releasing an announcement on 8 March 2019.

Under an agreement signed on 6 March 2019 ("Agreement**"**) Kula agreed to sell, free from all encumbrances and third party claims, and Geopacific agreed to purchase, all of the outstanding shares in Woodlark Mining Limited ("WML**"**) not currently owned by Geopacific ("Sale Shares").

The purchase price payable under the Agreement comprises of:
1. the cancellation by way of selective buy back under section 257A of the *Corporations Act 2001* (Cth) of all of the shares in Kula held by Geopacific ("Kula Shares");
2. subject to the cancellation of the Kula Shares, the immediate issue to Kula of 150,000,000 fully paid ordinary shares in Geopacific at a deemed issue price of 1.7c each ("Geopacific Shares") proposed to be distributed to Kula shareholders (other than Geopacific) following regulatory approvals and procedures, in-specie or similar;
3. the payment by Geopacific to Kula of an amount (equal to the amount, as at completion, of the inter-company debt between Geopacific, as lender and Kula, as borrower ("Kula Debt Amount")) ("Cash Consideration**"**) to be applied at completion against the Kula Debt Amount in accordance with the Agreement. The Parties anticipate the Kula Debt Amount to be between $500,000 and $750,000;
4. payment by Geopacific to Kula of $20,000; and
5. assignment by Kula to Geopacific of the inter-company loan owed by WML (being $7.2 million as at the date of the Agreement).

Directors' report (continued)

The Agreement is subject to and conditional upon several conditions precedent being satisfied including:
1. the Parties obtaining all shareholder, regulatory and other approvals necessary for the sale and purchase of the Sale Shares and the transactions contemplated by the Agreement;
2. Kula obtaining shareholder approval for the subsequent distribution of all Geopacific Shares to its shareholders on a pro rata basis; and
3. there being no material adverse change to the Sale Shares or their value, as determined by Geopacific.

In the event that each and all of the above conditions precedent are not satisfied by 30 June 2019 ("Drop Dead Date**"**), subject to extension by agreement in writing between the Parties, the Agreement will terminate.

Kula has agreed that it will not enter into discussions, negotiations or execute a formal agreement with any third party in respect of the sale or proposed sale of all or part of the Sale Share prior to the Drop Dead Date.

On and from completion, Mr Heeks and Mr Smith will resign as Directors of Kula.

Following completion and subject to shareholder approval, Kula has agreed to distribute the Geopacific Shares to the Kula Shareholders registered at the date of the distribution on an in-specie basis, subject only to cancellation of the Kula Shares held by Geopacific as a precondition.

Up to completion Geopacific will provide Kula such funding as it reasonably requires to give effect to the transactions as summarised above and for general working capital. Such funding will form part of the Kula Debt Amount and be repaid at completion.

Kula has provided limited warranties to Geopacific in relation to Woodlark, consistent with Geopacific's existing history and involvement in Woodlark over recent years.

Subject to regulatory requirements, at completion Mark Bojanjac will be entitled to be issued 2,500,000 fully paid ordinary shares in Kula in consideration for services rendered on a fixed fee basis to co-ordinate completion of the transactions contemplated by the Agreement. These shares will be entitled to participate in the proposed in-specie distribution of the Geopacific Shares by Kula.

- **Reference to progress under the Farm-in Agreement**

On 23 August 2018 Geopacific served notice of achievement of the incentive target of reserve ounces of gold, the completion of the second earn-in period of the FIA and extended its option to proceed to the third earn-in period of the FIA. As such Geopacific has a direct interest of 51% in Woodlark Mining Limited and a further interest of 42% by virtue of its 85% holding of Kula shares.

Geopacific has until 23 August 2020 to provide the Company with the completion notice for the third earn-in period of the FIA. The Company's interest in WML includes the 5% equity to be acquired by the PNG Government.

Other than the aforementioned, 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 signing of a proposed sale agreement, where the Company has agreed to sell its interest in WML to Geopacific, likely to proceed, pending the regulatory approvals of both the Company and Geopacific, it is expected that the Company will pursue business opportunities after the completion of the proposed sale agreement.

In the event that the proposed sale agreement does not conclude, the Company will continue to operate under the Farm-in Agreement with Geopacific.

Environmental regulation
The Company currently has a non-controlling interest in 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

Mark Bojanjac CA *Director.* Age 56.

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 3m 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

Mark Stowell BBus, CA *Independent Non-executive director.* Age 55.

Experience and expertise
Mark 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 was subsequently involved 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 Eon NRG Ltd a USA oil and gas producer.

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
7,629,193 ordinary fully paid shares.

Directors' report (continued)

Information on directors (continued)

Matthew Smith CA *Director.* Age 37.

Experience and expertise
Matthew has over 14 years of experience in the resource industry 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 42 – resigned on 8 September 2018.

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
None

Former directorships in last 3 years
Ensurance Limited, Geopacific Resources Limited

Special responsibilities
None

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

Directors' report (continued)

Information on directors (continued)

Ron Heeks BApp Sc (Geology), Member of AusIMM *Director. Age 55* – appointed on 8 September 2018.

With 30 years' mining industry experience, Ron was a founder of Exploration and Mining Consultants and has had previous experience with WMC, Newcrest, Newmont (US) and RSG Consulting.

He has held senior roles in both mine management and exploration and is a Former General Manager – Technical for Straits Asia Indonesian Operations and Chief Technical Officer for Adamus Resources Southern Ashanti Gold Operation. He has lived and worked in various countries around the world gaining extensive experience in South-East Asia and Indonesia in particular.

Other current directorships
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

Garry Perotti BCom *Executive director.* Age 55.

Experience and expertise
Garry has held the position of Chief Financial Officer since October 2014 and was appointed executive director of Kula 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.

Other current directorships
Woodlark Mining Limited

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)

Information on directors (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 2018, 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
M Bojanjac	6	5	-	-	-	-	1	1
M Stowell	6	5	2	2	-	-	1	1
M Smith	6	6	-	-	-	-	-	-
G Perotti	6	6	2	2	-	-	-	-
R Heeks (i)	1	1	-	-	-	-	-	-
P Leggat (ii)	4	4	-	-	-	-	-	-

(i) *Mr Ronald Heeks was appointed a director of the Company on 10 September 2018*
(ii) *Ms Philippa Leggat ceased to be a director of the Company on 10 September 2018*

Remuneration report (audited)

This remuneration report sets out remuneration information for Kula'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

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 Company'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:

	2018	2017	2016	2015	2014
Basic loss per share ($)	($0.001)	($0.004)	($0.0021)	($0.0957)	($0.3502)
Year-end share price ($)	$0.020	$0.023	$0.020	$0.010	$0.040
Market capitalisation ($ million)	$7.513	$8.640	$6.678	$3.162	$10.428
Total KMP Remuneration ($)	$322,772	$321,215	$408,157	$577,908	$720,634

Directors' report (continued)

Remuneration report (continued)

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's remuneration policy to enable Kula to attract and retain executives who will create value for shareholders and to oversee remuneration packages for executive directors and senior management of Kula.

Remuneration surveys are reviewed by the committee from time to time to ensure the Company'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 2018 were Mark Stowell (Chairman) and Mark Bojanjac.

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, 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. All directors appointed by and executives of the holding company, 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 STIs 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 (KPIs) 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 what 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.

The aggregate of annual STI payments available for executives is subject to approval of the remuneration and nomination committee and the 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 insufficient 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.

Directors' report (continued)

Remuneration report (continued)

III. Details of remuneration

Amounts of remuneration

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

Executive director	**Position**
G Perotti	Executive director

Non-executive directors	**Position**
M Stowell	Non-executive director
M Bojanjac	Non-executive chairman
M Smith	Non-executive director
P Leggat	Non-executive director – resigned on 10 September 2018
R Heeks	Non-executive director – appointed on 10 September 2018

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

Key management personnel – 2018

Short-term employee benefits **Name**	**Cash salary and fees**	**Cash bonus**	**Annual leave**	**Long service leave**	**Termination pay**	**Post-employment benefits Superannuation**	**Total**
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
M Bojanjac	40,000	-	-	-	-	3,800	43,800
M Stowell	40,000	-	-	-	-	3,800	43,800
G Perotti	153,000	-	12,887	-	-	14,535	180,422
Total paid by the Company	**233,000**	**-**	**12,887**	**-**	**-**	**22,135**	**268,022**
M Smith *	30,000	-	-	-	-	2,850	32,850
P Leggat (i)*	20,000	-	-	-	-	1,900	21,900
R Heeks (ii)*	-	-	-	-	-	-	-
Total paid by Geopacific	**50,000**	**-**	**-**	**-**	**-**	**4,750**	**54,750**
Total	**283,000**	**-**	**12,887**	**-**	**-**	**26,885**	**322,772**

(i) Ms Philippa Leggat resigned on 8 September 2018. *(ii) Mr Ron Heeks was appointed on 8 September 2018.*
**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.*

Key management personnel – 2017

Short-term employee benefits **Name**	**Cash salary and fees**	**Cash bonus**	**Annual leave**	**Long service leave**	**Termination pay**	**Post-employment benefits 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
G Perotti (iii)	153,000	25,130	23,096	-	-	14,535	215,761
Total paid by the Company	**229,305**	**25,130**	**23,096**	**-**	**-**	**21,784**	**299,315**
M Smith (v)*	10,000	-	-	-	-	950	10,950
P Leggat (vi)*	10,000	-	-	-	-	950	10,950
Total paid by Geopacific	**20,000**	**-**	**-**	**-**	**-**	**1,900**	**21,900**
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.*
** 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 remuneration to directors. Ron Heeks has waived his directors fees.*

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	Fixed remuneration 2018	At risk short-term incentives 2018	At risk long-term incentives 2018
Directors	**%**	**%**	**%**	**%**	**%**	**%**
M Bojanjac	100	-	-	100	-	-
M Stowell	100	-	-	100	-	-
M Smith	100	-	-	100	-	-
P Leggat	100	-	-	100	-	-
R Heeks	100	-	-	100	-	-
G Perotti *	88	12	-	100	-	-

*Fixed remuneration is $180,422 as a percentage of $205,552 (88%) and at risk short term incentives is $25,130 as a percentage of $205,552 (12%).

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 director's 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, Philippa Leggat and Ron Heeks 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 remuneration to directors. Ron Heeks has waived his directors fees.

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 KPIs 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 insufficient 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 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 exercised, lapsed or forfeited.

VI. Bonus

With the company being a passive partner in the Woodlark Farm-in Agreement, there were no KPI's set and as such there no bonuses eligible for the year.

Directors' report (continued)

Remuneration report (continued)

Shares under option

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

Name 2018	Balance at start of the year	Granted	Expired	Others	Balance at end of the year	Vested and exercisable	Unvested
Directors of Kula Gold Limited							
M Bojanjac	-	-	-	-	-	-	-
M Stowell	291,000	-	(291,000)	-	-	-	-
G Perotti	-	-	-	-	-	-	-
R Heeks	-	-	-	-	-	-	-
M Smith	-	-	-	-	-	-	-
P Leggat	-	-	-	-	-	-	-

All vested options are exercisable.

Share holdings

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

2018 – 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					
M Stowell	7,429,193	-	-	200,000	7,629,193
G Perotti	-	-	-	-	-
M Bojanjac	-	-	-	-	-
M Smith	-	-	-	-	-
P Leggat	-	-	-	-	-
R Heeks	-	-	-	-	-

* Represents shares purchased/(sold) on market.

2017 – Ordinary shares

Name	Balance at the start of the year	Purchased during the year on placement	Acceptance of takeover offer from Geopacific Resources Limited	Other changes during the year	Balance at the end of the year
Directors of Kula					
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	-	-	-	-	-

** D Frecker was no longer a director as at 31 December 2017.*
*** L Rozman and G Perotti accepted the offer from Geopacific and converted Kula shares for Geopacific shares.*

Directors' report (continued)

Remuneration report (continued)

Loans and other transactions with key management personnel

There were no loans made to key management personnel during the reporting period (2017: nil).

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

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

END OF REMUNERATION REPORT

Directors' report (continued)

Shares under option
There are no unissued ordinary shares of Kula under options at the date of this report.

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 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 2018:

Position	Male	Female
Directors (Executive and CFO)	1	-
Directors (Non-executive)	4	-
Other	-	-
	5	-

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*.

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 dollar as the Company does not satisfy the requirements under option available to the Company under ASIC Corporations (Rounding in Financial /Directors' Reports) Instrument 2016/191.

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

Garry Perotti
Director
Perth, 27 March 2019

Kula Gold Limited ABN 83 126 741 259
Annual report - 31 December 2018

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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 27 March 2019. The directors have the power to amend and reissue the financial statements.

	Notes	Consolidated **2018** **$**	 2017 $
Other income	6	**4**	1,454
Expenses			
Employee benefits expense	7	**(282,098)**	(264,951)
Professional and consulting expenses	7	**(63,165)**	(364,534)
Rental expense		**-**	(9,559)
Insurance expense		**(32,392)**	(41,705)
Foreign exchange loss		**-**	(4,975)
Other expenses		**(38,016)**	(74,492)
Loss from continuing operations		**(415,667)**	(758,762)
Income tax expense	8	**-**	-
Loss for the year from continuing operations after tax		**(415,667)**	(758,762)
Discontinued operation			
Loss from discontinued operation	4	(6,341)	(14,156,364)
Total loss for the year after tax		**(422,008)**	(14,915,126)
Other comprehensive expense			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translation of foreign operations		**-**	(1,240,000)
Accumulated losses in foreign currency translation reserve transferred to profit or loss on deconsolidation of subsidiary		-	(9,058,852)
Movement in fair value of financial assets		(6,620,071)	(325,148)
Total comprehensive (loss)/income for the year		**(6,620,071)**	(10,624,000)
Total comprehensive loss for the year		**(7,042,079)**	(25,539,126)
Loss for the year attributable to:			
Equity holders of the parent		**(415,667)**	(14,915,126)
		(415,667)	(14,915,126)
Total comprehensive loss for the year			
Attributable to:			
Equity holders of the parent		**(415,667)**	(25,476,991)
Non-controlling interest		**(6,341)**	(62,135)
		(422,008)	(25,539,126)
		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	**(0.11)**	(0.21)
From total operations			
- Basic and diluted loss per share in cents	26	**(0.11)**	(4.04)

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

	Notes	**2018** $	Consolidated 2017 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**8,014**	40,505
Receivables and other assets	10	**10,976**	31,877
Total current assets		**18,990**	72,382
Non-current assets			
Property, plant and equipment	12	**1,783**	2,329
Financial assets	14	**3,300,000**	9,920,071
Total non-current assets		**3,301,783**	9,922,400
Total assets		**3,320,773**	9,994,782
LIABILITIES			
Current liabilities			
Trade and other payables	15	**2,403**	37,098
Borrowings	15	**416,000**	20,000
Provisions	15	**29,861**	12,887
Total current liabilities		**448,264**	69,985
Non-current liabilities			
Provisions	16	**-**	10,209
Total non-current liabilities		**-**	10,209
Total liabilities		**448,264**	80,194
Net assets		**2,872,509**	9,914,588
EQUITY			
Contributed equity	17(a)	**151,576,943**	151,576,943
Reserves	18(a)	**(5,386,960)**	1,233,111
Accumulated losses	18(b)	**(143,317,474)**	(142,895,466)
Equity attributable to equity holders of parent		**2,872,509**	9,914,588
Non-controlling interest	17(g)	**-**	-
Total equity		**2,872,509**	9,914,588

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	Share-based payments reserve	Fair Value financial asset reserve	Foreign currency translation reserve	Consolidation reserve	Total reserves	Accumulated losses	Non-controlling interest	Total equity
Balance at 1 January 2017		**151,025,786**	**1,159,501**	**-**	**9,784,000**	**398,758**	**11,342,259**	**(127,980,704)**	**1,457,000**	**35,844,341**
Loss for the year		-	-	-	-	-	-	(14,914,762)	-	(14,914,762)
Other Comprehensive Income	17	-	-	(325,148)	(9,784,000)	-	(10,109,148)	-	(62,000)	(10,171,148
Total comprehensive income/(loss) for the year		**-**	**-**	**(325,148)**	**(9,784,000)**	**-**	**(10,109,148)**	**(14,914,762)**	(62,000)	**(25,185,910)**
Transactions with owners in their capacity as owners:										
Contributions of equity, net of transactions costs and tax	17	551,157	-	-	-	-	-	-	-	551,157
Non-controlling interest eliminated on deconsolidation of subsidiary	4	-	-	-	-	-	-	-	(1,395,000)	(1,395,000)
Balance at 31 December 2017		**151,576,943**	**1,159,501**	**(325,148)**	**-**	**398,758**	**1,233,111**	**(142,895,466)**	**-**	**9,914,588**
Balance at 1 January 2018		**151,576,943**	**1,159,501**	**(325,148)**	**-**	**398,758**	**1,233,111**	**(142,895,466)**	**-**	**9,914,588**
Loss for the year		-	-	-	-	-	-	(415,667)	-	(415,667)
Loss from non-controlling interest		-	-	-	-	-	-	(6,341)	-	(6,341)
Other comprehensive loss		-	-	(6,620,071)	-	-	(6,620,071)	-	-	(6,620,071)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(6,620,071)**	**(422,008)**	-	**(7,042,079)**
Balance at 31 December 2018		**151,576,943**	**1,159,501**	**(6,945,219)**	**-**	**398,758**	**(5,386,960)**	**(143,317,474)**	**-**	**2,872,509**

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

	Notes	2018	Consolidated 2017
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(428,495)**	(573,021)
Interest income		**4**	1,454
Net cash outflow from operating activities	25	**(428,491)**	(571,567)
Cash flows from investing activities			
Loss of control over subsidiary's cash	4	**-**	(345,431)
Net cash outflow from investing activities		**-**	(345,431)
Cash flows from financing activities			
Loan advance from Geopacific	25	**396,000**	20,000
Proceeds from issues of shares (net of transaction costs)	17(b)	**-**	551,157
Net cash inflow from financing activities		**396,000**	571,157
Net decrease in cash and cash equivalents		**(32,491)**	(345,842)
Cash and cash equivalents at the beginning of the financial year		**40,505**	400,616
Effects of exchange rate changes on cash and cash equivalents		**-**	(14,270)
Cash and cash equivalents at end of year		**8,014**	40,505

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

Notes to the consolidated financial statements

Contents

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 a Financial Assets at fair value through other comprehensive income ("Financial Asset"). 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 the Financial Asset which is carried at fair value.

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 and Interpretations adopted during the year

The Group has adopted all new and amended Accounting Standards and Interpretations that were applicable to the Group for the first time for the financial year beginning 1 January 2017, including:

AASB 9 Financial Instruments ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB *139 Financial Instruments: Recognition and Measurement* ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 January 2018 (see note 2 for details of the new accounting policy for receivables).

Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 January 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 January 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under (i.e. prior to 1 January 2018)	New measurement category under AASB 9 (i.e. from 1 January 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Financial assets	Available for sale financial assets	Fair value through other comprehensive income
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest bearing loans and borrowings	Financial liability at amortised cost	Financial liability at amortised cost

1 Summary of significant accounting policies (continued)

The financial asset relates to the investment in Woodlark Mining Limited and has been accounted for as fair value through other comprehensive income.

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018.

AASB 15 Revenue from Contracts with Customers (AASB 15)
The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15, the Group has adopted the standard using the full retrospective approach.

AASB 15 supersedes AASB 18 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standards establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 January 2017 and 1 January 2018 it was determined that the adoption of AASB 15 had no impact on the Group.

AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration
The Group has adopted Interpretation 22 as issued in December 2016 with the date of initial application being 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.
At 1 January 2017 and at 1 January 2018 it was determined that the adoption of Interpretation 22 had no impact on the Group.

New and Amended Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 31 December 2018 are outlined in the table below. The potential effect of these Standards is yet to be fully determined.

Reference	**Title**	**Summary**	**Application date**	
			of standard*	**for Group**
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.	1 January 2019	1 January 2019

Reference	Title	Summary	Application date of standard*	Application date for Group
		Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: a) AASB 117 Leases b) Interpretation 4 Determining whether an Arrangement contains a Lease c) SIC-15 Operating Leases—Incentives d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. It has been determined that the adoption of AASB 16 will not have a significant impact on the Group.		
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019	1 January 2019
Not yet issued by the AASB	Conceptual Framework for Financial Reporting and relevant amending standards	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: • Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital	1 January 2020	1 January 2020

Reference	**Title**	**Summary**	**Application date of standard***	**Application date for Group**
		and capital maintenance *Amendments to References to the Conceptual Framework in IFRS Standards* has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of AASB in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.		
Not yet issued by the AASB	Definition of Material (Amendments to AASB 101 and AASB 108)	This Standard amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	1 January 2020

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

The Group recorded a loss of $422,008 for the year ended 31 December 2018 (2017: $14.9 million) and had a net cash outflow from operating and investing activities of $448,491 (2017: $916,997). The Group has a working capital deficiency of $429,274 (2017: working capital surplus of $2,000) at 31 December 2018.

The Group's cashflow forecast for the period ending 31 March 2020 reflects that the Group will need to raise additional working capital to enable it to continue to fund its committed expenditure.

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 on 31 July 2017, when Geopacific acquired greater than 50% of the shares issued in the Company. Geopacific has indicated that they will provide financial support to the Company to assist the Company 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. Geopacific confirm that they will provide financial support as outlined previously while the Company remains to be a controlled entity of Geopacific. Geopacific may withdraw the offer of financial support at any time and for any reason by written notice to the Company.

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 in excess of $19 million which satisfies the expenditure commitments under the farm-in arrangement.

- The Group had cash and cash equivalents at 31 December 2018 of $8,014 (2017: $40,505). Cash at 25 March 2019 was $4,796. 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. By mutual agreement the loan facility amount has been increased to up to $750,000 and the maturity date extended to the earlier of completion of the proposed transaction for the sale of Kula's interest in WML to Geopacific, or 7 days after either party giving written notice that the transaction is contemplated by the Term Sheet dated 6 March 2019 will not be proceeding, or 30 June 2019.

In the event that Geopacific withdraw their financial support and the Group is unable to raise additional funds to meet its ongoing funding requirements as and when required, then there is a material uncertainty that may cast doubt about the Group's ability to continue as a going concern and, therefore, whether it may be unable to realise its assets and meet its debts as and when they fall due.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities at amounts that differ to those stated in the financial report.

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 2018 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(j)).

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.

1 Summary of significant accounting policies (continued)

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.

At 31 December 2018 the Company held 49% 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.

(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 loses 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 in 2017, WML has been presented as a discontinued operation.

The financial performance of the discontinued operation (including the comparatives) is presented separately in the statement of comprehensive income 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.

(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 Financial assets at fair value through other comprehensive income 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.

1 Summary of significant accounting policies (continued)

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

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(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.

(h) Financial assets at fair value through other comprehensive income ("Financial Assets")

Investments in equity instruments of other entities (other than subsidiaries) are Financial Assets and are initially recognised at their fair value. After initial recognition investments in equity investments have been designated as fair value through other comprehensive income ("FVTOCI"). When the equity investment is derecognised, fair value movements within OCI are not recycled through 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.

1 Summary of significant accounting policies (continued)

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.

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 of disposal 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) Trade and other receivables (new policy applied from 1 January 2018 due to adoption of AASB 9)

(i) Initial recognition

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

(ii) Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(iii) Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

In relation to all other receivables measured at amortised cost, the Group applies the credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, the Group measures the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery

(n) 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.

1 Summary of significant accounting policies (continued)

(o) 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.

(p) 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.

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

(q) 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.

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)).

1 Summary of significant accounting policies (continued)

(r) 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.

(s) 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 consolidated statement of financial position when the obligation specified in the contract is discharge, cancelled or expired.

(t) 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.

(u) 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.

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.

(v) 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 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 consolidated statement of financial position 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.

1 Summary of significant accounting policies (continued)

(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.

(w) 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.

(x) 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.

(y) 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.

(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.

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 statement of financial position 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 2018, 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 holds 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 as funds allow. 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 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables/Borrowings	418,403	-	-	-	-	418,403	418,403
Total non-derivatives	**418,403**	**-**	**-**	**-**	**-**	**418,403**	**418,403**
At 31 December 2017							
Trade and other payables/Borrowings	57,099	-	-	-	-	57,099	57,099
Total non-derivatives	**57,099**	**-**	**-**	**-**	**-**	**57,099**	**57,099**

(d) Fair value measurements

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group approximates their fair values. The fair value of the unlisted investment has been determined using comparable transactions.

Under AASB 13 the fair value measurements used for the equity investment is level 3 on the fair value hierarchy. Level 3 is defined as the valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

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.

(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 Financial Assets are measured at fair value. Also refer to note 14.

4 Discontinued Operations

Divestment of Woodlark Mining Limited

On 25 January 2017, the Company, Geopacific and WML executed a Farm-in Agreement ("FI 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 FI 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%.

On 23 August 2018 Geopacific gave notice of completion of the second earn-in period and elected to proceed with and commenced the third earn-in period. With the issuing of notice to proceed and the achievement of the target incentive of 1.2Moz of gold reserves, Geopacific's holding increased to 51% of the shares issued in WML.

4 Discontinued Operation (continued)

With Geopacific electing to proceed to the third earn-in period:

- 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:
  - 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%.

Geopacific has spent in excess of the A$19 million expenditure, thereby meeting the commitments for expenditure, which entitles Geopacific to increase their share in the project to 60% subject to the issue of a completion notice. Should Geopacific satisfy the provision of delivering a project that has a bankable status, Geopacific will be entitled to increase their share in the project to 75% subject to the issue of a completion notice and confirmation that the project has achieved bankable status. Geopacific has until 23 August 2020 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.

"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 51% direct shareholder of WML and is in the third earn-in period of the Agreement. After the reporting period an agreement has been entered into for Kula to sell its interest to Geopacific under terms and conditions as detailed in note 29. 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	**2018**	2017
Other expenses	**(6,341)**	(6,247)
Loss on disposal of subsidiary**	**-**	(23,209,129)
Exchange gain on foreign currency translation reserve transferred to profit and loss on disposal of subsidiary	**-**	9,059,012
Loss from discontinued operation	**(6,341)**	(14,156,364)

** Loss on disposal of subsidiary

	31 December 2017
Fair value of retained interest at the date of deconsolidation (financial asset)***	10,245,219
Less: Net assets of WML at disposal date 25 Jan 2017	(33,454,348)
Loss on disposal of subsidiary	(23,209,129)

*** 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 a financial asset. 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 Operation (continued)

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

	25 January 2017
Assets	
Cash and cash equivalents	344,558
Other debtors	413,255
Inventories	362,578
Property, plant and equipment	772,609
Exploration and evaluation expenditure	33,540,000
Total Assets	**35,433,000**
Liabilities	
Trade creditors & accruals	(406,401)
Provisions for rehabilitation	(177,599)
Total Liabilities	**(584,000)**
Net assets	**34,849,000**
Less non-controlling interest	(1,395,000)
Net assets directly associated with disposal group	**33,454,000**

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
	2018	2017
Geographic information:		
Non-current assets (including financial assets)		
Papua New Guinea	**3,300,000**	9,920,071
	3,300,000	9,920,071

6 Other income

Interest income	**4**	1,454

7 Expenses

Loss before income tax includes the following specific expenses

		Consolidated
	2018	2017
Depreciation:		
Furniture and Fittings	**547**	1,586
Continued operations:		
Employee benefit expense	**282,098**	264,951
Professional and consulting expenses	**63,165**	364,535
Total continuing operation expenses	**345,263**	629,486
Loss from discontinued operation	**6,341**	14,156,364

8 Income tax expense

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

	Consolidated	
	2018	2017
Loss from operations before income tax expense	**(422,008)**	(14,914,762)
Tax at the Australian tax rate of 30% (2017: 30%)	**(126,002)**	(4,474,538)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss from discontinued operations	**1,902**	4,246,909
Income tax benefit not recognised	**124,700**	227,629
Total income tax expense	**-**	-

(b) Tax losses

Australian unused tax losses for which no deferred tax asset has been recognised	**1,616,151**	1,207,249
Potential tax benefit at the Australian tax rate of 30% (2017: 30%)	**484,845**	362,175

Benefits for tax losses will only be obtained if:

(i) the 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 entity continues to comply with the conditions for utilisation 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	**(2,214)**	(3,480)
Capital raising costs	**-**	(81,752)
	(2,214)	(85,232)

9 Current assets - Cash and cash equivalents

Cash at bank and in hand	**8,041**	40,505
	8,041	40,505

(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

	Consolidated	
	2118	2017
Goods & services tax receivable	**11**	5,157
Prepayment and other receivables	**10,965**	26,720
	10,976	31,877

(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

	Consolidated	
	2018	2017
Inventory: Consumables	**-**	383,419
Less: provision for write-down	**-**	(20,124)
Less: inventory derecognised on disposal of subsidiary	**-**	(363,295)
	-	-

12 Non-current assets - Property, plant and equipment

	Consolidated				
	Building and leasehold improvements	**Plant and equipment**	**Furniture and fittings**	**Motor vehicles and boats**	**Total**
At 1 January 2017					
Gross carrying amount - at cost	868,121	3,376,984	165,542	1,518,657	5,929,304
Accumulated depreciation	(322,046)	(3,317,125)	(140,658)	(1,518,657)	(5,118,486)
Net carrying amount	546,075	239,859	24,884	-	810,818
Year ended 31 December 2017					
Opening net book amount	546,075	239,859	24,884	-	810,818
Depreciation charge	-	-	(1,586)	-	(1,586)
Derecognised on disposal of subsidiary	(546,075)	(239,859)	(20,969)	-	(806,903)
Closing net book amount	-	-	2,329	-	2,329
At 31 December 2017					
Gross carrying amount - at cost	-	46,888	32,024	-	78,912
Accumulated depreciation	-	(46,888)	(29,695)	-	(76,583)
Net carrying amount	-	-	2,329	-	2,329
Year ended 31 December 2018					
Opening net book amount	**-**	**-**	**2,329**	**-**	**2,329**
Depreciation charge	**-**	**-**	**(546)**	**-**	**(546)**
Closing net book amount	**-**	**-**	**1,783**	**-**	**1,783**
At 31 December 2018					
Gross carrying amount - at cost	**-**	**46,888**	**32,024**	**-**	**78,912**
Accumulated depreciation	**-**	**(46,888)**	**(30,241)**	**-**	**(77,129)**
Net book amount	**-**	**-**	**1,783**	**-**	**1,783**

13 Non-current assets – Mineral exploration and evaluation expenditure

		Consolidated
	2018	2017
Deferred exploration expenditure		
Opening net book amount 1 January	**-**	34,514,631
Exchange differences	**-**	(1,509,142)
Additions	**-**	533,656
E&E asset derecognised on disposal of subsidiary*	**-**	(33,540,145)
Net book amount as at 31 December	-	-

*Refer note 4 on Discontinued operations.

14 Non-current assets – Financial Assets

		Consolidated
	2018	2017
Unlisted investment at fair value at 1 January 2018 and 25 January 2017	**9,920,071**	10,245,219
Total loss for the period recognised in other comprehensive income	**(6,620,071)**	(325,148)
Investment at fair value at 31 December 2018	**3,300,000**	9,920,071

The financial asset investment relates to the Company's share in WML as at 31 December 2017. As detailed in note 1, during the financial year ended 31 December 2017, the Group lost control over WML, and 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 a financial asset. 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 made an off market takeover bid to acquire all of the ordinary shares of Kula. 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 financial asset at 31 December 2017, the valuation methodology was market based having regard to the transaction value of the takeover offer by Geopacific, assuming the takeover offer was 100% successful. Adopting this methodology equated 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 financial asset 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 2018, the directors have considered the value of Kula's share in the Woodlark project based on the signed term sheet for Kula to sell its interest in the Woodlark project to Geopacific. The terms of the proposed transaction are that Geopacific issue 150 million shares to Kula (to distribute in-specie to eligible Kula shareholders) at 1.7 cents per share which equates to A$2.55 million, plus cash up to $750,000 to pay all Kula liabilities. This is the basis on which the investment has been valued, to total $3.3 million. Although the finalisation of the transaction is dependent on regulatory and shareholder approvals from both transacting companies it is clear the intent is to sell the interest in the Woodlark project. Further details of the agreed Terms Sheet can be viewed under Note 29, events occurring after the reporting period.

15 Trade and other payables

Current	**2018**	Consolidated 2017
Trade payables	**2,403**	33,412
Short term loan – Geopacific Resources Limited**	**416,000**	20,000
Other payables and accruals	**-**	3,687
	418,403	57,099
Provision for annual leave – current	**29,861**	12,887
– non-current	**-**	10,209
	29,861	23,096

**The terms of the short term loan facility are that it is for an amount of up to $750,000 (2017: $500,000), interest free and unsecured. The maturity date has been extended post year-end to the earlier of completion of the proposed transaction for the sale of Kula's interest in WML to Geopacific, or 7 days after either party giving written notice that the transaction is contemplated by the Term Sheet dated 6 March 2019 will not be proceeding, or 30 June 2019. 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.

Should the proposed transaction to sell the interest in the Woodlark Mining Limited to Geopacific be executed, the short term loan to Geopacific will be repaid from proceeds of the sale agreement.

(b) Risk exposure

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

16 Non-current liabilities – Provisions

	2018	Consolidated 2017
Other - Provisions	**-**	10,209
	-	10,209

17 Contributed equity

	Parent entity 2018 Shares	Parent entity 2017 Shares	**Parent entity 2018 $**	Parent entity 2017 $
(a) Share capital				
Ordinary shares	**375,658,028**	375,658,028	**151,576,943**	151,025,786

(b) Movements in share capital

Date	**Details**	**Number of shares**	**Issue price $**	**Total $**
1 January 2017	Opening balance	**333,918,247**		**151,025,786**
24 April 2017	Renounceable Rights issue	41,739,781	0.015	626,097
24 April 2017	Renounceable Rights issue - costs	-		(74,940)
31 December 2017	**Balance**	**375,658,028**		**151,576,943**
1 January 2018	Opening balance	375,658,028		151,576,943
31 December 2018	**Balance**	**375,658,028**		**151,576,943**

17 Contributed equity (continued)

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

(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 (2017: none).

(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 and WML executed a Farm-in 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.

18 Reserves and accumulated losses

		Consolidated
	2018	2017
(a) Reserves		
Share-based payments reserve	**1,159,501**	1,159,501
Consolidation reserve	**398,758**	398,758
Fair value financial asset reserve	**(6,945,219)**	(325,148)
	(5,386,960)	1,233,111
Movements:		
Share-based payments reserve		
Balance 1 January	**1,159,501**	1,159,501
Balance 31 December	**1,159,501**	1,159,501
Foreign currency translation reserve		
Balance 1 January	**-**	9,784,000
Currency translation differences arising during the year	**-**	(9,784,000)
Balance 31 December	**-**	-

18 Reserves and accumulated losses (continued)

	Consolidated	
	2018	2017
Consolidation reserve		
Balance at 1 January	**398,758**	398,758
Balance 31 December	**398,758**	398,758

Fair value financial assets reserve		
Balance at 1 January	**(325,148)**	-
Movement	**(6,620,071)**	(325,148)
Balance 31 December	**(6,945,219)**	(325,148)

(b) Accumulated losses

Balance 1 January	**(142,895,466)**	(127,980,704)
Net loss for the year	**(415,667)**	(14,914,762)
Net loss non-controlling interest	**(6,341)**	-
Balance 31 December	**(143,317,474)**	(142,895,466)

(c) 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) Fair value financial assets reserve

The fair value financial assets reserve represents the cumulative gains and losses including foreign currency gains or losses, arising on the re-measurement of financial assets to fair value that have been recognised in other comprehensive income.

19 Key management personnel disclosures

(a) Key management personnel

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

Key management personnel compensation

Short-term employee benefits	**295,887**	297,531
Post-employment benefits	**26,885**	23,684
	322,772	321,215

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 15.

19 Key management personnel disclosures (continued)

(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 2018 and 2017 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 2018 (2017: Nil).

(ii) Shares provided on exercise of remuneration options

No options were exercised during the period ended 31 December 2018 (2017: 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	
	2018	2017
	$	$
(a) Ernst & Young Australia		
Audit and other assurance services		
Statutory audit and review of financial statements	**30,000**	30,500
Total remuneration for audit and other assurance services	**30,000**	30,500
Total remuneration of Ernst & Young Australia	**30,000**	30,500

21 Contingencies

The Group had no contingent assets or liabilities at 31 December 2018 (2017: nil).

22 Commitments

(a) Lease commitments

There are no lease commitments (2017: nil). 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 up to 25 January 2017 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.

23 Related party transactions (continued)

(c) Transactions with other related parties

The following transactions occurred with related parties during the year ended 31 December 2018:

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

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 had been set at a rate which is at an arms-length commercial rate for comparable premises. The lease agreement terms were as follows:

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

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

24 Subsidiary

The Company has no subsidiaries, however at 31 December 2018 the Company held 49% of WML. 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 a financial asset as at fair value through other comprehensive income. Decisions about the relevant activities now rest solely with Geopacific.

25 Reconciliation of loss after income tax to net cash outflow from operating activities and reconciliation of net cash inflow from loan advance activities

	Consolidated	
	2018	2017
	$	$
Operating activities:		
Loss for the year	**(415,667)**	(14,914,762)
Depreciation and amortisation	**547**	1,586
Loss from discontinued operations	**6,341**	14,156,364
Change in operating assets and liabilities:		
Decrease/(increase) in net current assets	**(19,712)**	185,245
Net cash outflow from operating activities	**(428,491)**	(571,567)
Funding activities, Loan advance from Geopacific:		
Loan balance at the beginning of the period	**20,000**	-
Loan advance during the period	**396,000**	20,000
Loan balance at the end of the period	**416,000**	20,000

26 Earnings per share

(a) Basic and diluted loss per share

From attributable to the ordinary equity holders of the Company	**0.11**	4.04
From continuing operations	**0.11**	0.21
From discontinued operations	**-**	3.83

(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 and diluted loss per share	**375,658,028**	369,001,651

(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 (2017: none).

There were no options granted to directors during the year (2017: none).

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

2018

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	-	-
20 Dec 2013	20 Dec 2018	$0.17	1,427,000	-	-	1,427,000	-	-
Total			**4,616,000**	**-**	**-**	**4,616,000**	**-**	**-**
Weighted average exercise price			$0.17			$0.17	n/a	

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			$0.83			$1.47	$0.17	

The weighted average remaining contractual life of share options outstanding at the end of the period was nil years (2017: 0.9 years).

(c) CFO shares

There were no bonus shares issued in 2018.

28 Parent entity financial information

(a) Summary financial information

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

Balance sheet	2018 $	Parent entity 2017 $
Current assets	**18,990**	72,382
Non-current assets	**3,301,783**	9,921,400
Total assets	**3,320,773**	9,993,783
Current liabilities	**448,264**	69,986
Non-current liabilities	**-**	10,209
Total liabilities	**-**	80,195
Net Assets	**2,872,509**	9,913,588
Shareholders' equity		
Contributed equity	**151,576,943**	151,576,943
Share-based payment reserve	**(5,386,960)**	1,233,111
Accumulated losses	**(143,317,474)**	(142,896,708)
Total equity	**2,872,509**	9,913,588
(Loss)/Profit for the year	**(422,008)**	(14,914,762)
Total comprehensive (loss)/profit	**(422,008)**	(25,538,762)

(b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 31 December 2018 (2017: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2018 (2017: 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 2018 (2017: nil).

29 Events occurring after the reporting period

- **Proposed sale of the Company's interest in WML to Geopacific**

On 6 March 2019 the Company entered into an agreement to sell all its rights and interests in the Project to Geopacific, releasing an announcement on 8 March 2019.

Under an agreement signed on 6 March 2019 (**Agreement**) Kula agreed to sell, free from all encumbrances and third party claims, and Geopacific agreed to purchase, all of the outstanding shares in Woodlark Mining Limited (**Woodlark**) not currently owned by Geopacific (**Sale Shares**).

29 Events occurring after the reporting period (continued)

The purchase price payable under the Agreement comprises of:

1. the cancellation by way of selective buy back under section 257A of the *Corporations Act 2001* (Cth) of all of the shares in Kula held by Geopacific (**Kula Shares**);
2. subject to the cancellation of the Kula Shares, the immediate issue to Kula of 150,000,000 fully paid ordinary shares in Geopacific at a deemed issue price of 1.7c each (**Geopacific Shares**) proposed to be distributed to Kula shareholders (other than Geopacific) following regulatory approvals and procedures, in-specie or similar;
3. the payment by Geopacific to Kula of an amount (equal to the amount, as at completion, of the inter-company debt between Geopacific, as lender and Kula, as borrower (**Kula Debt Amount**)) (**Cash Consideration**) to be applied at completion against the Kula Debt Amount in accordance with the Agreement. The Parties anticipate the Kula Debt Amount to be between $500,000 and $750,000;
4. payment by Geopacific to Kula of $20,000; and
5. assignment by Kula to Geopacific of the inter-company loan owed by Woodlark (being $7.2 million as at the date of the Agreement).

The Agreement is subject to and conditional upon several conditions precedent being satisfied including:

1. the Parties obtaining all shareholder, regulatory and other approvals necessary for the sale and purchase of the Sale Shares and the transactions contemplated by the Agreement;
2. Kula obtaining shareholder approval for the subsequent distribution of all Geopacific Shares to its shareholders on a pro rata basis; and
3. there being no material adverse change to the Sale Shares or their value, as determined by Geopacific.

In the event that each and all of the above conditions precedent are not satisfied by 30 June 2019 (**Drop Dead Date**), subject to extension by agreement in writing between the Parties, the Agreement will terminate.

Kula has agreed that it will not enter into discussions, negotiations or execute a formal agreement with any third party in respect of the sale or proposed sale of all or part of the Sale Share prior to the Drop Dead Date.

On and from completion Mr Heeks and Mr Smith will resign as Directors of Kula.

Following completion and subject to shareholder approval, Kula has agreed to distribute the Geopacific Shares to the Kula Shareholders registered at the date of the distribution on an in-specie basis, subject only to cancellation of the Kula Shares held by Geopacific as a precondition.

Up to completion Geopacific will provide Kula such funding as it reasonably requires to give effect to the transactions as summarised above and for general working capital. Such funding will form part of the Kula Debt Amount and be repaid at completion.

Kula has provided limited warranties to Geopacific in relation to Woodlark, consistent with Geopacific's existing history and involvement in Woodlark over recent years.

Subject to regulatory requirements, at completion Mark Bojanjac will be entitled to be issued 2,500,000 fully paid ordinary shares in Kula in consideration for services rendered on a fixed fee basis to co-ordinate completion of the transactions contemplated by the Agreement. These shares will be entitled to participate in the proposed in-specie distribution of the Geopacific Shares by Kula.

- **Reference to progress under the Farm-in Agreement**

On 23 August 2018 Geopacific served notice of achievement of the incentive target of reserve ounces of gold, the completion of the second earn-in period of the FIA and extended its option to proceed to the third earn-in period of the FIA. As such Geopacific has a direct interest of 51% in Woodlark Mining Limited and a further interest of 42% by virtue of its 85% holding of Kula shares.

Geopacific has until 23 August 2020 to provide the Company with the completion notice for the third earn-in period of the FIA. The Company's interest in WML includes the 5% equity to be acquired by the PNG Government.

Other than the aforementioned, 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:

(a) the financial statements and notes of Kula Gold Limited for the financial year ended 31 December 2018 are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001;

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

(c) subject to the matters set out in note 1(b), 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 2018.

On behalf of the Board

Garry Perotti
Director

Perth
27 March 2019

EY Audit Independence declaration

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 the date of this report.

Ordinary share capital

As at the date of this report, 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	47	13,666	-	-
1,001 to 5,000	44	126,223	-	-
5,001 to 10,000	38	281,912	-	-
10,001 to 100,000	139	5,668,148	-	-
100,001 and over	81	369,568,079	-	-
	349	375,658,028	-	-

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 no unquoted options on issue.

b) There are no other unlisted options on issue.

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	3,800,000	1.01%
6	Merchant Holdings Pty Limited	3,329,193	0.89%
7	Mr Theofanis Perdikis & Mrs Dimitra Perdikis	2,136,573	0.57%
8	Mr David Crichton Frecker & Mrs Joanne Margaret Frecker	1,332,581	0.35%
9	Mr Patrick Kedemos	1,010,666	0.27%
10	Aris Nominees Pty Ltd	1,000,000	0.27%
10	Acronym Pty Limited	1,000,000	0.27%
10	Sugarloaf Ventures Pty Limited	1,000,000	0.27%
13	Mr Matthew Nunn	940,676	0.25%
14	Mr Mark Andrew Tkocs	869,475	0.23%
15	Citicorp Nominees Pty Limited	840,234	0.22%
16	Mr Gerasimos Vassilopoulos & Mrs Anne Marie Vassilopoulos	824,995	0.22%
17	Mr Stanislaw Antoni Zychewicz	805,000	0.21%
18	DJ & DA Neate Pty Limited	738,236	0.20%
19	Future Life Pty Ltd	700,000	0.19%
20	JDW Investments Australia Pty Limited	640,000	0.17%
		351,032,503	**93.45%**

Shareholder Information (continued)

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 the date of this report are listed below:

Country / Location	Tenement	Interest
Papua New Guinea / Woodlark Island	EL 1172	49%
Papua New Guinea / Woodlark Island	EL 1279	49%
Papua New Guinea / Woodlark Island	EL 1465	49%
Papua New Guinea / Woodlark Island	ML 508	49%
Papua New Guinea / Woodlark Island	LMP 89	49%
Papua New Guinea / Woodlark Island	LMP 90	49%
Papua New Guinea / Woodlark Island	LMP 91	49%
Papua New Guinea / Woodlark Island	LMP 92	49%
Papua New Guinea / Woodlark Island	LMP 93	49%
Papua New Guinea / Woodlark Island	ME 85	49%
Papua New Guinea / Woodlark Island	ME 86	49%

Interest in Mining Leases

Current interest in mining leases held by Woodlark Mining Limited, as at the date of this report are listed below:

Country / Location	Mining Lease	Interest
Papua New Guinea / Woodlark Island	ML 508	49%

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	**47.04**	**1.04**	**1,573**

The total Ore Reserve for the Woodlark Gold Project was 28.9 million tonnes at 1.12g/t Au.

Total by deposit	Category	Tonnes (Mt)	Grade (g/t)	Ounces (oz)
Busai	Proven	9.3	1.03	307,300
	Probable	4.3	0.87	120,900
Kulumadau	Proven	7.4	1.37	324,700
	Probable	5.2	1.17	196,900
Woodlark King	Proven	1.9	1.06	65,000
	Probable	0.8	0.84	22,800
Total Ore Reserve	Proven	**18.6**	**1.17**	**697,000**
	Probable	**10.4**	**1.02**	**340,600**
	Total	**28.9**	**1.12**	**1,037,600**

The above resources table was released as part of the Robust Woodlark Gold Project PFS Support Development announcement released on 12 March 2018. The reserve table was released in the Woodlark Ore Reserve Update announcement on 7 November 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.