



Kula Gold Limited

ACN 126 741 259

Interim report for the half-year ended 30 June 2017

Corporate Information

Directors

Mark Bojanjac	Chairman (appointed 21 August 2017)
Philippa Leggat	Director (appointed 29 August 2017)
Matthew Smith	Director (appointed 29 August 2017)
Mark Stowell	Non-executive director
Garry Perotti	Executive director and company secretary
David Frecker	Chairman (resigned 1 September 2017)

Registered Office

Level 1
278 Stirling Highway
Claremont, WA 6010
Telephone: +61 8 6143 5411
Email: info@kulagold.com.au
Website: www.kulagold.com.au

Auditor

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

Share Registry

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

Stock Exchange Listing

Australian Securities Exchange: ASX code: KGD

Australian Company Number

126 741 259

Kula Gold Limited

ACN 126 741 259

Interim report

30 June 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Kula Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your directors present their report on Kula Gold Limited for the half-year ended 30 June 2017.

Directors

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

David Frecker (Resigned 1 September 2017)

Mark Stowell

Garry Perotti

Mark Bojanjac (Appointed 21 August 2017)

Philippa Leggat (Appointed 29 August 2017)

Matthew Smith (Appointed 29 August 2017)

Review of operations

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

The consolidated entity recorded a loss of \$14.5 million for the six months ended 30 June 2017 (2016: \$6.2 million). The loss for the period includes a loss from discontinued operations of \$14.2 million which relates to the reclassification of the Company's interest in the Woodlark project as an available for sale investment. This change in accounting treatment was triggered by the signing of the farm-in agreement with Geopacific which resulted in Kula ceding control over the project to Geopacific and the consequent requirement to re-measure the fair value of the Company's investment in the Woodlark Project having regard to the farm-in agreement. The takeover offer valuation metrics were considered as the most relevant methodology of valuation. This adjustment is required under accounting principles to reflect the fair value of the Company's ongoing interest in the project under the farm-in agreement with Geopacific and is independent of the inherent merits of the Woodlark Project and the ongoing expenditure towards increasing its size and future economics.

The consolidated entity had cash and cash equivalents at 30 June 2017 of \$372,000. Cash at 12 September 2017 was \$190,000.

Farm-in Agreement with Geopacific

On 5 October 2016 Geopacific elected to proceed to the second earn-in period of the farm-in agreement, notwithstanding that the final agreements had not been executed at that time. Geopacific, as the manager of the Woodlark Gold Project ("**the Project**"), mobilised three drill rigs in late 2016 and continued the development drilling program started in December 2016 with the objective of increasing gold reserves on the Project. To date Geopacific has spent in excess of the A\$8 million expenditure and drilled approximately 12,275 metres of the 15,000 metres of diamond drilling required for completion of the second earn-in period.

There have been numerous significant gold assays in drill result announcements for the Kulumadau and Busai deposits during the period.

Exploration has recently been expanded to regional targets to discover new gold deposits outside of the two defined deposits, which have had very limited exploration to date.

Directors' report (continued)

Capital raising

The company completed a rights issue raising the maximum amount of \$626,097.

Unbudgeted expenditure in response to the takeover offer of \$117,990 was incurred in the reporting period and expenses will continue to be incurred while the takeover offer from Geopacific remains open, (a total of \$170,723 has been incurred to the date of this report). The company became a controlled subsidiary of Geopacific on 31 July 2017, when Geopacific acquired greater than 50% of the shares issued in the Company. Going forward, for a period of 12 months from the date of signing of the financial report, Geopacific has indicated, subject to certain conditions, its intent to provide financial support to the company to enable it to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

Takeover offer from Geopacific

On 5 April 2017 Geopacific made an unsolicited takeover offer of one Geopacific share for every 1.4723 Kula Gold Limited (“**Kula**”) shares. On 27 July 2017 the takeover offer was increased to one Geopacific share for every 1.1 Kula shares and declared “best and final” and unconditional. The best and final offer has received acceptances of 77.46% to the date of this report, making the Company a subsidiary of Geopacific.

Kula became a controlled subsidiary of Geopacific on 31 July 2017, when Geopacific acquired greater than 50% of the shares issued in the Company. Subsequently the following nominees were appointed as directors of the Company, Mr Mark Bojanjac was appointed on 21 August 2017 and Ms Philippa Leggat and Mr Matthew Smith were appointed on 29 August 2017.

Significant matters relating to the ongoing viability of operations

Pursuant to the farm-in agreement, Geopacific are obligated to offer to take a placement in Kula for \$300,000 at the 30 day VWAP price of 3 cents per share once the provision is triggered in relation to a reasonable construction end date. With the granting of the variation to the mining lease extending the period for completion of construction by two and a half years to 5 January 2020, Kula believes that this has been triggered. If the provision has been triggered and Kula accept the offer (which it intends to) this may, subject to the necessary shareholder approvals, result in a placement of \$300,000 for use by the Company to cover corporate expenditure during the continuation of the farm-in agreement.

Cash on hand and ongoing financial support from Geopacific where required, will ensure the ongoing viability of the company’s operations for a period of at least 12 months from the date of sign off of the half year financial report.

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 7.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

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

A handwritten signature in black ink, appearing to read 'M Stowell', written in a cursive style.

Mark Stowell
Director

Perth
14 September 2017

Auditor's Independence Declaration to the Directors of Kula Gold Limited

As lead auditor for the review of Kula Gold Limited for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Gavin Buckingham
Partner
14 September 2017

Kula Gold Limited
Interim consolidated statement of comprehensive income
For the half-year ended 30 June 2017

		Half-year	
		30 June 2017	30 June 2016
	Notes	\$'000	\$'000
Continued operations			
Other operating income		1	6
Expenses			
Employee benefits expense		(143)	(213)
Professional and consulting expenses		(128)	(55)
Rental expense		(8)	(9)
Insurance expense		(21)	(17)
Foreign exchange gain/(loss)		(5)	23
Other expenses		(111)	(106)
Loss before income tax		<u>(415)</u>	<u>(371)</u>
Income tax benefit/(expense)		-	-
Net loss for the half-year from continued operations		<u>(415)</u>	<u>(371)</u>
Discontinued operations			
Loss from discontinued operations	2	<u>(14,156)</u>	<u>(5,859)</u>
Total loss for the half-year net of tax		<u>(14,571)</u>	<u>(6,230)</u>
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(1,240)	(2,690)
Accumulated gains in foreign currency translation reserve transferred to profit or loss on disposal of subsidiary		(9,059)	-
Total Other comprehensive income/(loss) for the half-year		<u>(10,299)</u>	<u>(2,690)</u>
Total comprehensive income / (loss) for half-year		<u>(24,870)</u>	<u>(8,920)</u>
Profit / (Loss) for the half year attributable to:			
- Members of the parent		(14,571)	(6,230)
- Non-controlling interest		-	-
Total comprehensive loss for the half year attributable to:			
- Members of the parent		(24,808)	(8,920)
- Non-controlling interest		(62)	-
Earnings per share		Cents	Cents
From continuing operations			
'- Basic and diluted per share in cents		(0.12)	(0.12)
From total operations			
'- Basic and diluted per share in cents		(4.17)	(1.94)

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

Kula Gold Limited
Interim consolidated statement of financial position
As at 30 June 2017

		Consolidated	
	Notes	30 June 2017 \$'000	31 December 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	372	401
Receivables and other assets		42	104
Inventories		-	383
Total current assets		<u>414</u>	<u>888</u>
Non-current assets			
Furniture and Fittings		3	811
Exploration and evaluation assets	3	-	34,515
Available for sale financial assets	4	10,245	-
Total non-current assets		<u>10,248</u>	<u>35,326</u>
Total assets		<u>10,662</u>	<u>36,214</u>
LIABILITIES			
Current liabilities			
Trade and other payables		80	185
Total current liabilities		<u>80</u>	<u>185</u>
Non-current liabilities			
Provisions		-	185
Total non-current liabilities		<u>-</u>	<u>185</u>
Total liabilities		<u>80</u>	<u>370</u>
Net assets		<u>10,582</u>	<u>35,844</u>
EQUITY			
Contributed equity	8	151,577	151,026
Reserves		1,559	11,343
Accumulated losses		(142,554)	(127,982)
Equity attributable to equity holders of parent		<u>10,582</u>	<u>34,387</u>
Non-controlling interest		-	1,457
Total equity		<u>10,582</u>	<u>35,844</u>

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

Kula Gold Limited
Interim consolidated statement of changes in equity
As at 30 June 2017

		Contributed equity	Share-based payments reserve	Foreign currency translation reserve	Consolidation reserve	Total reserves	Accumulated losses	Non-controlling interest	Total equity
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016		150,505	1,181	11,794	-	12,975	(121,420)	-	42,060
Loss for the half-year		-	-	-	-	-	(6,230)	-	(6,230)
Exchange differences on translation of foreign operations		-	-	(2,690)	-	(2,690)	-	-	(2,690)
Total comprehensive income/(loss) for the year		-	-	(2,690)	-	(2,690)	(6,230)	-	(8,920)
Contributions of equity, net of transactions costs and tax	15	484	-	-	-	-	-	-	484
Cancellation of options		-	(20)	-	-	(20)	-	-	(20)
Balance at 30 June 2016		150,989	1,161	9,104	-	10,265	(127,650)	-	33,604
Balance at 1 January 2017		151,026	1,161	9,784	398	11,343	(127,983)	1,457	35,844
Profit/(Loss) for the half-year		-	-	-	-	-	(14,571)	-	(14,571)
Total comprehensive income/(loss) for the year		-	-	-	-	-	(14,571)	-	-
Other comprehensive income / (loss) for half year		-	-	(9,784)	-	(9,784)	-	(62)	(9,846)
Loss of control in subsidiary		-	-	-	-	-	-	(1,395)	(1,395)
Contributions of equity, net of transactions costs and tax	15	551	-	-	-	-	-	-	551
Balance at 30 June 2017		151,577	1,161	-	398	1,559	(142,554)	-	10,582

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

Kula Gold Limited
Interim consolidated statement of cash flows
For the half-year ended 30 June 2017

	Half-year	
	30 June	30 June
	2017	2016
	\$'000	\$'000
		Notes
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(236)	(103)
Interest income	1	6
Net cash (outflow) from operating activities	(235)	(97)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(3)
Payments for exploration activities	-	(761)
Loss of control over subsidiary's cash	(345)	-
Net cash (outflow) from investing activities	(345)	(764)
Cash flows from financing activities		
Proceeds from rights issue 2017 and SPP placement 2016	626	506
Transaction costs on rights issue 2017 and SPP placement 2016	(75)	(22)
Net cash inflow/(outflow) from financing activities	551	484
Net (decrease) in cash and cash equivalents	(29)	(377)
Cash and cash equivalents at the beginning of half year	401	1,059
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the half-year	372	682

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

Kula Gold Limited
Notes to consolidated financial statements
30 June 2017

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1. Basis of preparation of half-year report

This interim financial report for the half-year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Kula Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards and interpretations as of 1 January, 2017. Newly adopted standards and interpretations have not had a material impact on the consolidated interim financial report.

The following additional accounting policies have been applied during the half-year.

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 contractual arrangement this is deemed to be a disposal.

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

The Group relinquishing control over Woodlark Mining Limited meets the definition of a discontinued operation and has been disclosed separately in the profit and loss statement.

Available for Sale Investments

Investments in equity instruments of other entities (other than subsidiaries) are designated as available-for-sale (AFS) financial assets.

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

(a) Significant matters relating to ongoing viability of operations

The consolidated entity recorded a loss of \$14.5 million for the six months ended 30 June 2017 (2016: \$6.2 million) and the company had a net cash outflow from operating and investing activities of \$580,000 for the six months ended 30 June 2017 (2016: \$861,000). The consolidated entity had cash and cash equivalents at 30 June 2017 of \$372,000. Cash at 12 September 2017 was \$190,000.

The Group's cashflow forecast for the period ending 31 December 2018 reflects that the Group will need to raise additional working capital to enable it to continue to fund its corporate expenditure during the continuation of the farm-in agreement.

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

- The Group became a controlled subsidiary of Geopacific Resources Limited ("**Geopacific**") on 31 July 2017, when Geopacific acquired greater than 50% of the shares issued in the Company. Going forward, for a period of 12 months from the date of signing of the financial report, Geopacific has indicated, subject to certain conditions, that they will provide financial support to the Group to enable it to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.
- 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 \$6.8 million on the project and the balance is expected to be spent over the remaining tenure of the farm in arrangement. In September 2017, Geopacific successfully raised \$10.5 million via a share placement with the objective of advancing the Woodlark Gold Project through continuation under the farm-in agreement.

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

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

(b) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value of receivables, net of any impairment allowance account, and payables approximate their fair values due to their short-term nature.

2. Discontinued Operations

Divestment of Woodlark Mining Limited

On 11 July 2016, the Company entered into a Binding Term Sheet with Geopacific Resources Limited (“**Geopacific**”) and Woodlark Mining Limited (“**WML**”). Subsequently on 25 January 2017, the three parties executed a Farm-in Agreement (“**Agreement**”). The key terms of the Agreement are:

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

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

Following the execution of the Agreement on 25 January 2017 resulted in Group losing control of WML and this resulted in deconsolidating WML with effect from this date. Geopacific were also issued shares in WML such that their holding was 5% of the issued shares of WML. Post deconsolidation, the Group retains no control or significant influence over the operations 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%.

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

- In the third earn-in period Geopacific will spend up to \$10 million undertaking the work program developed in the first earn-in period, which it aims to do in 12 months:
 - If Geopacific reaches the full spend without attaining the incentive target of a 1.2 million ounces of gold reserve for the Project and without achieving ‘bankable’ status for the Project, it will earn an additional 20% interest in WML giving it a total of 60%;

or alternatively:

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

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

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

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

To the end of the reporting period Geopacific is a 5% shareholder of WML and is in the second earn-in period of the Agreement. Geopacific is manager of the Project and responsible for all Project costs and liabilities during the tenure of the Agreement. To date Geopacific have spent in excess of the A\$8 million expenditure and drilled approximately 12,275 metres of the 15,000 metres of diamond drilling required for completion of the second earn-in period.

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

** Loss on disposal of subsidiary.

	30 June 2017
	\$'000
Fair value of available for sale investment***	10,245
Less: Share in Net assets in WML at disposal date 25 Jan 2017	(33,454)
Loss on disposal of subsidiary	(23,209)

*** Refer Note 4 which explains the fair value methodology.

The loss on disposal of subsidiary for the period of \$23.2 million relates to the reclassification of the Company's interest in the Woodlark project as an available for sale investment. This change in accounting treatment was triggered by the signing of the farm-in agreement with Geopacific which resulted in Kula ceding control over the project to Geopacific and the consequent requirement to re-measure the fair value of the Company's investment in the Woodlark Project having regard to the farm-in agreement. The takeover offer valuation metrics were considered as the most relevant methodology of valuation.

Earnings per share	Cents	Cents
From discontinuing operations		
'- Basic and diluted per share in cents	(-4.05)	(-1.82)

3. Mineral exploration and evaluation expenditure

	Deferred exploration expenditure
	\$'000
At 1 January 2016	
Opening net book amount	40,000
Exchange differences	(1,935)
Additions	2,249
Impairment for 2016	(5,799)
Net book amount at 31 December 2016	34,515
Half- year ended 30 June 2017	
Opening net book amount	34,515
Exchange differences	(1,509)
Additions to 25 January 2017	534
E&E asset derecognised on disposal of subsidiary*	(33,540)
Closing net book amount at 30 June 2017	-

*Refer Note 2 on Discontinued operations.

4. Available for Sale Financial Assets

	30 June 2017	31 December 2016
Investment at fair value at 25 Jan 2017	10,245	-
Movement for the period	-	-
Investment at fair value at 30 June 2017	10,245	-

The available for sale investment relates to the Company's share in Woodlark Mining Limited ("WML") as at 30 June 2017. As detailed in Note 2, during the financial period ended 30 June 2017, the Group lost control over Woodlark Mining Limited ("WML"), as a result WML was deconsolidated effective 25 January 2017. Post deconsolidation, the Group does not have control, joint control or significant influence over the operations of WML and accounts for its investment in WML as an Available for Sale ("AFS") Investment. Decisions about the relevant activities now rest solely with Geopacific Resources Limited.

Fair value methodology

At each reporting date, the AFS Investment are measured at fair value.

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

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

5. Contingencies

There were no contingent assets or liabilities at 30 June 2017 (30 June 2016: \$Nil).

6. Related party transactions

In March 2016 the Company entered into a lease agreement with Ascot Park Enterprises Pty Ltd, a company associated with Director, Mr Mark Stowell, to rent office space at 20 Howard Street, Perth. The rent and outgoings have been set at a rate which is at an arms-length commercial rate for comparable premises. The lease agreement terms are as follows:

Lease term:	Monthly
Rental payment:	\$1,300 per month

This agreement ceased on 1 September 2017 when the company moved to Geopacific offices.

7. Cash and cash equivalents

	Half-year	
	2017	2016
	\$'000	\$'000
Cash at bank and in hand	372	188
Short term deposits*	-	213
	372	401

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

8. Contributed equity

June	December
2017	2016
\$'000	\$'000

(a) Share capital

Ordinary shares

151,577	151,026
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(b) Movements in share capital

Date	Details	Number of shares	Issue price \$	Total \$'000
1 January 2017	Opening balance	333,918,247		151,026
24 April 2017	Renounceable Rights Issue (RRI)	41,739,781	0.015	626
24 April 2017	Transaction costs on RRI	-		(75)
30 June 2017	Balance	375,658,028		151,577

(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. All shares are fully paid.

9. Events occurring after the report period

- Geopacific increased the takeover offer to one Geopacific share for 1.1 Kula shares on 27 July 2017 and declared the offer unconditional and have extended the offer twice. Currently the close date for the offer is 29 September 2017, although Geopacific have retained their right to further extend their offer for a total period of not more than 12 months from the date the original offer was made. To the date of this report 77.46% of Kula shareholders have accepted the Geopacific offer.
- Mr Mark Bojanjac was appointed as a non-executive director of the company on 21 August 2017.
- Ms Philippa Leggat was appointed as an executive director of the company on 29 August 2017.
- Mr Matthew Smith was appointed as an executive director of the company on 29 August 2017.
- Mr David Frecker resigned as Chairman and non-executive director of the company on 1 September 2017.

10. Segment reporting

The Group operates in only one segment being holder of an interest in Woodlark Mining Limited as at 30 June 2017. Woodlark Mining is currently into exploration and evaluation of the Woodlark Island Gold project in PNG.

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

In the opinion of the directors:

- a) the financial statements and notes of Kula Gold Limited for the half-year ended 30 June 2017 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 30 June 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- b) subject to achieving the matters set out in note 1(a), 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.

On behalf of the board



Mark Stowell
Director
Perth

14 September 2017

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Kula Gold Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 30 June 2017, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Material uncertainty related to going concern

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Gavin Buckingham

Partner

Perth

14 September 2017

Interest in Mining Tenements

Current interest in tenements held by Kula Gold Limited via Woodlark Mining Limited, as at 30 June 2017 are listed below:

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

Mineral Resources and Ore Reserves Statement

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

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

Notes:

1: Totals may appear incorrect due to rounding.

2: The Busai Indicated Resource includes 0.4Mt @ 1.4/t Au for 20,000oz from overlying alluvial mineralisation.

3: The Busai Inferred Resources includes 0.4Mt @ 1.2/Au for 14,000oz from overlying alluvial mineralisation.

Mineral Resources and Ore Reserves (continued)

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

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

Notes:

1: Totals may appear incorrect due to rounding.

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

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

JORC 2004 Woodlark Island Gold Project Resources at 1.0g/t gold cut-off grade

Resource Category	Resource (Mt)	Gold Cut (g/t)	Gold Oz Cut
Measured	5.1	2.3	385,000
Indicated	7.6	2.5	615,000
Inferred	7.0	2.4	545,000
Totals*	19.7	2.45	1,545,000

* as at July 2012 at a 1g/t gold lower cut. Totals may appear incorrect due to rounding.

JORC 2004 Woodlark Island Gold Project Ore Reserves at a 1.0g/t gold cut-off grade

Deposit	Proved Gold			Probable Gold			Total Gold		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Busai	3,283,000	2.2	233,000	2,811,000	1.9	175,000	6,094,000	2.1	408,000
Kulumadau	3,144,000	2.2	223,000	751,000	2.4	59,000	3,863,000	2.3	282,000
Woodlark King				704,000	1.7	39,000	704,000	1.7	39,000
Kulumadau East				330,000	3.7	37,000	330,000	3.7	37,000
Total	6,427,000	2.2	456,000	4,596,000	2.1	310,000	10,991,000	2.2	766,000

*as at July 2012 at a 1g/t gold lower cut. Totals may appear incorrect due to rounding.

This information in this announcement was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.