

ASX Announcement & Media Release

Joint Venture Earn-in and Reserve Calculations

Kula Gold Limited (ASX: KGD) (“**Kula**” or “**the Company**”) advises that Geopacific Resources Limited (ASX: GPR) (“**Geopacific**”) has met the conditions required to execute the standard option of second tranche under the Joint Venture Agreement (“**JV Agreement**”) with Kula. Once new Reserve estimates for Woodlark have been completed, Geopacific has indicated that it will assess its options and make a decision before the JV Agreement’s October deadline. Completion of Tranche 2 remains subject to Geopacific issuing an election notice to Kula.

Information on the second tranche options available to Geopacific and their impact on Kula’s ownership of the Woodlark gold project are detailed in the table below.

Second tranche options for Geopacific	Kula interest in Woodlark will decrease to:
Option 1: Standard, Geopacific complete 15,000m of diamond drilling ✓ - Spend \$8m ✓	60%
OR	
Option 2: Incentive, Geopacific deliver 1.2Moz Au Reserve	49%

RESERVE CALCULATIONS

Work has commenced to calculate the updated gold JORC 2012 Ore Reserve Estimates as a result of the past 2 years’ work including over 15,000m of diamond drilling and 15,000m of RC drilling. Pursuant to the terms of the JV Agreement, the forecast average gold price for the next eight quarters according to Consensus Economics Ltd will be used to calculate whether the incentive milestone of 1,200,000 ounces of gold is satisfied. The independent Consensus Economics Ltd January report provides an average US\$ gold price of US\$1,291 over the next 8 quarters.

Independent consultants have been engaged by Geopacific to calculate Ore Reserve Estimates. Reserves and financial models are being calculated in Australian dollars (A\$). The independent Consensus Economics Ltd average forecast A\$ exchange rate over the next 8 quarters is US\$0.762: A\$1. This is considered to be appropriate for the purpose of calculating an A\$ gold price and resulted in an average gold price of A\$1,694 for the purposes of calculating the incentive milestone.

It is noted that the spot gold price on 19 February 2018 is US\$1,350, A\$1,708.



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