

## ASX Announcement & Media Release

### Supplementary Target's Statement

The Board of Kula Gold Limited (ASX:KGD, **Kula**) advises that the attached Supplementary Target's Statement, in response to Second Supplementary Bidder's Statement for the off market takeover offer by Geopacific Resources Limited (ASX:GPR, **Geopacific**) to acquire all of the ordinary shares in Kula (the **Offer**), was lodged with ASIC on Friday 11 August 2017 and will be dispatched to all Kula Gold Limited shareholders immediately printing is complete.

The Independent Experts Report has concluded that the Offer is **NOT FAIR AND NOT REASONABLE**, and the Board of Kula recommend that Kula shareholders **REJECT** the Offer received from Geopacific.

Kula shareholders are advised to consider the risks as identified in section 4. of the Supplementary Target's Statement.

For further information please contact:

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**KULA GOLD LIMITED**  
**ABN 83 126 741 259**  
**SUPPLEMENTARY TARGET'S STATEMENT**

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**1. IMPORTANT INFORMATION**

This document is a supplementary target's statement (**Supplementary Target's Statement**) made under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and is supplementary to the target's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 12 June 2017 (**Original Target's Statement**), issued by Kula Gold Limited (ABN 83 126 741 259) (**Kula**) in relation to the off-market takeover offer by Geopacific Resources Limited (ABN 57 003 208 393) (**Geopacific**) for all of the fully paid ordinary shares in the capital of Kula (**Offer**).

This Supplementary Target's Statement was lodged with ASIC on 11 August 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Supplementary Target's Statement.

This Supplementary Target's Statement must be read together with the Original Target's Statement. If there is a conflict between the Original Target's Statement and this Supplementary Target's Statement, this Supplementary Target's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Target's Statement have the same meaning in this Supplementary Target's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Supplementary Target's Statement. A copy of this Supplementary Target's Statement will be available on the Company's website ([www.kulagold.com.au](http://www.kulagold.com.au)).

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**2. RECOMMENDATION**

On the basis of the information outlined in the Original Target's Statement and this Supplementary Target's Statement, the Board of Directors recommend that:

Kula Shareholders **REJECT** the revised Geopacific Offer.

All Kula Shareholders are advised by the Directors to consider the risks of accepting and not accepting the Geopacific Offer, as outlined in Section 4(a) and (b) below.

If you have any questions regarding the Offer, please contact Kula's office on +61 (08) 6144 0588 or email [info@kulagold.com.au](mailto:info@kulagold.com.au), or your professional financial adviser.

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**3. KULA DIRECTORS' RESPONSE TO GEOPACIFIC'S SECOND SUPPLEMENTARY BIDDER'S STATEMENT**

The Kula Board has noted Geopacific's claims, and more importantly what Geopacific has failed to outline, in its Second Supplementary Bidder's Statement. The following is the Board's response on key issues, and further information pertinent to the decision by Kula Shareholders whether or not to accept the Offer.

**(a) Stantons International confirms its view on the Geopacific Offer**

The Independent Expert, Stantons International, has considered Geopacific's revised Offer (on the terms set out in the Second Supplementary Bidder's Statement), and remains of the view that Geopacific's Offer for your Kula Shares is **NOT FAIR AND NOT REASONABLE**.

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In forming its view, Stantons International confirmed that the preferred fair value of a Kula Share is \$0.1574, assuming Geopacific acquires (as expected) a 40% interest in the Woodlark Island Gold Project under the Farm-in Agreement.

A Geopacific Share was valued by Stantons International at between \$0.035 and \$0.044, based on the trading price of Geopacific Shares prior to announcing the Offer. Over the 30 day period prior to the date of this Supplementary Target's Statement, Geopacific Shares have traded between \$0.026 and \$0.036, with a last sale price of \$0.033 on 10 August 2017.

Based on the increased Offer price of 1 Geopacific Share for every 1.1 Kula Shares and the trading price of Geopacific Shares over the period referred to above, Geopacific's Offer is valued at between \$0.0286 and \$0.0396 per Kula Share.

Considering the preferred fair value of \$0.1574 per Kula Share, Stantons International's opinion that the Offer is **NOT FAIR AND NOT REASONABLE** has not changed.

**(b) Geopacific does not have sufficient funding to meet its earn-in obligations under the Farm-in Agreement**

Geopacific must hold at least 90% of the issued capital in Kula, and have acquired at least 75% of the Shares it offered to acquire under its Offer, for it to proceed to compulsorily acquire any Kula Shares that remain on issue following completion of the Offer Period.

Unless Geopacific is able to acquire 100% of the issued capital in Kula, the Farm-in Agreement will remain in force and effect and Geopacific will be required to meet its earn-in obligations under the Farm-in Agreement to increase its interest in Kula. Notwithstanding this, Geopacific has refused to address the concerns raised in the Original Target's Statement with respect to Geopacific's ability to meet its earn-in obligations under the Farm-in Agreement.

Geopacific's Quarterly Cashflow Report dated 31 July 2017 sets out that Geopacific had:

- (i) cash and cash equivalents of approximately \$3,822,000 as at 30 June 2017; and
- (ii) estimated cash outflows for the next quarter (ended 30 September 2017) of approximately \$3,567,000.

The effect of this is that Geopacific's cash position as at 30 September 2017 is estimated to be approximately \$255,000.

In addition, Geopacific's annual report for the year ended 31 December 2016 (**Annual Report**) sets out that it had current liabilities of \$573,122. Coupled with Geopacific's estimated cash outflows for the current quarter, this raises significant concern with respect to whether Geopacific will have sufficient funding available, not only to meet its earn-in obligations under the Farm-in Agreement, but also for it to continue as a going concern following the end of the current quarter.

Geopacific is part way through the second earn-in period under the Farm-in Agreement with Kula, under which it must spend A\$8 million and complete

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15,000 metres of diamond drilling, or increase the Project Reserves to 1.2 million ounces of gold, before it is entitled to an increased interest in the Woodlark Island Gold Project of 40% (or 51% if it achieves the Gold Reserve Target). To date, Kula estimates the status of the diamond drill metres is as follows:

- Diamond drill metres to 31 July 2017: 10,683
- Diamond drill metres to complete the second earn-in period: 4,317
- Average monthly diamond drill metres for last three months: 1,292
- Estimated time to complete diamond drill metres required to complete the second earn-in period: 3.3 months

In order to meet its earn-in obligations, Geopacific will need to complete a significant capital raising. There is a significant amount of uncertainty in relation to the amount, pricing, structure and timing of any such capital raising, and it is likely to be undertaken at a discount to Geopacific's share trading price and may be dilutive to Geopacific Shareholders, including those Kula Shareholders who accept Geopacific's Offer and receive Geopacific Shares in consideration for their Kula Shares.

Under the Corporations Act, where a bidder offers securities as bid consideration, the bidder's statement is required to include the information that would be required if the bidder were offering the securities pursuant to a prospectus or other form of disclosure document. This includes disclosure of all information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the prospects of the bidder.

The Kula Board consider that information relating to the proposed funding of Geopacific in the circumstances outlined above is information that is reasonably required in order to make an informed assessment of the prospects of Geopacific, and should therefore be included in the Bidder's Statement.

**(c) Geopacific's balance sheet overstates the carrying value of Geopacific's assets other than its interest in Woodlark**

Geopacific has not dealt with the concerns raised in the Original Target's Statement with respect to the carrying value of Geopacific's Cambodian and Fijian mineral exploration assets. As was set out in the Original Target's Statement:

- (i) the title to Kou Sa is not included in the list of tenements on page 57 of the Annual Report (note 20(a) in the Annual Report discloses that Geopacific is waiting for the reissue or renewal of licences before proceeding with work at Kou Sa); and
  - (ii) clause 18 of AASB 6 (Exploration for and Evaluation of Mineral Resources) states "exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount".
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Geopacific has not provided any updates as to whether the Kou Sa licences have been renewed, and whether there are additional payment obligations and holding costs for Geopacific in relation to that project.

Geopacific has not responded to Kula's concern that the carrying value of these projects will soon be assessed for impairment.

**(d) Geopacific has not responded to the Board's request that it comply with an important term of the Farm-in Agreement**

On 5 July 2017, Kula released an ASX announcement confirming that the variation to condition 7 of Mining Lease 508 has been granted by the Minister for Mining of Papua New Guinea (being an extension by 2.5 years, to 5 January 2020, of the date by which construction and commissioning for the Woodlark Island Gold Project must be completed).

Following release by Kula of the above announcement, Kula sent a letter to Geopacific confirming that the above variation satisfies the requirements of the Farm-in Agreement, which states as follows:

*"In the event that the terms of Mining Lease ML508 are varied to extend the Construction End Date to a date that is consistent with the reasonable development intentions of the Parties or remove the requirement to complete construction and commissioning by the Construction End Date (**ML508 Resolution**), GPR will make an offer to KGD to receive a placement of KGD Shares for such number of KGD Shares as would have a value of \$300,000 at an issue price equal to the VWAP of KGD Shares for the 30 trading days prior to the ML508 Resolution (**KGD Placement**), provided that the KGD Placement shall be capped at 5% of the total issued capital of KGD, and subject to and conditional on any regulatory approvals required."*

Kula has determined that the particulars of the placement of Kula shares to Geopacific that would satisfy the above requirement are as follows:

VWAP 30 trading days prior to 29 June 2017	3.0 cents
Total value of shares for GPR placement	A\$300,000
Number of shares for GPR placement	10,000,000

Accordingly, Kula required (and still requires) that Geopacific submit an offer to receive a placement of 10,000,000 Kula Shares at an issue price of \$0.03 per Kula Share.

Kula Shareholders need to be aware that Geopacific continues to avoid complying with this contractual obligation.

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**4. RISKS**

The Original Target's Statement set out in Sections 5.11 and 5.12 risk factors relating to Kula and Geopacific respectively. The Kula Board now identifies the following additional risks.

**(a) Risks for Kula Shareholders who accept Geopacific's Offer**

As disclosed in Geopacific's public documents referred to in Section 2(b) above, Geopacific is a company which is short of funds and has significant liabilities. This is a

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risk for any person acquiring shares in Geopacific at this time, including Kula Shareholders who accept the Offer and receive Geopacific Shares as consideration for their Kula Shares.

Furthermore, if, as is likely, Geopacific undertakes a significant capital raising through an issue of shares in the next few months to redress its funding situation, that capital raising may be at a discount to the price at which Geopacific Shares are trading on market and may therefore dilute the value of existing Geopacific Shareholders (including Kula Shareholders who receive Geopacific Shares as a result of accepting the Offer) unless such Geopacific Shareholders have the right to participate pro rata in that issue of Geopacific Shares and have money available to subscribe for the Geopacific Shares offered.

Kula has been urging Geopacific to say how it intends to meet its funding requirements; and how it will accommodate its minority shareholders (including former Kula Shareholders who have accepted the Offer). Most minority shareholders could be accommodated by a pro rata rights issue or a placement followed by a share purchase plan at the same issue price.

**(b) Risks for Kula Shareholders who do not accept the Offer**

Geopacific currently has acceptances of its Offer (including under the Pre-bid Acceptance Agreement) from Kula Shareholders, holding 72.53% of Kula Shares as at the day prior to the date of this Supplementary Target's Statement. This percentage is likely to increase before the end of the Offer Period. If it reaches 90%, Geopacific will be able to take steps to compulsorily acquire the rest of the Kula Shares for the same consideration as under the Offer.

However, if Geopacific receives acceptances for less than 90% of Kula Shares, Kula will continue as a public company with its shares listed on the ASX. The risks for continuing Kula Shareholders in those circumstances are that:

- (i) Kula Shares will continue to trade in a relatively illiquid market and the market price of the Kula Shares may fall;
- (ii) Geopacific will gain control of the Kula Board and there may be difficulties in holding Geopacific to compliance with its obligations under the Farm-in Agreement; and
- (iii) with its dominant shareholding in Kula (even if it is less than 75%), Geopacific will be able to control the vote on any special resolution at a general meeting of Kula Shareholders, and could use this power to force changes on Kula (subject to the law about oppression of minorities).

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**5. INFORMATION IN RELATION TO THE TARGET**

Since lodgement of the Original Target's Statement, Kula has released to ASX the following announcements.

14 June 2017	Change in substantial holding from GPR
15 June 2017	GPR: WOODLARK Success continues 18m @ 8.89g/t Au
15 June 2017	FURTHER IMPRESSIVE GOLD INTERSECTIONS AT WOODLARK
15 June 2017	Change in substantial holding from GPR

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16 June 2017	Change in substantial holding from GPR
19 June 2017	Change in substantial holding from GPR
20 June 2017	Change in substantial holding from GPR
21 June 2017	Change in substantial holding from GPR
22 June 2017	Change in substantial holding from GPR
23 June 2017	Change in substantial holding from GPR
27 June 2017	Change in substantial holding from GPR
28 June 2017	Change in substantial holding from GPR
29 June 2017	GPR: Kula takeover and extension of time
30 June 2017	Change in substantial holding from GPR
3 July 2017	Change in substantial holding from GPR
4 July 2017	Change in substantial holding from GPR
5 July 2017	GPR: Project development extension granted
5 July 2017	Mining lease development extension granted
5 July 2017	Change in substantial holding from GPR
7 July 2017	Change in substantial holding from GPR
10 July 2017	Change in substantial holding from GPR
11 July 2017	Change in substantial holding from GPR
12 July 2017	Change in substantial holding from GPR
13 July 2017	Change in substantial holding from GPR
13 July 2017	GPR: Kula takeover and extension of time
14 July 2017	GPR: WOODLARK Additional success 18m @ 10.29 g/t Au
14 July 2017	Continued Drilling Success at Woodlark
14 July 2017	Change in substantial holding from GPR
19 July 2017	Change in substantial holding from GPR
20 July 2017	Share Placement in Kula Gold Limited – Farm-in Agreement
21 July 2017	Change in substantial holding from GPR
24 July 2017	Change in substantial holding from GPR
25 July 2017	Change in substantial holding from GPR
26 July 2017	Letter from Pacific Road Capital – Takeover Offer
26 July 2017	GPR: TAKEOVER Response to letter from Pacific Road
27 July 2017	GPR: Final Unconditional Takeover Offer
27 July 2017	Change in substantial holding from GPR

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27 July 2017	Receipt of Increased Takeover Offer
27 July 2017	GPR: Second Supplementary Bidders Statement
28 July 2017	June – Quarterly Activities Report
28 July 2017	June Quarterly Cashflow Report
28 July 2017	Change of substantial holding from GPR
28 July 2017	Second Supplementary Bidder's Statement
31 July 2017	Change of substantial holding from GPR
1 August 2017	Change of substantial holding from GPR
1 August 2017	GPR: Pacific Road ACCEPT Final Takeover Offer
2 August 2017	Change of substantial holding from GPR
3 August 2017	Ceasing to be a substantial holder
3 August 2017	Change of substantial holding from GPR
3 August 2017	GPR: GPR at 69.3% RMB Accept Takeover
3 August 2017	Ceasing to be a substantial holder
3 August 2017	Ceasing to be a substantial holder
4 August 2017	Change of substantial holding from GPR
7 August 2017	Change of substantial holding from GPR
8 August 2017	Change of substantial holding from GPR
9 August 2017	Change of substantial holding from GPR
10 August 2017	Change of substantial holding from GPR
11 August 2017	Change of substantial holding from GPR

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## 6. CONSENT

Stantons International has given, and has not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to be named in the Supplementary Target's Statement and for the Independent Expert's Report to accompany this Supplementary Target's Statement, and for the inclusion of any statement said in this Supplementary Target's Statement or the Independent Expert's Report based on a statement by Stantons International, in the form and context in which it is included.

Stantons International:

- (a) has not caused or authorised the issue of this Supplementary Target's Statement;
  - (b) does not make or purport to make any statement in this Supplementary Target's Statement or any statement on which a statement in this Supplementary Target's Statement is based, other than as included in the Independent Expert's Report and statements in this Supplementary Target's Statement based on its Independent Expert's Report; and
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- (c) takes no responsibility for any part of this Supplementary Target's Statement other than the Independent Expert's Report and statements in this Supplementary Target's Statement based on the Independent Expert's Report and any reference to its name.

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**7. DIRECTOR'S AUTHORISATION**

This Supplementary Target's Statement has been approved by a resolution passed by the Directors of Kula Gold Limited.



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Signed for and on behalf of  
Kula Gold Limited  
**Garry Perotti**  
**Executive Director**