

ASX Announcement & Media Release

Engineering Review Identifies Significant Capital Cost Savings at Woodlark Island Gold Project

Highlights:

- **Independent engineering company indicates potential for 27% reduction in capital cost**
- **Two diamond drill rigs and one reverse circulation drill rig are currently in operation at Woodlark Island Gold Project with additional assays expected to be received in coming weeks**

Kula Gold Limited (ASX: KGD) (“Kula” or “the Company”) is pleased to advise that a detailed engineering review has identified significant reductions in capital expenditure (“CAPEX”) at the Company’s flagship Woodlark Island Gold Project in Papua New Guinea. The study has been initiated by the Company’s Joint Venture partner, Geopacific Resources Limited (ASX: GPR).

As part of the review, Mincore Engineers has been appointed to undertake a “like-for-like” comparison with costs outlined in Kula’s 2012 Definitive Feasibility Study (“DFS”). Mincore’s first-stage review demonstrates that a CAPEX saving of \$25 million, which equates to a 27% reduction, could be achieved by constructing the original processing plant design in the current economic environment.

Further CAPEX reductions associated with infrastructure costs are expected to be realised during the second stage of the review which is currently underway.

At the same time, GPR is continuing its drilling program on Woodlark Island as part of its earn-in obligation under the Farm-in Agreement with Kula Gold. The program aims to upgrade and increase the existing Mineral Resources and boost the Project's Ore Reserves. GPR currently has two diamond drill rigs and one reverse circulation drill rig in operation on the Island. Additional assays from these operations are expected to be received in coming weeks.



Background on the Woodlark Island Gold Project, PNG

Kula Gold Limited has advanced its Woodlark Island Gold Project to the point where it is permitted and ready to progress to the next stage. The Project is located 600 kilometres east of Port Moresby in the Milne Bay Province, Papua New Guinea.

Kula's Joint Venture Partner Geopacific Resources Limited is funding the next \$8 million expenditure to advance the gold reserves to a target of 1.2 million ounces of gold to earn additional equity in the Project.

The Project has excellent upside potential through the conversion of Inferred Resources and numerous nearby exploration targets within a short distance of the proposed process plant location.

The Resource Estimates for the Kulumadai and Busai Deposits were re reported and released on 31 January 2017 in accordance with JORC 2012. The estimates for Munasi and Woodlark King have not been re reported in accordance with JORC 2012, as there has been no additional work within these deposits since the previous estimate.

Kula Gold's Feasibility Study, based on a JORC 2004 Ore Reserve of 766,000 ounces and a gold price of US\$1200/ounce, defined a Project with a mine life of nine years, three open pit mining areas and a 1.8Mtpa gravity and carbon in leach plant (KGD ASX release 27 September 2012).

The Company's 95% owned subsidiary, Woodlark Mining Limited, has been granted the Environment Permit and the Mining Lease for the Project.

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