For personal use only

Kula Gold Limited

ABN 83 126 741 259

Annual Report

for the year ended 31 December 2022

Corporate Information

Board of Directors

Mr Mark Stowell	Chairman
Mr Mark Bojanjac	Director
Mr John Hannaford	Director

Company Secretary

Mr Keith Bowker

Principal Place of Business & Registered Office

Suite 2, 20 Howard Street
PERTH WA 6000

PO Box Z5207
St Georges Terrace
PERTH WA 6831

Telephone: +61 8 6144 0592
Email: cosec@kulagold.com.au
Website: www.kulagold.com.au

Auditor

Elderton Audit Pty Ltd
Level 32, 152 St Georges Terrace
PERTH WA 6000
Telephone: +61 8 6324 2900
Website: www.eldertongroup.com

Share Registry

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6909
Telephone: 1300 113 258 (within Australia)
+61 8 9389 8033 (outside Australia)
Website: www.advancedshare.com.au

Securities Exchanges

Australian Securities Exchange
Level 40, Central Park
152- 158 St Georges Terrace
PERTH WA 6000
Website: www.asx.com.au
ASX Code: KGD

Berlin Stock Exchange: BE Code: 7KL

For personal use only

Annual report
for the year ended 31 December 2022

Contents

Chairman's letter..... 1

Directors' report..... 2

Auditor's independence declaration..... 14

Independent auditor's report..... 15

Directors' declaration..... 19

Consolidated statement of profit or loss and other comprehensive income..... 20

Consolidated statement of financial position..... 21

Consolidated statement of changes in equity..... 22

Consolidated statement of cash flows..... 23

Notes to the consolidated financial statements..... 24

Additional information for listed public companies..... 49

For personal use only

Chairman's letter

Dear Shareholder

2022 was a year that saw some great success, starting with the discovery and drill-out of our maiden JORC resource of 93.3mt Boomerang Kaolin Deposit near Marvel Loch/Southern Cross. Following this we advanced our land acquisition and preliminary work on our early-stage Brunswick Lithium Project with over 300km^2 near the Greenbushes Lithium Mine. Kula continued its project generation taking prospects to drill stage, including the 'Eye' structure at the Westonia Project, located within 5km from the Edna May Gold Mine in the Southern Cross region.

We are now marketing the Boomerang Kaolin following the mining lease application. Our focus is lithium, gold and/or base metals, across a range of our projects. We have a wide range of carefully targeted drill programs in progress or emerging, towards the next discovery.

During the year, Simon Adams retired from the Board, who had been with the Company since 2019 and was instrumental in the early growth phases. We wish Simon all the best with his future endeavours.

We welcomed the appointment of Ric Dawson as the Company's CEO, an experienced geologist and CEO who is providing our great team of geologists with insight and leadership.

We thank all of our team, contractors and consultants for their untiring efforts over the past year, and look forward to seeing the Company develop to the next stage.

"The reliability of exploration is based not on certainty but on a radical lack of certainty.
That's the challenge and exciting part of this business"

Yours sincerely,



Mark Stowell
Chairman
Kula Gold Limited

For personal use only

Directors' report

The directors of Kula Gold Limited ("Kula" or "the Company") and its controlled entities ("the Group") submit herewith the annual report of the Group for the financial year ended 31 December 2022. To comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Mark Stowell Qualifications	Non-Executive Chairman (appointed 16 September 2010) Chartered Accountant
	Mr Stowell has over 20 years of corporate finance and resource business management experience. He served as manager in the corporate division of Arthur Anderson and subsequently in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally. Mr Stowell was a founder director of Anvil Mining Ltd (Democratic Republic of Congo), a copper explorer and developer, for seven years until 2000. He was a founder and Non-Executive Director of Incremental Petroleum Limited, an oil and gas producer with operations in Turkey and the USA, until its takeover by a USA operator. He was Chairman and founder of Mawson West Ltd, a copper producer and explorer which competed an IPO on the Toronto Stock Exchange in one of the largest base metal IPO's of 2011. Mr Stowell recently resigned from Cannon Resources Limited following a successful cash takeover bid by Kinterra Capital, a North American private equity fund.
Mr Mark Bojanjac Qualifications	Non-Executive Director (appointed 21 August 2017) BCom, Chartered Accountant
	Mr Bojanjac is a Chartered Accountant with over 25 years' experience in developing resource companies. Mr Bojanjac 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 cofounded a 3m oz gold project in China. Mr Bojanjac 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.
Mr John Hannaford Qualifications	Non-Executive Director (appointed 25 May 2020) BCom, Chartered Accountant, FFin
	Mr Hannaford is an experienced Company Director & executive with extensive experience as an ASX Director, including as Chairman. A qualified Chartered Accountant and Fellow of the Securities Institute of Australia, Mr Hannaford has founded and listed several companies that successfully listed in ASX. He has also advised numerous companies through the ASX listing process in his Corporate Advisory career. He has established an extensive corporate network and gained a highly distinguished reputation over the last twenty years corporate life in Australia.

For personal use only

Mr Simon Adams	Non-Executive Director (appointed 4 October 2019, resigned 2 November 2022)
Qualifications	Mr Adams has a wide range of experience in the area of corporate and financial management, corporate compliance and business development. Mr Adams has worked in a range of industries across the resource and industrial sectors including oil and gas production, pearl production and distribution, power generation systems, hard-rock exploration and production and finance.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr Simon Adams – resigned 2 November 2022.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Mr Mark Stowell	Southern Hemisphere Mining Limited	Since 1 November 2019
	Cannon Resources Limited	24 June 2022 – 1 December 2022
Mr Mark Bojanjac	PolarX Limited	Since 13 December 2016
	Metallica Minerals Limited	Since 13 May 2021
	Geopacific Resources Limited	Resigned 29 May 2019
Mr John Hannaford	Mt Monger Resources Limited	Since 13 November 2020
	Forrestania Resources Limited	Since 12 February 2021
	Voltaic Strategic Resources Limited	Since 30 March 2021
	Paterson Resources Limited	Resigned 27 September 2019
Mr Simon Adams	Voltaic Strategic Resources Limited	Since 26 June 2019

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report.

Directors	Fully paid ordinary shares	Listed/unlisted share options
	Number	Number
Mr Mark Stowell	25,091,228	-
Mr Mark Bojanjac	3,750,000	-
Mr John Hannaford	17,765,113	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

For personal use only

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 2,800,000 share options were issued or granted to the following directors and senior management of the Company and its controlled entities as part of their remuneration.

Directors and senior management	Number of ordinary shares under option
Mr Mark Stowell	-
Mr Mark Bojanjac	-
Mr John Hannaford	-
Mr Ric Dawson	2,000,000
Mr Keith Bowker	800,000

Company Secretary

Mr Keith Bowker holds a Bachelor of Commerce degree from Curtin University and has experience in company secretarial, corporate compliance and financial accounting matters. Mr Bowker was appointed and Mr Luke Abbott resigned as Company Secretary on 17 June 2022.

Principle activities

The Group's principal activity during the course of the financial year was the exploration and evaluation of projects in Western Australia for gold, kaolin and lithium.

Review of operations

For the 2022 financial year the Group delivered a loss before tax of $1,617,731 (2021: $1,645,522).

As at 31 December 2022, the net assets of the Group were $3,413,137 (2021: $2,140,383).

The cash and cash equivalents as at 31 December 2022 was $1,764,307 (2021: $2,138,935) and the Group had working capital of $1,535,461 (2021: $1,617,936).

Brunswick Project (South West Region, WA) 100%

The Company commenced electromagnetic surveys across two key targets during the year targeting lithium, and gold principally.

The Brunswick Project is in the Western Gneiss Terrain within Australia's Southwest and is prospective for lithium, archean gold and copper, epithermal gold (Donnybrook Gold Mine Prospect), porphyry gold and copper (White Sands Prospect) and 'Julimar-style' nickel, copper and platinum group elements. Incredibly overlooked area, given the prospective geology, for example, the most recent material drilling program in the project area was BHP in 1985 for gold under a ~$5m JV farm-in.

Positive results from soil sampling and rock chip sampling at the Donnybrook Gold Mine Prospect (which hosts the historical Donnybrook Gold Mine) revealed a strong, continuous gold-in-soil anomaly of over 250m wide and extending over 650m along strike (open in both directions). The soil sampling program also resolved an area of anomalous copper values, which does not appear to be spatially related to the gold mineralisation.

For personal use only

The Company recognised a new prospect area, White Sands, where gold micro-nuggets were panned from a suspected volcanic tuff, which provides evidence for extrusive volcanism. Geologically speaking, this is an extremely exciting find for the Company. Volcanism of this kind has not been previously recognised in the region, nor has the heat & metal source for the epithermal gold mineralisation at Donnybrook Gold Mine been determined. Geologists of the Company theorise that the volcanism at White Sands could be the geological driver of the Donnybrook Gold Mine epithermal system; the presence of gold micro-nuggets at White Sands suggests that there is potential for gold mineralisation within a volcanic pipe-like structure.

If White Sands is mineralised, at the time of volcanism, it is possible that interaction of the resultant gold-bearing hydrothermal fluids with meteoric fluids facilitated the epithermal gold mineralisation at the Donnybrook Gold Mine (located just 6km away). Recognition of a potential porphyry gold-copper system near the town of Donnybrook means there is also potential for other nearby, undiscovered epithermal gold deposits.

Westonia Gold Project (Southern Cross WA) 100%

The Company completed a maiden exploration program over the central portion of E77/2766 returning auger geochemical results of up to 125ppb platinum, palladium and up to 35ppb of gold, as well as 1.85g/t gold in a quartz vein rock sample from a lateritic breakaway.

Subsequent to the year, the Company completed an air-core and RC reconnaissance drilling program testing six high-priority targets at the 'eye' structure. 614 composite samples have been sent for analysis and 90 of those samples have been requested for expedited processing as it appears the Westonia Project is situated on the same structural system as the 2Moz operating Edna May Gold Mine less than 5km away.

Boomerang Kaolin Deposit (Southern Cross Region WA) 100%

During 2022, RC drilling of the Boomerang Kaolin Deposit was completed at the 100% owned Marvel Loch-Airfield Project. Logging of the RC holes outlined that the white kaolin clays had an average vertical thickness of 29m, intercepted from around 5.7m vertically below surface.

Two diamond drill holes were completed to obtain necessary samples for required metallurgical test work, which was managed by Sedgeman, this work has now been completed.

HGMC were appointed to complete a resource estimate on the extensive kaolinised area outlined during the RC program with the Company announcing a maiden JORC resource of 93.3mt of kaolinised pegmatite.

The Company is continuing commercialisation studies with the focus on showing more opportunities for bulk volume of Metakaolin production including for the Green Construction Industry.

Kula's Senior Geologists are still in the process of a technical review of the RC and diamond drilling data which has a major change to existing interpretations and the potential for further exploration activities.

The Company has lodged applications for a Mining Licence ML77/1302 & a Miscellaneous Licence L77/359.

Rankin Dome Project (Southern Cross WA) 100%

The Company has entered into a binding Farm-In Agreement with Australian Critical Minerals Pty Ltd ("ACM") in respect of the Company's non-core Rankin Dome Project comprising of three tenements being E77/2709, E77/2753 and E77/2768. Subsequent to the year-end the Farm-In Agreement has been extended 3 months to 30 June 2023.

For personal use only

Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2022 or 31 December 2021.

Subsequent events

Subsequent to the year under review, the Company undertook the following activities:

- On 2 February 2023, the Company issued 1,300,000 unlisted employee incentive options exercisable at $0.06 on or before the expiry date of 1 July 2026. The unlisted options were issued under the capacity of the Company's incentive option plan ("EIOP") (approved by shareholders at the 2021 annual general meeting). 50% of the unlisted options issued vested immediately and the remaining 50% will vest 12 months from the issue date, subject to meeting conditions outlined in the terms of the incentive option plan. 1,000,000 unlisted employee incentive options exercisable at $0.06 on or before the expiry date of 1 July 2026 lapsed as a results of the employment conditions not being satisfied. As at the date of this report the Company had 8,958,782 unlisted options on issue under the EIOP leaving a capacity of 33,782.

- The Company completed an air-core and RC reconnaissance drilling program testing six high-priority targets at the 'eye' structure. 614 composite samples have been sent for analysis and 90 of those samples have been requested for expedited processing as it appears the Westonia Project is situated on the same structural system as the 2Moz operating Edna May Gold Mine less than 5km away.

- On 3 March 2023, the Company released a Notice of General Meeting for a meeting to be held on 31 March 2023. Shareholder approval will be sought for the acquisition of a 70% interest in the Kirup Project and to issue consideration shares to Sentinel Exploration Limited. Refer to pages 12 & 13 for further information.

- The Company has extended the binding Farm-In Agreement with Australian Critical Minerals Pty Ltd by 3 months to 30 June 2023 in respect of the Company's non-core Rankin Dome Project comprising of three tenements being E77/2709, E77/2753 and E77/2768.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

The main focus of the Group for the year ahead is gold and lithium exploration in Western Australia and to continue development of the Boomerang Kaolin Deposit.

Environmental Regulations

The Company is subject to the state and federal environmental regulation of Western Australia and Australia respectively. The Company needs 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 Company are not aware of any breach of environmental legislation for the period under review.

For personal use only

Shares under option or issue on exercise of options

Details of unissued shares under option as at the date of this report are:

Quoted / unlisted	Grant date	Number of shares under option	Exercise price of option	Expiry date of options
Unlisted	1 February 2023	1,300,000[1]	$0.06	1 July 2026
Unlisted	8 November 2022	2,300,000[2]	$0.06	1 July 2026
Unlisted	7 November 2022	6,000,000[3]	$0.08	7 November 2025
Unlisted	18 July 2022	1,800,000[4]	$0.06	1 July 2026
Unlisted	16 August 2021	575,000[5]	$0.085	1 August 2025
Unlisted	28 June 2021	2,950,000[6]	$0.06	1 July 2026
		14,925,000		

[1] Unlisted options were granted to employees under the Employee Incentive Option Plan approved at the Annual General Meeting held in 2021 ('EIOP'), 50% vested on 1 February 2023 with the remaining 50% vesting on 1 February 2024, subject to continued employment.

[2] Unlisted options were granted to employees under the EIOP, 50% vested on 8 November 2022 with the remaining 50% vesting on 8 November 2023, subject to continued employment.

[3] Unlisted options issued to Taylor Collison for being Lead Manager to the Placement announced on 19 September 2022, following shareholder approval at the General Meeting held on 7 November 2022.

[4] Unlisted options were granted to employees under the EIOP, 50% vested on 18 July 2022 with the remaining 50% vesting on 18 July 2023, subject to continued employment.

[5] Unlisted options were granted to employees under the EIOP. These options have fully vested.

[6] Unlisted options were granted to employees under the EIOP. These options have fully vested.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

No fully paid ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year.

1,175,000 unlisted options lapsed during and since the end of the financial year as a result of continued employment conditions.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors and all executive officers of the Company against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

For personal use only

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. The directors communicate regularly and pass most resolutions via circular resolutions.

	Directors' Meetings		Audit Committee		Nomination Committee		Remuneration Committee		Finance and Operations Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr Mark Stowell	4	4	*At the date of this report, the Remuneration, Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.*							
Mr Mark Bojanjac	4	4								
Mr John Hannaford	4	4								
Mr Simon Adams[1]	4	4								

[1] Resigned 2 November 2022.

Non-audit services

During the current and previous financial year, the Company's auditor, Elderton Audit Pty Ltd, did not perform any services other than their statutory audits. Details of remuneration paid to the auditor can be found within the financial statements at note 22.

In the event that non-audit services are provided by Elderton Audit Pty Ltd, the directors are satisfied that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- All non-audit services will be reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included after this report on page 14.

Rounding off of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this directors' report are rounded off to the nearest dollar, unless otherwise indicated.

For personal use only

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Kula Gold Limited's key management personnel for the financial year ended 31 December 2022. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel.
- Remuneration policy.
- Relationship between the remuneration policy any company performance.
- Remuneration of key management personnel.
- Key terms of employment contracts.

Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

- Mr Mark Stowell Chairman
- Mr Mark Bojanjac Director
- Mr John Hannaford Director
- Mr Simon Adams Director
- Mr Ric Dawson Chief Executive Officer

The named persons held their current position for the whole of the financial year and since the end of the financial year except for:

- Mr Simon Adams – Resigned 2 November 2022.
- Mr Ric Dawson – Appointed 24 October 2022.

Remuneration policy

In assessing the remuneration of its key management personnel, the Group does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion. The adoption of this remuneration report is periodically recommended for approval by shareholders via a non-binding resolution at the Company's Annual General Meeting.

The Group currently does not have any executives within its key management personnel however, the Group's policy regarding executives' remuneration is that the executives are paid a commercial salary and benefits based on the market rate and experience designed to promote superior performance and long-term commitment to the Group.

The Group's executive compensation program has three principal components: base salary, incentive bonus plan and incentive share options.

Base salaries for all employees of the Group are established for each position based on individual and corporate performances.

Non-Executive Director remuneration is not to exceed $300,000 per annum. Directors have no entitlement to termination payments in the event of removal for misconduct.

Incentive bonuses are designed to add a variable component of compensation based on corporate and individual performances. No bonuses were paid during the most recently completed financial year or in the previous financial year.

Key management personnel are entitled to participate in the Group's Employee Incentive Option Plan ('EIOP'), which was approved by shareholders at the 2021 Annual General Meeting. The EIOP is designed to give each option holder an interest in preserving and maximising shareholder value. Such grants are determined by an informal assessment of an individual's performance, level of responsibilities and the importance of his/her position and contribution to the Group.

For personal use only

Relationship between the remuneration policy and company performance

During the Group's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature during the current and previous financial years.

The Board did not determine the nature and amount of remuneration of the key management personnel by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and previous financial years.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 31 December 2022:

	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Interest and other income	447,157	14,541	36,601	601,420	4
Profit/(loss) after tax	(1,617,731)	(1,645,522)	(548,943)	49,727	(422,008)
Share price at start of year	0.048	0.041	0.037	0.020	0.020
Share price at end of year	0.025	0.048	0.041	0.037	0.020
Basic and diluted profit/(loss)	(0.64)	(0.87)	(0.53)	0.02	(0.11)

Remuneration of key management personnel

The table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group:

2022

Group Key Management Personnel	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share-based payments		Total
	Director fees	Cash bonus	Non-monetary	Consulting fees	Super-annuation	Long service	Equity	Options	
	$	$	$	$	$	$	$	$	$
Mr Mark Stowell	9,000	-	-	42,500	1,125	-	-	-	**52,625**
Mr Mark Bojanjac	6,000	-	-	24,000	350	-	-	-	**30,350**
Mr John Hannaford	6,000	-	-	30,000	850	-	-	-	**36,850**
Mr Simon Adams[1]	5,000	-	-	20,000	700	-	-	-	**25,700**
Mr Ric Dawson[2]	-	-	-	29,091	-	-	-	28,415	**57,506**
	26,000	**-**	**-**	**145,591**	**3,025**	**-**	**-**	**28,415**	**203,031**

[1] Resigned 2 November 2022
[2] Appointed 24 October 2022.

2021

Group Key Management Personnel	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share-based payments		Total
	Director fees	Cash bonus	Non-monetary	Consulting fees	Super-annuation	Long service	Equity	Options	
	$	$	$	$	$	$	$	$	$
Mr Mark Stowell	9,000	-	-	56,000	-	-	-	-	**65,000**
Mr Mark Bojanjac	6,000	-	-	36,000	-	-	-	-	**42,000**
Mr John Hannaford	6,000	-	-	27,000	-	-	-	-	**33,000**
Mr Simon Adams	6,000	-	-	24,000	-	-	-	-	**30,000**
	27,000	**-**	**-**	**143,000**	**-**	**-**	**-**	**-**	**170,000**

For personal use only

Bonuses and share-based payments granted as compensation for the current financial year

There were no cash bonuses paid during the current or previous financial year and there are no set performance criteria for achieving cash bonuses.

There was no remuneration paid to key management personnel linked to performance during the current or previous financial year.

No key management personnel appointed during the current or previous financial year received a payment as part of his consideration for agreeing to hold the position.

Employee incentive option plan

Kula Gold Limited operates an ownership-based Employee Incentive Option Plan ('EIOP') for executives and senior employees of the Group.

In accordance with the terms and conditions of the EIOP, as approved by shareholders at the 2021 Annual General Meeting, each unlisted option converts to fully paid ordinary shares on a one-for-one basis.

No amounts are paid or payable by the recipient on receipt of the unlisted option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. There is no performance based formula to calculate the number of options each executive or senior employee receives. Options expire on the expiry date and any unvested options expire on the resignation of the executive or senior employee. As at the date of this report the Group had 8,925,000 unlisted options on issue under the EIOP leaving a capacity of 33,782.

Terms and conditions of share-based payments granted as at the date of this report:

Option series	Grant date	Number of shares under option	Grant date fair value	Exercise price	Expiry date options	Vesting dates
5	1 Feb 2023	1,300,000	$0.016	$0.06	1 July 2026	50% vested 50% vesting 1 Feb '24
4	8 Nov 2022	2,300,000	$0.025	$0.06	1 July 2026	50% vested 50% vesting 8 Nov '23
3	18 Jul 2022	1,800,000	$0.016	$0.06	1 July 2026	50% vested 50% vesting 18 July '23
2	16 Aug 2021	575,000	$0.044	$0.085	1 August 2025	100% vested
1	28 Jun 2021	2,950,000	$0.029	$0.06	1 July 2026	100% vested

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

No share-based payments were granted as compensation to key management personnel during the current or previous financial year.

No options were exercised during the current or previous financial years. 175,000 options lapsed during the financial year and 1,000,000 options lapsed subsequent to the end of the financial year as a result of the resignation of the executive or senior employee.

Each option converts into one fully paid ordinary share of the Company.

For personal use only

Key management personnel equity holdings

Fully paid ordinary shares of Kula Gold Limited.

Name	Balance at 1 Jan 2022	Shares acquired	Shares disposed[2]	Balance on resignation[3]	Balance at 31 Dec 2022 & date of this report
	No.	No.	No.	No.	No.
Mr Mark Stowell	18,072,982	9,518,246[1]	(2,500,000)	-	25,091,228
Mr Mark Bojanjac	3,000,000	750,000[1]	-	-	3,750,000
Mr John Hannaford	14,212,091	3,553,022[1]	-	-	17,765,113
Mr Simon Adams	774,997	193,749[1]	-	968,746	-
Mr Ric Dawson[4]	-	2,500,000[2]	-	-	2,500,000

[1] The Directors took up their full entitlement under the non-renounceable pro-rata entitlement offer on 5 August 2022 on the basis of one fully paid ordinary shares for every four fully paid ordinary shares held at an issue price of $0.02 per share.

[2] Shares were sold/acquired via an off-market transfer at $0.02 per share.

[3] Resigned 2 November 2022.

[4] Appointed 24 October 2022.

Key terms of employment contacts

- The compensation for all Non-Executive Directors is not to exceed $300,000 p.a.
- Directors have no entitlement to termination payments in the event of removal for misconduct.
- Ric Dawson, the Company's CEO was appointed on 24 October 2022. The full-time employment contract included annual remuneration of $150,000 plus superannuation paid to his nominee consulting entity. Short-term incentive bonus may be paid at the Board's discretion. On appointment Mr Dawson received 2,000,000 unlisted options issued under the EIOP, exercisable at $0.06 on or before 1 July 2026.

Other transactions with key management personnel of the Group

During the financial year, the Company leases premises at Suite 2, 20 Howard Street, Perth from an entity that is controlled by Mr Mark Stowell. The terms of this lease are set at a rate that is considered to be arms-length for comparable premises. The rent and outgoings paid for this premises during the financial year ended 31 December 2022 was $35,922 (2021: $19,349).

During the previous financial year, the Company hired specialised XRF equipment from an entity that is controlled by Mark Stowell on commercial arm's length terms. The hire fees paid for this equipment during 2022 was nil (2021: $24,300).

During the financial year, the Company leases storage facilities at Unit 18, 6 Production Road, Canning Vale from an entity that is controlled by Mr John Hannaford. The terms of this lease are set at a rate that is considered to be arms-length for comparable premises. The rent for this premises during the financial year ended 31 December 2022 was $2,383 (2021: $Nil).

On 28 November 2022, the Company entered into a binding term sheet ('Agreement') with Sentinel Exploration Ltd ('Sentinel') to acquire a 70% interest (subject to the completion of satisfactory due diligence, shareholder and other regulatory approvals) in the lithium and related minerals in a key tenement to complement the existing Brunswick Project, being the Kirup Project, tenement E70/5452, situated within 25km from the world class Greenbushes Lithium Mine.

Mr Mark Stowell and Mr Simon Adams collectively hold approximately 37.59% of the issued capital of Sentinel.

The Company paid Sentinel an amount of $70,000 upon executing the Agreement.

For personal use only

The Company will hold a General Meeting on or before 31 March 2023 to obtain shareholder approval to complete the acquisition. Upon completion of the acquisition the Company will pay Sentinel:

- A further $130,000 for the reimbursement of exploration expenditure costs incurred to date by Sentinel;
- Issue 12,000,000 fully paid ordinary shares. As a result of the related party determination for this transaction, these shares will be subject to a 12-month escrow period; and
- Pay $2,000,000 payable in fully paid ordinary shares issued at the 10-day VWAP (commencing upon announcing the resource), with a minimum issue price of $0.04 on completion of a JORC maiden inferred resource on the Kirup Project of a minimum of 10mt of ore at a grade of 1% lithium (or metal equivalent) or greater within 5 years of the lithium rights being acquired. These securities will also be subject to a 12-month escrow period from the date of issue as a result of the related party determination for this transaction.

This directors' report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Mark Stowell
Chairman
28 March 2023
Perth, Western Australia

For personal use only

ELDERTON
AUDIT PTY LTD

For personal use only

Auditor's Independence Declaration

As auditor for the audit of Kula Gold Limited and its subsidiaries for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

I) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

II) no contraventions of any applicable code of professional conduct in relation to the audit.

Elderton Audit Pty Ltd.

Elderton Audit Pty Ltd

Rafay Nabeel
Managing Director

28 March 2023
Perth

ELDERTON
AUDIT PTY LTD

Independent Audit Report to the members of Kula Gold Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kula Gold Limited (the "Company") and its subsidiaries (collectedly referred to as the "Group") , which comprises the Consolidated Statement of financial position as at 31 December 2022, the Consolidated Statement of profit or loss and other comprehensive income, the Consolidated Statement of changes in equity and the Consolidated Statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be a key audit matter to be communicated in our report.

For personal use only

Capitalized Exploration

Refer to accounting policy Note 2(y) and Note 12 for the accounting policy and disclosures in relation to Exploration and Evaluation Expenditure ($1,379,019) as at 30 December 2022.

Key Audit Matter	How our audit addressed the matter
The Group has incurred significant exploration and evaluation expenditures which have been capitalised. As the carrying value of exploration and evaluation expenditures represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, the asset was required to be assessed for impairment.	We carried out the following work in accordance with the guidance set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*: • We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by obtaining independent searches of a sample of the Group's tenement holdings; • We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the Group's areas of interest were planned; • We enquired with management, reviewed announcements made and reviewed minutes of directors' meetings to ensure that the Group had not decided to discontinue activities in any of its areas of interest; • We enquired with management to ensure that the Group had not decided to proceed with development of a specific area of interest, to ensure the classification as exploration was appropriate. Based on our testing, no issues were noted.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

For personal use only

is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a Statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 31 December 2022. The directors of the Kula Gold Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

For personal use only

Opinion

In our opinion, the Remuneration Report of Kula Gold Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

Elderton Audit Pty Ltd.

Elderton Audit Pty Ltd

Rafay Nabeel
Managing Director

Perth
28 March 2023

For personal use only

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and giving a true and fair view of the financial position as at 31 December 2022 and performance of the Group for the financial year ended on that date; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001.*

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr Mark Stowell
Chairman
28 March 2023
Perth, Western Australia

For personal use only

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

	Note	Consolidated Year ended 31 December 2022 $	Consolidated Year ended 31 December 2021 $
Continuing operations			
Other income	4	447,157	14,541
Administration expenses		(994,104)	(534,045)
Share-based payments	19	(96,742)	(86,047)
Exploration and evaluation expenditure		(972,622)	(1,037,697)
Finance costs		(1,420)	(2,274)
Loss before tax		(1,617,731)	(1,645,522)
Income tax expense	6	-	-
Loss for the year	5	**(1,617,731)**	**(1,645,522)**
Other comprehensive expense			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total other comprehensive loss for the year		**-**	**-**
Total comprehensive loss for the year		**(1,617,731)**	**(1,645,522)**
Loss attributable to:			
Owners of Kula Gold Limited		**(1,617,731)**	**(1,645,522)**
Total comprehensive loss attributable to:			
Owners of Kula Gold Limited		**(1,617,731)**	**(1,645,522)**
Loss per share from continuing operations:			
Basic and diluted (cents per share)	7	(0.64)	(0.87)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

For personal use only

Consolidated statement of financial position
as at 31 December 2022

	Note	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
ASSETS			
Current assets			
Cash and cash equivalents	8	1,764,307	2,138,935
Receivables and other assets	9	488,709	152,177
Total current assets		**2,253,016**	**2,291,112**
Non-current assets			
Property, plant and equipment	10	52,525	-
Right-of-use assets	11	8,874	26,769
Exploration tenement	12	1,379,019	408,189
Total non-current assets		**1,440,418**	**434,958**
Total assets		**3,693,434**	**2,726,070**
LIABILITIES			
Current liabilities			
Trade and other payables	13	228,846	520,999
Provisions	14	10,761	5,292
Lease liability	11	9,690	17,895
Total current liabilities		**249,297**	**544,186**
Non-current liabilities			
Provisions	14	31,000	31,000
Lease liability	11	-	10,501
Total non-current liabilities		**31,000**	**41,501**
Total liabilities		**280,297**	**585,687**
Net assets		**3,413,137**	**2,140,383**
Equity			
Share capital	15	155,506,534	152,838,508
Reserves	16	766,856	549,805
Accumulated losses		(152,860,253)	(151,247,930)
Equity attributable to:			
Owners of Kula Gold Limited		3,413,137	2,140,383
Non-controlling interest		-	-
Total equity		**3,413,137**	**2,140,383**

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

For personal use only

For personal use only

Consolidated statement of changes in equity
for the year ended 31 December 2022

Consolidated	Note	Share capital $	Share-based payment reserve $	Consolidation reserve $	Total reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2021		**150,279,804**	**65,000**	**398,758**	**463,758**	**(149,602,408)**	**1,141,154**
Loss for the year		-	-	-	-	(1,645,522)	(1,645,522)
Total other comprehensive loss for the year		-	-	-	-	-	-
Total comprehensive loss for the year		-	-	-	-	(1,645,522)	(1,645,522)
Issue of share capital	15	2,734,800	-	-	-	-	2,734,800
Share issue costs	15	(176,096)	-	-	-	-	(176,096)
Share-based payments	19	-	86,047	-	86,047	-	86,047
Balance at 31 December 2021		**152,838,508**	**151,047**	**398,758**	**549,805**	**(151,247,930)**	**2,140,383**
Balance at 1 January 2022		**152,838,508**	**151,047**	**398,758**	**549,805**	**(151,247,930)**	**2,140,383**
Loss for the year		-	-	-	-	(1,617,731)	(1,617,731)
Total other comprehensive loss for the year		-	-	-	-	-	-
Total comprehensive loss for the year		-	-	-	-	(1,617,731)	(1,617,731)
Issue of share capital	15	2,920,726	-	-	-	-	2,920,726
Share issue costs	15	(132,591)	-	-	-	-	(132,591)
Share-based payments related to share issue costs	15	(120,109)	120,109	-	120,109	-	-
Share-based payments	19	-	96,742	-	96,742	-	96,742
Lapsed employee incentive options	16	-	(5,408)	-	(5,408)	5,408	-
Reversal of an unclaimed equity contribution received from Geopacific Resources Ltd	16	-	-	5,608	5,608	-	5,608
Balance at 31 December 2022		**155,506,534**	**362,490**	**404,366**	**766,856**	**(152,860,253)**	**3,413,137**

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Note	Consolidated Year ended 31 December 2022 $	Consolidated Year ended 31 December 2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(847,512)	(1,219,181)
Interest income		283	22
Net cash used in operating activities	8	**(847,229)**	**(1,219,159)**
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(59,079)	(12,378)
Payment of the deposit for the Kirup Project acquisition	18	(70,000)	-
Payments for exploration and evaluation expenditure		(2,186,455)	(377,189)
Net cash used in investing activities		**(2,315,534)**	**(389,567)**
Cash flows from financing activities			
Proceeds from issue of shares	15	2,920,726	2,734,800
Share issue costs	15	(132,591)	(176,096)
Net cash provided by financing activities		**2,788,135**	**2,558,704**
Net (decrease)/increase in cash and cash equivalents		**(374,628)**	**949,978**
Cash and cash equivalents at the beginning of the year		2,138,935	1,188,957
Cash and cash equivalents at the end of the year	8	**1,764,307**	**2,138,935**

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

For personal use only

Notes to the consolidated financial statements
for the year ended 31 December 2022

For personal use only

1. General information

Kula Gold Limited ('Kula Gold' or the 'Company') is an exploration stage company engaged in the acquisition and exploration of mineral properties, principally located in Western Australia. The Company and its subsidiaries (the 'Group') have not yet determined whether its mineral properties contain reserves that are economically recoverable.

Kula Gold is a company limited by shares incorporated and registered in Australia whose ordinary shares are publicly traded on the Australian Securities Exchange ('ASX') under ticker code (ASX: KGD). The address of the registered office is Suite 2, 20 Howard Street, Perth, Western Australia 6000. The financial report of the Group for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 28 March 2023.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These consolidated financial statements as at and for the year ended 31 December 2022 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other pronouncements of the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations and the *Corporations Act 2001*. Compliance with AIFRS also ensures that the consolidated financial statements are in compliance with International Financial Reporting Standards (including interpretations).

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

i. **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

ii. **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

iii. **Going concern**

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

iii. **Going concern (continued)**

As disclosed in the financial statements for the year ended 31 December 2022, the Group incurred a loss of $1,617,731 (2021: $1,645,522), had net cash outflows from operating activities of $847,229 (2021: $1,219,159), had cash inflows from financing activities of $2,788,135 (2021: $2,558,704). As at 31 December 2022 the Group had net assets of $3,413,137 (2021: $2,140,383) and cash and cash equivalents of $1,764,307 (2021: $2,138,935).

As such, the directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- the current cash balance of the Company relative to its fixed and discretionary expenditure commitments;
- given the Company's market capitalisation and the underlying prospects for the Company to raise further funds from the capital markets; and
- the fact that future exploration and evaluation expenditure is generally discretionary in nature (i.e. at the discretion of the directors having regard to an assessment of the Group's eligible expenditure to date and the timing and quantum of its remaining earn-in expenditure requirements). Subject to meeting certain minimum expenditure commitments, further exploration activities may be slowed or suspended as part of the management of the Company's working capital.

Accordingly, the directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

In the event that the Group is unsuccessful in the matters set out above in relation to obtaining future funds through capital raisings, there is a material uncertainty whether the Group will continue as a going concern, and therefore whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Parent Entity Information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only.

(d) Basis of Consolidation

The Company's consolidated financial statements include Kula Gold Limited and its subsidiaries, all of which are wholly owned.

Subsidiaries

Subsidiaries are entities controlled by the Company. Consolidation accounting is applied for all of the Company's wholly owned subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee, if facts and circumstance indicate that there are changes to one or more of the three elements of control listed above.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

For personal use only

Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Income earned from joint venture entities reduce the carrying amount of the investment.

(e) Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(f) Functional and Presentation Currency

Items included in the financial statements of each of the Company's operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(g) Use of Estimates and Judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical Accounting Estimates

Exploration and Evaluation Assets

Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is recognised in loss in the period that the new information becomes available.

Impairment

Assets, including property, plant and equipment and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

The assessment of the fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

Provisions and contingencies

The amount recognised as a provision, including legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

For personal use only

Decommissioning and environmental provisions

The Company's operations are subject to environmental regulations in Australia. Upon any establishment of commercial viability of a site, the Company estimates the cost to restore the site following the completion of commercial activities and depletion of reserves. These future obligations are estimated by taking into consideration closure plans, known environmental impacts, and internal and external studies which estimate the activities and costs that will be carried out to meet the decommissioning and environmental provisions obligations. Amounts recorded for decommissioning and environmental provisions are based on estimates of decommissioning and environmental costs which may not be incurred for several years or decades.

The decommissioning and environmental cost estimates could change due to amendments in laws and regulations in Australia. Additionally, actual estimated decommissioning and reclamation costs may differ from those projected. The Company is currently in the exploration stage and as such, there are no decommissioning and environmental reclamation costs at the year end.

Fair value of share-based compensation

The fair value of share-based compensation are subject to the limitation of the pricing models adopted that incorporates market data and involves uncertainty in estimates used by management in the assumptions. As the option pricing models require the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Where applicable, judgement is exercised on the probability and timing of achieving milestones related to the options.

Critical Accounting Judgements

Exploration and Evaluation Assets

The application of the Company's accounting policy for and determination on recoverability of capitalised exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances.

Income taxes

Judgement is required in determining whether deferred tax assets are recognised in the statements of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in Australia. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in Australia in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

For personal use only

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(h) Financial Instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Effective Interest Method

The effective interest method calculates the amortised cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit and loss.

Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest method. Any gains or losses on the realisation of receivables are included in profit or loss.

Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Other financial liabilities

They are measured at amortised cost using the effective interest method. Any gains or losses in the realisation of other financial liabilities are included in profit or loss.

Fair values

Fair values of financial assets and liabilities are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models using quoted market prices.

The Company has made the following classifications:

Other assets	Loans and receivables
Trade and other payables	Other liabilities

All financial instruments are required to be measured at fair value on initial recognition. Fair value measurement for financial instruments and liquidity risk disclosures require a three hierarchy that reflects the significance of the inputs used in making the measurements.

For personal use only

(i) Long-Lived Asset Impairment

Long-lived assets, which comprise exploration and evaluation assets and property, plant and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

The Company's property, plant and equipment are assessed for indication of impairment at each financial position date.

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. Internal factors, such as budgets and forecasts, as well as external factors, such as future prices, costs and other market factors are also monitored to determine if indicators of impairment exist. If any indication of impairment exists, an estimate of the assets' recoverable amount is calculated. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGU's represent the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and fair value in use). Fair value less cost to sell is the amount obtainable from the sale of an asset of CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is determined as the present value of the future cash flows expected to be derived from an asset of CGU.

Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

(j) Decommissioning and Environmental Provisions

The Company's mineral exploration and development activities are subject to various Australian laws and regulations regarding the protection of the environment. As a result, the Company is expected to incur expenses to discharge its obligations under these laws and regulations.

Decommissioning and environmental costs are estimated based on the Company's interpretation of current regulatory and operating license requirements. Initially, a liability for a decommissioning and environmental provision is recognised as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding decommissioning and environmental provision is added to the carrying amount of the related asset and the cost is amortised as an expense over the economic life of the asset using either the unit of production method or the straight-line method, as appropriate.

(k) Revenue recognition

The Group recognises interest revenue as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(l) Receivables

Receivables are recognised at amortised cost, less any allowance for expected credit losses.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

For personal use only

(n) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group's normal operating cycle, due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings and leasehold improvements	25 years
Motor vehicles	3 years
Plant and equipment	6 years
Furniture and fittings	6 years

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposed proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to accumulated losses.

(p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(q) Employee benefits

Short-term employee benefits.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long services leave expected to be settled wholly within 12 months of the reporting date are measure at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of services. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

For personal use only

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined for reference to the share price.

The cost of equity-settled transactions are measured at the fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(r) Share capital

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.

(s) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

For personal use only

(s) Income tax (continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(t) Good and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(u) Cash and cash equivalents

For the purpose of presentation in the 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.

(v) Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar, unless otherwise indicated.

For personal use only

(w) Leases

The accounting policy for leases under AASB 16 is as follows:

For any new contracts entered into as a lessee, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease liabilities are shown directly on the statement of financial position (current and non-current).

(x) Provisions

Provisions are recognised when the Company 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.

For personal use only

(y) 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 statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- 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 Company's impairment policy (note 2(i)).

3. Operating segments

The Company has determined that it operates in one operating segment, being exploration in Western Australia and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Company. Accordingly, the financial results of the segment are equivalent to the financial statements of the Company as a whole.

4. Other income

	2022 $	2021 $
Cost recovery of certain administration expenses	57,574	14,520
Research and development government grant	389,300	-
Interest on term deposit	283	21
	447,157	**14,541**

5. Loss for the year

	2022 $	2021 $
Other income	(447,157)	(14,541)
Depreciation		
Furniture and fittings	6,554	12,377
Right-of-use-assets	17,895	17,895
Employee benefit expenses	314,035	104,283
Share-based payments		
Employees under incentive plan	96,742	86,047
Capital raising costs	120,109	-
Professional and consulting expenses	209,543	194,294
Exploration and evaluation expenditure	972,622	1,037,697
Interest on right-of-use liabilities	1,420	2,274
Other administration expenses	325,968	205,196
	1,617,731	**1,645,522**

For personal use only

6. Income tax

	2022 $	2021 $
The prima facie income tax benefit on the loss before income tax from continued operations reconciles to income tax:		
Loss before income tax	(1,617,731)	(1,645,522)
Corporate tax rate	25%	25%
Tax at the corporate tax rate	(404,433)	(411,380)
Tax effect of expenses that are not deductible in determining taxable profit	50,296	45,806
Tax effect of income that is not assessable in determining taxable profit	(97,325)	-
Tax effect of deferred taxes that would be recognised directly in equity	83,256	56,738
Change in unrecognised deferred tax assets	368,206	308,836
	-	-

The tax rates used in the above reconciliation is the corporate tax rate of 25% (2021: 25%) payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax assets and liabilities as at 31 December 2022 comprise:

	Deferred tax assets $	Deferred tax liabilities $	Net $
Receivables and other assets		(114,360)	(114,360)
Exploration and evaluation expenses		(344,755)	(344,755)
Trade and other payables	33,136	-	33,136
Provisions	10,440	-	10,440
Unexpired blackhole expenditure	83,256	-	83,256
Unused tax losses	1,413,790	-	1,413,790
	1,540,622	**(459,115)**	**1,081,507**

The tax benefits of the above net deferred tax assets will only be obtained if:

(a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) The Company continues to comply with the conditions for deductibility imposed by law; and

(c) No changes in income tax legislation adversely affect the Company in utilising the benefits.

For personal use only

7. Loss per share

	2022 $	2021 $
Loss for the year		
Loss for the year attributable to the owners of the Company used for the purposes of basic and diluted loss per share	(1,617,731)	(1,645,522)

	2022 No.	2021 No.
Number of shares		
Weighted average number of fully paid ordinary shares used for the purposes of basic and diluted loss per share	252,529,467	189,917,358

	2022 $	2021 $
Loss per share		
Basic and diluted loss per share	**(0.64)**	**(0.87)**

Basic loss per share is calculated as the net loss attributable to owners of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of fully paid ordinary shares, adjusted for any bonus element.

Diluted loss per share is the same as the basic loss per share as these are not dilutive transactions when the Company had a loss.

8. Cash and cash equivalents

	2022 $	2021 $
Reconciliation of cash		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:		
Cash and bank balances	**1,764,307**	**2,138,935**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is discussed in note 20.

For personal use only

8. Cash and cash equivalents (continued)

	2022 $	2021 $
Cash flow information		
Reconciliation of cash flows from operating activities to the loss after income tax:		
Loss after income tax	(1,617,731)	(1,645,522)
Increase in receivables and other assets	(358,978)	-
Decrease/(Increase) in trade and other payables	34,247	(729,926)
Share-based payments	96,742	86,047
Depreciation	24,449	30,273
Finance costs	1,420	2,272
Exploration expenditure – classified within investing activities	972,622	1,037,697
Net cash used in operating activities	**(847,229)**	**(1,219,159)**

Non-cash investing and financing activities

Following shareholder approval on 7 November 2022, the Company issued 6,000,000 unlisted options exercisable at $0.08 on or before 7 November 2025 to Taylor Collison for the provision of Lead Manager services for the placement capital raising transaction announced on 19 September 2022.

There were no non-cash investing or financing activities during the previous financial year.

9. Receivables and other assets

	2022 $	2021 $
GST receivable	27,007	59,417
Prepayments and other receivables	72,402	92,760
Research and development government grant	389,300	-
	488,709	**152,177**

10. Property, plant and equipment

	2022 $	2021 $
Cost		
At 1 January	94,588	82,210
Additions	59,079	12,378
At 31 December	153,667	94,588

	2022 $	2021 $
Accumulated depreciation		
At 1 January	(94,588)	(82,210)
Charge for the year	(6,554)	(12,378)
At 31 December	(101,142)	(94,588)
Carrying amount		
At 31 December 2022	**52,525**	
At 31 December 2021	**-**	
At 1 January 2021	-	

For personal use only

11. Right-of-use-assets and lease liabilities

The Company leases office facilities in Perth, Western Australia. The lease runs for a period of three years with an option to renew at the end of the lease period. Lease payment amounts are set based on fixed annual increases.

Buildings	2022 $	2021 $
Cost		
At 1 January	53,685	53,685
Additions	-	-
At 31 December	53,685	53,685

	2022 $	2021 $
Accumulated depreciation		
At 1 January	(26,916)	(9,021)
Charge for the year	(17,895)	(17,895)
At 31 December	(44,811)	(26,916)
Carrying amount		
At 31 December 2022	**8,874**	
At 31 December 2021	**26,769**	
At 1 January 2021	44,664	

Lease liabilities	2022 $	2021 $
Current		
At 1 January	17,895	-
Additions	-	17,895
Movements	(8,205)	-
At 31 December	**9,690**	**17,895**

Lease liabilities	2022 $	2021 $
Non-current		
At 1 January	10,501	27,581
Additions	-	-
Movements	(10,501)	(17,080)
At 31 December	**-**	**10,501**

12. Exploration tenement

	2022 $	2021 $
At 1 January	408,189	-
Capitalised exploration & evaluation expenditure	970,830	408,189
At 31 December	**1,379,019**	**408,189**

The Company is of the view that the only tenement that meets the criteria of Aus 7.2 of AASB 6 is the Boomerang Kaolin Deposit on tenement E77/2621 where the Company has a 93.3mt resource (15.2mt indicated and 78.1mt inferred). The Company has lodged applications for mining licence M77/1302 and a miscellaneous licence L77/359.

For personal use only

13. Trade and other payables

	2022 $	2021 $
Trade creditors and other payables	81,367	469,787
Accruals	114,533	41,000
PAYG withholding payable	14,936	-
Superannuation payable	18,010	10,212
	228,846	**520,999**

Trade and other payable are non-interest bearing and are usually settled within the lower of terms of trade or 30 days. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 20.

14. Provisions

	2022 $	2021 $
Current		
Provision for annual leave	10,761	5,292
	10,761	**5,292**

	2022 $	2021 $
Non-current		
Provision for rehabilitation	31,000	31,000
	31,000	**31,000**

15. Share capital

	2022 No.	2021 No.	2022 $	2021 $
Fully paid ordinary shares	**361,211,921**	**215,175,632**	**155,506,534**	**152,838,508**
Fully paid ordinary shares				
At the beginning of the year	215,175,632	155,805,632	152,838,508	150,279,804
Share placement[1]	25,000,000	-	500,000	-
Share placement[2]	67,242,383	-	1,344,848	-
Entitlement issue[3]	53,793,906	-	1,075,878	-
Share placement[4]	-	36,000,000	-	1,800,000
Share placement[5]	-	23,370,000	-	934,800
Share issue costs	-	-	(252,700)	(176,096)
	361,211,921	**215,175,632**	**155,506,534**	**152,838,508**

[1] On 11 November 2022 following shareholder approval at a General Meeting held, the Company completed the second tranche of a share placement to sophisticated and professional investors issuing a total of 25,000,000 fully paid ordinary shares at an issue price of $0.02 per share to raise $500,000 before costs.

[2] On 28 September 2022, the Company completed the first tranche of a share placement to sophisticated and professional Investors issuing a total of 67,242,383 fully paid ordinary shares at an issue price of $0.02 per share to raise $1,344,848 before costs.

[3] On 15 September 2022, the Company completed a non-renounceable pro-rata entitlement offer to eligible shareholders on the basis of one fully paid ordinary share for every four fully paid ordinary shares held at an issue price of $0.02 per share to raise $1,075,878 before costs.

[4] On 28 July 2021, the Company completed a share placement to sophisticated and professional investors issuing a total of 36,000,000 fully paid ordinary shares at an issue price of $0.05 per share to raise $1,800,000 before costs.

[5] On 11 March 2021, the Company completed a share placement to sophisticated and professional investors issuing a total of 23,370,000 fully paid ordinary shares at an issue price of $0.04 per share to raise $934,800 before costs.

For personal use only

15. Share capital (continued)

Terms of fully paid ordinary shares

Voting rights

The Company has one class of fully paid ordinary shares which participates in dividends and any proceeds on the winding up of the Company in proportion to the number of shares held.

At shareholder meetings, each fully paid ordinary share is entitled to one vote.

16. Reserves

	2022 $	2021 $
Share-based payment reserve	362,490	151,047
Consolidation reserve	404,366	398,758
	766,856	**549,805**

Movement in reserves
Share-based payment reserve

	2022 No.	2021 No.	2022 $	2021 $
Unlisted options	**14,625,000**	**3,700,000**	**362,490**	**151,047**
Unlisted options				
At the beginning of the year	3,700,000	-	151,047	65,000
ESIP option allotment[1]	2,300,000	-	32,677	-
Option allotment[2]	6,000,000	-	120,109	-
ESIP option allotment[3]	2,800,000	-	33,236	-
ESIP option allotment[4]	-	600,000	8,263	18,350
ESIP option allotment[5]	-	3,100,000	22,566	67,697
Lapsed ESIP options[4, 5]	(175,000)	-	(5,408)	-
	14,625,000	**3,700,000**	**362,490**	**151,047**

[1] On 8 November 2022, the Company issued 2,300,000 unlisted options to employees under the Employee Incentive Option Plan ('EIOP'). The unlisted options have an exercise price of $0.06 and an expiry date of 1 July 2026. 50% of the unlisted options have vested with the balance vesting on 8 November 2023.

[2] On 7 November 2022 following shareholder approval at the General Meeting held, the Company issued 6,000,000 unlisted options exercisable at $0.08 expiring 7 November 2025 to Taylor Collison for Lead Manager and equity market services for a placement capital raising.

[3] On 18 July 2022, the Company issued 2,800,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.06 and an expiry date of 1 July 2026. 50% of the unlisted options have vested with the balance vesting on 18 July 2023. Subsequent to the financial year end 1,000,000 unlisted options lapsed as a result of the continued employment conditions.

[4] On 16 August 2021, the Company issued 600,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.085 and an expiry date of 1 August 2025. The unlisted options have fully vested. On 19 June 2022, 25,000 unlisted options lapsed as a result of the continued employment conditions.

[5] On 28 June 2021, the Company issued 3,100,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.06 and an expiry date of 1 July 2026. The unlisted options have fully vested. On 19 June 2022, 150,000 unlisted options lapsed as a result of the continued employment conditions.

The share-based payment reserve is used to recognise the grant date fair value of unlisted options issued to directors, employees, contractors and stockbrokers.

The fair value of the unlisted options are valued using the Black-Scholes option valuation methodology. For further information regarding the inputs and key variables for the valuation and the terms and conditions of the EIOP refer to note 19.

For personal use only

16. Reserves (continued)

Movement in reserves Consolidation reserve	2022	2021
	$	$
Balance at beginning of the year	398,758	398,758
Reversal of an unclaimed equity contribution received from Geopacific Resources Ltd.	5,608	-
	404,366	**398,758**

The consolidation reserve represents the difference between the minority interest recognised and the equity contributions received from Geopacific Resources Ltd.

17. Key management personnel compensation

The names and positions of key management personnel are as follows:

- Mr Mark Stowell Chairman
- Mr Mark Bojanjac Director
- Mr John Hannaford Director
- Mr Simon Adams Director – Resigned 2 November 2022.
- Mr Ric Dawson Chief Executive Officer – Appointed 24 October 2022.

Information regarding individual directors and executives' compensation and equity instrument disclosures as required by the Corporations Regulations 2M.3.03 is provided in the remuneration report in the directors' report.

	2022 $	2021 $
Short-term employee benefits	171,591	170,000
Post-employment benefits	3,025	-
Termination benefits	-	-
Share-based payments	28,415	
	203,031	**170,000**

18. Related party transactions

Key management personnel

Disclosures relating to Key Management Personnel are set out in note 17 and detailed remuneration disclosures are provided in the remuneration report in the directors' report.

Other transactions with key management personnel of the Group

During the financial year, the Company leases premises at Suite 2, 20 Howard Street, Perth from an entity that is controlled by Mr Mark Stowell. The terms of this lease are set at a rate that is considered to be arms-length for comparable premises. The rent and outgoings paid for this premises during the financial year ended 31 December 2022 was $35,922 (2021: $19,349).

During the previous financial year, the Company hired specialised XRF equipment from an entity that is controlled by Mark Stowell on commercial arm's length terms. The hire fees paid for this equipment during 2022 was nil (2021: $24,300).

During the financial year, the Company leases storage facilities at Unit 18, 6 Production Road, Canning Vale from an entity that is controlled by Mr John Hannaford. The terms of this lease are set at a rate that is considered to be arms-length for comparable premises. The rent for this premises during the financial year ended 31 December 2022 was $2,383 (2021: $Nil).

For personal use only

18. Related party transactions (continued)

On 28 November 2022, the Company entered into a binding term sheet ('Agreement') with Sentinel Exploration Ltd ('Sentinel') to acquire a 70% interest (subject to the completion of satisfactory due diligence, shareholder and other regulatory approvals) in the lithium and related minerals in a key tenement to complement the existing Brunswick Project, being the Kirup Project, tenement E70/5452, situated within 25km from the world class Greenbushes Lithium Mine.

Mr Mark Stowell and Mr Simon Adams collectively hold approximately 37.59% of the issued capital of Sentinel. The Company paid Sentinel an amount of $70,000 upon executing the Agreement.

The Company will hold a General Meeting on or before 31 March 2023 to obtain shareholder approval to complete the acquisition. Upon completion of the acquisition the Company will pay Sentinel:

- A further $130,000 for the reimbursement of exploration expenditure costs incurred to date by Sentinel;
- Issue 12,000,000 fully paid ordinary shares. As a result of the related party determination for this transaction, these shares will be subject to a 12-month escrow period; and
- Pay $2,000,000 payable in fully paid ordinary shares issued at the 10-day VWAP (commencing upon announcing the resource), with a minimum issue price of $0.04 on completion of a JORC maiden inferred resource on the Kirup Project of a minimum of 10mt of ore at a grade of 1% lithium (or metal equivalent) or greater within 5 years of the lithium rights being acquired. These securities will also be subject to a 12-month escrow period from the date of issue as a result of the related party determination for this transaction.

Apart from the above, no key management personnel have entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving key management personnel interests existing at year-end.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

19. Share-based payments

Kula Gold Limited operates an ownership-based Employee Incentive Option Plan ('EIOP') for executives and senior employees of the Group.
In accordance with the terms and conditions of the EIOP, as approved by shareholders at the 2021 Annual General Meeting, each unlisted option converts to fully paid ordinary shares on a one-for-one basis.

No amounts are paid or payable by the recipient on receipt of the unlisted option. The holders of these unlisted options do not have the right, by virtue of the unlisted option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. There is no performance based formula to calculate the number of options each executive or senior employee receives. Options expire on the expiry date and any unvested options expire on the resignation of the executive or senior employee.

No fully paid ordinary share were issued by the Company as a result of the exercise of unlisted options during or since the end of the financial year.

For personal use only

19. Share-based payments (continued)

On 8 November 2022, the Company issued 2,300,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.06 and an expiry date of 1 July 2026. 50% of the unlisted options have vested with the balance vesting on 8 November 2023.

On 7 November 2022 following shareholder approval at the General Meeting held, the Company issued 6,000,000 unlisted options exercisable at $0.08 expiring 7 November 2025 to Taylor Collison for Lead Manager and equity market services for a placement capital raising.

On 18 July 2022, the Company issued 2,800,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.06 and an expiry date of 1 July 2026. 50% of the unlisted options have vested with the balance vesting on 18 July 2023. Subsequent to the financial year end 1,000,000 unlisted options lapsed as a result of the continued employment conditions.

On 16 August 2021, the Company issued 600,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.085 and an expiry date of 1 August 2025. The unlisted options have fully vested. On 19 June 2022, 25,000 unlisted options lapsed as a result of the continued employment conditions.

On 28 June 2021, the Company issued 3,100,000 unlisted options to employees under the EIOP. The unlisted options have an exercise price of $0.06 and an expiry date of 1 July 2026. The unlisted options have fully vested. On 19 June 2022, 150,000 unlisted options lapsed as a result of the continued employment conditions.

Set out below are summaries of the unlisted options granted during the current and previous financial years.

2022

EIOP Options series	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
4	8 Nov 22	1 Jul 26	$0.06	-	2,300,000	-	-	2,300,000
N/A	7 Nov 22	7 Nov 25	$0.08	-	6,000,000	-	-	6,000,000
3	18 Jul 22	1 Jul 26	$0.06	-	2,800,000	-	-	2,800,000
2	16 Aug 21	1 Aug 25	$0.085	600,000	-	-	(25,000)	575,000
1	28 Jun 21	1 Jul 26	$0.06	3,100,000	-	-	(150,000)	2,950,000
				3,700,000	**11,100,000**	**-**	**(175,000)**	**14,625,000**
Weighted average exercise price				**$0.064**	**$0.071**	**-**	**$0.064**	**$0.069**

2021

EIOP Options series	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
2	16 Aug 21	1 Aug 25	$0.085	-	600,000	-	-	600,000
1	28 Jun 21	1 Jul 26	$0.06	-	3,100,000	-	-	3,100,000
				-	**3,700,000**	**-**	**-**	**3,700,000**
Weighted average exercise price				**-**	**$0.064**	**-**	**-**	**$0.064**

12,075,000 unlisted options exercisable at the end of the financial year (2021: 1,850,000).

The weighted average share price during the financial year was $0.024 (2021: $0.041).

The weighted average remaining contractual life of the unlisted options at the end of the financial year was 3.2 years (2021: 4.35 years).

For personal use only

19. Share-based payments (continued)

For the unlisted options granted, the valuation model inputs used to determine the total fair value of $222,869) (2021: $116,946) at the various grant dates using the Black-Scholes Option Model are as follows:

EIOP Options series	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date	Total fair value
4	8 Nov 22	1 Jul 26	$0.0385	$0.06	107.10%	3.70%	$0.025	$57,068
N/A	7 Nov 22	7 Nov 25	$0.038	$0.08	107.09%	3.37%	$0.02	$120,109
3	18 Jul 22	1 Jul 26	$0.03	$0.06	93.65%	3.21%	$0.016	$45,692
2	16 Aug 21	1 Aug 25	$0.066	$0.085	106%	0.57%	$0.044	$26,683
1	28 Jun 21	1 Jul 26	$0.04	$0.06	107.71%	0.79%	$0.029	$90,263

For further details in relation to the EIOP terms and conditions refer to page 11 of the remuneration report.

The total fair value of the unlisted options is expensed over the estimated vesting period. The share-based expense of $96,742 (2021: $86,047) was recognised in the consolidated statement of profit and loss and other comprehensive income for the year.

The share-based expense of $120,109 for the unlisted options granted to Taylor Collison for Lead Manager and equity market services for a placement capital raising was recognised as share issue costs within equity.

20. Financial risk management

Financial risk management policies

This note presents information about the Group's exposure to each of the risks below, its objectives, policies and procedures for measuring and managing risk including the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments and accounts payable and receivable. The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is set out below:

	Floating Interest Rate	Fixed Interest Rate	Non-interest Bearing	2022 Total	Floating Interest Rate	Fixed Interest Rate	Non-interest Bearing	2021 Total
	$	$	$	$	$	$	$	$
Financial Assets								
Cash and cash equivalents	1,764,307	-	-	1,764,307	2,138,935	-	-	2,138,935
Total Financial Assets	**1,764,307**	**-**	**-**	**1,764,307**	**2,138,935**	**-**	**-**	**2,138,935**
Financial Liabilities								
Trade and other payables	-	-	(228,846)	(228,846)	-	-	(520,999)	(520,999)
Total Financial Liabilities	**-**	**-**	**(228,846)**	**(228,846)**	**-**	**-**	**(520,999)**	**(520,999)**
Net Financial Assets/(Liabilities)	**1,764,307**	**-**	**(228,846)**	**1,535,461**	**2,138,935**	**-**	**(520,999)**	**1,617,936**

For personal use only

20. Financial risk management (continued)

Specific financial risk exposures and management

The main risks the Group are exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, equity and commodity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group's cash is held in an Australian financial institution which is considered to have high creditability. The Group believes that it has no major credit risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group has no income from operations and relies on equity fund raising to support its exploration programs. The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the consolidated statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

For personal use only

20. Financial risk management (continued)

The following are the contractual maturities of the financial liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$
Financial liabilities due for payment						
Trade and other payables	(228,846)	(520,999)	-	-	(228,846)	(520,999)
Total contractual outflows	**(228,846)**	**(520,999)**	**-**	**-**	**(228,846)**	**(520,999)**
Financial assets						
Cash and cash equivalents	1,764,307	2,138,935	-	-	1,764,307	2,138,935
Total anticipated inflows	**1,764,307**	**2,138,935**	**-**	**-**	**1,764,307**	**2,138,935**
Net inflow on financial instruments	**1,535,461**	**1,617,936**	**-**	**-**	**1,535,461**	**1,617,936**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Cash and cash equivalents bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate cash flow risk resulting from market fluctuations in interest rates. The Group has cash balances in bank accounts and short-term deposits. Due to the short-term nature of these financial instruments, the Group believes that risks related to interest rates are not significant to the Group at this time.

Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

Commodity Price risk

The ability of the Group to develop its properties and the future profitability of the Group is directly related to the market price of certain minerals. A sustained, significant decline in either the prices of the minerals, the Group's issued equities or investor sentiment can have a negative impact on the Group's ability to raise additional capital.

Once in production the Group initially expects to have an exposure to commodity price risk associated with the production and sale of gold, kaolin and lithium, However, the Group is still in the exploration stage.

For personal use only

20. Financial risk management (continued)

Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in note 18 and can be compared to their carried values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments whose carrying value is equivalent to fair value due to their mature include:

- Cash and cash equivalents;
- Receivables and other assets; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

21. Capital management

The directors' objectives when managing capital is to raise sufficient funds in order to maintain and execute the objectives identified in each mineral property project in the Group's exploration plan. There is no quantitative return of capital criteria set out for management, but instead the Group relies on the expertise of management to further develop and maintain its activities. The Group monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. The Group is not subject to any externally imposed capital requirements.

The Group considers its capital to be equity which comprises fully paid ordinary shares, share-based payment reserve, consolidation reserve and accumulated losses, which at 31 December 2022 amounted to $3,413,137 (2021: $2,140,383).

The mineral properties in which the Group currently has an interest are in the exploration stage, as such the Group is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Group will spend its existing working capital and raise additional amounts as required.

There were no changes in the Group's approach to capital management during the current or previous financial years.

The working capital position of the Group were as follows:

	Note	2022 $	2021 $
Cash and cash equivalents	8	1,764,307	2,138,935
Trade and other payables	13	(228,846)	(520,999)
		1,535,461	**1,617,936**

22. Auditor's remuneration

	2022 $	2021 $
Remuneration of the auditor of Kula Gold Limited for:		
Auditing or reviewing the financial reports		
Elderton Audit Pty Ltd	22,775	17,378
	22,775	**17,378**

For personal use only

23. Contingent assets/liabilities

There were no contingent assets or liabilities as at 31 December 2022 or 31 December 2023.

24. Commitments

Exploration expenditure

The minimum annual exploration and evaluation expenditure to keep the Group's tenements in good standing is $599,250 (2021: $521,250).

25. Controlled entities

On 16 May 2022, the Company incorporated a wholly owned subsidiary, Boomerang Kaolin Pty Ltd. This entity was incorporated to identify costs associated with the Boomerang Kaolin project on tenement E77/2621.

26. Subsequent events

- On 2 February 2023, the Company issued 1,300,000 unlisted employee incentive options exercisable at $0.06 on or before the expiry date of 1 July 2026. The unlisted options were issued under the capacity of the Company's incentive option plan ("EIOP") (approved by shareholders at the 2021 annual general meeting). 50% of the unlisted options issued vested immediately and the remaining 50% will vest 12 months from the issue date, subject to meeting conditions outlined in the terms of the incentive option plan. 1,000,000 unlisted employee incentive options exercisable at $0.06 on or before the expiry date of 1 July 2026 lapsed as a results of the employment conditions not being satisfied. As at the date of this report the Company had 8,958,782 unlisted options on issue under the EIOP leaving a capacity of 33,782.

- The Company completed an air-core and RC reconnaissance drilling program testing six high-priority targets at the 'eye' structure. 614 composite samples have been sent for analysis and 90 of those samples have been requested for expedited processing as it appears the Westonia Project is situated on the same structural system as the 2Moz operating Edna May Gold Mine less than 5km away.

- On 3 March 2023, the Company released a Notice of General Meeting for a meeting to be held on 31 March 2023. Shareholder approval will be sought for the acquisition of a 70% interest in the Kirup Project and to issue consideration shares to Sentinel Exploration Limited. Refer to pages 12 & 13 for further information.

- The Company has extended the binding Farm-In Agreement with Australian Critical Minerals Pty Ltd by 3 months to 30 June 2023 in respect of the Company's non-core Rankin Dome Project comprising of three tenements being E77/2709, E77/2753 and E77/2768.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

For personal use only

Additional Information for Listed Public Companies

The following additional information as at 23 March 2023 is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital

a. Fully paid ordinary shares

361,211,921 fully paid ordinary shares held by 918 shareholders.

b. Listed options

The Company has no listed options on issue.

c. Unlisted options

8,350,000 unlisted options exercisable at $0.06 expiring 1 July 2026 held by 9 optionholders.

575,000 unlisted options exercisable at $0.085 expiring 1 August 2025 held by 3 optionholders.

6,000,000 unlisted options exercisable at $0.08 expiring 7 November 2025 held by 1 optionholder.

d. Performance Shares

The Company has no performance shares on issue.

e. Voting Rights

The voting rights attached to each class of equity security are as follows:

- Fully paid ordinary shares: Each fully paid ordinary share is entitled to one vote.
- Listed and unlisted options: Optionholders of listed or unlisted options are not entitled to vote by virtue of holding an option.

f. Substantial Shareholders as at 23 March 2023

Name	Number of Fully Paid Ordinary Shares Held	% Held of Issued Ordinary Capital
Bowman Gate Pty Ltd <The Discovery A/C>	38,100,000	10.55%
J P Morgan Nominees Australia Pty Limited	28,043,160	7.76%
Merchant Holdings Pty Ltd	21,028,738	5.82%

g. Distribution of Shareholders as at 23 March 2023

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	53	12,264	0.00
1,001 – 5,000	43	119,513	0.03
5,001 – 10,000	44	364,191	0.10
10,001 – 100,000	438	18,303,145	5.07
100,001 – and over	340	342,412,808	94.80
	918	361,211,921	100.00

h. Unmarketable Parcels as at 23 March 2023

328 fully paid ordinary shareholders holding less than a marketable parcel of shares.

i. On-Market Buy-Back

There is no current on-market buy-back.

j. Restricted Securities

2,200,000 unlisted options exercisable at $0.06 expiring 1 July 2026.

For personal use only

k. 20 Largest Shareholders — Ordinary Shares as at as at 23 March 2023

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	BOWMAN GATE PTY LTD <THE DISCOVERY A/C>	38,100,000	10.55%
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	28,043,160	7.76%
3.	MERCHANT HOLDINGS PTY LTD	21,028,728	5.82%
4.	CITICORP NOMINEES PTY LIMITED	16,223,104	4.49%
5.	MR RICHARD ALEXANDER CALDWELL	8,500,000	2.35%
6.	HENGGELER SUPER PTY LTD <TOP BANANAS SUPER FUND A/C>	8,000,000	2.22%
7.	JOHN & EMMA HANNAFORD SUPERANNUATION PTY LTD <THE HANNAFORD SUPER FUND A/C>	6,875,000	1.90%
8.	COLLEGE SEARCH PTY LTD	5,918,208	1.64%
9.	AMBER CLOUD PTY LTD	5,812,500	1.61%
10.	SAILORS OF SAMUI PTY LTD	5,318,018	1.47%
11.	CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	5,245,092	1.45%
12.	MR ALAN CONIGRAVE	4,220,277	1.17%
13.	PETERLYN PTY LTD <RPC SALMON SUPER FUND A/C>	4,000,000	1.11%
14.	KALARRA HOLDINGS PTY LTD	3,750,000	1.04%
15.	ASCOT PARK ENTERPRISES PTY LTD <MERCHANT PENSION FUND A/C>	3,750,000	1.04%
16.	HARBOUR VIEW CAPITAL PTY LTD	3,500,000	0.97%
17.	MR ADAM ANDERSON	3,250,000	0.90%
18.	MVM INVEST PTY LTD <MERRY SF A/C>	2,718,398	0.75%
19.	MR SAMUAL DONALD WIMMER	2,618,500	0.72%
20.	M & K KORKIDAS PTY LTD <M & K KORKIDAS PTY LTD A/C>	2,506,000	0.69%
	TOTAL	**179,376,985**	**49.65%**

2 Principal registered office

As disclosed in the corporate information of this Annual Report.

3 Registers of securities

As disclosed in the corporate information of this Annual Report.

4 Stock exchange listing

Quotation has been granted for the fully paid ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the corporate information of this Annual Report.

5 Use of funds

The Group has used its funds in accordance with its business objectives.

For personal use only

Interest in mining tenements (as at date of this report)

Tenement No.	Project	Interest	Grant Date	Area km^2
E15/1819	Boorabbin	!00%	27 Jan 22	38
E28/2942	Lake Rebecca	100%	21 Apr 20	150
E28/3029	Lake Rebecca	100%	10 Mar 21	47
E70/5513	Brunswick	100%	23 Feb 21	45
E70/5599	Brunswick	100%	26 Jul 21	240
E70/5645	Brunswick	100%	6 May 21	3
E70/5660	Brunswick	100%	28 Apr 21	3
E70/5703	Brunswick	100%	26 May 21	17
E70/5693	Burracoppin	100%	11 May 21	55
E77/2621	Marvel Loch	100%	3 Sept 20	117
E77/2806	Marvel Loch	100%	19 Jul 22	170
E77/2709	Rankin Dome	100%	8 Oct 21	160
E77/2753	Rankin Dome	100%	8 Oct 21	65
E77/2768	Rankin Dome	100%	26 Mar 21	106
E77/2756	Westonia	100%	8 Oct 21	160
E77/2757	Westonia	100%	8 Oct 21	143
E77/2762	Westonia	100%	8 Oct 21	6
E77/2766	Westonia	100%	8 Oct 21	50

For personal use only