



Ark to Sell Mt. Porter and Frances Creek Tenements

Sydney, 23 July 2018: The board of Ark Mines Ltd (**ASX:AHK**) is pleased to provide an update on recent activities concerning its Pine Creek and Tanami Region gold projects.

- AHK has entered into a binding term sheet with Territory Iron Pty Ltd (**Territory**) to sell Mt. Porter (ML23839 and ELR116), Frances Creek (EL23237) and exclusive gold rights over various mining leases and exploration tenements held by Territory and associated companies (**Pine Creek Assets**).
- The sale price for the Pine Creek Assets is \$4M cash plus GST, if any is payable (**Sale**).
- Territory has agreed to pay a \$500,000.00 non-refundable deposit.
- Sale terms have been agreed with Chan Investments Limited (**Chan**), which provided AHK a gold loan facility (*refer AHK announcement 05/08/2016*), secured by charges over AHK property including the Pine Creek Assets. Under this facility AHK drew down US\$2.6M.
- \$3.75M from the Sale will repay Chan in full and upon completion of the relevant sales Chan will fully release AHK from any and all claims.
- AHK is now preparing definitive documents to give effect to the arrangements between AHK and Territory and AHK and Chan, which AHK expects to be finalised within the next month.
- AHK and ABM Resources NL (now Prodigy Gold NL) remain engaged in negotiating definitive documents concerning the Old Pirate project (*refer AHK announcement 17/04/2018*).
- AHK is now actively exploring the combination of Union Extended and Glencoe with other projects in the Pine Creek region.

Pine Creek Asset Sale

Due to factors outside of AHK's control, it has not been practicable to process Mt. Porter gold ore as and when expected.

AHK had originally negotiated a toll treat agreement with Crocodile Gold Australia Operations Pty Ltd (**Crocodile**) (*refer AHK announcement 18/08/2015*) prior to procuring the Mt. Porter mining management plan (**MMP**) approval. Despite AHK's diligent efforts, the MMP approval encountered unexpected delays and environmental hurdles, notwithstanding a comprehensive public environmental report for Mt. Porter having been prepared in 2006.

Due mainly to delays associated with the MMP approval, the Crocodile toll treat agreement was terminated and replaced with a processing agreement with NT Mining Operations Pty Ltd, then under the control of Newmarket Gold (**Newmarket**) and now under the control of Kirkland Lake Gold. Further delays were encountered in negotiating a new agreement with Newmarket and resulted in significantly higher processing costs for AHK that necessitated significant modifications to the planned mining operations.



Just prior to AHK intending to commence Mt. Porter mining, Union Reefs processing costs were increased to uneconomic levels for AHK due mainly to the Cosmo mine being put into care and maintenance (*refer AHK announcement 10/05/2017*).

As a consequence of the series of challenges and delays associated with processing Mt. Porter ore at Union Reefs mill, AHK decided the only viable strategy was to establish its own processing plant at the Union Extended project (**UE Plant**) (*refer AHK announcement 14/08/2017*).

The commitment that AHK had secured to fund the UE Plant (*refer AHK announcement 24/10/2018*) could not be closed.

Old Pirate Project

AHK has focused its activities on producing gold as soon as reasonably practicable. When it became evident that gold was unlikely to be produced from Mt. Porter in the near future, AHK actively sought alternative gold mining projects upon affordable terms that already had MMP approval and necessary processing infrastructure in place. This was and remains the rationale for AHK's interest in the Old Pirate project.

Due to Chan holding security over all of AHK's assets (including future assets) it was necessary for AHK to either repay Chan or procure its consent to releasing security so Old Pirate could be funded.

AHK had secured a commitment that would have repaid Chan in full and provided all initial funding to bring the Old Pirate project into production (*refer AHK announcement 17/04/2018*). Regrettably, the commitment AHK procured was withdrawn. AHK encountered resistance from other potential funders that were precluded from or not prepared to contribute funds to paying out or reducing the Chan debt.

In the circumstances, AHK decided the best strategy moving forward was to:

- sell the Pine Creek Assets;
- repay Chan; and
- focus AHK resources on the Old Pirate project and the Tanami region.

AHK proposals for Old Pirate funding and associated cash modelling do not now include any component for reducing the debt due to Chan.

Union Extended & Glencoe

AHK is now engaged in discussions with a company interested to invest in the Pine Creek area and is hopeful of entering into documented arrangements in the near future.



Potential arrangements concern the possible combination of certain Pine Creek projects with:

- Union Extended (over which AHK holds an option to purchase that was recently extended to 10 November 2018); and
- the Glencoe mining lease for which MMP approval for open pit mining has been secured and remains in place (*refer AHK announcement 13/10/2015*).

Accounting

Repayment of the Chan debt will have a material and positive outcome for AHK's accounts.

Since 29 June 2017, US\$2.6M drawn-down under the Chan gold loan facility (**Gold Loan**) has been classified for accounting purposes as a derivative instrument. The carrying value for this instrument was \$5.89M, as at 31 December 2017, representing the fair value of the gold to be delivered under the Gold Loan.

Repayment of Chan will extinguish the Gold Loan and return approximately \$2.14M to AHK's profit and loss account from the date of final repayment.

Other

Since listing AHK has resisted share issues that unnecessarily dilute shareholders. No options have ever been issued.

As a consequence of careful management of its share capital, AHK has maintained a very tight capital structure of less than 50M ordinary shares, which has intrinsic value to shareholders particularly when earnings are generated.

FURTHER INFORMATION: Roger Jackson, Managing Director, Ark Mines Ltd: rjackson@arkmines.com.au

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Roger Jackson BSc, Grad Dip Fin Man, Dip Ed, AICD, who is a Member of The Australasian Institute of Mining and Metallurgy and who has more than five years' experience in the field of activity being reported on. Mr Jackson is a director of the Company. Mr Jackson has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jackson consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.