



ACN 123 668 717

# ***Annual Report***

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*For the Year Ended 30 June 2018*

## CORPORATE DIRECTORY

<b>Directors</b>	Antony B Corel Roger A Jackson Ian B Mitchell
<b>Company Secretary</b>	Ian B Mitchell
<b>Registered office</b>	C\ - Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
<b>Principal Place of Business</b>	C\ - Professional Edge Pty Ltd Level 7 1 Margaret Street Sydney NSW 2000
<b>Share Register</b>	Next Registries PO Box H195 Australia Square NSW 1215 Ph: +61 2 9276 1700
<b>Auditor</b>	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
<b>Solicitors</b>	Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
<b>Bankers</b>	National Australia Bank Level 15, Ernst and Young Centre 680 George Street Sydney NSW 2000
<b>Accounting Services</b>	Professional Edge Pty Ltd GPO Box 1458 Sydney NSW 2000
<b>Securities Exchange Listing</b>	Ark Mines Ltd. shares are listed on the Australian Securities Exchange (ASX code: AHK)
<b>Website address</b>	<a href="http://www.arkmines.com.au">www.arkmines.com.au</a>



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# *Annual Report*

*For the Year Ended 30 June 2018*

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## CHAIRMAN'S LETTER TO SHAREHOLDERS

For the year ended 30 June 2018



*“The Board remains committed to the Company achieving gold production as soon as is reasonably practicable and is working hard to achieve that goal”*

Dear Fellow Shareholders,

The last 12 months have proved extremely complex, challenging and exasperating.

Since 2015 we have been focused on producing gold as soon as is practicable. The Board thought this could be achieved through our Mt. Porter tenement. Regrettably, through reasons beyond our control, the toll treat agreement we initially secured with Crocodile Gold Australia Operations Pty Ltd was terminated and we had to accept a new agreement with less favourable terms from the new controller of the Union Reefs mill.

Having successfully navigated many challenges and obstacles placed in its way, the Company was ready to mine Mt. Porter in the second half of 2017. However, when the Board learned the Cosmo mine had been put into care and maintenance and as a direct consequence thereof the charges for processing Mt. Porter ore would increase to levels which were uneconomic for Mt. Porter mining, the Board had no option but to rethink the Mt. Porter mining strategy.

Due to the difficulties in securing funds to establish our own processing plant the Company searched for a gold mining project that had in place a processing plant and all relevant permissions to start mining almost immediately. The Board was fortunate to locate the Old Pirate project and to negotiate satisfactory terms.

To keep faith with our Mt. Porter funder however, it was decided to sell our Mt. Porter and Frances Creek assets and pay-out Chan Investments Ltd to focus on our Old Pirate project. We were fortunate to find a willing buyer in Territory Iron Pty Ltd and have secured reasonable terms and conditions.

At the time of writing the Board is focused on closing agreements to give effect to the previously referenced transactions.

Your Board has had to be nimble in reacting to unexpected events and has had to make some difficult decisions. We believe the decisions we have made are in the Company's best interests and we have made them promptly. The Board remains committed to the Company achieving gold production as soon as is reasonably practicable and is working hard to achieve that goal.

I would like to thank you for your continuing support and look forward to sharing further and more positive developments with you in the near future.

A handwritten signature in black ink that reads "Antony B Corel". The signature is fluid and cursive.

Antony B Corel  
**Chairman**  
28th day of September 2018



*“Following a strategic review of its operations, Ark will concentrate on the near-term gold producers, Old Pirate and Buccaneer in the Tanami Northern Territory and sell its Mt. Porter and Frances Creek projects”*

### Operational Highlights for the Year

- Ark undertook a strategic review of its operation over the June quarter, resulting in a directional change whereby Ark will concentrate on the near-term gold producers, Old Pirate and Buccaneer in the Tanami Northern Territory and sell its Mt. Porter and Frances Creek projects.
- Ark entered into a letter agreement with Prodigy Gold NL (formerly ABM Resources) to acquire the Old Pirate project and an exclusive option to negotiate acquisition of the Buccaneer project. Both gold mining projects are situated in the Northern Territory's Tanami region.
- Since the end of the financial year, Ark has entered into a binding term sheet with Territory Iron Pty Ltd to sell Mt. Porter (ML23839 and ELR116), Frances Creek (EL23237) and gold rights over various mining leases and exploration tenements held by Territory Iron and associated companies.
- Ark completed the final environmental work at the Union Extended Mining Lease, as required by the mining management plan approval, for the proposed Gold Processing plant.
- 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.

### Strategic Review

During the June quarter, Ark Directors undertook a strategic review of the options to move the Company into production. While the Company had made significant steps, towards developing its Pine Creek assets towards gold production, including a robust mine plan for Mt Porter there was no near-term solution to treating its gold ore in the area. This was exemplified when Ark was informed by Kirkland Lake that they had no near-term plans to treat the Mt Porter ore at their Union Reef CIL gold plant.

Ark in anticipation of this, had been working towards permitting a gold plant at Union Extended, a mining lease it has under option, nearby to its mining and exploration leases in Pine Creek. However, based on the experience with permitting Mt Porter, the delay in environmental studies due to the summer rain event and the understanding of the substantial lead times required in permitting other mining operations are having in the Northern Territory, the Directors felt the Union Extended CIL plant may take some time to bring into commerciality. It was therefore decided to pursue a deal on the Old Pirate and Buccaneer projects with Prodigy Gold NL (formerly ABM Resources NL) (“Prodigy”), as Ark had been evaluating these projects for some time, and felt a permitted project with full mining infrastructure in place would provide better value for the Ark shareholder going forward.

Old Pirate is permitted to mine and process gold, has an existing gravitational gold plant, mine camp, airstrip and walk up gold feed.

While the sale of Mt Porter and Frances Creek has reduced the gold resources of Ark in the Pine Creek region the Company still retains the Glencoe Mining Lease and the option over Union Extended.

Both of these are valuable assets and the Company intends to realise their value as part of a broader financing strategy to complete the Old Pirate and Buccaneer project transactions.

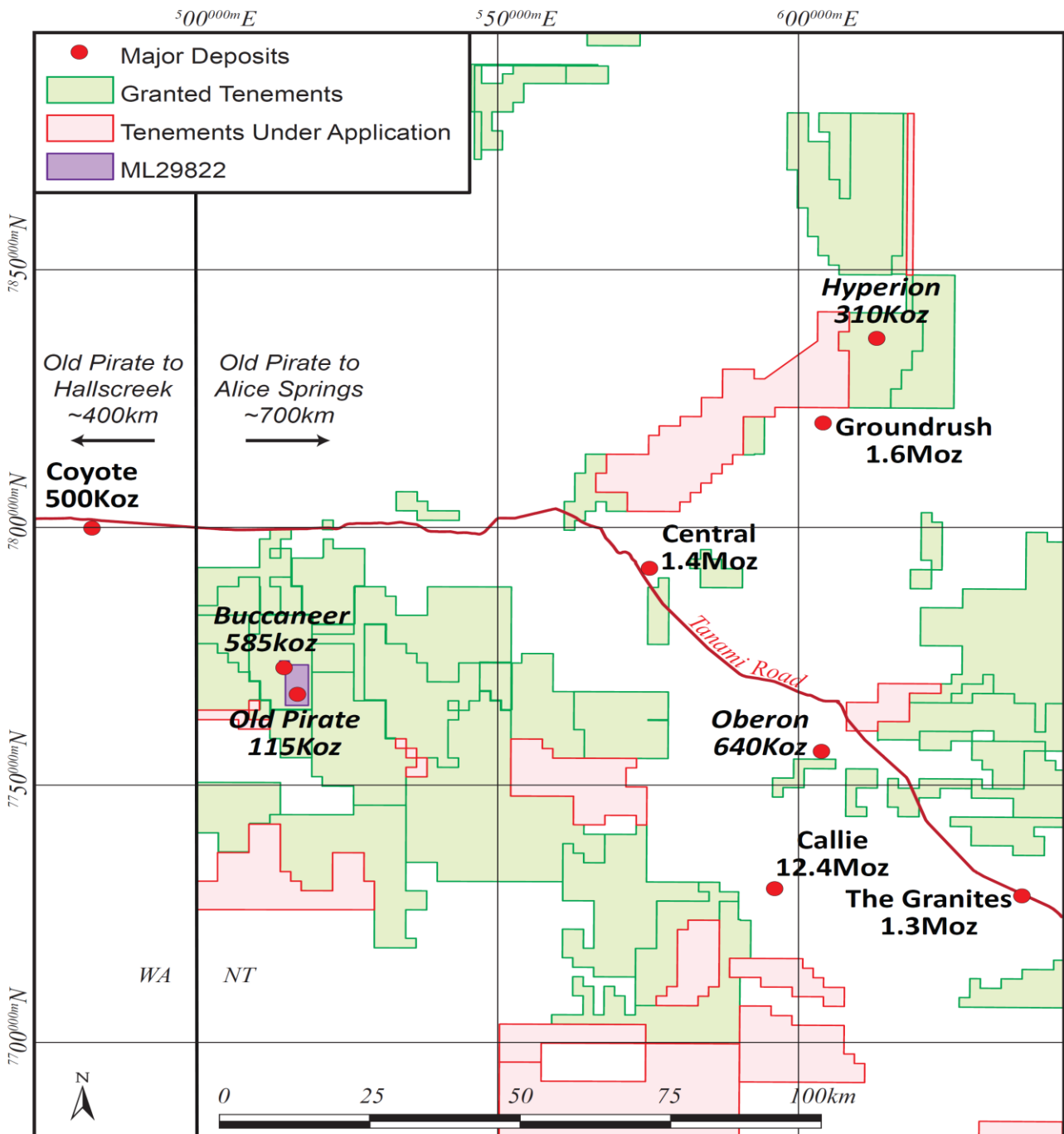
**Old Pirate and Buccaneer Option**

AHK and Prodigy entered into a letter agreement pursuant to which the parties shall in good faith negotiate an operating agreement for the Old Pirate project pursuant to which Ark shall be entitled to explore and mine the Project area. The Agreement also grants Ark two options, namely an option to:

- purchase the project area, the processing plant, camp infrastructure and tailings dam situated within the project area and be assigned leases to the western bore field, airstrip and access road. This option may be exercised at any time during the term of the Operating Agreement provided AHK has made required payments to Prodigy; and
- negotiate purchase of the Buccaneer project. This option provides AHK a window of 60 business days to conclude purchase terms.

**Old Pirate**

The Old Pirate project is situated on ML29822 which is located in the highly prospective Tanami region of the Northern Territory, approximately 75km from Newmont Mining's "Callie" gold mine.



Project highlights include:

- good access from the Tanami Highway;
- Serviced by Alice Springs;
- a 20 tph processing plant;
- fully operational camp infrastructure;
- tailings dam;
- quality water supply from a series of bores;
- licensed airstrip nearby;
- full and comprehensive EIS previously completed;
- permitted for open-cut gold mining and presently on care and maintenance;
- low entry cost; and
- prompt start-up to gold production.

Ark plans to recommence open-cut gold mining soon after the Operating Agreement is concluded and the revised MMP is granted and then following the surface mining will progress to underground mining.

The Old Pirate deposit hosts an indicated and inferred mineral resource estimate ("MRE") of **760,000t grading 4.7g/t for 114,900oz** of contained gold using a 1g/t lower cut-off grade. The MRE was prepared by CSA Global in August 2016 following completion of trial mining.

## Geology

The Old Pirate high-grade gold deposit (the "Deposit") is located near the centre of the Granite-Tanami Orogen ("GTO"). The GTO (Bagas, et al., 2013) includes the Tanami Supergroup, Ware Group and associated intrusive rocks. Younger Meso- to Neoproterozoic cover sediments overlie the GTO. Archean basement to the GTO does not occur in the Twin Bonanza area.

The Tanami Supergroup is divided into the Dead Bullock Group and the Killi Killi Formation. The Dead Bullock Group is a shale-dominated turbidite succession, occasionally iron-rich with minor chert beds (Bagas, et al., 2013; Crispe and Scrimgeour, 2007). The Dead Bullock Group exceeds 1 km thickness. The upper Dead Bullock Group becomes sandier as it transitions into the Killi Killi Formation. The transition is likely to be a result of changing provenance rather than depositional environment. The ~4 km Killi Killi Formation is a sand-dominated turbidite succession with thinly- to thickly-bedded, interbedded sandstones, siltstones and claystones (shale-topped sands (STS)). Some thicker siltstones/claystones (mega-shales) and amalgamated coarse channel sands, averaging 15 m respectively, punctuate the STS. Dolerite sills and dykes commonly intrude the Upper Dead Bullock Group and Killi Killi Formations.

The Pargee Sandstone is a thick succession of interbedded fluvial conglomerate, pebbly sandstone, quartz arenite and minor siltstone. The Pargee Sandstone has a maximum depositional age of 1,768+/-14 Ma (Cross and Crispe, 2007).

The Gardiner Sandstone is a cover succession of marginal marine sandstones containing herringbone cross stratification, ripple marks, intraformational conglomerates and halite pseudomorphs. Younger flat-lying Cambrian Basalts are also preserved as platform cover in areas protected from erosional stripping. Tertiary palaeochannels reach 10 km wide and are greater than 100 m deep.

Gold mineralisation in the GTO is commonly associated with anticlinal structures. Old Pirate and Coyote occur within Killi Killi Formation sandy turbidites in anticlines. Callie occurs within Dead Bullock Group shaley turbidites in an anticline. Groundrush and Hyperion occur in shear zones in dolerite and granite respectively. The notable exception is the Central Tanami mines that are fault-hosted deposits in interbedded basalts and sandy turbidites of the Mount Charles Formation, more recently considered part of the upper Dead Bullock Group (Bagas, et al., 2013).

The Old Pirate deposit is a coarse gold system that is hosted within both bedding-parallel and discordant quartz veins located in two, southerly plunging anticlines. Recent pit investigations and detailed mapping have helped gain further understanding of the constraints on the mineralisation within the system. The deposit has been divided into five geological domains as follows:

- Western Limb.
- East Side (which includes Old Pirate South).
- Central.
- Old Glory.
- Golden Hind.

Boucher (2011) noted two principal deformation events associated with the generally anticlinal structural setting that has been defined for the Old Pirate deposit. The first of these events does not produce a foliation (Boucher, 2011). While this is not well explained by Boucher (2011) in the context of fold patterns observed, Lambeck et al. (2009) provide a potential mechanism for this. In their paper they have proposed "Inversion" during the Tanami Event C 1,830 Ma, based on various constraints including geochronology and geochemical characterisation of the various sedimentary and doleritic units in the Tanami of Basin. Inversion, or early extension basin formation followed by compressional inversion, can create initial early extension slide related folding (e.g. Coward and Potts, 1983). As

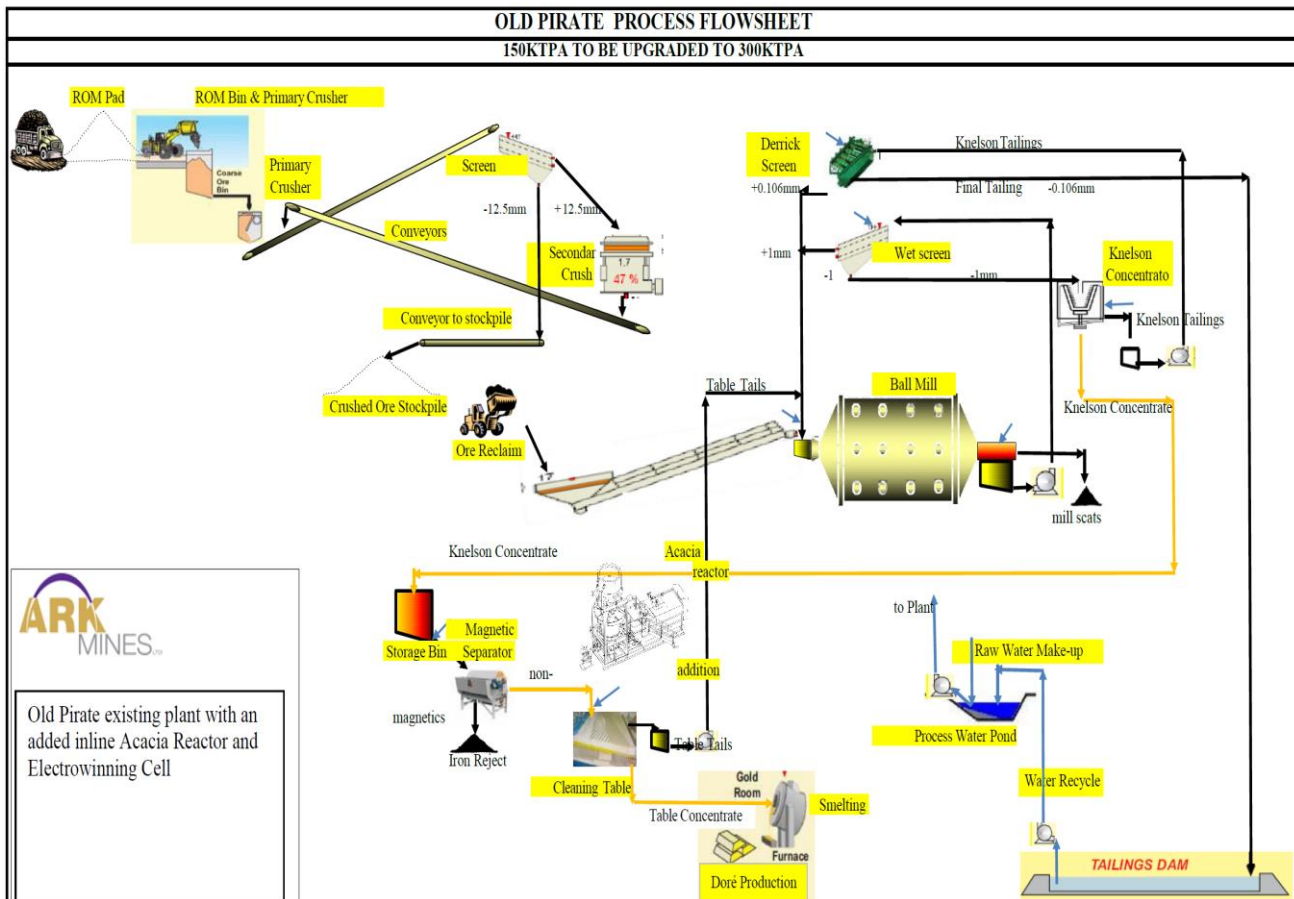
# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

For the year ended 30 June 2018

there is no compression during the early extensional event, no foliation is expected to be formed, except perhaps locally due to areas of anomalous compression. Boucher (2012, November (b)), in assessing the regional framework of the Twin Bonanza area, recognised inversion as a significant process in this area, providing a better mechanism than his earlier "toe thrust" model (Boucher, 2011). The subsequent "inversion" of the extensional architecture tightens (and probably overtightens) the anticline, and is responsible for the noted "single, dominant north-south cleavage" (Boucher, 2011).

## Metallurgy

- 92% of Old Pirate gold in the oxide zone has been shown to fall into the +75µm size fraction.
- Gravity only recovery at P80 = 75µm is 98% and at P50 = 75µm P50 = 106 µm recovery is 97%.
  - This is confirmed by low efficiency Wilfley table yields.
  - This is further confirmed by trial mining and gravity only recovery in the OP gravity plant.
- Recovery during full mining at the Coyote CIP plant remained high at an average 98.8% as mining progressed towards and into the transition zone with increasing sulphides of increased species diversity.
- Petrography shows coarse gold remains present at depths of 250m, 100m below the transition to fully fresh rock.
- Petrography shows that secondary upgrading in gold fineness and potentially in grain size is attributable to metamorphic processes and is not weathering dependent.
- CSIRO SEM and EDS studies show that secondary gold grains have 1% silver or less, and primary gold grains which are unaltered from deposition have silver content above 4%.
- Perth Mint out-turns show that even in the trial mining of the oxidised zone, the silver content averaged 7.2% and thus the majority of gold is primary and unaltered from its initial deposition in the Old Pirate mineralisation.
- Even low grade 1.0 to 2.5 g/t tails are amenable to gravity recovery and yield a concentrate of grade sufficient for viable Acacia recovery.
- The coarse native gold mineralisation style and grain size distribution of the Old Pirate resource appears to be a hypogene feature of its TAG mesothermal petrogenesis with supergene metamorphic mesothermal process that upgrade fineness having little overall effect on the nature of the mineralisation. The grainsize distribution is the major contributor to the exceptional gravity recovery of the deposit. However, given this grain size distribution, even should fresh sulphides at depth encapsulate a significant percentage of gold grains, it is highly unlikely that the mineralisation would behave in a refractory manner since at a standard P80 75µm grind, the majority of individual grains would be effectively exposed to a cyanide leachate.





## Infrastructure

- The project is connected to the Tanami Highway by a formed road.
- A licenced airstrip facilitates charter flights to various centres in WA and the NT.
- A fully operational camp services exploration activities and has been previously expanded to support mining operations.
- There is a gold treatment plant on site with a nominal throughput rate of 20 tph.
- Good quality water is available from a series of fully equipped bores.

## Buccaneer

The Buccaneer project is also situated on ML29822 and located to the north of Old Pirate.

- Current published Indicated and Inferred resources have been estimated for Buccaneer at two different cut-off grades:
  - 22.7 Mt at 1.2 g/t containing 875,000 oz of gold using a 0.5 g/t cut-off grade (Optiro 2017).
  - 10 Mt at 1.82 g/t containing 585koz of gold using a 1.0 g/t cut-off grade (Optiro 2017).

Subject to further due diligence and negotiation of satisfactory purchase terms, Ark considers that Buccaneer would be an excellent acquisition for Ark and has the capacity to deliver significant gold production over many years.

## Union Extended & Glencoe Options

Ark is now engaged in discussions with companies 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 Ark 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 Ark announcement 13 October 2015).

## Union Extended

### Completion of Union Extended Environmental Studies for the Mine Management Plan

During the June quarter Ark completed the final environmental work at the Union Extended Mining Lease, as required by the mining management plan approval, for the proposed Gold Processing plant.

The work was delayed due to unprecedented rain. The work was undertaken by Northern Resource Consultants Group and included:

- Groundwater Study.
- Soils Study.
- Flora study.
- Fauna study.

These studies along with previous work including;

- groundwater modelling of the union Extended Gold Processing project;
- tailings management;
- calibration of the site water balance;
- water monitoring program;
- gold Plant design;
- tailings characterisation;
- tailings dam design; and
- Infrastructure design.

## Glencoe

### Location

Access to the Glencoe is from Darwin, capital of the Northern Territory, which is an important communication and transportation centre, with a busy port and international airport providing daily services to other Australian capital cities and several Asia-Pacific destinations.

The Stuart Highway, the area's major thoroughfare, and the Adelaide-to-Darwin transcontinental railway line bisect Australia in a north-south sense and provide access to the Burnside Gold Projects. The mining areas and Union Reefs plant sites are easily accessed via good all-weather roads and there is excellent road, rail, water and electric power infrastructure.

# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

For the year ended 30 June 2018

The Burnside Project lies between the towns of Pine Creek and Adelaide River to the southeast of the Northern Territory's capital city of Darwin. Access is gained to the Burnside Project from Darwin by travelling for some 160km along the sealed Stuart Highway, thence turning north-easterly along the sealed Fountain Head Road for some 12km.

## Mineralisation

Mineralization at the Glencoe deposit is reported as being located in three mineralized zones, the largest of which is around 700m in strike length, 100m down dip and up to 15m in width.

The majority of mineralization at Glencoe occurs in quartz veining as either gold interstitial to pyrite- arsenopyrite aggregates or inclusions in quartz. Higher grades are observed where late stage chlorite alteration with associated shearing and brecciation overprints mineralized quartz veins. Gold is mostly fine grained, but there is great variation with reports of visible gold in core. Gangue minerals include chlorite, quartz, tourmaline and carbonaceous matter (Milligan, 1988). Oxidized sulphides in the weathered zone have been replaced by goethite and limonite as fracture coatings and box works.

The mineralization at Glencoe is considered structurally complex; it is hosted by a number of sub-vertical fractures, roughly parallel to the axial plane of the major anticline and is of varying thicknesses (ranging 2- 10m) with strike lengths up to 100m; this is where the majority of gold mineralization occurs. Minor gold is ISO associated with cross structures and late intermediate dykes. Gold bearing sub-vertical, lenticular fractures also occur in subsidiary flexures up to 200m from the main anticline axial plane, as is the case in the North Central Pit.

The complexity of mineralization and resultant variability in grade became apparent in a close spaced (2.5m) vertical drilling program conducted in 1988.

## Metallurgy

Moderate variability in gold grades, indicates the presence of coarse-grained gold in the ore.

### Gravity Cyanidation leach test work

Gravity separation and subsequent cyanidation time leach test-work was carried out on a representative sub-sample of the Glencoe Composite at a grind size of P80 :75 µm.

The test-work was conducted to determine a baseline gold extraction level.

Summary of results:

- Gravity recoverable gold comprised 45.84% of total gold content.
- Overall gold extraction after 36 hours was relatively high at 95.85% of total gold content.
- Reagent consumption levels were relatively low.

Comp Identity	Test No.	Grind Size P <sub>80</sub> (µm)	% Au Extraction @ hours								Consumption (kg/t)	
			Gravity	1	2	4	6	12	24	36	Lime	NaCN
Glencoe Comp	DM2016 DM2017	75	45.84	70.04	78.43	85.25	88.09	93.26	94.43	95.85	1.01	0.77



Roger Jackson  
Managing Director

28th day of September 2018

*The information in this report relates to Exploration Results associated to Ark Tenements, and has been compiled by Roger Jackson BSc, Grad Dip Fin Man, 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.*

**FURTHER INFORMATION: Roger Jackson, Managing Director, Ark Mines Ltd.: +61 400 408 550**

Your Directors present their report together with the financial statements of Ark Mines Ltd (the "Company" or "Ark") for the financial year ended 30 June 2018.

### Review of Operations

The Company's strategic goal is to become gold producer in the near to medium term. Following the termination of the Union Reefs Mill toll treatment agreement on 14 August 2017 the Company secured a six-month exclusive option ("Option") to acquire the nearby Union Extended ("UE") project comprising MLs 30214, 30215, 30216, 30217 and 30218 ("Optioned MLs"). The Option was extended on 5 February 2018 and again on 5 May 2018 and now expires on 10 November 2018.

The Option secured the Optioned MLs while the Company prepared a mining management plan ("MMP") for submission to the Department of Planning and Industry ("DPI") in the Northern Territory. The MMP sought approval to use the UE project as a site for the establishment and operation of a relocatable processing plant to support mining at the Company's Mt. Porter, Glencoe and Frances Creek projects.

On 24 October 2017 the Company signed a binding Term Sheet with Chan Investments Limited ("Chan") and Panasia Limited ("Panasia"), whereby Panasia agreed to debt fund the acquisition of the Optioned MLs and to fund the Ark Mill.

On 9 March 2018 the Company announced that its completed MMP for its Glencoe project had been approved by the NT DPI. The Company also announced that it had secured an extension of the Option until 5 May 2018 to allow further time for completion of the UE MMP, which had been delayed by unusually heavy summer rains and that negotiations for the supply of a suitable CIL gold processing plant were underway.

Significant progress had been made with the Ark Mill. However, delays in the completion of the MMP and the substantial lead times involved in permitting mining operations in the NT caused the Company to rethink its plan to progress its Mt. Porter, Glencoe and Frances Creek projects as the most effective and low-cost way to achieve its near to medium term gold production goal.

At this time the opportunity arose for the Company to acquire an interest in the Old Pirate and Buccaneer gold projects owned by Prodigy Gold NL (formerly ABM Resources NL) ("Prodigy"). For some time, Directors had been evaluating the Old Pirate and Buccaneer projects and the Board felt that these fully permitted projects with mining infrastructure already in place might provide the Company with a shorter and less arduous path to gold production.

On 17 April 2018 the Company announced that it had entered into a letter agreement ("Letter Agreement") with Prodigy to negotiate in good faith and within 60 days, a 10-year operating agreement ("Operating Agreement") for the exploration and mining of the Old Pirate project area commencing on the date all government consents are received ("Commencement Date"). Notwithstanding the expiration of the 60 days, both parties continue to actively negotiate the Operating Agreement.

The Letter Agreement contemplates that Ark:

- pay to Prodigy \$200,000 within 14 business days of the Commencement Date;
- reimburse Prodigy all ML holding costs backdated to the execution of the Letter Agreement;
- replace \$1.7m in bonds over the MLs on approval of an MMP;
- reimburse Prodigy \$201,412 for rehabilitation costs within 14 days of MMP approval; and
- pay a 2.5% pa net smelter royalty to Prodigy for gold sales exceeding \$5m.

The Letter Agreement also contemplates the Company being granted the option to:

- purchase the Old Pirate project at any time after the Commencement Date for \$500,000 including the processing plant and camp and be assigned the leases for the airstrip and road; and
- negotiate the purchase of the Buccaneer Project at any time within 60 days of the Letter Agreement.

The Old Pirate project is situated on ML29822 in the highly prospective Tanami region of the Northern Territory approximately 75km from Newmont Mining's "Callie" gold mine. Full details of the project were included in the Company's June 2018 Quarterly Report which was released to the ASX on 31 July 2018.

On 23 July 2018 the Company announced that it had had secured an interested investor who was expected to provide sufficient funding for the Company to commence mining at Old Pirate under an Operating Agreement and repay the US\$2.6m previously drawn down Chan debt facility. Repayment of the Chan debt facility was necessary to release Old Pirate as security for Old Pirate funding. Unfortunately, the investor did not proceed with this funding and the Company has reserved its rights in this regard.

On 20 July 2018 the Company entered into a binding term sheet with Territory Iron to sell its Mt Porter and Frances Creek Projects for \$4.0m plus GST (if applicable) of which \$500k has been received as a non-refundable deposit. On receipt of the balance of \$3.5m, \$3.75m will be used to repay the US\$2.6m previously drawn down on the loan from Chan, releasing security over all Company assets for new funding initiatives.

During the June quarter, the Company completed the final environmental work at the UE project, the Company is now engaged in discussions with interested parties to divest this project. The Company is also in discussions with parties interested to acquire its Glencoe project. Funds raised from the Company dealing with its UE and Glencoe projects will be applied to the acquisition of the Old Pirate project. A share placement or further debt funding might also be considered in the near future year for the acquisition and further development of the Old Pirate and Buccaneer projects.

The loss after income tax for the full year ended 30 June 2018 was \$647,007 (2017: \$3,918,034).

# DIRECTORS' REPORT

For the year ended 30 June 2018

## Principal Activity

The principal activity of the Company during the financial year ended 30 June 2018 was the exploration, evaluation and development of gold and other mineral deposits with a view to becoming a gold producer in the short to medium term. No change in the principal activity occurred during this period.

## Directors

The names of the Directors, who held office from 1 July 2017 to date of this report, unless otherwise stated, are:



### Antony B Corel – Non-Executive Independent Chairman

Dip Law, LLM

Mr Corel is a solicitor with significant corporate and managerial experience gained within and outside Australia. He has extensive legal experience advising both public and private sector organisations and managing significant commercial, corporate, regulatory and litigious matters. Since 2006 Mr Corel has, in addition to continuing his practice as a solicitor, accepted managerial roles in various ventures, including Ark, with a view to sharing his experience in law, governance, compliance and management.

Mr Corel was appointed a Director of Ark in 2008 and was instrumental in positioning the Company for public listing and was appointed Chairman of Directors.

- Appointed. 22 September 2008
- Committee memberships. Audit & Risk, Remuneration & Nomination
- Other listed Board memberships. Nil
- Previous listed Board memberships. Nil for the last three years



### Roger A Jackson – Managing Director

BSc, Dip Ed, Grad Dip Fin Man, MAusIMM, AICD

Mr Jackson is the CEO of the Company. He has been actively involved in the mining industry for 25 years as a mine operator, in mine services and in mineral exploration. He has been a founding director of a number of private and public mining and mine service companies. Mr Jackson has been the Company's Managing Director since its listing on the ASX.

Mr Jackson has a science degree with a major in geology and geophysics, and also holds a Diploma in Financial Management from the University of New England. He holds a Diploma in Education, and is a long-standing member of the Australasian Institute of Mining and Metallurgists, and a member of the Australian Institute of Company Directors.

- Appointed. 21 October 2010
- Committee memberships. Nil
- Other listed Board memberships. Nil
- Previous listed Board memberships. Nil for the last three years



### Ian B Mitchell – Non-Executive Independent Director & Company Secretary

BA, Dip Law

Mr Mitchell is a practising solicitor of over 42 years' standing. He is the Company Secretary of a number of ASX listed and non-listed public companies. He has over 29 years' experience as a Director and Secretary of listed mining, exploration and industrial. His legal expertise is in commercial law, contract law and ASIC and ASX compliance.

Mr Mitchell was appointed Company Secretary on 16 November 2011.

- Appointed. 29 December 2010
- Committee memberships. Audit & Risk (Chairman), Remuneration & Nomination
- Other listed Board memberships. Medical Australia Ltd.
- Previous listed Board memberships. Nil for the last three years

## Environmental Regulations

The Company is subject to significant environmental regulations under legislation of the Commonwealth of Australia. The Company aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental obligations of the Company's contracts or licences.

## Dividends

No dividends have been declared in respect of the financial year ended 30 June 2018 (2017: Nil).

## Events Subsequent to Reporting Date

Events subsequent to reporting date are included in note 24 to the financial statements. The Directors are not aware of any matter or circumstance not otherwise dealt with in this Annual Report or in the financial statements that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of the Company and for the executives receiving the highest remuneration.

### Directors' Interests

The Directors' beneficial interests in shares as at 30 June 2018 are shown in the following table. The Company had not issued any options to Directors as remuneration as at this date.

Director	Holding type	Shares			30 June 2018
		1 July 2017	Acquired	Disposed	
Antony B Corel	Direct	208,010	-	-	208,010
	Indirect	-	-	-	-
	<b>Total</b>	<b>208,010</b>	<b>-</b>	<b>-</b>	<b>208,010</b>
Roger A Jackson	Direct	696,262	10,000	-	706,262
	Indirect	1,477,000	-	(10,000)	1,467,000
	<b>Total</b>	<b>2,173,262</b>	<b>10,000</b>	<b>(10,000)</b>	<b>2,173,262</b>
Ian B Mitchell	Direct	3,317,424	-	-	3,317,424
	Indirect	2,520,000	10,000	-	2,530,000
	<b>Total</b>	<b>5,837,424</b>	<b>10,000</b>	<b>-</b>	<b>5,847,424</b>

### Remuneration Policy

The Board's remuneration policy determines the nature and amount of remuneration for Board members and senior executives of the Company. The policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Remuneration & Nomination Committee and approved by the Board. All executives receive remuneration based on factors such as length of service and experience. The Remuneration & Nomination Committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The objective of this policy is to secure and retain the services of suitable individuals capable of contributing to the consolidated entities strategic objectives. The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities.

The Company currently has no employees, including women. When the Company reaches a suitable size, it will endeavour to employ suitably qualified women to fill at least one third of its employment positions.

Period	Loss after Tax	EPS (cents per share)	Share Price
Year ending 30 June 2018	(\$647,007)	(1.32)	\$0.07
Year ending 30 June 2017	(\$3,918,034)	(8.08)	\$0.12
Year ending 30 June 2016	(\$730,506)	(1.80)	\$0.14
Year ending 30 June 2015	(\$946,533)	(2.50)	\$0.05
Year ending 30 June 2014	(\$410,087)	(1.21)	\$0.08

## DIRECTORS' REPORT

For the year ended 30 June 2018

The Remuneration & Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to a limit of \$300,000 set by shareholders when the Company was first floated. There were no bonuses paid or proposed to be paid for the year ended 30 June 2018 (2017: Nil). On the previous page is a table summarising key performance and shareholder wealth indicators for the Company for the year ended 30 June 2018 and the previous 4 financial years.

### Directors and Key Management Remuneration

Details of the remuneration of the Directors, other Key Management Personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Company) and specified executives are set out in the following table.

	Short-term	Post-employment	Total
	Base fee / salary	Superannuation	
	\$	\$	\$
<b>2018</b>			
<b>Executive Directors</b>			
Roger A Jackson	180,000	-	180,000
<b>Non-Executive Directors</b>			
Antony B Corel	99,996	9,499	109,495
Ian B Mitchell	60,000	-	60,000
<b>Total Non-Executive</b>	<b>159,996</b>	<b>9,499</b>	<b>169,495</b>
<b>Total Remuneration</b>	<b>339,996</b>	<b>9,499</b>	<b>349,495</b>
<b>2017</b>			
<b>Executive Directors</b>			
Roger A Jackson	238,876	-	238,876
<b>Non-Executive Directors</b>			
Antony B Corel	151,625	14,404	166,029
Ian B Mitchell	68,333	-	68,333
<b>Total Non-Executive</b>	<b>219,958</b>	<b>14,404</b>	<b>234,362</b>
<b>Total Remuneration</b>	<b>458,834</b>	<b>14,404</b>	<b>473,238</b>

### Contracts of Senior Executives

The Managing Director, Mr Jackson, was previously engaged under a Consultancy Agreement which expired on 14 November 2017. By mutual agreement Mr Jackson has continued in his role as Managing Director on a fixed rate fee of \$15,000 plus GST per month, paid to his consulting company Every Dy Hire Pty Ltd. This agreement may be terminated by Mr Jackson or the Company at any time. No termination payments are payable.

In common with the Non-Executive Directors, in August 2013, Mr Jackson agreed to defer payment of one third of his monthly payment. In common with the Non-Executive Directors, from March 2014 until January 2016 Mr Jackson agreed to defer payment of all of his monthly payment until the Company generates cash flow from its Mt. Porter project sufficient to pay the deferred amount. These amounts remain payable to Mr Jackson and have been accrued in the accounts.

Neither Mr Jackson nor any of the Non-Executive Directors are entitled to any incentive-based remuneration.

[This concludes the Remuneration Report, which has been audited.](#)

### Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Company other than disclosed in the Managing Director's Review of Operations.

### Directors' Meetings

The number of Directors' meetings and meetings of committees of Directors of Ark Mines Ltd (including by way of circular resolution) held during the year ended 30 June 2018 and the numbers of meetings attended by each Director are as follows.

Director	Board		Audit & Risk Committee		Rem. & Nom. Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Antony B Corel	3	3	2	2	1	1
Roger A Jackson	3	3	-	-	-	-
Ian B Mitchell	3	3	2	2	1	1

As well as formal Directors' meetings, Executive and Non-Executive Directors are in frequent communication by telephone and email.

### Likely Developments

It is likely that the Company will negotiate a 10-year Operating Agreement with Prodigy Gold NL (formerly ABM Resources NL) for the operation of the Old Pirate and Buccaneer projects.

In preparation for this it is likely that the Company will sell its Mt Porter and Frances Creek Projects for \$4m plus GST (if applicable) of which, \$3.75m will be used to repay the US\$2.6m previously drawn down on the loan from Chan and Panasia, releasing security over Old Pirate for new funding initiatives.

During the June quarter, the Company completed the final environmental work at the Union Extended project, the Company is now engaged in discussions with interested parties interested to divest this project. The Company is also in discussions with parties interested to acquire its Glencoe project. Funds raise from the Company dealing with its Union Extended and Glencoe Projects will be applied to the acquisition of the Old Pirate Project.

### Indemnifying Officers and Auditor

During the financial year the Company paid premiums to insure all Directors and officers of the Company against claims brought against the individual while performing services for the Company and against expenses relating thereto, other than conduct involving a wilful breach of duty in relation to the Company. The Company is prohibited under its contract for insurance from disclosing the amount of the premiums paid.

The Company has indemnified Directors and staff to the extent possible under the Corporations Law against any liabilities incurred by the person as an officer of the Company. The Company has also provided an indemnity to its contracted accounting staff for liabilities incurred in acting in this capacity. The Company has not indemnified the auditor.

### Non-Audit Services

The Auditor provided no other services during the financial year ended 30 June 2018.

### Officers of the Company who are former Audit Partners of BDO East Coast Partnership

There are no officers of the Company who are former Partners of BDO East Coast Partnership.

### Auditor Independence Declaration

The Auditor's independence declaration for the year ended 30 June 2018 has been received and a copy is reproduced on page 14. BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

### Proceedings on Behalf of the Company

No person has applied to the Court for leave 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 of those proceedings. The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors.



**Antony B Corel**  
Chairman

Sydney, 28th September 2018

## DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ARK MINES LIMITED

As lead auditor of Ark Mines Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Gareth Few  
Partner

**BDO East Coast Partnership**

Sydney, 28 September 2018



**The Board of Directors** is responsible for the overall Corporate Governance of the Company and oversight of management, and for protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for administration.

The Board is committed to maintaining the highest standards of Corporate Governance possible within the framework of its current organisation and structure. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (the "Council"). The Company's practices are consistent with the Council's guidelines. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council's recommendations the Company applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

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### ***Principle 1 – Lay solid foundations for management and oversight***

#### **The Board – Role and Responsibilities**

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is within the knowledge of the Board, appropriate external advice is taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following.

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and the monitoring of the financial performance of the Company;
- the resourcing, reviewing and monitoring of executive management;

- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- the establishment and maintenance of appropriate ethical standards;
- the Board undertakes appropriate security checks before appointing a Director or allowing a Director to nominate for re-election as a Director of the Company and provides Shareholders with any relevant results of such checks; and
- the Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

#### **Evaluation of Performance of Executives**

The evaluation of performance of Directors and senior executives is by way of a report on such performance by the Managing Director to the Remuneration and Nomination Committee whenever senior executives are engaged. The fact of performance evaluation is disclosed in the Annual Report.

The Company Secretary is accountable directly to the Board through the Chairman for the functioning of the Board.

The performance evaluation for the Managing Director will be conducted by the Chairman of the Board.

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### ***Principle 2 – Structure the Board to add value***

#### **Board of Directors - Composition, Structure and Process**

The Board has been formed so that its effective composition, size and commitment adequately discharge its responsibilities and duties given the Company's current size, scale and nature of its activities.

Due to the small size of the Company, the Board is made up of three Directors. One Director is the Managing Director and both the other Directors have experience as Directors of public listed companies.

Other than the Managing Director all other Directors are independent. All Directors are required to bring to the Board their independent judgement, irrespective if they are independent or not.

#### **Regular Assessment of Independence**

An Independent Director, in the view of the Company, is a Non-executive Director who.

- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2018

- has no material contractual relationship with the Company other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

## Office of Chairman and Managing Director

The office of Chair is held by an independent Director.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The Managing Director is responsible and accountable to the Board for the Company's management.

## Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee and Charter. Whilst such committee is comprised of only two independent Directors (as opposed to three as recommended by the Council) the Company believes that number to be sufficient in view of the present size of the Company and its assets. The Committee considers nominations for the appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act and ASX Listing Rules.

The Remuneration and Nomination Committee is appointed by the Board. It is chaired by an independent Director. The Committee implements the functions listed below.

The responsibilities assumed by the Remuneration and Nomination Committee include.

- Board and senior executive functions;
- Board composition;
- number of Board members;
- criteria for nomination of Directors;
- selection and appointment of the Chairman;
- selection and appointment of the Secretary;
- determine the frequency of meetings of the Committee;
- seek professional advice when required;
- responsibilities of the Committee;
- oversight of Board and executive succession plans; and
- Evaluate performance of Senior Executives.

## Performance Review and Evaluation

The Company discloses its process for evaluating the performance of the Board, Committees and Independent Directors.

It is the policy of the Board to ensure that the Directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed by the Board. There is on-going monitoring by the Chairman and the Board of such knowledge, information and experience. The Chairman also speaks with each Director individually regarding their role as a Director.

## Evaluation Process

### Induction and education

The Company has a policy of providing each new Director or officer with a copy of the following documents.

- Audit and Risk Committee Charter;
- Remuneration and Nomination Committee Charter;
- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Constitution.

### Access to information

Each Director has access to Board papers and all relevant documentation.

### Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in mining exploration and development, finance, law, financial and investment markets, financial management and public company administration, and, director-level business or corporate experience required by the Company.

### Independent directors

The Company considers that the current directors other than the Managing Director are Independent Directors. The names, qualifications, experience of each Director and period in office are as set out in the Directors' Report, as well as whether the Board considers them to be Independent Directors. The Chairman is an independent Director.

### Professional advice

Board members, with the approval of the Chairman, may seek from time to time external professional advice.

### Terms of appointment as a director

The Constitution of the Company provides that a Director may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

**Nomination Committee**

The members of the Nomination Committee, the number of times it meets and the attendance thereat is set out in the Annual Report.

**Principle 3 – Act ethically and responsibly****Code of Conduct and Ethical Standards**

The Company has established a formal Code of Conduct that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company. The Code of conduct is included on the Company's website.

The Code of Conduct outlines.

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Access to company information and confidentiality**

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

**Share dealings and disclosures**

The Company has adopted a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

**Conflict of Interest**

To ensure that Directors are at all times acting in the best interests of the Company, Directors must.

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

**Related party transactions**

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

**Diversity**

The Company has established a policy concerning diversity. The policy is disclosed on the Company's website.

**Disclosure of Diversity Objectives**

The Company discloses in each Annual Report the measurable objectives for achieving gender diversity in accordance with the diversity policy and the current position in relation thereto.

**Proportion of Women Employees**

The Company discloses in each Annual Report the proportion of women employees in its organisation, senior executive positions and on the Board.

**Publicly Available Information**

The Company makes publicly available on the Company's website, the Share Trading Policy, and Continuous Disclosure Policy and Code of Conduct under the corporate governance section.

**Principle 4 – Safeguard integrity in financial reporting****Audit and Risk Committee**

The Company has established an Audit and Risk Committee which has a corresponding charter. The objective of the Committee is to make recommendations to the Board regarding, the adequacy of the external audit, risk management and compliance procedures. The Committee evaluates from time to time the effectiveness of the financial statements prepared for the Board meetings and ensures that an independent judgement is exercised in relation thereto.

**Membership of Audit and Risk Committee**

The two independent Directors are members of the Audit & Risk Committee and the Audit & Risk Committee is not chaired by the Chairman of the Company. In view of the present size of the Company and its assets the Board considers the present structure of such committee to be adequate even though it comprises only two members instead of three as recommended by the Council.

## Charter of Audit and Risk Committee

The Audit & Risk Committee charter includes the following.

- duties and responsibilities of the Committee;
- meetings;
- complaints procedures;
- composition of the Audit & Risk Committee;
- structure of the Audit & Risk Committee;
- number of meetings;
- membership requirements. and
- selection, appointment and rotation of the external auditor.

## Members and Qualifications of Audit and Risk Committee

The members and qualifications of the Audit & Risk Committee are as set out in the Annual Report together with the number of meetings of the Committee and the number of meetings each member attended.

## Status of Financial Statements

Before it approves the Company's Financial Statements for each period the Board receives from the Managing Director and the Company Secretary a declaration that in their opinion the financial records of the Company have been properly maintained, comply with appropriate financial standards and give a true and fair view of the financial position and performance of the Company and the basis of its risk management and internal control systems and its effective operation.

## Auditor attendance at Meetings

The external auditor attends the AGM of the Company and is available to answer questions in relation to the audit.

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## Principle 5 – Make timely and balanced disclosure

### Continuous disclosure to the ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with shareholders.

Accordingly, the Company will notify the ASX promptly of information.

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities; and
- the announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

## Disclosure Policy

The Company has adopted a continuous disclosure policy which is included on the Company's website.

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## Principle 6 – Respect the rights of shareholders

### Communications

The Company has not adopted recommendation 6.1 because it does not have a formal Shareholders' Communication Policy.

Although the Company does not have a Shareholder Communication Policy the Company recognises its duty to ensure that its shareholders are informed of the details of the Company's structure, its governance and all major developments affecting the Company's state of affairs.

Information is communicated to shareholders and the market through.

- the Annual Report which is distributed to shareholders as requested (usually with the Notice of Annual General Meeting); and is displayed on the company's website;
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' Report and financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website and on the ASX website and shareholders' questions may be directed to members of the Board.

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## Principle 7 - Recognise and manage risk

### Risk Management

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control. At each of its monthly meetings the Board regularly reviews and monitors areas of significant business risk.

### Risk Management Control

Because the Board has the oversight function of risk management and internal control systems, the risk management functions and oversight of material business risks are performed directly by the Board and not by management.

## Internal control and risk management

The primary vehicle for managing corporate risks is the Audit & Risk Committee appointed by the Board. The Committee reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

The Company ensures that appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

The internal audit function is carried out by the Audit & Risk Committee.

## **CEO and CFO declarations**

The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the CEO and CFO declarations in respect of each financial year ended, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board also satisfies itself that the internal control system is operating effectively in all material respects.

## **Internal Controls and Risk Management**

- The Board conducts evaluations regarding internal control and risk management.
- The Board receives the assurance of compliance from the Managing Director and Company Secretary.
- The Company does not have a written policy on risks oversight management of business material risks because the number of people engaged in the Company's operations is insufficient to warrant production of a detailed policy document.
- Subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

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## ***Principle 8 – Remunerate fairly and responsibly***

### **Remuneration and Nomination Committee**

The Board has established a Remuneration & Nomination Committee which reports to the Board.

### **Remuneration & Nomination Committee Charter and Responsibilities**

The Company has established a Remuneration and Nomination Committee charter. The role and responsibility of the Committee/Board is to review and make recommendations in respect of.

- executive remuneration policy;
- Executive Director and senior management remuneration;
- Non-executive Directors' Remuneration;
- performance measurement policies and procedures;
- administration of the Company's Diversity policy;
- Board evaluation and performance of Directors; and
- issue and allotment of options to Directors and Senior Executives.

## Composition of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee is structured so that is made up of.

- only Non-executive Directors;
- Independent Directors; and
- an Independent Chairman, who is not Chairman of the board. In view of the present size of the Company and its assets the Board considers the present structure of such committee to be adequate even though it comprises only two members instead of three as recommended by the Council.

## **Remuneration Policy**

Directors' remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. The Managing Director has entered into a Service Agreement for a term not exceeding three years. Consultants are engaged as required pursuant to service agreements. The Company ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company. All salaries of Directors and statutory officers are disclosed in the Annual Report of the Company each year.

## **Salaries and Allowances**

- The salary component of the Managing Director remuneration is made up of fixed remuneration.
- The salary component of Non-executive Directors is made up of fixed remuneration.
- The Company discloses the names of Directors in the Remuneration & Nomination Committee in its Annual Report as well as the number of times such Committee has met and attendance at such meetings.
- The Company does not provide any schemes for retirement other than superannuation for the Chairman which is provided at the superannuation guarantee rate.
- The Company has made publicly available a summary of the Remuneration & Nomination Committee Charter on the Company's website.

## **Corporate Governance Compliance**

The Company confirms that it complies with ASX Listing Rule 4.10.3 relating to Corporate Governance Reporting except where specifically otherwise mentioned in this Corporate Governance Statement.

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ACN 123 668 717

# ***Financial Statements***

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*For the year ended 30 June 2018*

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
<b>Revenue from ordinary activities</b>			
Interest income		3,706	505
<b>Less: Expenses</b>			
Accounting and secretarial expenses		61,164	69,050
ASX listing fees		22,824	20,921
Audit fees	18	38,286	37,500
Capitalised option costs written off		45,000	-
Computer and communications		11,487	9,499
Depreciation	10	3,985	3,985
Directors' fees		205,496	282,137
Geological survey costs expensed		48,623	-
Insurance		18,636	31,740
Legal fees		37,673	33,790
Printing and stationery		10,501	8,410
Share registry costs		14,502	18,939
Title management and tenement reporting		6,986	15,620
Travel and accommodation expenses		94,424	36,125
Other expenses from ordinary activities		8,398	7,647
<b>Total expenses</b>		<b>(627,985)</b>	<b>(575,363)</b>
<b>Loss from operating activities</b>		<b>(624,279)</b>	<b>(574,858)</b>
Net foreign exchange loss		(68,968)	(9,344)
Finance costs		(116,803)	(589,581)
Fair value movement on derivative liability		163,043	(2,744,251)
<b>Loss before income tax</b>		<b>(647,007)</b>	<b>(3,918,034)</b>
Income tax expense	4	-	-
<b>Loss from continuing operations after income tax</b>		<b>(647,007)</b>	<b>(3,918,034)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>(647,007)</b>	<b>(3,918,034)</b>
<b>Earnings per share</b>			
Basic - cents per share	22	(1.32)	(8.08)
Diluted - cents per share	22	(1.32)	(8.08)

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



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018	2017
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	5	17,598	1,527,648
Trade and other receivables	6	118,730	55,631
Environmental bonds	7	121,060	10,000
Prepayments		20,383	73,065
<b>Total current assets</b>		<b>277,771</b>	<b>1,666,344</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	8	3,219,053	2,585,041
Environmental bonds	9	-	83,880
Plant and equipment	10	10,959	14,944
<b>Total non-current assets</b>		<b>3,230,012</b>	<b>2,683,865</b>
<b>Total assets</b>		<b>3,507,783</b>	<b>4,350,209</b>
<b>Current liabilities</b>			
Trade and other payables	11	576,008	608,384
<b>Total current liabilities</b>		<b>576,008</b>	<b>608,384</b>
<b>Non-current liabilities</b>			
Derivative liability	12	5,975,464	6,138,507
Borrowings	13	750,000	750,000
<b>Total non-current liabilities</b>		<b>6,725,464</b>	<b>6,888,507</b>
<b>Total liabilities</b>		<b>7,301,472</b>	<b>7,496,891</b>
<b>Net liabilities</b>		<b>(3,793,689)</b>	<b>(3,146,682)</b>
<b>Equity</b>			
Contributed equity	14	9,876,131	9,876,131
Accumulated losses	15	(13,669,820)	(13,022,813)
<b>Total equity</b>		<b>(3,793,689)</b>	<b>(3,146,682)</b>

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Issued capital	Acc. losses	Total
		\$	\$	\$
<b>2018</b>				
Balance at 1 July 2017		9,876,131	(13,022,813)	(3,146,682)
Total comprehensive income for the year		-	(647,007)	(647,007)
Total		9,876,131	(13,669,820)	(3,793,689)
<u>Transactions with owners in their capacity as owners</u>				
Ordinary shares issued, net of transaction costs		-	-	-
<b>Balance at 30 June 2018</b>		<b>9,876,131</b>	<b>(13,669,820)</b>	<b>(3,793,689)</b>
<b>2017</b>				
Balance at 1 July 2016		9,240,571	(9,104,779)	135,792
Total comprehensive income for the year		-	(3,918,034)	(3,918,034)
Total		9,240,571	(13,022,813)	(3,782,242)
<u>Transactions with owners in their capacity as owners</u>				
Ordinary shares issued, net of transaction costs	14	635,560	-	635,560
<b>Balance at 30 June 2017</b>		<b>9,876,131</b>	<b>(13,022,813)</b>	<b>(3,146,682)</b>

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

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(621,793)	(682,172)
Interest received		3,706	505
Interest, finance costs and exchange losses		(185,771)	(545,497)
<b>Net cash used in operating activities</b>	17	<b>(803,858)</b>	<b>(1,227,164)</b>
<b>Cash flows from investing activities</b>			
Payment for environmental bonds	7	(27,180)	(64,284)
Payment for option over tenements		(45,000)	-
Payment for exploration and evaluation expenditure	8	(634,012)	(1,248,383)
<b>Net cash used in investing activities</b>		<b>(706,192)</b>	<b>(1,312,667)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue	14	-	633,056
Capital raising costs	14	-	(50,921)
Proceeds from gold loan		-	3,394,256
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>3,976,391</b>
Net increase in cash held		(1,510,050)	1,436,560
Cash at beginning of financial year		1,527,648	91,088
<b>Cash at end of financial year</b>	17	<b>17,598</b>	<b>1,527,648</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 1. Reporting Entity

The financial report is for the entity Ark Mines Ltd (referred herein also as the "Company" or "Ark") as an individual entity. Ark Mines Ltd is a company limited by shares incorporated and domiciled in Australia with its registered address at Level 11, 37 Bligh Street Sydney Australia. Ark Mines Ltd is listed on the ASX.

The principal activity of the Company during the year was the exploration for and evaluation of its gold and other mineral deposits.

## 2. Basis of Preparation

### Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities.

The financial statements of the Company comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The financial statements were authorised for issue by a resolution of the Board dated 28 September 2018.

### Basis of measurement

These financial statements have been prepared under the historical cost convention.

### Functional and presentation currency

The financial report has been presented in Australian Dollars (\$) which is the functional currency of the Company.

### Use of estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Information about critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

- Note 8 – Capitalised Exploration and Evaluation Expenditure.

### Comparative figures

When required by accounting standards comparative figures have been adjusted to changes in presentation for the current financial year.

## 3. Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Property plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

#### Depreciation

Items of equipment have limited lives and are depreciated on a straight-line basis over their estimated useful lives.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed to the statement of profit or loss and other comprehensive income.

Office furniture and fittings and motor vehicles are depreciated at the rate of 20% per annum. Computer equipment is depreciated at the rate of 33% per annum.

## De-recognition and disposal

An item of equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss on de-recognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is de-recognised.

## **Capitalised exploration and evaluation expenditure**

Capitalised exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Once an area of interest enters a development phase, historical capitalised exploration expenditure is transferred to capitalised development expenditure.

Accumulated costs in relation to an abandoned area are written off in the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Expenditure relating to pre-exploration activities is written-off to the statement of profit or loss and other comprehensive income during the period in which the expenditure is incurred.

## **Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted at the reporting date.

Deferred tax is accounted for using the statement of financial position method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## **Financial instruments**

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

### Payables

Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are generally settled between 7 days and 30 days terms.

### **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Interest income

Interest revenue is recognised using the effective interest rate method taking into account rates applicable to the financial assets.

## Foreign currency transactions and balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in the statement of profit or loss and other comprehensive income as they arise.

## Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the equity as a deduction net of tax, from the proceeds.

## Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

## Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value through the profit and loss.

## 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

## New, revised or amending accounting standards and interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

### Impact of standards issued but not yet applied by the entity

#### *AASB 9 Financial Instruments*

AASB 9 amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets;

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through other comprehensive income.

The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments. Recognition and Measurement into AASB 9;

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Adoption of AASB 9 is only mandatory for reporting periods commencing on or after 1 January 2018. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	\$	\$
<b>4. Income Tax Expense</b>		
The prima facie tax benefit on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax benefit on loss before income tax at 27.5% (2017: 27.5%)	(177,927)	(1,077,459)
<u>Add tax effect of:</u>		
Non-allowable expenses	235	1,116
<u>Add/(deduct) temporary differences not brought to account:</u>		
Capital raising expenses	(5,693)	(7,624)
Derivative fair value adjustment	(44,837)	754,669
Exploration expenditure	(174,353)	(343,305)
Other temporary differences	(634)	(6,122)
Tax losses not recognised	403,209	678,725
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

	Opening	Movement	Closing
	\$	\$	\$
<b>Deferred income tax – 2018</b>			
Deferred tax assets have not been recognised in respect of the following items:			
Capital raising expenses	17,941	(5,693)	12,248
Provisions	127,761	(634)	127,127
Fair value derivative liability	754,669	(44,837)	709,832
Tax losses	3,544,066	403,210	3,947,276
<b>Total deferred tax assets</b>	<b>4,444,437</b>	<b>352,046</b>	<b>4,796,483</b>
Deferred tax liabilities have not been recognised in respect of the following items:			
Exploration and evaluation expenditure	710,886	174,353	885,239
<b>Total deferred tax liabilities</b>	<b>710,886</b>	<b>174,353</b>	<b>885,239</b>

<b>Deferred income tax – 2017</b>			
Deferred tax assets have not been recognised in respect of the following items:			
Capital raising expenses	11,561	6,380	17,941
Provisions	133,883	(6,122)	127,761
Fair value derivative liability	-	754,669	754,669
Tax losses	2,865,341	678,725	3,544,066
<b>Total deferred tax assets</b>	<b>3,010,785</b>	<b>1,433,652</b>	<b>4,444,437</b>
Deferred tax liabilities have not been recognised in respect of the following items:			
Exploration and evaluation expenditure	367,580	343,306	710,886
<b>Total deferred tax liabilities</b>	<b>367,580</b>	<b>343,306</b>	<b>710,886</b>

The tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the Company can utilise the benefits.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2018	2017
\$	\$

## 5. Cash and Cash Equivalents

Cash at bank	17,598	1,527,648
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## 6. Trade and Other Receivables

Deposit for Old Pirate Operating Agreement	50,000	-
GST recoverable	58,387	40,461
Other receivables	10,343	15,170
<b>Total trade and other receivables</b>	<b>118,730</b>	<b>55,631</b>

## 7. Environmental Bonds - Current

EL 7973 Babinda	-	10,000
EL 23237 Frances Creek	5,171	-
ML 23139 Mt Porter Mining Management Plan bonds	79,545	-
ML 29679 Glencoe	36,344	-
<b>Total environmental bonds - current</b>	<b>121,060</b>	<b>10,000</b>

## 8. Capitalised Exploration and Evaluation Expenditure

Balance at the beginning of the year	2,585,041	1,336,658
Capitalised during the year	634,012	1,248,383
<b>Balance at the end of the year</b>	<b>3,219,053</b>	<b>2,585,041</b>

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of respective areas. The Company reviews annually the carrying value of the exploration and evaluation expenditure, and will capitalise the expenditure if it considers the area of interest to be prospective. Should the particular area of interest no longer be considered prospective, then the Company will make a provision in the accounts for the carrying value of the project. The list of tenements the Company has an interest in is disclosed on page 41.

## 9. Environmental Bonds – Non-Current

EL 23237 Frances Creek	-	5,276
ML 23139 Mt Porter Mining Management Plan bonds	-	78,604
<b>Total environmental bonds – non-current</b>	<b>-</b>	<b>83,880</b>

## 10. Plant and Equipment

### At cost

Balance at the beginning of the year	21,727	21,727
Additions	-	-
Disposals	-	-
Balance at the beginning of the year	21,727	21,727

### Accumulated depreciation

Balance at the beginning of the year	(6,783)	(2,798)
Charge for the year	(3,985)	(3,985)
Balance at the beginning of the year	(10,768)	(6,783)
<b>Total plant and equipment</b>	<b>10,959</b>	<b>14,944</b>



	2018	2017
	\$	\$
<b>11. Trade and Other Payables</b>		
Trade creditors	113,730	136,639
Deferred Directors' fees	454,778	464,585
Accruals	7,500	7,160
<b>Total trade and other payables</b>	<b>576,008</b>	<b>608,384</b>

Refer to note 21 for detailed information on financial instruments.

<b>12. Derivative Liability</b>		
Gold loan facility	5,975,464	6,138,507
<b>Total derivative Liability</b>	<b>5,975,464</b>	<b>6,138,507</b>

On 4 August 2016 the Company entered into a Gold Loan Facility Agreement ("Facility") with Chan Investments Ltd (HK Reg. No, 2277478) ("Chan") to fund its Mt. Porter gold mining project and surrounding exploration. The Facility was available in three tranches comprising an initial tranche of US\$2.6m and two further tranches of US\$1.7m each.

On 1 November 2016 the Company drew down the first tranche of US\$2.6m (A\$3.4m).

Each tranche was repayable by an agreed amount of gold bullion within the life of the mine however the Facility allowed the option to repay the latter two tranches in cash and as a consequence, the Facility is accounted for as a derivative instrument.

The carrying value for this instrument of \$5,975,464 as at 30 June 2018 represents the fair value of the gold to be delivered under the terms of the Agreement, to satisfy this liability. The movement of \$163,043 from the 30 June 2017 carrying value of \$6,138,507 has been charged to profit and loss as a fair value adjustment.

The facility terminates on 6 August 2019.

As announced to the ASX on 23 July 2017, The Company is in the process of selling its Mt Porter and Frances Creek tenements for \$4.0m. The Company has agreed with Chan that notwithstanding the terms of the Facility requiring the initial tranche of US\$2.6m to be repaid in gold bullion, the Company may now repay this amount (agreed to be A\$3.75m) in cash from the proceeds of these sales. Repayment of the Facility will extinguish the derivative liability and return approximately \$2.2m to the profit and loss account.

The Facility is secured by all of the current and future assets of the Company.

### 13. Borrowings

Interest bearing loan from related party	750,000	750,000
<b>Total borrowings</b>	<b>750,000</b>	<b>750,000</b>

On 4 February 2016 the Company entered into a loan agreement ("Loan") with a related party of Mr I B Mitchell, who is a Director of the Company. The Loan is for an amount of \$750,000 for an initial term of 18-months at an interest rate of 12%. Interest is payable monthly.

On entering into the loan agreement, the Directors determined that the transaction was conducted on an arms-length basis and on terms no more favourable to the related party than were otherwise commercially available at the time The Directors noted at the time that the terms of the Loan were significantly better than the terms of all competing loan or equity propositions investigated by the Company in the previous 18 months.

The Loan was used to pay a portion of the mining costs to bring the Mt. Porter mining lease towards production and also for the acquisition of the Glencoe tenement.

On 14 February 2018 the term of the loan was extended to 30 June 2019. Prior to the end of the financial year the related party made an unconditional offer to the Company to further extend the term of the loan at the Company's discretion, to 31 December 2019. On 27 September 2018 the lender executed a variation agreement extending the term of the loan to 31 December 2019 and agreed to an increase of \$200k in the loan amount after May 2019.

The Loan is secured by a second ranking charge over the Company's Glencoe mining tenement (ML 29679).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
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## 14. Contributed Equity

49,129,509 (2017: 49,129,509) ordinary shares fully paid

### Ordinary Shares Number

Balance at the beginning of the year

#### Shares issued during the period

Issued Capital

**Balance at the end of the year**

	No.	No.
Balance at the beginning of the year	49,129,509	44,381,488
Issued Capital	-	4,748,021
<b>Balance at the end of the year</b>	<b>49,129,509</b>	<b>49,129,509</b>

### Ordinary Shares Value

Balance at the beginning of the year

#### Shares issued during the period

27 July 2016 - 3,532,001 ordinary shares @ \$0.15000

10 August 2016 - 688,370 ordinary shares @ \$0.15000

10 January 2016 - 527,650 ordinary shares @ \$0.10125

Share issue costs

**Balance at the end of the year**

	\$	\$
Balance at the beginning of the year	9,876,131	9,240,571
27 July 2016 - 3,532,001 ordinary shares @ \$0.15000	-	529,800
10 August 2016 - 688,370 ordinary shares @ \$0.15000	-	103,256
10 January 2016 - 527,650 ordinary shares @ \$0.10125	-	53,425
Share issue costs	-	(50,921)
<b>Balance at the end of the year</b>	<b>9,876,131</b>	<b>9,876,131</b>

## 15. Accumulated Losses

Balance at the beginning of the year

Net loss attributable to members of the entity

**Balance at the end of the year**

Balance at the beginning of the year	(13,022,813)	(9,104,779)
Net loss attributable to members of the entity	(647,007)	(3,918,034)
<b>Balance at the end of the year</b>	<b>(13,669,820)</b>	<b>(13,022,813)</b>

## 16. Related Party Transactions

### Antony Corel - Chairman

Antony B Corel LLB - legal services

Interest on related party loan

**Total related party transactions**

Antony B Corel LLB - legal services	38,139	21,644
Interest on related party loan	90,000	90,000
<b>Total related party transactions</b>	<b>128,139</b>	<b>111,644</b>

Since the end of the financial year, the Company has engaged Websters Solicitors in Sydney which is a firm associated with Director Ian Mitchell to act on its behalf in regard to the contingent liability described at note 25.

All related party transactions have to receive Board approval in advance. All payments to related parties also receive Board approval. All transactions with Directors and their associates are conducted on an arms-length basis and in the ordinary course of business.

The Board is sufficiently knowledgeable and experienced to ensure that amounts paid for these services is in line with commercial expectations. Refer also to note 19 for Key Management Personnel disclosures.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	\$	\$
<b>17. Cash Flow Information</b>		
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position		
<b>Cash at bank</b>	<b>17,598</b>	<b>1,527,648</b>
<b>Reconciliation of cash flow from operations with loss from ordinary activities after income tax</b>		
Loss from ordinary activities after Income Tax	(647,007)	(3,918,034)
<u>Less: non-cash items</u>		
Capitalised option costs written off	45,000	-
Depreciation	3,985	3,985
Fair value movement of derivative liability	(163,043)	2,744,251
Payable settled through equity	-	53,425
<u>Add: movements in working capital</u>		
Decrease / (Increase) in prepayments	52,682	(32,035)
(Increase) / decrease in trade and other receivables	(63,099)	6,001
(Decrease) in trade and other payables	(32,376)	(84,757)
<b>Net cash used in operating activities</b>	<b>(803,858)</b>	<b>(1,227,164)</b>
<b>18. Auditor's Remuneration</b>		
Audit and review of the financial reports	38,286	37,500
<b>Total auditor's remuneration</b>	<b>38,286</b>	<b>37,500</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 19. Directors and Key Management Personnel Disclosures

### Directors

Antony B Corel

Roger A Jackson

Ian B Mitchell

	Position
	Chairman – Non-Executive
	Managing Director
	Director - Non-Executive and Company Secretary

### Directors equity holdings including holdings of their personally related entities as at 30 June 2018

	Opening	Acquired	Disposed	Closing
Antony B Corel	208,010	-	-	208,010
Roger A Jackson	2,173,262	-	-	2,173,262
Ian B Mitchell	5,837,424	10,000	-	5,847,424

	2018	2017
	\$	\$
<b>Short-term employee benefits compensation</b>		
<b>Directors</b>		
<u>Executive</u>		
Roger A Jackson	180,000	238,876
<u>Non-Executive</u>		
Antony B Corel	99,996	151,625
Ian B Mitchell	60,000	68,333
<b>Total remuneration</b>	<b>339,996</b>	<b>458,834</b>

Mr Jackson was previously engaged under consultancy agreement that expired on 14 November 2017. Mr Jackson has continued in his role as Managing Director on an agreed fixed fee of \$15,000 plus GST per month.

Mr Corel has not entered into a contract of service with the Company. A portion of Mr Jackson's compensation totalling \$144,000 (2017: \$191,101) was capitalised against Exploration and Evaluation Expenditure. The balance of \$36,000 (2017: \$47,775) was charged to profit and loss.

The Company has no other Key Management Personnel.

## 20. Commitments

### Exploration expenditure commitments

The Company is required to meet minimum committed expenditure requirements to maintain current rights of tenure to exploration licences. These obligations may be subject to re-negotiation, may be farmed-out or may be relinquished and have not been provided for in the statement of financial position.

The Company is party to an agreement with the Northern Land Council ("NLC") in relation its NT mining tenements. Under the terms of the agreement, the Company is required to pay \$25,000 to the NLC for prior to the commencement of mining.

Under the terms of the agreement whereby the Company acquired its Glencoe tenement it is required to pay the vendor a Net Smelter Royalty of 1% up to a maximum of \$1m on gold produced from the Tenement.

Under the terms of the agreement whereby the Company acquired its tenements and gold rights from Arafura Resources Ltd, it would be required to pay the vendor a Royalty of 2.5% on gross sales of gold from those tenements and gold rights if these were retained and developed by the Company. Please refer to the Company's ASX release of 20 June 2016 for further details.

A summary of aggregate of these commitments is shown over page.

	2018	2017
	\$	\$
<b>20. Commitments (cont.)</b>		
Within 1 year	9,635	23,604
More than 1 year but not later than 5 years	19,270	240,000
Later than 5 years	-	-
<b>Total</b>	<b>28,905</b>	<b>263,604</b>
<b>Operating expenditure commitment</b>		
Minimum fees payable under Managing Director's Consultancy Agreement <sup>1</sup>	-	<b>31,250</b>

<sup>1</sup>. This consultancy agreement expired on 14 November 2017.

## 21. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

Exposure to currency risk, interest rate risk, commodity price risk, and liquidity risk arises in the normal course of the business. The Company's overall financial risk management strategy is to seek to ensure that the Company is able to fund its business plans.

The Company uses various measures dependent on the types of risk to which it is exposed. These methods include cash flow at risk analysis in the case of interest rate and foreign exchange risk. Financial risk management is carried out by the Managing Director under policies approved by the Directors. The Directors provide written principles for overall risk management.

	Note	Current interest rate	Fixed interest rate	Floating interest rate	Non- interest bearing	Total
			\$	\$	\$	\$
<b>Financial assets</b>						
Cash held in general account	5	0.00%	-	14,106	-	<b>14,106</b>
Cash held in investment account	5	0.00%	-	2,370	-	<b>2,370</b>
Cash held in US\$ bank account	5	0.00%	-	1,122	-	<b>1,122</b>
Trade and other receivables	6	0.00%	-	-	118,730	<b>118,730</b>
<b>Financial liabilities</b>						
Trade and other payables	11	0.00%	-	-	576,008	<b>576,008</b>
Derivative liability	12	0.00%	-	-	5,975,464	<b>5,975,464</b>
Interest bearing loans	13	12.00%	750,000	-	-	<b>750,000</b>

### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk exposure is limited to cash and cash equivalents. Management have reduced this risk by depositing cash with financial institutions with a credit rating of AAA or higher.

### Interest rate risk

The Company's main interest rate risk arises from interest earnings on its surplus cash. The Company is exposed to interest rate risk to the extent its interest earnings may fluctuate. The impact of a 1% movement in the interest rate on the funds invested when all other variables are held constant is immaterial.

### Gold price risk

The Company's gold price risk arises from its derivative liability which is payable in a defined number of ounces of gold. The Company is exposed to gold price risk to the extent that the price of gold may fluctuate. The requirement for the Company to provide this gold from its own production minimises this risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 21. Financial Risk Management (cont.)

### Exchange rate risk

The Company's exchange rate risk arises from its cash deposited in a US dollar bank account. The Company is exposed to exchange rate risk to the extent that the exchange rate between US dollars and Australian dollars may fluctuate. The Company's objective is to minimise this risk through careful monitoring of the exchange rate and to draw down sufficient funds when the rate is favourable.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to meet ongoing operational requirements, exploration expenditure, and small to medium sized opportunistic projects and investments, by keeping surplus cash available.

The Company's objective is to safeguard its ability to continue as a going concern and to maintain a conservative capital structure so that management can focus on running its core business together with being an attractive company for shareholders and potential investors. The Company will consider the most appropriate use of debt and equity to maximise its returns while maintaining a low risk capital structure.

### Fair values

The Company has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

## 22. Earnings Per Share

	No	No
	Weighted Av.	
<b>Ordinary share number 2018 financial year</b>		
Balance at the beginning of the year	49,129,509	49,129,509
<u>Shares issued during the period</u>	-	-
<b>Balance at end of the year</b>	<b>49,129,509</b>	<b>49,129,509</b>
<b>Ordinary share number 2017 financial year</b>		
Balance at the beginning of the year	44,381,488	44,381,488
<u>Shares issued during the period</u>		
Issued 27 July 2016	3,532,001	3,270,730
Issued 12 August 2016	688,370	607,274
Issued 10 January 2017	527,650	247,200
<b>Balance at end of the year</b>	<b>49,129,509</b>	<b>48,506,692</b>
	<b>2018</b>	<b>2017</b>
<b>Total comprehensive income for the year</b>	<b>\$</b>	<b>\$</b>
Total comprehensive income for the year	(647,007)	(3,918,034)
<b>Earnings per share</b>		
Basic - cents per share	(1.32)	(8.08)
Diluted - cents per share	(1.32)	(8.08)

## 23. Going Concern

The Company has incurred a net loss after tax of \$647,007 (2017: \$3,918,034) for the full year and net cash outflows from operating activities of \$803,858 (2017: \$1,227,164). These matters give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The Directors have prepared the Financial Statements on a Going Concern basis as a sale of the Company's Mt Porter and Frances Creek projects is imminent and a further sale of its Glencoe and Union Extended projects is planned.

**23. Going Concern (cont.)**

A deposit of \$500k was received for the sale of Mt Porter and Frances Creek on 31 July 2018. Proceeds of the sale of the Mt. Porter and Frances Creek projects will be used to repay the Chan Facility, lifting security over all the Company's current and future assets. This will allow the Company to offer security over the Old Pirate projects to a prospective finance partner.

The Company's cash flow forecast indicates that to complete the Old Pirate Operating Agreement and operate this mine it will need to raise additional capital of \$4.8m before May 2019. The Company intends to raise this amount through the sale of its Glencoe tenement and Union Extended project for an estimated \$2.4m with the balance of \$2.4m from external lenders or investors. The Directors are actively pursuing new sources of external debt and equity funding and are in preliminary discussions with a number of parties however there is no firm commitment to this funding or for a sale of the Glencoe tenement or Union Extended project at this stage.

In the event that completion of the Old Pirate Operating Agreement and mine operation is delayed, the Company has sufficient cash for its needs until May 2019. If delays were likely to extend beyond this date the Company has agreed since the end of the financial year, an increase in its existing borrowing facility with a related party for sufficient cash for its needs for a further seven months until 31 December 2019. The Company none the less is confident of raising sufficient funding to complete the Old Pirate Operating Agreement and to provide sufficient working capital for this and corporate purposes. The Company successfully raised debt and equity funding in the past and during the 2017 financial year was successful in securing a gold loan facility of US\$6m. On this basis the Directors are of the opinion that the financial statements can be prepared on a going concern basis and that the Company will be able to pay its debts as and when they fall due and payable.

Should this not be achieved the Company may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

**24. Subsequent Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years except as follows.

On 23 July 2018 the Company announced that it had entered into a binding term sheet with Territory Iron Pty Ltd ("Territory") to sell Mt. Porter (ML23839 and ELR116), Frances Creek (EL23237) and gold rights over various mining leases and exploration tenements held by Territory and associated companies for \$4m. From this amount, \$3.75m will be used to repay the Chan Facility (see note 12) following which, Chan will fully release the Company from any and all claims. The Company is now preparing definitive documents to give effect to these arrangements and expects that these will be finalised shortly. The announcement further advised that the Company and Prodigy Gold NL were continuing their process of negotiating an Operation Agreement for the Old Pirate project and that the Company was exploring the divestment of its Union Extended and Glencoe projects.

Since the end of the financial year, the Company has arranged an increase of \$200k in its existing \$750k related party borrowings available from May 2019. The increase is on the same terms and conditions as the previously drawn balance. The due date for the entire facility was also extended to 31 December 2019. Refer note 13 for further details.

**25. Contingent Liabilities**

On 29 June 2017 the Company repaid the US\$1.35m previously drawn down under the amended gold loan facility ("Facility") with Chan Investments Ltd ("Chan"). Chan's lawful attorney, Mr. Eric Santoni ("Santoni"), with whom the Company had dealt in the establishment of the Facility, directed in writing that the full amount to be repaid to the Panasia Technology Fund. Santoni subsequently transferred to Chan only US\$1m of the US\$1.35m received, withholding US\$350K, purportedly pursuant to an agreement with Chan to provide further funding for the Union Extended project.

Chan representatives, whom the Company had not previously dealt with, contacted the Company and claimed that the full amount should have been remitted to Chan and have engaged K&L Gates LLP in Melbourne to pursue the matter. Since the end of the financial year, the Company has engaged Websters Solicitors in Sydney which is a firm associated with Director Ian Mitchell to act on its behalf.

Repayment of the Facility in the agreed sum of \$3.75m (see note 12) will be in full and final settlement of all claims including this claim, however in the event that the Facility is not repaid as expected the Company will vigorously defend this claim.

The Company contends that Santoni was the lawful attorney of Chan and that Santoni had the authority to direct the repayment of the Facility on behalf of Chan. The Company contends that any dispute over the final remittance of funds should be between Chan and Santoni and is confident that this position will be determined in its favour if the Facility is not repaid as expected and the matter is pursued to Court. If this occurred and the Company was unsuccessful the Company will have to pay to Chan US\$350k plus Court costs.

## **DIRECTORS' DECLARATION**

*For the year ended 30 June 2018*

### **In the Directors' opinion;**

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



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**Antony Corel**  
Director

Sydney, 28th September 2018



## INDEPENDENT AUDITOR'S REPORT

To the members of Ark Mines Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Ark Mines Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; 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 in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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.

### Material uncertainty related to going concern

We draw attention to Note 23 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying value of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Exploration and evaluation assets of \$3,219,053 form a significant proportion of the Company's assets as shown in note 8 in the financial report.</p> <p>The recovery of the carrying value of the exploration and evaluation assets are subject to successful exploration, exploitation or sale in the future and as such is subject to management judgement in accordance with <i>AASB 6 - Exploration for and Evaluation of Mineral Resources</i></p> <p>The Company's exploration and evaluation assets are also exposed to market, economic, political and seasonal influences which may affect the Company's ability to recover the carrying value.</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were capitalised correctly;</li> <li>• Confirming whether the rights to tenure of the areas of interest remained current at balance date, and evaluating whether minimum annual commitments had been met in respect of each area of interest;</li> <li>• Assessing and evaluating management's assessment as to whether indicators of impairment of the evaluation and exploration asset existed in accordance with AASB 6.</li> </ul>

## Gold-settled derivative liability

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to note 12 in the financial report</p> <p>During the year ended 30 June 2017, the Company entered into a gold loan facility during the year for USD\$6,000,000 whereby USD\$2,600,000 was drawn down. The loan is repayable in an agreed amount of gold bullion.</p> <p>This is a key audit matter due to the material nature of the agreement and the judgement involved in classifying and measuring the fair value of the loan facility, which required significant auditor attention.</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Reviewing and understanding the terms and conditions of the agreement;</li> <li>• Reviewing the fair value adjustment of the derivative liability at reporting date;</li> <li>• Assessing the appropriateness of the accounting treatment in terms of AASB 139 <i>Financial Instruments: Recognition and Measurement</i>;</li> <li>• Reviewing the disclosure of the transaction.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2018, but does not include the corporate governance statement, financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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, 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 the 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 Company'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 Company or to cease operations, or has 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 is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Ark Mines Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The directors of the Company 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 conducted in accordance with Australian Auditing Standards.

### **BDO East Coast Partnership**

A handwritten signature in black ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a smaller, cursive script.

Gareth Few  
Partner

Sydney, 28 September 2018

## SCHEDULE OF TENEMENTS

As at 30 June 2018

Exploration licence	Title name	Interest	Mineral	Grant date	Expiry date	Status
ML 29679	Glencoe	100%	Gold	27 September 2012	26 September 2022	Current
ML 23839	Mt. Porter	100%	Gold	2 February 2005	1 February 2030	Current
EL 23237	Frances Creek South	100%	Gold	8 December 2003	7 December 2018	Current
ELR 116	Mt. Porter	100%	Gold	12 September 1990	11 September 2021	Current
ML 24727	Frances Creek	100% - Gold rights only	Gold	5 April 2007	4 April 2032	Current
ML 25087	Frances Creek	100% - Gold rights only	Gold	24 April 2007	23 April 2032	Current
ML 25088	Frances Creek	100% - Gold rights only	Gold	24 April 2007	23 April 2032	Current
ML 25529	Frances Creek	100% - Gold rights only	Gold	22 December 2010	21 December 2035	Current
ML 27225	Frances Creek	100% - Gold rights only	Gold	17 August 2012	16 August 2037	Current
ML 27226	Frances Creek	100% - Gold rights only	Gold	21 January 2014	20 January 2039	Current
ML 27227	Frances Creek	100% - Gold rights only	Gold	20 October 2011	19 October 2036	Current
ML 27228	Frances Creek	100% - Gold rights only	Gold	26 September 2011	25 September 2036	Current
ML 27229	Frances Creek	100% - Gold rights only	Gold	20 October 2011	19 October 2036	Current
ML 27230	Frances Creek	100% - Gold rights only	Gold	21 January 2014	20 January 2039	Current
EL 10137	Frances Creek	100% - Gold rights only	Gold	10 July 2002	9 July 2020	Current
MA 389	Frances Creek	100% - Gold rights only	Gold	15 November 1993	14 November 2018	Current

## ADDITIONAL ASX INFORMATION

As at 29 August 2018

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 29 August 2018.

### Distribution of Equity Securities

Range	Number of holders	Number of shares
1 - 1,000	10	2,697
1,001- 5,000	48	166,944
5,001 - 10,000	111	1,033,205
10,001 - 100,000	211	7,899,383
100,001 - 9,999,999	65	40,027,280
<b>Total</b>	<b>445</b>	<b>49,129,509</b>

Since listing the Company has issued 49,129,509 fully paid ordinary shares. The number of shareholders holding less than a marketable parcel is 69.

### Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

Nº	Shareholder	Shares	%
1	Solo Resources Pty Limited	6,676,000	13.59%
2	Cobungra Holdings Pty Ltd	6,327,742	12.88%
3	Mr Ian Burnham Mitchell	3,294,984	6.71%
4	Dr Rebecca Mitchell	2,510,000	5.11%
5	John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	1,593,500	3.24%
6	Martin Place Securities Nominees Pty Ltd	1,327,650	2.70%
7	Ichiya Co Ltd	1,324,072	2.70%
8	Mr John Christopher Slade	904,648	1.84%
9	Mr Stephen Roy Webster <Capitol Industries Ltd A/C>	879,298	1.79%
10	Pindims Pty Ltd <The Peacock S/F No 2 A/C>	830,000	1.69%
11	Chahen Pty Ltd <The BCS Super Fund A/C>	827,650	1.68%
12	Horizon Storm Pty Limited	800,000	1.63%
13	Alcardo Investments Limited <Styled 102501 A/C>	760,000	1.55%
14	RJ Consolidated Pty Ltd	740,000	1.51%
15	RJ Consolidated Pty Ltd <Roger Jackson S/Fund A/C>	697,000	1.42%
16	Mr Roger Alan Jackson	626,262	1.27%
17	AJM Super Co Pty Ltd	563,500	1.15%
18	Tempest Dawn Pty Limited <SWT Super Fund A/C>	529,790	1.08%
19	Kings Park Superannuation Fund Pty Ltd <Kings Park Super Fund A/C>	400,000	0.81%
20	Lippo Securities Ltd <Client A/C>	395,458	0.80%
<b>Total</b>		<b>32,007,554</b>	<b>65.15%</b>

**Substantial Shareholders**

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	Shares	%
Solo Resources Pty Limited	6,676,000	13.59%
Cobungra Holdings Pty Ltd	6,327,742	12.88%
Mr Ian Burnham Mitchell	5,847,424	11.9%

**Class of Shares and Voting Rights**

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no securities subject to voluntary Escrow.

**On market buy-back**

There is no current on-market buy back.

