

Wednesday 31 March 2010

Companies Announcement Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By e-lodgement

Dear Sir/Madam

THE ARK FUND LIMITED (ASX:ARJ) - MERGER WITH REWARDS AND CONVERTIBLE BOND ISSUE

The Board of The ARK Fund Limited (**ARK**) is pleased to announce it has entered into an implementation agreement to effect the merger of ARK with Rewards Group Limited (**Rewards**) and to undertake a recapitalisation of the combined group via a convertible bond (**CB**) issue to raise a minimum of AUD\$55 million.

Rewards is a leading developer and operator of forestry and agricultural managed investment schemes, and is the largest shareholder of ARK and the tenant on all of its 32 properties.

The CB issue will comprise an institutional placement of CBs of AUD\$44m and an entitlements issue to ARK shareholders of AUD\$11m. It is anticipated that the entitlements issue will be on a non-renounceable basis and will be fully underwritten.

The proceeds of the recapitalisation will be used to retire bank debt (approximately AUD\$28m), with the balance applied towards enhancing the working capital position of the merged group.

The directors believe that the recapitalised combined ARK-Rewards business will be a significantly stronger participant in the forestry and agricultural managed investment scheme industry with shareholders being offered the opportunity to participate in one of the strongest companies in the sector. The merged company will benefit from:

- Large agricultural land bank comprising the combined ARK and Rewards landholdings,
- Strengthened Board and management team, with substantial industry experience and expertise, and
- An enlarged investor base, including a number of strategic investors with a long-term view on the industry in which the merged entity will operate

The ARK Fund Limited
ABN 93 009 204 175

Ground Floor, 50 Colin Street
West Perth WA 6005, Australia
PO Box 803, West Perth WA 6872, Australia

T: +61 8 9324 1155 F: +61 8 9324 2155

E: ark@thearkfund.com.au

W: www.thearkfund.com.au

The investor consortium Uliel Indi Rewards (**UIR**) has committed AUD\$10 million to the institutional CB issue and to underwrite a further AUD\$2.5m of the CB entitlements issue, subject to transaction conditions precedent being satisfied. UIR is being co-managed by Uliel Capital Advisory Pte Ltd, a Singapore based investment group, IndiEnergy Pty Ltd, a Sydney based advisory firm and is supported by a number of well known sophisticated investors, both domestically and internationally.

The institutional CB issue and entitlements issue are being managed by UIR, Azure Capital Limited and Argonaut Limited, the latter two being Australian based investment and advisory firms.

The transaction is subject to conditions precedent including firm commitments to the CB issue being received, due diligence, completion of an independent expert's report, completion of formal documentation, receipt of all necessary regulatory approvals, ARK shareholder approval at a general meeting, lodgement of a prospectus for the CBs rights issue, and acceptance of the CBs for public listing.

Merger Transaction

Under the merger transaction, it is proposed that ARK will acquire 100% of Rewards Group Limited (**Rewards**), forming an enlarged group that will have significant agricultural land holdings as well as one of Australia's leading forestry and agricultural managed investment scheme (**MIS**) businesses.

At the same time ARK will also acquire 100% of ARK Capital Pty Ltd (**ARK Capital**), currently the manager of ARK's business, in order to internalise the management of the merged entity to create significant cost savings.

The merger terms that have been agreed will require ARK to issue the following securities to acquire Rewards and ARK Capital:

- 65.5 million ordinary fully paid ARK shares;
- 10 million performance shares, which will be capable of conversion by the holders into ordinary fully paid shares when ARK's share price, calculated on a volume weighted basis over a 90 day period, is 50 cents or greater; and
- 10 million options, exercisable at 50 cents per share with a term of 5 years from the date of issue.

It is envisaged that post merger:

- The company's name would be changed to Rewards Group
- The Board of the merged entity would be restructured to reflect the changed shareholdings

Recapitalisation

ARK proposes to issue a minimum of AUD\$55 million via a combination of a placement of CBs to institutional and sophisticated investors (AUD\$44 million) and an underwritten non-renounceable entitlement issue of CBs (AUD\$11m).

ARK FUND

A book-build to secure commitments (subject to completion of the overall transaction) for the CB institutional placement will occur during April 2010. Institutional investors will be required to sub-underwrite the entitlement issue on a pro-rata basis. As noted, UIR has committed AUD\$10 million to the CB institutional placement (subject to commitments for the entire CB placement being received) and to sub-underwrite the corresponding pro-rata portion of the rights issue (AUD\$2.5 million).

Capital Structure

Given ARK currently has 23,922,149 shares on issue, following completion of the merger, existing ARK shareholders will:

- Hold around 24% of the merged entity on an undiluted basis;
- Hold around 21.5% of the merged entity on a fully diluted basis (pre-conversion of any of the CB's); and
- Hold around 10% of the merged entity on a fully diluted basis post any conversion of the CB's (assuming current anticipated terms)

Capital Structure	Undiluted		Fully Diluted Pre-CB conversion		Fully Diluted Post-CB conversion	
	# Shares	%	# Shares	%	# Shares	%
Number of shares currently on issue in ARK	23,922,149	24.06%	23,922,149	21.45%	23,922,149	10.05%
Shares in ARK to be issued to the shareholders of Rewards	64,000,000	64.37%	64,000,000	57.39%	64,000,000	26.89%
Performance shares to be issued to the shareholders of Rewards	10,000,000	10.06%	10,000,000	8.97%	10,000,000	4.20%
Options to be issued to the shareholders of Rewards	-	0.00%	10,000,000	8.97%	10,000,000	4.20%
Options to be issued to UIR	-	0.00%	2,100,000	1.88%	2,100,000	0.88%
Shares in ARK to be issued to the shareholders of ARK Capital	1,500,000	1.51%	1,500,000	1.35%	1,500,000	0.63%
Convertible Notes (assume full conversion)	-	0.00%	-	0.00%	126,500,000	53.15%
Total Number of Shares in ARK on Issue	99,422,149	100.00%	111,522,149	100.00%	238,022,149	100.00%

Application will be made to list the CBs.

NAB Standstill Agreements

The National Bank of Australia Limited (**NAB**) has been fully supportive of the proposed transaction and has signed "standstill agreements" with both ARK and Rewards. Essentially the agreements provide a standstill on debt repayments to the NAB so the parties can pursue the capital raising and agreed transaction path without further working capital pressure from interest payments.

Voluntary Suspension

Given that the transactions contemplated are conditional on a number of matters, the Directors are of the view that uncertainty around ARK's financial position remains. The Directors have therefore requested that the Company's shares continue to be suspended from trading on ASX.

Yours faithfully
THE ARK FUND LIMITED

Rowan Caren
Company Secretary

Indicative Timetable¹

Announcement of transaction	31 March 2010
Record date for CB rights issue	
Securing firm commitments to the CB issue (subject to satisfaction of conditions precedent)	29 April 2010
Dispatch notice of meeting and independent expert's report seeking ARK shareholder approval	21 May 2010
ARK shareholder meeting to approve transaction	18 June 2010
Subscription amounts received under CB placement	21 June 2010
Complete merger	
Lodge prospectus under CB rights issue	
Commence trading of CBs issued under placement	25 June 2010
Complete CB entitlement issue	16 July 2010

For any further media and investor enquiries:

Mr Joe Procter
 IndiEnergy (UIR Investor consortium)
 +61 40 890 8068
 +61 2 9279 1001
jp@indienergy.com.au

For any further Ark shareholder enquiries:

Mr Geoff Ward
 Azure Capital (Financial Advisor to The ARK Fund Limited)
 +61 8 6263 0888
gw@azurecapital.com.au

¹ The timetable is indicate and subject to change