

Monday 21 December 2009

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

By e-lodgement

Dear Sir/Madam

SHAREHOLDER UPDATE

The Board of The ARK Fund Limited (**ARK**) wishes to provide the following update to shareholders.

Approach by Rewards for Merger

The Board of The ARK Fund Limited (**ARK**) has received an indicative, conditional and preliminary proposal to merge with Rewards Group Limited ("Rewards").

As the proposed merger would be a related party transaction, ARK's independent directors have formed a board sub-committee to respond to the proposal. The independent directors have appointed advisers to assist with the evaluation of the offer.

Shareholders should note that the process that ARK will undertake to evaluate the proposal will take some time and may or may not result in an agreement between the respective parties.

ARK will advise shareholders as to the outcome of its discussions with Rewards and any other material developments as they arise.

Further information about Rewards can be found on their website.

Rent

ARK's tenant on all of its 32 properties is Rewards Projects Limited, a subsidiary of Rewards. Rewards has paid all its rent this financial year up until 30 September 2009. The rent payable from 1 October is as yet unpaid.

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ARK and Rewards have agreed an arrangement whereby all outstanding rents will be paid in full by February 15th 2010, including rents becoming due between now and that time. Amounts currently outstanding will accrue interest that will be payable at that time also.

NAB Facility

ARK has a debt facility with National Australia Bank Limited (**NAB**) with an outstanding balance of approximately \$33 million.

The agreed maximum Loan to Value Ratio ("LVR") with NAB is 66%. The LVR as calculated by NAB excludes an unvalued property and is currently 69%. ARK and NAB are attempting to obtain a valuation of the property with the objective of reducing the current LVR to within the agreed maximum LVR. NAB has previously requested that this be provided by no later than 15 January 2010.

Yours faithfully
THE ARK FUND LIMITED

A handwritten signature in black ink, appearing to be 'RC', enclosed within a large, loopy oval shape.

Rowan Caren
Company Secretary