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ARK MINES LTD
ACN 123 668 717

NOTICE OF GENERAL MEETING

15 March 2016

AND

EXPLANATORY MEMORANDUM

A PROXY FORM IS ENCLOSED

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your sharebroker, solicitor, accountant or other professional advisor immediately.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

Notice of General Meeting – Ark Mines Limited

Notice is given that a General Meeting of Ark Mines Ltd **("Ark"** or **"Company")** will be held at BDO, Level 11, 1 Margaret Street, Sydney, on Tuesday 15 March 2016 at 10.30 am AEDT.

Ordinary Business:

Resolution 1 – Approval of the Granting of a Security over Company Assets to a Related Party

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.1, Chapter 2E of the Corporations Act and for all other purposes the granting of a security over an asset of the Company to the person set out in the Explanatory Memorandum accompanying the Notice of Meeting be approved"

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by Ian Mitchell or related parties or associates of Ian Mitchell, however, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

By Order of the Board
Dated: 10 February 2016

Ian Mitchell
Director/Company Secretary

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Notes

The Explanatory Memorandum accompanying and forming part of this Notice of General Meeting provides additional information on the resolution to be considered at the General Meeting. The Explanatory Memorandum and the proxy form are part of this Notice of Annual General Meeting.

Entitlement to vote

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), for the purposes of determining voting entitlements at the Annual General Meeting, shares will be taken to be held by the persons who are the registered holders at 7.00 pm AEDT on 13 March 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Proxies

1. A member entitled to attend and vote at the General Meeting convened by this Notice of Meeting has a right to appoint a proxy to attend and vote instead of the member. The appointment of a proxy may specify the proportion of the number of votes that the proxy may exercise. Fractions of votes will be disregarded.

2. A proxy need not be a member and can be either an individual or a body corporate. If a member appoints a body corporate as a proxy, that body corporate will need to ensure that it:

    - appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth); and

    - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

3. A member that is entitled to cast two (2) or more votes may appoint up to two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes. Fractions of votes will be disregarded.

4. Appointment of a proxy by a member being a natural person must be under the hand of the member or of an attorney appointed in writing by the member.

5. Appointment of a proxy by a member being a body corporate must be under the common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.

6. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.

7. To vote by proxy, please complete and sign the proxy form enclosed and return it to the Company's registered office:

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Ark Mines Ltd
C/- Websters Solicitors
Level 11, 37 Bligh Street,
Sydney NSW 2000

OR

by facsimile: 02 9233 3828 International: +61 2 9233 3828

by no later than 10.30am AEDT on 13 March 2016.

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PROXY FORM

I/We.....

of.....

being a member/members of Ark Mines Limited HEREBY APPOINT

or failing him, the Chairman of the Meeting, as my/our Proxy to vote for me/us and on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Members of the Company to be held at 10.30am on 15 March 2016 and at any adjournment thereof.

The Proxy is directed by me/us to vote as indicated by the marks in the appropriate voting boxes below:

	Resolution	For	Against	Abstain
1	Approval of the Granting of a Security over Company Assets to a Related Party	☐	☐	☐

Important information if the Chairman of the Meeting is your proxy or is appointed as your proxy by default.

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions as set out below. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called on this resolution. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the voting box above (for example if you wish to vote for, against or abstain from voting) or by marking the box below (in which case the Chairman of the Meeting will vote in favour of each resolution on your behalf)

The Chairman of the Meeting intends to vote all available proxies in favour of each resolution.

☐ I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions (except where I/we have indicated a different voting intention).

Signature of Security holder(s) *This section must be completed.*

Dated this . . . . . day of 2016

Signatures of Securityholder(s).

Individual Securityholder(s)	Sole Director and Company Secretary	Director and Director/Company Secretary

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Proxy Form

For your vote to be effective it must be received by 10:30am AEDT on 13 March 2016.

All your securities will be voted in accordance with your directions.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 in the next page.

A proxy need not be a security holder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the security holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate security holder or proxy is to attend the meeting you will need to provide the appropriate Certificate of Appointment of Corporate Representative" prior to admission.

Lodgement of Proxy Appointment Form
Proxy Appointment Forms and proxy appointment authorities, for example, the original or a certified copy of the power of attorney (if the Proxy Appointment Form is signed by an attorney) must be received:

- C/- Websters Solicitors at Level 11, 37 Bligh Street, Sydney NSW 2000: or
- by fax, on fax number +61 2 9233 3828.

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not later than 48 hours before the time appointed for holding the General Meeting.

Documents received after that time will not be valid for the scheduled meeting.

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Ark Mines Ltd
ACN 123 668 717

Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist members to understand the business to be put to members at the General Meeting to be held at the Offices of BDO, Level 11, 1 Margaret Street, Sydney, on Tuesday 15 March 2016 at 10.30am AEDT. The Explanatory Memorandum forms part of the Notice of Meeting.

1. Background Information

(a) The approval of shareholders is being sought for Ark to grant a second ranking charge over its Mt Porter Mining Tenement (ML 23839) to secure a loan advance of $750,000 to Ark for a period of 18 months at 12% interest per annum.

(b) The loan advance is to be utilised to pay portion of the mining costs of bringing the Mt Porter mining lease to production (expected to be in July 2016) and thereafter for the acquisition and development costs of further near production gold tenements at Glencoe and Frances Creek and in the Pine Creek area.

2. The Mt Porter Mining Project

(a) On 13 March 2013 the Company executed a Mining, Farm In and Joint Venture agreement with Arafura Resources Limited ("the Mt Porter Agreement") entitling it for so long as its obligations thereunder remained in good standing to (inter alia) proceed to mine the Mt Porter (ML 23839) JORC gold resource of 34,200 ounces comprising 355,000 tonnes at 3.0 g/t gold ("the Mt Porter Resource") (Announcement 13 March 2013).

(b) On 17 November 2015 Arafura confirmed that Ark was in compliance with its obligations under the Mt Porter Agreement and had met all the expenditure requirements thereunder to date (Announcement 18 November 2015).

(c) On 26 May 2015 Ark announced that its metallurgical testing results supported the economic viability of proceeding to mine the Mt Porter Resource (73% gold recovery without beneficiation)

(d) On 18 August 2015 Ark announced that it had executed a processing agreement with Crocodile Gold Australia Operations Pty Ltd ("Crocodile") – now Newmarket Gold, to process the Mt Porter Resource into gold bullion at its Union Reefs Mill ten kilometres distant from the Resource. Under the agreement Ark receives 55% of nett cash from such processing after costs, expenses and royalties.

3. The Glencoe Project

On 13 October 2015 Ark agreed to purchase from Crocodile its Glencoe Gold Project (ML 29679) comprising a JORC resource of 704,000 tonnes at 1.9 g/t gold. The Glencoe Resource is within trucking distance of the Union Reefs Mill.

4. Funding the Development of the Mt Porter Resource

Apart from the Company funds already paid and committed to the Mt Porter

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Resource development, the Board has determined that up to a further $1,250,000 will be required to bring Mt Porter Resource to production (expected to be July 2016). Authority granted by passing this resolution would allow $750,000 of that amount to be raised without diluting any of the existing shareholders interests by issuing more shares and without providing convertible notes.

All of the funds being raised under this proposed resolution will be committed to actual costs of development of Mt Porter Resource, interest on the advance ($7,500 per month) and future working capital for the Company. (Costings have been based on 73% gold recovery and AUD 1,500 per ounce gold).

The financial, economic and metallurgical studies undertaken by Ark show that Mt Porter Resource production would yield a significant nett cash benefit to the Company.

5. Regulatory Requirements – ASX

(a) ASX Listing Rule 10.1 requires that shareholder approval be obtained where an entity (Ark) disposes of a substantial asset to a related party.

(b) Definitions & Meanings

(i) **"Disposal"** includes using an asset as collateral (In this case granting an equitable charge over the Mt Porter Resource).

(ii) **"Substantial Asset"** means if the value of the consideration for the asset is 5% or more of the equity interest of the entity (Ark) (Based on the 30 June 2015 audited accounts of the Company it is clear that the proposed loan advance of $750,000 exceeds that percentage).

(iii) **"Related Party"** includes directors of the Company, spouses of such Directors and children of such Directors.

(The proposed grantee of the $750,000 charge is Marion Dorothy Dreger, an investor who is the spouse of Ian Mitchell, a Director of Ark. Two of Mr Mitchell's children are also shareholders in Ark.)

The shares held by the relevant related parties in Ark are:

Ian Mitchell	3,307,429
Marion Dorothy Dreger	20,000
Professor Rebecca Mitchell	2,500,000
William Mitchell	50,000

Together the above related parties hold 14.55% of the issued shares in Ark.

(c) ASX Listing Rule 10.1.3 also requires such approval to be obtained where a substantial holder and his associates have a relevant interest in at least 10% of the voting securities of the entity (Ark).

(Ian Mitchell and his associates have 14.55% interest – see above).

(d) ASX Listing Rule 10.10.2 requires that an independent expert report be obtained on the proposed transaction to accompany the Notice of General Meeting called to approve the proposal (Ark has engaged KS Black Financial Advisory Pty Ltd, Chartered Accountants, a firm experienced in the provision of such reports, and its report is annexed to this Explanatory Memorandum).

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6. Regulatory Requirements – ASIC

Chapter 2E of the Corporations Act requires (Section 208) that approval of a public company's members (Ark's Shareholders) be obtained before that Company gives a financial benefit to a related party of the entity unless (in this case) member approval is not needed to give such a financial benefit because it:

(a) Would be reasonable in the circumstances if the public company (Ark) and the related party (Marion Dorothy Dreger) were dealing at arm's length or the giving of such a financial benefit is on less favourable terms that if that were the case (Section 210).

(b) Section 228(2) and 228(3) define related parties such that the persons referred to in paragraph 5(b)(iii) above fall within that definition.

(c) Section 229(2) and 229(3) define a financial benefit such that the proposed loan advance falls within that definition.

7. Arm's Length Nature of the Transaction

Ark contends that both provisions of Section 210 apply to the proposed loan advance and that therefore members approval to the proposed transaction is not required to be obtained (it is being obtained in any event pursuant to ASX Listing Rule requirements – See paragraph 5 above).

KS Black Financial Advisory Pty Ltd has also been retained by the Company to advise on this question and its report is annexed hereto.

8. Facts Relevant to Determination of Arm's Length Nature of Transaction

(a) No additional securities are being or will be issued to the proposed chargee, or any other persons or entities as a result of the proposed Transaction, and there is no right in the chargee to convert the proposed loan advance to equity securities in Ark and therefore no dilution of existing shareholders.

(b) The terms of the proposal include the discharge (without issuing any Ark securities) of all existing convertible notes and thus allow Ark to retain its existing capacity to issue additional shares under the provisions of ASX Listing Rules 7.1 and 7.1A

(c) The proposed term (18 months) and interest rate (12% per annum) for the loan advance with only second ranking charge security (behind the existing 5% royalty payable upon production secured by a caveat) are significantly better than the terms of all competing loan or equity funding propositions investigated by the Company over the past 18 months.

All previous equity and debt funding proposals (approximately twelve in number) from bankers, private or public equity investors or stockbrokers have had the following features – either individually or collectively:

- Required issue of convertible securities as a feature.
- Exceeded 12% per annum interest.
- Required issue of further securities either by placement or rights issue which would cause significant dilution to existing shareholders.
- Required a commitment to all future Ark Gold Production (except from Mt Porter) up to a nominated number of ounces on future gold tenements from a quantity of gold not yet properly ascertainable ("gold

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streaming").

- Required up front non-refundable fees prior to commitment.

9. ASIC Regulatory Guide Requirements

ASIC Regulatory Guide 76 sets out certain information which should be provided to shareholders when considering whether to approve a related party transaction.

The Company takes the view that all this information including the Independent Expert's Report, should be included in this Explanatory Memorandum even though ASIC approval to the transaction is not being sought.

(a) RG 76.19–25 – Participation in Considering the Proposed Transaction

Other than for the purpose of introducing the proposal of the prospective chargee (Marion Dorothy Dreger) to other Board Members for their consideration, Ian Mitchell did not take part in the decision to accept such offer by Directors, subject to shareholder approval, and neither he nor his related parties or associates will vote on the resolution at the proposed General Meeting.

(b) RG 58 – Arm's Length Basis

(i) The terms of the transaction are demonstrably better than every other funding alternative which has been considered by the Directors.

(ii) Ark has an urgent need of funding to allow it to bring its Mt Porter Resource into production within an acceptable timeframe.

(iii) The impact on the Company will be to allow it to proceed significantly towards gold production on its mining lease.

(iv) No other viable options that were not either significantly higher in interest rate (15%-24%), required the issue of further securities (either by convertible note, placement or rights issue), or commitment to future gold production on other tenements were available.

(v) The Independent Expert's Report of KS Black Financial Advisory Pty Ltd is annexed.

(c) RG 76.70-25 – Consideration by Directors of Factors Relevant to the Proposed Transaction

The Directors considered in relation to each proposal put to the Company for funding Mt Porter Resource production, the matters set out in paragraph 8(c) above including available debt or equity financing not specifically offered but of which Directors had had recent experience and Directors also conferred with several stockbrokers in that regard.

(d) RG 93-103 – Additional Information

(i) Identity of the proposed chargee:

- Marion Dorothy Dreger – a shareholder and related party (see above).

(ii) Nature of financial benefit:

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- A second equitable charge securing $750,000 over Ark's share of the gold production from Mt Porter Resource for eighteen months at 12% per annum with interest payable monthly in arrears, supported by a caveat over the title to the relevant mining lease and dischargable without penalty upon 3 months notice.

(iii) Directors Recommendations:

- Tony Corel – In favour and will vote shares over which he exercises control accordingly;
- Roger Jackson – In favour and will vote shares over which he exercises control accordingly.
- Ian Mitchell – No recommendation. Not entitled to vote as a related party.

(iv) Director's interests in the outcome:

- An associate of a Director (Marion Dorothy Dreger) will receive interest under the proposed loan ($7,500 per month). Otherwise no Directors have an interest.

(v) Valuation of the Benefit:

- See Independent Expert's Report of KS Black Financial Advisory Pty Ltd annexed hereto.

(vi) Related Parties Existing Interests:

- See paragraph 5(b)(iii) above.

(vii) Dilution Effect of Transaction:

- Nil

(viii) Independent Expert Report

- Annexed hereto

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KS Black Financial Advisory Pty Ltd

ABN 87 604 130 529

Level 6
350 Kent Street
Sydney NSW 2000

75 Lyons Road
Drummoyne NSW 2047

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

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8 February 2016

The Directors
Ark Mines Limited
Level 11, 37 Bligh Street
SYDNEY NSW 2000

Dear Board Members,

Resolution 1: Approval of the Granting of a Security over Company Assets to a Related Party

Executive Summary

1. **Purpose of the Report**

The Directors of Ark Mines Limited ("the Company" or "Ark") have requested us to provide an Independent Experts Report to consider the fairness and reasonableness of the transaction as a whole to non-associated shareholders of the granting of a security over Company assets to a related party.

Such a report is required to be submitted to non-associated shareholders of the Company in accordance with the Corporations Act and ASX Listing Rules.

Resolution 1 is as follows:

To consider and, if thought fit, pass the following as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 10.1, Chapter 2E of the Corporations Act and for all other purposes the granting of a security over an asset of the Company to the person set out in the Explanatory Memorandum accompanying the Notice of Meeting be approved."

2. **Conclusion**

In our opinion, and for the reasons set out in this Report, the transaction as a whole is fair, and is reasonable.

a. The transaction is fair its cost is less than the alternatives.

b. The transaction is reasonable as it will allow the Company to bring its resources into production, which could lead to increases in earnings, raising the value of shares of Company shareholders.

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Background Information

1.1.Background to the Transaction

The approval of shareholders is being sought for Ark to grant a second ranking charge over its Mt Porter Mining Tenement (ML 12728) to secure a loan advance of $750,000 to Ark for a period of 18 months at 12% interest per annum.

The loan advance is to be utilized to pay portion of the mining costs of bringing the Mt Porter mining lease to production (expected to be in July 2016) and thereafter for the acquisition and development costs of further near production gold tenements at Glencoe and Frances Creek and in the Pine Creek Area.

1.2.The Mt Porter Mining Project

On 13 March 2013 the Company executed a Mining, Farm In and Joint Venture agreement with Arafura Resources Limited ("the Mt Porter Agreement") entitling it for so long as its obligations thereunder remained in good standing to (inter alia) proceed to mine the Mt Porter (ML 23839) JORC gold resource, ("the Mt Porter Resource").

On 17 November 2015 Arafura confirmed that Ark was in compliance with its obligations under the Mt Porter Agreement and had met all the expenditure requirements thereunder to date.

On 26 May 2015 Ark's announced that its metallurgical testing results supported the economic viability of proceeding to mine the Mt Porter Resource.

On 18 August 2015 Ark announced that it had executed a processing agreement with Crocodile Gold Australia Operations Pty Ltd ("Crocodile") – now Newmarket Gold, to process the Mt Porter Resource into gold bullion at its Union Reefs Mill ten kilometres distant from the Resource. Under the agreement Ark receives 55% of net cash from such processing after costs, expenses and royalties.

1.3.The Glencoe Project

On 13 October 2015 Ark agreed to purchase from Crocodile its Glencoe Gold Project (ML 29679) comprising a JORC resource. The Glencoe Resource is within trucking distance of the Union Reefs Mill.

1.4.Funding the Development of the Mt Porter Resource

Apart from the Company funds already paid and committed to the Mt Porter Resource development, the Board has determined that up to a further $1,250,000 will be required to bring Mt Porter Resource to production (expected to be July 2016). Authority granted by passing this resolution would allow $750,000 of that amount to be raised without diluting any of the existing shareholders interests by issuing more shares and without providing convertible notes.

All of the funds being raised under this proposed resolution will be committed to actual costs of development of Mt Porter Resource, interest on the advance ($7,500 per month) and future working capital for the Company.

1.5.Regulatory Requirements

ASX Listing Rule 10.1 requires that shareholder approval be obtained where an entity (Ark) disposes of a substantial asset to a related party.

A. "Related Party" includes directors of the Company, spouses of such Directors and children of such Directors.

The proposed grantee of the $750,000 charge is Marion Dorothy Dreger, an investor who is the spouse of Ian Mitchell, a Director of Ark. Two of Mr Mitchell's children are also shareholders in Ark.

1.5.Regulatory Requirements (cont.)

The shares held by the relevant related parties in Ark are:

Ian Mitchell	3,307,429
Marion Dorothy Dreger	20,000
Professor Rebecca Mitchell	2,500,000
William Mitchell	50,000

Together the above related parties hold a 14.55% of the issued shares in Ark.

ASX Listing Rule 10.1.3 also requires such approval to be obtained where a substantial holder and his associates have a relevant interest in at least 10% of the voting securities of the entity (Ark).

(Ian Mitchell and his associates have 14.55% interest – see above).

ASX Listing Rule 10.10.2 requires that an independent expert report be obtained on the proposed transaction to accompany the Notice of General Meeting called to approve the proposal.

1.6.Regulatory Requirements – ASIC

Chapter 2E of the Corporations Act requires (Section 208) that approval of a public company's members (Ark's Shareholders) be obtained before that Company gives a financial benefit to a related party of the entity unless member approval is not needed to give such a financial benefit because it:

(a) Would be reasonable in the circumstances if the public company (Ark) and the related party (Marion Dorothy Dreger) were dealing at arm's length or the giving of such a financial benefit is on less favourable terms that is that were the case (Section 210).

(b) Section 228(2) and 228(3) define related parties such that the persons referred to above fall within that definition.

(c) Section 229(2) and 229(3) define a financial benefit such that the proposed loan advance falls within that definition.

Ark contends that both provisions of Section 210 apply to the proposed loan advance and that therefore members approval to the proposed transaction is not required to be obtained (it is being obtained in any event pursuant to ASX Listing Rule requirements – see above).

1.7.Security details

A second equitable charge is being made to Marion Dorothy Dreger – (a shareholder and related party) securing $750,000 over Ark's share of all gold production from Mt Porter Resource for eighteen months at 12% per annum with interest payable monthly in arrears, supported by a caveat over the title to the relevant mining lease and dischargable without penalty upon 3 months notice.

1.8.Financial Information – Ark Mines Limited

Extracts of audited financial information below has been prepared in accordance with International Financial Reporting Standards. There is no material difference between the latter and Australian Accounting Standards.

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Statement of Financial Position
For the Year Ended 30 June 2015

	2015 $	2014 $
Current Assets		
Cash and cash equivalents	168,373	29,772
Trade and other receivables	25,953	34,691
Prepayments	8,453	5,213
Total current assets	**202,779**	**69,676**
Non-current assets		
Capitalised exploration and evaluation expenditure	764,508	1,005,878
Environmental bonds	21,529	20,000
Plant and equipment	477	1,145
Total non-current assets	**786,514**	**1,027,023**
Total assets	**989,293**	**1,096,699**
Current liabilities		
Trade and other payables	48,675	60,762
Borrowings	196,428	-
Total current liabilities	**245,103**	**60,762**
Non-current liabilities		
Other payables	347,222	110,972
Total non-current liabilities	**347,222**	**110,972**
Total liabilities	**592,325**	**171,734**
Net assets	**396,968**	**924,965**
Equity		
Contributed equity	8,767,180	8,352,705
Reserves	4,061	-
Accumulated losses	(8,374,273)	(7,427,740)
Total equity	**396,968**	**924,965**

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2. Requirement for an Independent Expert's Report

The ASX Listing Rules and ASIC Regulatory Guide 111 provides there is a general information requirement on directors which can be satisfied by providing an independent expert's report to consider the fairness and the reasonableness of the transaction as a whole.

The Directors have appointed KS Black Financial Advisory Pty Limited as the independent expert for the purposes of the Corporations Act.

We are required to:

a. determine whether the transaction is fair and reasonable to non-associated shareholders; and
b. address in our report any other information which we know which is material to shareholder decisions on the transaction.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the transaction. The transaction is "fair" if the value of the transaction is equal to or greater than the cost of alternatives. The transaction is "reasonable" if it is fair. It might also be reasonable if the expert believes there are sufficient reasons for shareholders to accept the transaction. This means taking into account the likely advantages and disadvantages for non-associated shareholders and comparing them with the advantages and disadvantages for those shareholders if it is not accepted.

3. Conclusion as to Fairness

No additional securities are being or will be issued to the proposed charge, or any other persons or entities as a result of the proposed transaction, and there is no right in the charge to convert the proposed loan advance to equity securities in Ark and therefore no dilution of existing shareholders.

The terms of the proposal include the discharge (without issuing any Ark securities) of all existing convertible notes and thus allow Ark to retain its existing capacity to issue additional shares under the provisions of ASX Listing Rules 7.1 and 7.1A.

The proposed term (18 months) and interest rate (12% per annum) for the loan advance with only second ranking charge security (behind the existing 5% royalty payable upon production secured by a caveat) are significantly better than the terms of all competing loan or equity funding propositions investigated by the Company over the past 18 months.

All previous equity and debt funding proposals have had the following features – either individually or collectively:

- Required issue of convertible securities as a feature.
- Exceeded 12% per annum interest.
- Required issue of further securities either by placement or rights issue which would cause significant dilution to existing shareholders.
- Required a commitment to all future Ark Gold Production (except from Mt Porter) up to a nominated number of ounces on future gold tenements, gold not yet properly ascertainable ("gold streaming").
- Required up front non-refundable fees prior to commitment.

The cost of the transaction is less than the alternatives.

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4. **Position if Transaction is Accepted**

The ASX Listing Rules and ASIC Regulatory Guide 111 state that the independent expert needs to consider whether the transaction is fair and reasonable to the members of the Company as a whole. Therefore, we have considered the position if the resolution is adopted and have taken into account the following advantages and disadvantages in this assessment.

We have weighed the following advantages and disadvantages and have found the offer is reasonable.

i. Advantages

The Company will receive funding to allow it to bring its resources into production. This may enhance the earning of profits by the Company. This could lead to an increase in the value of the shares of the Company's shareholders.

ii. Disadvantages

Additional liabilities are placed on the Company, lowering net earnings. This could lead to the value of the Company's shareholders shares not increasing.

5. **Sources of Information**

We have relied on the following information for the purposes of preparing this Report:

- Audited Financial statements of the Company for the year ended 30 June 2015.
- Discussions with the Company management.
- Australian Financial Review.
- ASX website.

6. **Independence**

We are entitled to receive a fee of $9,500 (including GST) for this Report. Except for the fee, we have not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Prior to accepting this engagement, we considered our independence with respect to the Company with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In our opinion, we are independent of the Company.

We do not have at the date of the Report, and have not had within the previous 2 years, any relationship with the Company beyond that of professional advisors.

A draft of this Report was provided to the Company and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

In addition, we have been indemnified by the Company in respect of any claim arising from our reliance on information provided by the Company, including the non-provision of material information, in relation to the preparation of this Report.

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7. Qualifications

KS Black Financial Advisory Pty Limited has experience in the provision of corporate financial advice.

The director responsible for preparing the Report, Stuart Cameron, has degrees in economics and law from the University of Sydney, is a Fellow of The Institute of Chartered Accountants in Australia, and is a Certified Internal Auditor. He has given advice, including provision of Independent Experts and Investigating Accountants Reports, in connection with listed companies for many years.

8. Disclaimers and Consents

This Report has been prepared at the request of the Company.

We hereby consent to this Report accompanying the Notice of General Meeting. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without prior written consent.

We take no responsibility for the contents of the Notice of General Meeting other than this Report.

We have not independently verified the information and explanation supplied to us, nor have we conducted anything in the nature of an audit of the Company, but we have critically evaluated all relevant information obtained. However, we have no reason to believe that any of the information or explanation so supplied is false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of our engagement are such that we have no obligation to update this Report for events occurring subsequent to the date of this Report.

10. Indemnity

The Company has provided an indemnity for us for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Yours sincerely
KS Black Financial Advisory Pty Ltd

KS Black Financial Advisory Pty Ltd

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FINANCIAL SERVICES GUIDE

Dated 8 February 2016

KS Black Financial Advisory Pty Ltd ACN 604 130 529 ("**KSB FA** " or "**we**" or "**us**" or "**ours** as appropriate) has been given authority to issue general financial product advice in the form of a report to be provided to you. We are an authorised representative of Alpha Securities Pty Ltd (ACN 124 327 064) ["Alpha"].

1. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide are by way of authority under the Australian Financial Services Licence, Licence No 330757 of Alpha;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

2. FINANCIAL SERVICES WE ARE AUTHORISED TO PROVIDE

We are an authorised representative of Alpha. Alpha holds an Australian Financial Services Licence and is authorised to provide general financial product advice to retail and wholesale clients including the following classes of financial products:

- Derivatives limited to old law securities, options contracts and warrants;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly, but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided under an authority given by a financial services licensee authorised to provide the financial product advice contained in the report.

3. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider the statement before making any decision about whether to acquire the product.

4. FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We have charged $9,500 (including GST) for providing this report.

Except for the fees referred to above, neither we, nor any of its directors, employees or related entities, have received any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary.

6. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7. ASSOCIATIONS AND RELATIONSHIPS

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business under Alpha's authority.

8. COMPLAINTS RESOLUTION

8.1 International Complaints Resolution Process

Having authority under a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KS Black Financial Advisory Pty Limited, 20 Grose Street, North Parramatta NSW 2150.

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after

receiving the written complaint, we will advise the complaint in writing of our determination.

8.2 Referral to External Dispute Resolution Scheme

A complaint not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Alpha is a member of the FICS Complaints Handling Tribunal No. E-473.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579
Collins Street West
MELBOURNE VIC 8007

Toll free: 1300 780 808
Facsimile: (03) 9621 2291

9. CONTACT DETAILS

You may contact us using the details set out in paragraph 8.1 in this FSG.

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