



*(Subject to a Deed of Company Arrangement)*

ACN 123 668 717

# Financial Report

*For the Half-Year Ended 31 December 2019*

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# CORPORATE DIRECTORY

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**Directors**

Antony B Corel  
Roger A Jackson  
Ian B Mitchell

**Company Secretary**

Ian B Mitchell

**Registered office**

Ian B Mitchell and Associates  
Level 9  
MLC Centre  
19 – 29 Martin Place  
Sydney NSW 2000

**Principal Place of Business**

C\ - KordaMentha  
Level 10  
40 St Georges Terrace  
Perth WA 6000

**Share Register**

Next Registries  
PO Box H195  
Australia Square NSW 1215

**Auditor**

BDO East Coast Partnership  
Level 11  
1 Margaret Street  
Sydney NSW 2000

**Solicitors**

Ian B Mitchell and Associates  
Level 9  
MLC Centre  
19 – 29 Martin Place  
Sydney NSW 2000

**Bankers**

National Australia Bank  
Level 15  
Ernst and Young Centre  
680 George Street  
Sydney NSW 2000

**Accounting Services**

Professional Edge Pty Ltd  
Level 7  
1 Margaret Street  
Sydney NSW 2000

**Securities Exchange Listing**

Ark Mines Ltd (Subject to a Deed of Company Arrangement) shares are listed on the Australian Securities Exchange (ASX code: AHK)

**Website Address**

[www.arkmines.com.au](http://www.arkmines.com.au)

Your Directors present their report together with the financial statements of Ark Mines Ltd (Subject to a Deed of Company Arrangement) (the "Company" or "Ark") for the financial half-year ended 31 December 2019.

## Directors

The names of the Directors, who held office from 1 July 2019 to date of this report, unless otherwise stated, are:

- Antony B Corel
- Roger A Jackson
- Ian B Mitchell

## Review of Operations

On 30 July 2019, the Company announced that it had agreed in-principle, the terms of a joint venture ("JV") agreement with Trendsheer Holdings Pty Ltd ("Trendsheer") and ICA Mining Services Pty Ltd ("ICA") to mine and produce gold dore' from its NT tenements and gold rights, for treatment in an environmentally friendly gold processing hub to be established by the JV in the Frances Creek / Pine Creek area.

Trendsheer had recently purchased various MLs and ELs and associated infrastructure in the Frances Creek area from Territory Resources Pty Ltd. ICA had secured the NT rights to the Thiosulphate gold extraction process from the CSIRO and would acquire the rights to build a plant utilising this technology on the Trendsheer tenements. ICA was well advanced in raising the necessary capital for this purpose.

The in-principle terms of the JV agreement contemplated the establishment of a JV Company in the NT that would have had exclusive access to explore, mine and process the ore mined, and sell the gold produced. Ark would have had Board representation on the JV Company and executive roles and would have been entitled to 30% of JV distributions. Ark would not have been required to contribute capital to the JV.

Once the gold processing plant was completed, Ark expected to mine and process up to 150k tonnes of Glencoe ore in the first 12-months of operation and mine and process up to 500k tonnes of Mt Porter ore in the first 18-months of operation.

Repayment of the Chan Facility was expected to be made by the JV from the proceeds of gold sales.

On 25 September 2019 Richard Tucker and Craig Shepard of KordaMentha ("Administrators") were appointed Voluntary Administrators of the Company by Chan. On appointment, the Company's Board of Directors' ("Board") powers were suspended and the Administrators assumed control of the Company's affairs and assets.

On 4 October 2019, the first meeting of creditors of the Company was held. This meeting provided an update on the Administration to date and allowed for creditors to vote on whether a committee of inspection be appointed and if the Administrators were to be replaced. It was determined by creditor vote that a committee of inspection would not be formed and the Administrators were not to be replaced.

On 30 October 2019, the second meeting of creditors of the Company was held. The purpose of this meeting was to consider the Administrators' report to creditors to determine the future of the Company and to approve the Administrators' remuneration. At this meeting the Administrators considered it was in creditors' best interests to adjourn the second meeting of creditors for up to 45 business days, to enable the Administrators to;

- have sufficient time to complete negotiations with interested parties to finalise a sale of assets and/or Deed of Company Arrangement proposal; and
- report back to creditors with sufficient information to accurately determine whether entering into a Deed of Company Arrangement provided a better return to creditors compared to winding up the Company.

On 6 January 2020, the reconvened second meeting of creditors was held. The purpose of this meeting was to consider the Administrators' report to creditors to determine the future of the Company and to approve the Administrators' remuneration. At this meeting:

- The Administrators reported that they had agreed terms for an asset sale agreement ("Asset Sale Agreement") with Ausgold Trading Pty Ltd ("Ausgold") for the sale of the Company's mining tenements and associated assets for \$4.2 million ("Asset Sale"). Under this transaction structure, the Company's mining tenements and associated assets would be sold first and transferred out of the Company, with net proceeds applied to the repayment of secured debt, following which the Company would then be recapitalised via a Deed of Company Arrangement ("DOCA"), with part of the proceeds applied to the further repayment of secured debt and unsecured creditors.
- The Administrators tabled the DOCA proposals received and reported that they considered it in the creditors' interests for the Company to accept the DOCA proposed by the Directors of the Company ("Directors") for total consideration of \$663k, as this would result in a better return to creditors in timing, quantum, and certainty, than other DOCA proposals or if the Company was liquidated.
- It was determined by creditor vote that the Company accept and execute the DOCA proposed by the Directors.

Subsequent to the reconvened second meeting of creditors, the following key events have occurred:

- On 28 January 2020, the Administrators executed the Asset Sale Agreement with Ausgold.
- On 28 January 2020, the Administrators executed the DOCA and from this date the Administrators became the Deed Administrators.

# DIRECTORS' REPORT

For the half-year ended 31 December 2019

## Review of Operations (cont.)

- On 7 February 2020, a \$75k deposit procured by the Directors from interested investors, was paid with the expectation that the DOCA would be closed within 60 days.

Under the terms of the DOCA, control of the Company was to be returned to the Directors following satisfaction of the Conditions Precedent by the Due Date ("Due Date"), initially being 31 March 2020 with the Contribution Balance of \$588k to be paid to the Deed Administrators by 28 February 2020. Under the DOCA, the Deed Administrators had the right to extend the Due Date to allow for the satisfaction of the Conditions Precedent. During the DOCA period the Deed Administrators granted six extensions to the Directors to allow further time for funding to be procured by the Directors to pay the Contribution Balance.

During the DOCA period, the Directors are responsible for attending to the preparation and lodgement of all required statutory returns and reports of the Company with ASIC and the ASX.

On 26 July 2020, the Directors notified the Deed Administrators of their concerns regarding the possibility that the Company would be delisted by the ASX unless its ASX reporting was brought up to date by 25 September 2020 as well as its overdue ASIC reporting requirements. The Directors advised the Deed Administrators that they were in a position to execute the DOCA immediately.

The Conditions Precedent include execution of the Asset Sale Agreement. Completion of the Asset Sale agreement has been extended by the Deed Administrators several times as follows:

- On 13 August 2020, the Deed Administrators extended the Due Date to 31 August 2020.
- On 28 August 2020, the Deed Administrators extended the Due Date to 4 September 2020.
- On 3 September 2020, the Deed Administrators extended the Due Date to 11 September 2020.
- On 24 September 2020, the Deed Administrators extended the Due Date to 7 of December 2020.
- On 14 January 2021, the Deed Administrators extended the Due Date to 11 February 2021.
- On 10 March 2021, the Deed Administrators extended the Due Date to 26 March 2021.

Each of the above DOCA Due Date extensions were due to the failure of Ausgold to perform its agreed obligations on time. As noted earlier, under the terms of the DOCA the Deed Administrators had the right to extend the due date to allow for the satisfaction of the Conditions Precedent, including completion of the Asset Sale Agreement. This term was included within the DOCA due to the complexity of completing a distressed asset sale and it is not uncommon for these types of transactions to be prolonged.

The Directors have raised the Contribution Balance and have now paid it to the Deed Administrators.

Following payment of the Contribution Balance it is expected that the Deed Administrators will now make arrangements to complete the Asset Sale Agreement, after which managerial control of the Company will be transferred to the Directors and the DOCA terminated for performance.

Further details of the Administration process and DOCA are included at Note 12 - Going Concern and Note 17 - Subsequent Events.

The loss for the Company during the half-year was \$738,634 (2018: \$760,158).

## Subsequent Events

The review of operations discussed above covers the period of the half-year ending 31 December 2019 and up to the date of this report. Details of all events that occurred specifically between 31 December 2019 and the date of this reported are shown in note 17 to the financial statements.

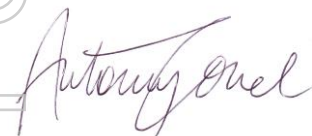
## Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2019 has been received and a copy is reproduced on page 4.

## Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest dollar (where rounding is applicable) unless otherwise indicated.

This Report is made in accordance with a resolution of the Board of Directors and signed on behalf of the Board by:



**Antony B Corel**

Chairman

Sydney, 12 March 2021

## DECLARATION OF INDEPENDENCE BY LEAH RUSSELL TO THE DIRECTORS OF ARK MINES LIMITED

As lead auditor for the review of Ark Mines Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ark Mines Limited during the period.



**Leah Russell**  
Partner

**BDO East Coast Partnership**

Sydney, 12 March 2021

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# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Note	December 2019	December 2018
		\$	\$
<b>Revenue from ordinary activities</b>			
Interest income		147	140
<b>Total revenue</b>		<b>147</b>	<b>140</b>
<b>Less: Expenses</b>			
Accounting and secretarial expenses		16,719	34,877
Administration costs		8,000	-
ASX listing costs		16,155	8,185
Audit fees		21,330	24,100
Consulting fees		-	3,740
Depreciation		1,993	1,993
Directors' fees		48,520	102,750
Insurance		10,865	6,499
Legal fees		-	4,167
Share registry costs		2,145	6,713
Travel and accommodation expenses		8,240	5,530
Write off of deposit on Old Pirate project		-	50,000
Other expenses from ordinary activities		7,407	20,223
<b>Total expenses</b>		<b>141,374</b>	<b>268,777</b>
<b>Loss from operating activities</b>		<b>(141,227)</b>	<b>(268,637)</b>
Recovery of environmental bond		-	10,000
Net foreign exchange gains		6	56
Fair value movement of derivative liability	9	(575,730)	(456,416)
Finance costs		(21,683)	(45,161)
<b>Profit before income tax</b>		<b>(738,634)</b>	<b>(760,158)</b>
Income tax expense		-	-
<b>Loss from continuing operations after income tax</b>		<b>(738,634)</b>	<b>(760,158)</b>
Other comprehensive loss for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(738,634)</b>	<b>(760,158)</b>
<b>Earnings per share</b>			
Basic - cents per share		-1.40	-1.55
Diluted - cents per share		-1.40	-1.55

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 31 December 2019

	Note	December 2019	June 2019
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		6,828	1,348
Trade and other receivables	3	33,791	47,643
Prepayments		-	19,953
Non-current assets classified as held for sale	4	3,242,807	-
<b>Total current assets</b>		<b>3,283,426</b>	<b>68,944</b>
<b>Non-current assets</b>			
Capitalised exploration and evaluation expenditure	5	-	3,052,323
Environmental bonds	6	-	122,259
Plant and equipment		-	6,974
<b>Total non-current assets</b>		<b>-</b>	<b>3,181,556</b>
<b>Total assets</b>		<b>3,283,426</b>	<b>3,250,500</b>
<b>Current liabilities</b>			
Administration funding		30,000	-
Trade and other payables	7	1,074,672	945,278
Borrowings	8	750,000	-
Derivative liability	9	7,430,412	6,854,682
<b>Total current liabilities</b>		<b>9,285,084</b>	<b>7,799,960</b>
<b>Non-current liabilities</b>			
Borrowings	8	-	750,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>750,000</b>
<b>Total liabilities</b>		<b>9,285,084</b>	<b>8,549,960</b>
<b>Net assets</b>		<b>(6,001,658)</b>	<b>(5,299,460)</b>
<b>Equity</b>			
Contributed equity	10	9,976,683	9,940,247
Accumulated losses		(15,978,341)	(15,239,707)
<b>Total equity</b>		<b>(6,001,658)</b>	<b>(5,299,460)</b>

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

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# STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Note	December 2019	December 2018
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(35,852)	(111,531)
Interest received		147	140
Interest and finance costs and exchange losses		(15,427)	(45,105)
<b>Net cash used in operating activities</b>		<b>(51,132)</b>	<b>(156,496)</b>
<b>Cash flows from investing activities</b>			
Proceeds from term deposit released		10,000	-
Payment for exploration and evaluation expenditure		(22,824)	(30,513)
Proceeds from Mt Porter and Frances Creek sale deposit		-	500,000
Proceeds from refunds of environmental bonds		-	8,801
<b>Net cash used in investing activities</b>		<b>(12,824)</b>	<b>478,288</b>
<b>Cash flows from financing activities</b>			
Proceeds from funding received by Administrators		30,000	-
Proceeds from share issues – net of share issue costs	10	36,436	-
Processed from (repayment of) loans		3,000	(250,000)
<b>Net cash provided by financing activities</b>		<b>69,436</b>	<b>(250,000)</b>
Net increase in cash held		5,480	71,792
Cash at the beginning of the period		1,348	17,598
<b>Cash at the end of the period</b>		<b>6,828</b>	<b>89,390</b>

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



## STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

Note	Issued capital	Acc. losses	Total
	\$	\$	\$
<b>December 2019</b>			
Balance at 1 July 2019	9,940,247	(15,239,707)	(5,299,460)
Total comprehensive income for the half-year	-	(738,634)	(738,634)
Total	9,940,247	(15,978,341)	(6,038,094)
<u>Transactions with owners in their capacity as owners</u>			
Ordinary shares issued, net of transaction costs	36,436	-	36,436
<b>Balance at 31 December 2019</b>	<b>9,976,683</b>	<b>(15,978,341)</b>	<b>(6,001,658)</b>
<b>December 2018</b>			
Balance at 1 July 2018	9,876,131	(13,669,820)	(3,793,689)
Total comprehensive income for the half-year	-	(760,158)	(760,158)
<b>Balance at 31 December 2018</b>	<b>9,876,131</b>	<b>(14,429,978)</b>	<b>(4,553,847)</b>

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

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# NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 1. Corporate Information

Ark Mines Ltd (Subject to a Deed of Company Arrangement) is a public company, listed on the Australian Securities Exchange, incorporated and domiciled in Australia. The Company's operations comprise exploration for and evaluation of mineral resources.

## 2. Significant Accounting Policies

These financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. This financial report covers Ark Mines Ltd (Subject to a Deed of Company Arrangement) and was authorised for issue in accordance with a resolution of Directors on 12 March 2021. For the purpose of preparing the financial statements, Ark Mines is a for-profit entity.

These financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the annual financial report. The half-year financial report should be read in conjunction with the annual financial report of Ark Mines Ltd (Subject to a Deed of Company Arrangement) as at 30 June 2019 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

### a) Basis of preparation

The half-year financial report has been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

### b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2019.

### c) New, revised or amending Accounting Standards and Interpretations adopted

Management has reviewed and assessed all new accounting standards effective 1 July 2019 and determined that none are applicable to the Company.

### d) Fair value

Due to their short-term nature, the Directors considered the carrying amounts of cash, current receivables and current payables to approximate their fair value.

## 3. Trade and Other Receivables

GST recoverable

Receivables other

**Total**

	December 2019	June 2019
	\$	\$
	29,859	22,655
	3,932	24,988
	<b>33,791</b>	<b>47,643</b>

## 4. Non-current Assets Held for Resale

Capitalised exploration and evaluation expenditure

Environmental bonds

Plant and equipment

**Total**

	3,115,567	-
	122,259	-
	4,981	-
	<b>3,242,807</b>	<b>-</b>

Non-current Assets Held for Resale includes the amount of exploration and evaluation expenditure previously capitalised by the Company for work done on its exploration tenements. As a consequence of the appointment of the Administrators, these assets are now the subject of an Asset Sale Agreement for the benefit of the secured creditor.

Non-current Assets Held for Resale was previously shown as Capitalised Exploration and Evaluation Expenditure, Environmental Bonds and Plant and Equipment. These asset categories were previously classified as a non-current asset of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

	December 2019	June 2019
	\$	\$
<b>5. Capitalised Exploration and Evaluation Expenditure</b>		
Balance at the beginning of the period	3,052,323	3,219,053
Capitalised during the period	63,244	231,458
Impaired during the period	-	(398,188)
Transferred to Non-current Assets Held for Resale	(3,115,567)	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>3,052,323</b>
<b>6. Environmental Bonds</b>		
EL 23237 Frances Creek	-	5,223
ML 23139 Mt Porter Mining Management Plan bonds	-	80,329
ML 29679 Glencoe	-	36,707
<b>Total</b>	<b>-</b>	<b>122,259</b>
Environmental bonds for the current period are included in Non-Current Assets Held for Resale. Refer note 4.		
<b>7. Trade and Other Payables</b>		
Trade creditors	45,431	18,303
Other payables – Directors' fees	558,404	464,493
Deferred Directors' fees	449,855	447,612
Other payable	3,000	-
Accruals	17,982	14,870
<b>Total</b>	<b>1,074,672</b>	<b>945,278</b>
<b>8. Borrowings</b>		
Interest bearing loan from related party	750,000	750,000
<b>Total</b>	<b>750,000</b>	<b>750,000</b>
<b>9. Derivative Liability</b>		
Balance at the beginning of the period	6,854,682	5,975,464
Fair value movement	575,730	1,129,218
Repaid in cash	-	(250,000)
<b>Balance at the end of the period</b>	<b>7,430,412</b>	<b>6,854,682</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. Each tranche was repayable by an agreed amount of gold bullion within the life of a mine however the Facility allowed for cash repayment of the latter two tranches and as a consequence, the Facility is accounted for as a derivative instrument.

# NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 9. Derivative Liability (cont.)

The Company drew down the first tranche of US\$2.6m which was repayable by an agreed amount of gold bullion without a cash repayment option. The carrying value for the Facility of \$7,430,412 as at 31 December 2019 represents the fair value of the gold to be delivered to satisfy this liability. The movement of \$575,730 from the 30 June 2019 carrying value of \$6,854,682 has been charged to profit and loss as a fair value adjustment. Please see the Company's 30 June 2019 Annual Report for further details on this liability.

Please see note 17 – Subsequent Events for the latest details of the Administration process.

## 10. Contributed Equity

No options over unissued ordinary shares were issued during the period.

### Ordinary Shares Number

Balance at the beginning of the period

#### Shares issued during the period

Issued 30 January 2019

Issued 31 July 2019

Issued 15 August 2019

**Balance at the end of the period**

	December 2019	June 2019
	<b>No.</b>	<b>No.</b>
Balance at the beginning of the period	51,129,509	49,129,509
<u>Shares issued during the period</u>		
Issued 30 January 2019	-	2,000,000
Issued 31 July 2019	666,666	-
Issued 15 August 2019	525,000	-
<b>Balance at the end of the period</b>	<b>52,321,175</b>	<b>51,129,509</b>

### Ordinary Shares Value

Balance at the beginning of the period

#### Shares issued during the period

30 January 2019 - 2,000,000 ordinary shares @ \$0.033

31 July 2019 - 666,666 ordinary shares @ \$0.03

15 August 2019 - 525,000 ordinary shares @ \$0.04

Share issue costs

**Balance at the end of the period**

	\$	\$
Balance at the beginning of the period	9,940,247	9,876,131
<u>Shares issued during the period</u>		
30 January 2019 - 2,000,000 ordinary shares @ \$0.033	-	66,000
31 July 2019 - 666,666 ordinary shares @ \$0.03	20,000	-
15 August 2019 - 525,000 ordinary shares @ \$0.04	21,000	-
Share issue costs	(4,564)	(1,884)
<b>Balance at the end of the period</b>	<b>9,976,683</b>	<b>9,940,247</b>

## 11. 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. A summary of aggregate commitments is as follows:

Within 1 year

More than 1 year but not later than 5 years

More than 5 years but not later than 10 years

**Total**

	-	10,795
	16,849	34,000
	-	-
<b>Total</b>	<b>16,849</b>	<b>44,795</b>

These commitments refer to assets that are subject to an asset sale agreement being pursued by the Administrators as part of the Administration process.

Please see the Company's 30 June 2019 Annual Report for further details on the Administration process.

Please see note 17 – Subsequent Events for the latest details of the Administration process.

## 12. Going Concern

On 25 September 2019 Richard Tucker and Craig Shepard of KordaMentha ("Administrators") were appointed Voluntary Administrators of the Company by Chan Investments Ltd ("Chan"). Details of the Administration process from that date are included at Note 17 – Subsequent Events. As part of this process, on 28 January 2020 the Directors entered into a Deed of Company Arrangement ("DOCA") with the Company and the Administrators.

Under the terms of the DOCA, control of the Company is to be returned to the Directors after payment of the contribution balance of \$663k to the Deed Administrators. Of this sum, a deposit of \$75k was paid to the Deed Administrators on 7 February 2020 and the balance of \$588k ("Contribution Balance"), was paid on 15 February 2021 and to be held in escrow by the Deed Administrators pending satisfaction of Conditions Precedent of the DOCA, including:

- execution, completion and settlement of the Asset Sale Agreement ("Asset Sale Agreement") whereby the Company's existing tenements, and associated gold assets are sold for \$4.2m for the benefit of Chan, and Chan releasing its security over the remaining assets of the Company;
- execution of a Royalty Deed whereby the Company's Directors, and second ranking secured creditor receive a 1.5% Net Smelter Royalty on gold production, up to a maximum of \$1.5m in satisfaction of loans and outstanding Directors' fees due to these parties; and
- the second secured creditor withdrawing any caveat maintained over any of the tenements and providing a release to the Deed Administrators.

On satisfaction of these Conditions Precedent, the Deed Administrators will apply the Contribution Balance to:

- the Deed Administrators' remuneration and expenses incurred during the DOCA period; and
- payment of dividends in satisfaction of admitted creditors of the Company.

The Directors have signed an Investment Agreement with certain investors ("Investors") to provide the Contribution Balance and procure additional funding, expected to exceed \$1,000,000, which the Company will require to satisfying ASX requirements for relisting.

Once the Company is returned to the Directors, the Directors intend to secure appropriate Australian based exploration and or mining projects to vend into the Company and in this regard, negotiations with vendors are currently being undertaken.

On this basis, the Directors have prepared these Financial Statements on the going concern basis.

Notwithstanding that the DOCA proposed by the Directors, together with the support of the Investors and acquisition of the Project, outlines a viable and realistic way for the Company to remain listed on the ASX and move forward, there remain significant risks that:

- The DOCA may not be terminated as expected by the Directors.
- The acquisition of the Project may not be concluded in the 6-month time limit likely to be imposed by ASX for the introduction of an appropriate project after the DOCA is concluded. In this case, ASX may delist the Company if it determines that the Company has failed meet the requirements of Chapter 12 of the Listing Rules.
- The Company fails to remain listed for other reasons including failure to lodge outstanding ASX reporting requirements within the time stipulated by ASX.

These risks give rise to material uncertainties which may cast significant doubt over the Company's ability to continue as a going concern.

Should the Investors' funding not be forthcoming, the Company will be unable to continue as a going concern and meet its debts as and when they fall due.

Please see Note 17 Subsequent Events, for further details of the Administration process and the Asset Sale process.

## 13. Fair Value Measurement

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methods.

The estimates presented are not necessarily indicative of the amounts that will ultimately be realised by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

For cash and cash equivalents, trade and other receivables and trade and other payables, the carrying amounts approximate fair value, because of the short maturity and nature of these instruments, and therefore fair value information is not included in this note.

# NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 14. Segment Information

The Company has identified its operating segment based on internal reports that are reviewed and used by the chief operating decision maker in assessing performance and in determining the allocation of resources. Management has identified exploration and evaluation of mineral resources as the Company's only operating segment as this is its principal activity.

## 15. Dividends

The Company has not declared or paid a dividend during the half-year.

## 16. Seasonality

The Company's activities have not been subject to seasonal trends.

## 17. Subsequent Events

No matters or circumstances have arisen since the end of the half 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 6 January 2020, the reconvened second meeting of creditors was held pursuant to section 439A of the Corporations Act. The purpose of this meeting was to consider the Administrators' report to creditors, to determine the future of the Company and to approve the Administrators' remuneration. At this meeting:

- The Administrators reported that they had agreed terms for an asset sale agreement ("Asset Sale Agreement") with Ausgold Trading Pty Ltd ("Ausgold") for the sale of the Company's mining tenements and associated assets for \$4.2 million ("Asset Sale"). Under this structure of this transaction, the Company's mining tenements and associated assets would be sold with net proceeds applied to the repayment of secured debt.
- The Administrators further reported that they received various Deed of Company Arrangement ("DOCA") proposals under which, and following the Asset Sale, the Company would be recapitalised with part of the recapitalisation proceeds being applied to the further repayment of secured debt and the payment of unsecured creditors.
- The Administrators reported that they considered it in the creditors' best interests for the Company to accept a DOCA proposed by the Directors of the Company ("Directors") for total consideration of \$663k, made up of a \$350k payment to Chan, \$175k in fees to the Administrator and \$138k to settle the claims of admitted unsecured creditors in full. The Administrators considered that this would result in a better return to creditors in timing, quantum, and certainty, than other DOCA proposals or if the Company was liquidated.
- It was determined by creditor vote that the Company accept and execute the DOCA proposed by the Directors ("Directors' DOCA").

Subsequent to the reconvened second meeting of creditors, the following key events occurred:

On 28 January 2020, the Administrators executed the Asset Sale Agreement with Ausgold.

On 28 January 2020, the Administrators and the Directors executed the Directors' DOCA.

On 7 February 2020, a \$75,000 deposit procured by the Directors from interested investors, was paid to the Deed Administrators, with the expectation that the Directors' DOCA would be concluded within 60 days.

Under the terms of the Directors' DOCA, control of the Company was to be returned to the Directors following completion of the Asset Sale which was expected to complete in March 2020.

Completion of the Asset Sale Agreement was to occur after the satisfaction of the Conditions Precedent, which were required to be satisfied by 30 June 2020 or any other date agreed between. As conditions were not met by 30 June 2020, the completion date was extended by the Deed Administrators in accordance with the terms of the Asset Sale Agreement.

On 26 July 2020, the Directors notified the Administrators of their concerns regarding the possibility that the Company would be delisted by the ASX unless its ASX reporting obligations were brought up to date by 25 September 2020, as well as its overdue ASIC reporting requirements. The Directors advised the Deed Administrators that they were in a position to execute the Directors' DOCA immediately.

On 13 August 2020, the Directors' DOCA conditions precedent due date ("DOCA Due Date") was extended to 31 August 2020.

On 28 August 2020, the DOCA Due Date was extended to 4 September 2020.

On 3 September 2020, the DOCA Due Date was extended to 11 September 2020

On 24 September 2020, the DOCA Due Date was extended to 7 December 2020.

On 14 January 2021, the DOCA Due Date was extended to 11 February 2021.

On 10 March 2021, the DOCA Due Date was extended to 26 March 2021.

### 17. Subsequent Events (cont.).

Each of the abovementioned DOCA Due Date extensions were due to the failure of Ausgold to perform its agreed obligations on time.

On 3 February 2021 the Deed Administrators confirmed to the Directors in writing that completion of the ASA is able to be affected by the Deed Administrators' election upon 2 business days' notice to Ausgold, which the Deed Administrators intend to effect upon payment of the Contribution Balance.

On 15 February 2021, the Directors paid, and the Deed Administrator accepted, the Contribution Balance of \$588,000 which following the satisfaction of the Conditions Precedent, be applied by the Deed Administrators towards;

- the Deed Administrators' remuneration and expenses incurred during the DOCA period; and
- payment of dividends to admitted creditors of the Company.

Following payment of the Contribution Balance it is expected that the Deed Administrators will make arrangements to complete the Asset Sale Agreement, after which managerial control of the Company will be transferred to the Directors and the DOCA terminated for performance.

Please see Note 12 - Going Concern, for further details of the Directors' DOCA and the interested investors.

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## DIRECTORS' DECLARATION

For the half-year ended 31 December 2019

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### The Directors of the Company declare that:

In their opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.



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**Antony Corel**

Director  
Sydney, 12 March 2021



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ark Mines Limited (Subject to Deed of Company Arrangement)

### Report on the Half-Year Financial Report

#### Disclaimer of conclusion

We were engaged to review the half-year financial report of Ark Mines Limited (Subject to Deed of Company Arrangement), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

We do not express a conclusion on the accompanying financial report of the Company. Because of the significance of the matter described in the *Basis for disclaimer of conclusion* section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on this financial report.

#### Basis for disclaimer of conclusion

On 25 September 2019 Richard Tucker and Craig Shepard of KordaMentha ('Administrators') were appointed Voluntary Administrators of the Company by Chan Investments Ltd ('Chan'). As part of the administration process, on 28 January 2020 the Directors entered into a Deed of Company Arrangement ('DOCA') with the Company and the Administrators. As described in note 12, the Directors have prepared the financial statements on a Going Concern basis and described the significant risks that in their opinion give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence as at 30 June 2019 and as a result disclaimed our opinion in relation to the Asset Sale Agreement being executed in an appropriate time frame and whether the conditions precedent on the term sheet with certain investors will be met to enable the DOCA to be terminated as there was not sufficient information available to us and we were unable to perform alternative procedures. We remain unable to obtain sufficient appropriate evidence in relation to the Asset Sale Agreement as at 31 December 2019 to enable us to form a review conclusion.

#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. However, because of the matter described in the *Basis for disclaimer of conclusion* section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the financial report. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

### **BDO East Coast Partnership**

BDO

A handwritten signature in black ink that reads 'Leah Russell'.

**Leah Russell**  
**Director**

Sydney, 12 March 2021

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## SCHEDULE OF TENEMENTS

As at 31 December 2019

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 2020	Renewal pending
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	Renewal pending

Note: These tenements are subject to an asset sale agreement being pursued by the Administrators as part of the Administration process.

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