



30 January 2018

QUARTERLY REPORT

For Quarter ended 31 December 2017

(ARK: code AHK)

OPERATIONAL HIGHLIGHTS FOR THE QUARTER

- **Ark advances MMP for the Union Extended Gold plant**

The following studies are well underway under the careful management of the Project by the board:

- Hydrogeological Study
 - ✓ desktop studies completed,
 - ✓ monitoring bore construction completed,
 - ✓ hydrogeological testing well underway
- Terrestrial ecology
 - ✓ desktop studies completed,
 - ✓ field components planned for mid-February due rain in January
- Soils, rehabilitation and landuse (desktop studies completed, field components planned for mid-February)
- Geochemical assessment of tailings (studies commenced)
- Tailings Storage Facility (TSF) and water management assessment design (engineering firm commissioned, design process underway)

At this stage, all major elements of the project (TSF, raw water dams and processing plant) are proposed to be constructed on previously disturbed operational areas, no additional clearing of remnant vegetation is expected to be required.

Ark is well advanced with the Gold plant evaluation. Ark has been undertaking optimisation studies of Gold plants for the Union Extended site. Under review is the plant throughput and the componentry. Pricing for the plant has now been undertaken and final design will be now considered. An optimised process flow diagram has been developed and will be utilised in the design of the plant.



Union Extended

Union Extended is a strategically convenient and cost-effective location potentially suitable for the establishment and operation of a relocatable processing plant with a capacity of circa. 450,000 tonnes per annum (**UE Mill**) to support mining of AHK's Mt. Porter, Glencoe and Francis Creek projects.

The UE Mill:

- Is expected to be a module/pre built unit and designed to maximise recoveries of Mt Porter Ore.
- should be amenable to the various types of gold and other ore commonly found within the Pine Creek region; and
- would be made available for processing of third party ore on fair, reasonable and economically viable terms.

Union Extended site advantages includes:

- closeness to current AHK projects, namely, Mt. Porter (Central, South and North) (7 km), Frances Creek (16 km) and Glencoe (50 km);
- closeness to other MLs, the acquisition of which AHK is considering;
- closeness to other mining projects that may want to treat ore at the UE Mill;
- large level areas suitable for establishing and operating the UE Mill;
- good road access to Mt. Porter and other nearby mining projects;
- closeness to rail spur near the Mt. Porter haul road;
- abundant water on site;
- power already established on site and available on demand;
- large open mined pits on site and potentially suitable for use as a tailings dam;
- offices, sheds, pumps and other useable mining infrastructure in place on site; and
- reasonably prospective gold mining potential.

Figure 1: Union Extended in relation to Ark Mines Pine Creek infrastructure.

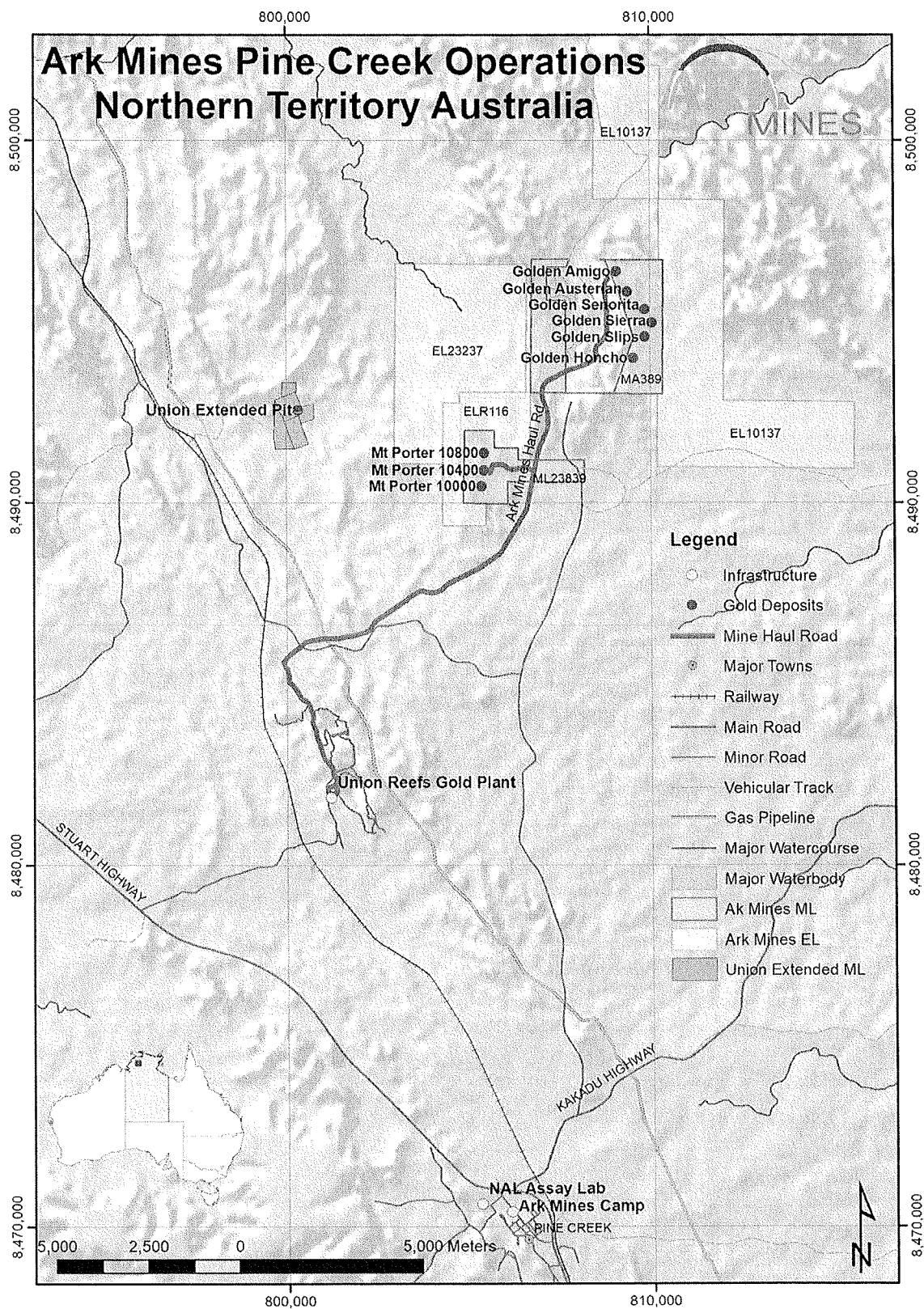
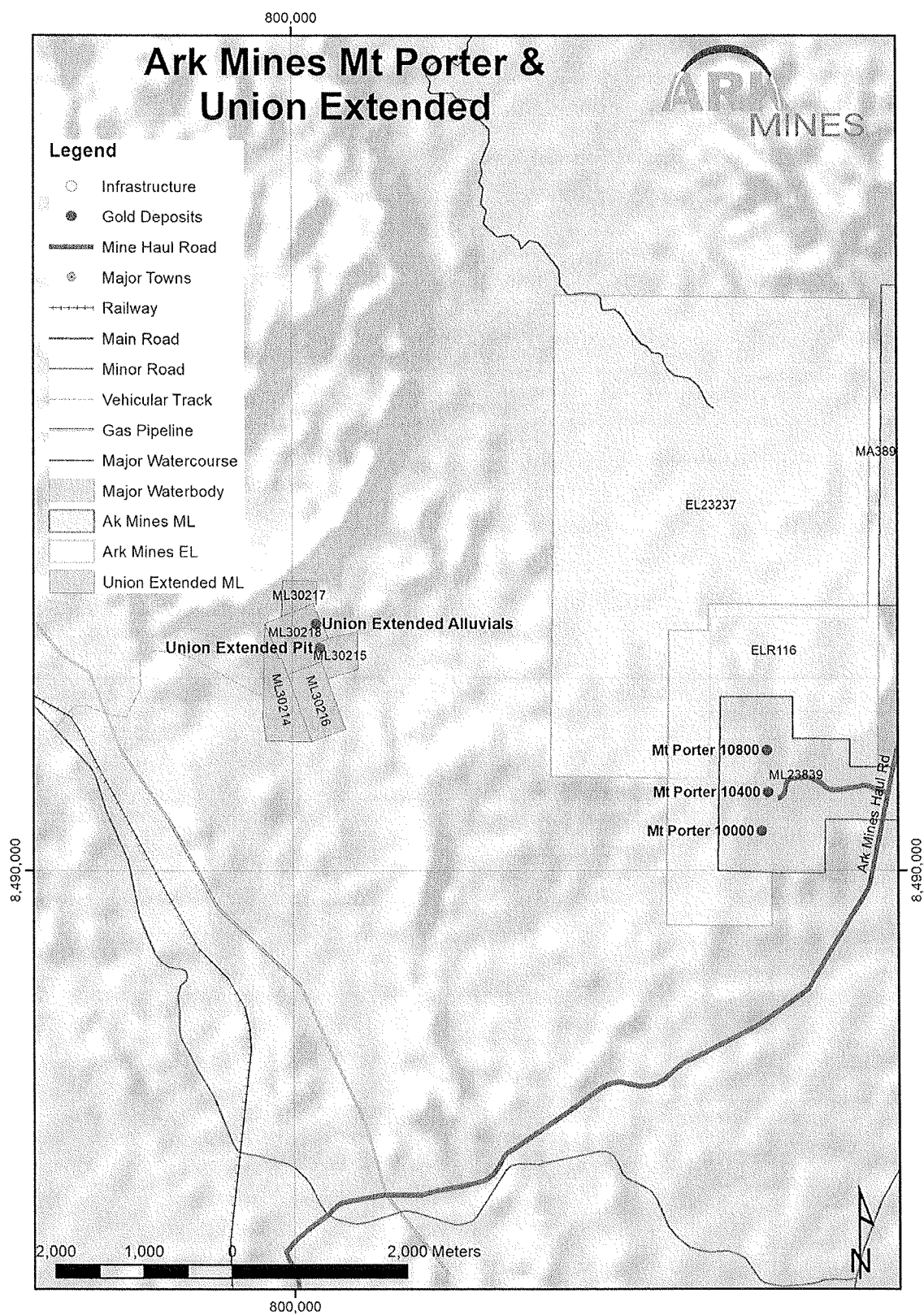
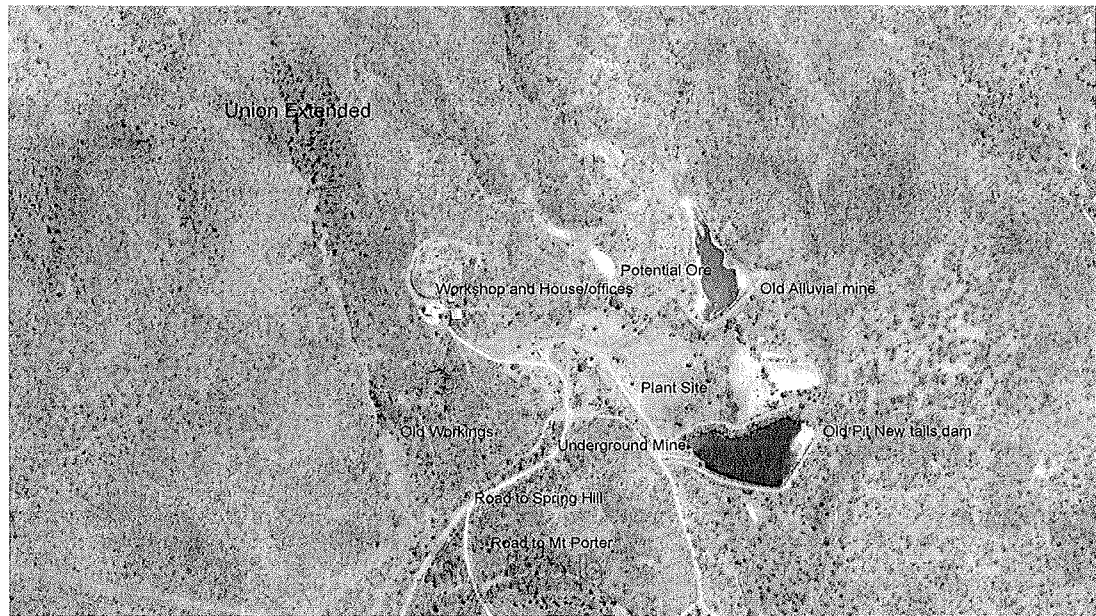


Figure 2: Union Extended tenement layout.





Imagery ©2017 CNES / Airbus, Map data ©2017 Google Australia 100 m

Figure 3: Union Extended Google maps image showing material features.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Ark Mines Limited

ABN

31 123 668 717

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation *	(208)	(401)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs *	(96)	(224)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(23)	(53)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (Net GST)	1	11
1.9 Net cash from / (used in) operating activities	(325)	(664)

* Year to date includes reallocation of \$39k between 1.2 (e) and 1.2 (a) from quarter 1.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets *		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets *		(15)
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (refund of bond)		10
2.6	Net cash from / (used in) investing activities	0	(5)

* Option over adjoining tenements.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		1,699
3.6	Repayment of borrowings		(1,699)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,162	1,538
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(325)	(664)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	0	(32)
4.6	Cash and cash equivalents at end of period	837	837

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	838	1,128
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (Credit card advances)	(1)	34
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	837	1,162

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
125

Directors' fees including fees outstanding from previous quarter and in the case of Mr Corel, legal fees, paid at normal commercial rates.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.5
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
23

Interest payments on loan made by a related party of a Director.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	350	-
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 24 October 2017 the Company entered into a binding Term Sheet with Pan Asia Limited for a yet to be determined amount to reasonably cover the cost of; 1) the acquisition of the Union Extended (UE) Project; 2) the acquisition of a suitable relocatable gold processing plant of at least 450k tpa capacity; and 3) the MTP and UE security bonds payable to the NT Government.

An amount of \$350k has been committed for the identification, evaluation and any necessary deposit for the acquisition of the plant at point 2 above.

The agreed interest rate is 17% pa. Other terms and conditions including repayment conditions are yet to be determined.

See ASX announcement of 24 October 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	100
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	165
9.6 Other (interest)	46
9.7 Total estimated cash outflows	311

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	NIL			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	NIL			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 30 January 2018

Print name: Ian B Mitchell

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.