



*(Subject to a Deed of Company Arrangement)*

ACN 123 668 717

# ***Annual Report***

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*For the year ended 30 June 2020*

## CORPORATE DIRECTORY

|                                    |                                                                                                                                  |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>                   | Antony B Corel<br>Roger A Jackson<br>Ian B Mitchell                                                                              |
| <b>Company Secretary</b>           | Ian B Mitchell                                                                                                                   |
| <b>Registered office</b>           | Ian B Mitchell and Associates<br>Level 9<br>MLC Centre<br>19 – 29 Martin Place<br>Sydney NSW 2000<br>Telephone: 9232 5444        |
| <b>Principal Place of Business</b> | Ian B Mitchell and Associates<br>Level 9<br>MLC Centre<br>19 – 29 Martin Place<br>Sydney NSW 2000<br>Telephone: 9232 5444        |
| <b>Share Register</b>              | Next Registries<br>Level 16<br>No 1 Market Street<br>Sydney NSW 2000<br>Telephone: 9276 1700                                     |
| <b>Auditor</b>                     | Moores Australia Audit (WA)<br>Level 15 exchange Tower<br>2 The Esplanade<br>Perth WA 6000                                       |
| <b>Solicitors</b>                  | Ian B Mitchell and Associates<br>Level 9<br>MLC Centre<br>19 – 29 Martin Place<br>Sydney NSW 2000                                |
| <b>Bankers</b>                     | National Australia Bank<br>Level 15<br>Ernst and Young Centre<br>680 George Street<br>Sydney NSW 2000                            |
| <b>Accounting Services</b>         | Professional Edge Pty Ltd<br>Level 7<br>1 Margaret Street<br>Sydney NSW 2000                                                     |
| <b>Securities Exchange Listing</b> | Ark Mines Ltd (Subject to a Deed of Company Arrangement) shares are listed on the Australian Securities Exchange (ASX code: AHK) |
| <b>Website Address</b>             | <a href="http://www.arkmines.com">www.arkmines.com</a>                                                                           |



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*For the year ended 30 June 2020*

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# DIRECTORS' REPORT

For the year ended 30 June 2020

**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 year ended 30 June 2020.

## 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 Northern Territory ("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 mineral leases and exploration licences and associated infrastructure in the Frances Creek area from Territory Resources Pty Ltd. ICA had also secured the NT rights to the Thiosulphate gold extraction process from the CSIRO and proposed to acquire rights to build a plant utilising this technology on the Trendsheer tenements. The Company understood that 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 to JV capital.

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

Repayment of the Company debt owed to Chan Investments Ltd ("Chan") was expected to be made by the JV from the proceeds of gold sales.

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

On 4 October 2019, the first meeting of the Company's creditors 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 the Company's 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 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 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 \$4.125 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 \$663,000, 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 occurred.

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

On 7 February 2020, a \$75,000 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 \$588,000 to be paid to the Deed Administrators by 28 February 2020.

**Review of Operations (cont.)**

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 were 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 2021 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 up to 26 March 2021.

The Directors raised the Contribution Balance and this was paid to the Deed Administrators on 15 February 2021.

The Deed Administrator settled the claims of unsecured creditors, excluding the amounts owed to the Directors, or their associates, in the sum of \$70,149 on 11 June 2021.

The Deed Administrators completed the Asset Sale Agreement. The Deed Administrators received sale proceeds of \$4,150,000 and the tenements were transferred to the purchaser on 10 June 2021. Following this, the Deed Administrator transferred \$2,843,173 to Chan on 15 June 2021 and the balance of settlement to Chan on 20 July 2021 in full satisfaction of the Company's derivative gold loan liability.

On 10 June 2021 the Deed Administrators notified the Directors that the completion of the DOCA had occurred and in accordance with clause 5.2(c) of the DOCA, managerial control of the Company was now transferred to the Directors.

The Company has now signed a binding head of agreement ("HoA") with Bmax Holdings Pty Limited ("Bmax") to acquire 100% of the issued shares in MIJ Holdings Pty Ltd ("MIJ") ("Acquisition"). Bmax currently holds (and is in the process of transferring to MIJ) three granted Exploration Permits; EPM26560 (Gunnawarra); EPM26464 (Mt. Jesse); and EPM26883 (Pluton), all located in the prolific Mt Garnet and Greenvale mineral field, northern Queensland. Further details of these EPMS are included in the Company's ASX announcement of 25 August 2021.

Consideration for the Acquisition is \$1.8m, to be satisfied through the issue of new fully paid ordinary shares in Ark Mines Ltd, at a deemed issue price of \$0.20 per share (post a 1 for 20 consolidation) to Bmax, the vendor of MIJ, or its nominee.

Completion of the Acquisition is conditional upon, amongst other things:

- Ark obtaining all regulatory approvals in order to undertake the Acquisition, including re-complying with the admission requirements of ASX;
- Ark and Bmax each being reasonably satisfied with the due diligence performed on the other party, and / or the EPMS;
- Ark obtaining all necessary shareholder approvals prior to 25 September 2021 (or such later date as agreed by the ASX); and

Ark raising at least \$4.5m in new capital by the issue of new ordinary shares ("Capital Raising").

The Company is now in the process of seeking shareholder approval to:

- consolidate its fully paid ordinary shares on a 1 for 20 basis;
- issue up to 25,000,000 new ordinary shares (post the 1 for 20 consolidation) at an issue price of \$0.20 per share to raise up to \$5m new capital;
- issue 7,066,230 new ordinary shares (post the 1 for 20 consolidation) at an issue price of \$0.10 with one free attaching option exercisable at \$0.20 and expiring 2 years after issue, to repay loans to the Company made to fund the DOCA, including the DOCA Contribution Balance of \$688,000 included in these financial statements; and
- issue 2,000,000 new ordinary shares (post the 1 for 20 consolidation) at an issue price of \$0.10 repay loans made to the Company post 30 June 2021 to fund the Company prior to the Capital Raising.

Further details of the Acquisition, the EPMS and the Capital Raising are included in the Company's ASX announcement of 25 August 2021.

The loss after income tax for the full year ended 30 June 2020 was \$2,445,761 (2019: \$1,569,887).

# DIRECTORS' REPORT

For the year ended 30 June 2020

## Principal Activity

The principal activity of the Company for the financial year up to the commencement of the Administration process on 25 September 2019 was the development of its Mt. Porter, Frances Creek and Glencoe projects in preparation for the mining of gold. From 25 September 2019, the principle activity of the Company was the disposal of its assets for the benefit of creditors and the execution of a Deed of Company Arrangement seeking to recapitalise the Company and secure a new exploration project.

## 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 – Non-Executive Independent Chairman

Dip Law, LLM

Mr Corel is a solicitor with significant corporate and managerial experience gained within and outside Australia. He has extensive legal experience advising both public and private sector organisations and managing significant commercial, corporate, regulatory and litigious matters. Since 2006 Mr Corel has, in addition to continuing his practice as a solicitor, accepted managerial roles in various private ventures, including Ark, with a view to sharing his experience in law, governance, compliance and management.

Mr Corel was appointed a Director of Ark in 2008 and was instrumental in positioning the Company for public listing and was appointed Chairman of Directors.

- Appointed. 22 September 2008
- Committee memberships. Audit & Risk, Remuneration & Nomination
- Other listed Board memberships. Nil
- Previous listed Board memberships. Nil for the last three years



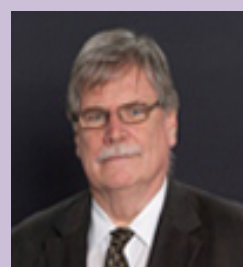
### Roger A Jackson – Managing Director

BSc, Dip Ed, Grad Dip Fin Man, FAusIMM, MAICD, FGS, MAIG

Mr Jackson been actively been involved in the Mining industry for 30 years as a Mine Operator, in Mine Services and in Mineral Exploration. He has been a founding director of a number of private and public mining and mine service companies. He is currently a Director of NQ Minerals PLC.

Mr Jackson has maintained a Geological and Mining Consulting business for the past 11 years whilst holding several executive roles. He has strong knowledge of gold exploration and mining. He also has a sound knowledge of base metal mining and exploration. He has developed several mining and ore processing operations in Australia and abroad. He has had significant experience in marketing gold and base metal concentrate across the globe.

- Appointed. 21 October 2010
- Committee memberships. Nil
- Other listed Board memberships. Nil
- Previous listed Board memberships. Nil for the last three years



### Ian B Mitchell – Non-Executive Independent Director & Company Secretary

BA, Dip Law

Mr Mitchell is a practising solicitor of over 44 years standing. He is the Company Secretary of a number of ASX listed and non-listed public companies. He has over 32 years' experience as a Director and Secretary of listed mining, exploration and industrial companies. His legal expertise is in commercial law, contract law and ASIC and ASX compliance.

Mr Mitchell was appointed Company Secretary on 16 November 2011.

- Appointed. 29 December 2010
- Committee memberships. Audit & Risk (Chairman), Remuneration & Nomination
- Other listed Board memberships. Pan Asia Metals Ltd.
- Previous listed Board memberships. Reliance Resources Ltd., Medical Australia Ltd.

## Environmental Regulations

The Company is subject to significant environmental regulations under legislation of the Commonwealth of Australia. The Company aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental obligations of the Company's contracts or licences.

## Dividends

No dividends have been declared in respect of the financial year ended 30 June 2020 (2019: Nil).

## Events Subsequent to Reporting Date

Events subsequent to reporting date are included in Note 25 to the financial statements and within the Directors Report under Review of Operations. The Directors are not aware of any matter or circumstance not otherwise dealt with in this Annual Report or in the financial statements that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Director. There are no Company executives.

## Directors' Interests

The Directors' beneficial interests in shares as at 30 June 2020 are shown in the following table. The Company had not issued any options to Directors as remuneration as at this date.

| Director        | Holding type | Shares           |                |          |                  |
|-----------------|--------------|------------------|----------------|----------|------------------|
|                 |              | 1 July 2019      | Acquired       | Disposed | 30 June 2020     |
| Antony B Corel  | Direct       | 208,010          | -              | -        | 208,010          |
|                 | Indirect     | -                | 333,333        | -        | 333,333          |
|                 | <b>Total</b> | <b>208,010</b>   | <b>333,333</b> | <b>-</b> | <b>541,343</b>   |
| Roger A Jackson | Direct       | 706,262          | -              | -        | 706,262          |
|                 | Indirect     | 1,477,000        | 333,333        | -        | 1,810,333        |
|                 | <b>Total</b> | <b>2,183,262</b> | <b>333,333</b> | <b>-</b> | <b>2,516,595</b> |
| Ian B Mitchell  | Direct       | 3,317,424        | -              | -        | 3,317,424        |
|                 | Indirect     | 2,530,000        | -              | -        | 2,530,000        |
|                 | <b>Total</b> | <b>5,847,424</b> | <b>-</b>       | <b>-</b> | <b>5,847,424</b> |

## Remuneration Policy

The Board's remuneration policy determines the nature and amount of remuneration for Board members and senior executives of the Company. The policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Remuneration & Nomination Committee and approved by the Board. All executives receive remuneration based on factors such as length of service and experience. The Remuneration & Nomination Committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The objective of this policy is to secure and retain the services of suitable individuals capable of contributing to the consolidated entities strategic objectives. The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities.

The Company currently has no employees, including women. When the Company reaches a suitable size, it will endeavour to employ suitably qualified women to fill at least one third of its employment positions.

The Remuneration & Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to a limit of \$300,000 set by shareholders when the Company was first floated. Directors' remuneration is fixed and no element of that remuneration is dependent on the satisfaction of a performance condition.

There were no bonuses paid or proposed to be paid for the year ended 30 June 2020 (2019: Nil).

There were no share options issued as remuneration during the year ended 30 June 2020 (2019: Nil).

Over page is a table summarising key performance and shareholder wealth indicators for the Company For the year ended 30 June 2020 and the previous 4 financial years.

## DIRECTORS' REPORT

For the year ended 30 June 2020

### Remuneration Policy (Cont.)

| Period                   | Loss after Tax | EPS (cents per share) | Share Price |
|--------------------------|----------------|-----------------------|-------------|
| Year ending 30 June 2020 | (\$2,445,761)  | (4.68)                | NA          |
| Year ending 30 June 2019 | (\$1,569,887)  | (3.14)                | \$0.01      |
| Year ending 30 June 2018 | (\$647,007)    | (1.32)                | \$0.07      |
| Year ending 30 June 2017 | (\$3,918,034)  | (8.08)                | \$0.12      |
| Year ending 30 June 2016 | (\$730,506)    | (1.80)                | \$0.14      |

### Directors and Key Management Remuneration

Details of the remuneration of the Directors, other Key Management Personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Company) and specified executives are set out in the following table.

|                                | Short- term       | Post-employment | Total          |
|--------------------------------|-------------------|-----------------|----------------|
|                                | Base fee / salary | Superannuation  |                |
|                                | \$                | \$              | \$             |
| <b>2020</b>                    |                   |                 |                |
| <b>Executive Directors</b>     |                   |                 |                |
| Roger A Jackson                | 8,500             | -               | 8,500          |
| <b>Non-Executive Directors</b> |                   |                 |                |
| Antony B Corel                 | 23,610            | 2,243           | 25,853         |
| Ian B Mitchell                 | 14,167            | -               | 14,167         |
| <b>Total Non-Executive</b>     | <b>37,777</b>     | <b>2,243</b>    | <b>40,020</b>  |
| <b>Total Remuneration</b>      | <b>46,277</b>     | <b>2,243</b>    | <b>48,520</b>  |
| <b>2019</b>                    |                   |                 |                |
| <b>Executive Directors</b>     |                   |                 |                |
| Roger A Jackson                | 180,000           | -               | 180,000        |
| <b>Non-Executive Directors</b> |                   |                 |                |
| Antony B Corel                 | 99,996            | 9,499           | 109,495        |
| Ian B Mitchell                 | 60,000            | -               | 60,000         |
| <b>Total Non-Executive</b>     | <b>159,996</b>    | <b>9,499</b>    | <b>169,495</b> |
| <b>Total Remuneration</b>      | <b>339,996</b>    | <b>9,499</b>    | <b>349,495</b> |

### Contracts of Senior Executives

The Managing Director, Mr Jackson, was previously engaged under a Consultancy Agreement which expired on 14 November 2017. Since this time, and up to the appointment of the Administrator, the Board determined, and Mr Jackson agreed, that his employment was ongoing on a month to month at a fixed rate of \$15,000 per month. Mr Jackson was not entitled to any benefits on termination.

As at the date of this report, Director remuneration of \$1,008,259 has not been paid and is shown in the financial statements as a liability. These amounts have now been settled by the Deed Administrator as part of the DOCA and nothing further is payable by the Company.

See Note 20 for further details.

This concludes the Remuneration Report, which has been audited.

**Significant Changes in State of Affairs**

Since the end of the financial year, the Deed of Administration was concluded and control of the Company was returned to the Directors on 10 June 2021.

Please refer to Note 25, Subsequent Events, for further details.

**Directors' Meetings**

The number of Directors' meetings and meetings of committees of Directors of Ark Mines Ltd (including by way of circular resolution) held during the year ended 30 June 2020 and the numbers of meetings attended by each Director are as follows.

| Director        | Board              |          | Audit & Risk Committee |          | Rem. & Nom. Committee |          |
|-----------------|--------------------|----------|------------------------|----------|-----------------------|----------|
|                 | Eligible to attend | Attended | Eligible to attend     | Attended | Eligible to attend    | Attended |
| Antony B Corel  | 2                  | 2        | -                      | -        | -                     | -        |
| Roger A Jackson | 2                  | 2        | -                      | -        | -                     | -        |
| Ian B Mitchell  | 2                  | 2        | -                      | -        | -                     | -        |

As well as formal Directors' meetings, Executive and Non-Executive Directors are in frequent communication by telephone, email and fax.

**Likely Developments**

It is anticipated that the Company will now raise additional capital and acquire a minerals exploration project, following which it proposes to apply to ASX for resumption of trading of its shares.

Please see Note 24 - Going Concern and Note 25 - Subsequent Events for further details.

**Indemnifying Officers and Auditor**

The Company has indemnified Directors and staff to the extent possible under the Corporations Law against any liabilities incurred by the person as an officer of the Company. The Company has also provided an indemnity to its contracted accounting staff for liabilities incurred in acting in this capacity. The Company has not indemnified the Auditor.

**Non-Audit Services**

The Auditor provided no other services during the financial year ended 30 June 2020.

**Officers of the Company who are former Audit Partners of Moores Australia Audit (WA)**

There are no officers of the Company who are former Partners of Moores Australia Audit (WA).

**Auditor Independence Declaration**

The Auditor's independence declaration for the year ended 30 June 2020 has been received and a copy is reproduced on page 8. Moores Australia Audit (WA) continues office in accordance with section 327 of the Corporations Act 2001.

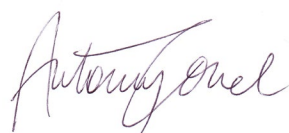
**Proceedings on Behalf of the Company**

No person has applied to the Court for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any of those proceedings. The Company was not a party to any such proceedings during the year.

**Corporate Governance**

The Company's Corporate Governance Statement can be found on its web-site at [www.arkmines.com](http://www.arkmines.com).

Signed in accordance with a resolution of the Board of Directors.



**Antony B Corel**  
Chairman

Sydney, 31 August 2021

# AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2020



## Moore Australia Audit (WA)

Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000  
PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355  
F +61 8 9225 6181

[www.moore-australia.com.au](http://www.moore-australia.com.au)

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ARK MINES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Wen-Shien Chai'.

WEN-SHIEN CHAI  
PARTNER

A handwritten signature in blue ink, appearing to read 'Moore Australia'.

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 31<sup>st</sup> day of August 2021.



*(Subject to a Deed of Company Arrangement)*

ACN 123 668 717

# ***Financial Statements***

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*For the year ended 30 June 2020*

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

|                                                         | Note | 2020               | 2019               |
|---------------------------------------------------------|------|--------------------|--------------------|
|                                                         |      | \$                 | \$                 |
| <b>Other Income</b>                                     |      |                    |                    |
| Creditor funding of Administration                      |      | 60,000             | -                  |
| Interest income                                         |      | 147                | 390                |
| <b>Total income</b>                                     |      | <b>60,147</b>      | <b>390</b>         |
| <b>Less: Expenses</b>                                   |      |                    |                    |
| Accounting and secretarial expenses                     |      | 38,356             | 61,557             |
| Administration costs                                    |      | 223,051            | -                  |
| ASX listing fees                                        |      | 8,920              | 16,302             |
| Audit fees                                              | 19   | 46,330             | 50,000             |
| Computer and communications                             |      | 3,471              | 11,898             |
| Depreciation                                            | 9    | 3,985              | 3,985              |
| Directors' fees                                         | 20   | 48,520             | 205,496            |
| Impairment of exploration and evaluation capitalised    |      | -                  | 398,188            |
| Insurance                                               |      | 28,153             | 14,456             |
| Legal fees                                              |      | -                  | 4,167              |
| Printing and stationery                                 |      | 388                | 7,348              |
| Share registry costs                                    |      | 3,243              | 12,844             |
| Title management and tenement reporting                 |      | 4,028              | 11,533             |
| Travel and accommodation expenses                       |      | 8,240              | 6,681              |
| Other expenses from ordinary activities                 |      | 2,115              | 6,504              |
| <b>Total expenses</b>                                   |      | <b>(418,801)</b>   | <b>(810,959)</b>   |
| <b>Loss from operating activities</b>                   |      | <b>(358,655)</b>   | <b>(810,569)</b>   |
| Finance costs                                           |      | (21,683)           | (90,161)           |
| Fair value movement on derivative liability             |      | (2,065,450)        | (1,129,218)        |
| Net foreign exchange loss                               |      | 27                 | 61                 |
| Recovery of environmental bond previously written off   |      | -                  | 10,000             |
| Deposit on tenement sale forfeited by purchaser         |      | -                  | 500,000            |
| Write off of non-refundable Old Pirate deposit          |      | -                  | (50,000)           |
| <b>Loss before income tax</b>                           |      | <b>(2,445,761)</b> | <b>(1,569,887)</b> |
| Income tax expense                                      | 4    | -                  | -                  |
| <b>Loss from continuing operations after income tax</b> |      | <b>(2,445,761)</b> | <b>(1,569,887)</b> |
| Other comprehensive income for the year                 |      | -                  | -                  |
| <b>Total comprehensive income for the year</b>          |      | <b>(2,445,761)</b> | <b>(1,569,887)</b> |
| <b>Earnings per share</b>                               |      |                    |                    |
| Basic - cents per share                                 | 23   | (4.68)             | (3.14)             |
| Diluted - cents per share                               | 23   | (4.68)             | (3.14)             |

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 30 June 2020

|                                        | Note | 2020               | 2019               |
|----------------------------------------|------|--------------------|--------------------|
|                                        |      | \$                 | \$                 |
| <b>Current assets</b>                  |      |                    |                    |
| Cash and cash equivalents              | 5    | 40,481             | 1,348              |
| Trade and other receivables            | 6    | 44,469             | 47,643             |
| Exploration and evaluation expenditure | 7    | 3,134,640          | -                  |
| Environmental bonds                    | 8    | 122,259            | -                  |
| Plant and equipment                    | 9    | 2,989              | -                  |
| Prepayments                            |      | -                  | 19,953             |
| <b>Total current assets</b>            |      | <b>3,344,838</b>   | <b>68,944</b>      |
| <b>Non-current assets</b>              |      |                    |                    |
| Exploration and evaluation expenditure | 7    | -                  | 3,052,323          |
| Environmental bonds                    | 8    | -                  | 122,259            |
| Plant and equipment                    | 9    | -                  | 6,974              |
| <b>Total non-current assets</b>        |      | <b>-</b>           | <b>3,181,556</b>   |
| <b>Total assets</b>                    |      | <b>3,344,838</b>   | <b>3,250,500</b>   |
| <b>Current liabilities</b>             |      |                    |                    |
| DOCA contribution                      | 10   | 100,000            | -                  |
| Asset sale agreement deposit           | 11   | 150,000            | -                  |
| Borrowings                             | 12   | 750,000            | 750,000            |
| Trade and other payables               | 13   | 1,133,491          | 945,278            |
| Derivative liability                   | 14   | 8,920,132          | 6,854,682          |
| <b>Total current liabilities</b>       |      | <b>11,053,623</b>  | <b>8,549,960</b>   |
| <b>Total liabilities</b>               |      | <b>11,053,623</b>  | <b>8,549,960</b>   |
| <b>Net assets</b>                      |      | <b>(7,708,785)</b> | <b>(5,299,460)</b> |
| <b>Equity</b>                          |      |                    |                    |
| Contributed equity                     | 15   | 9,976,683          | 9,940,247          |
| Accumulated losses                     | 16   | (17,685,468)       | (15,239,707)       |
| <b>Total equity</b>                    |      | <b>(7,708,785)</b> | <b>(5,299,460)</b> |

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

|                                                             | Note | Issued capital   | Acc. losses         | Total              |
|-------------------------------------------------------------|------|------------------|---------------------|--------------------|
|                                                             |      | \$               | \$                  | \$                 |
| <b>2020</b>                                                 |      |                  |                     |                    |
| Balance at 1 July 2019                                      |      | 9,940,247        | (15,239,707)        | (5,299,460)        |
| Total comprehensive income for the year                     |      | -                | (2,445,761)         | (2,445,761)        |
| Total                                                       |      | 9,940,247        | (17,685,468)        | (7,745,221)        |
| <u>Transactions with owners in their capacity as owners</u> |      |                  |                     |                    |
| Ordinary shares issued, net of transaction costs            | 15   | 36,436           | -                   | 36,436             |
| <b>Balance at 30 June 2020</b>                              |      | <b>9,976,683</b> | <b>(17,685,468)</b> | <b>(7,708,785)</b> |
| <b>2019</b>                                                 |      |                  |                     |                    |
| Balance at 1 July 2018                                      |      | 9,876,131        | (13,669,820)        | (3,793,689)        |
| Total comprehensive income for the year                     |      | -                | (1,569,887)         | (1,569,887)        |
| Total                                                       |      | 9,876,131        | (15,239,707)        | (5,363,576)        |
| <u>Transactions with owners in their capacity as owners</u> |      |                  |                     |                    |
| Ordinary shares issued, net of transaction costs            | 15   | 64,116           | -                   | 64,116             |
| <b>Balance at 30 June 2019</b>                              |      | <b>9,940,247</b> | <b>(15,239,707)</b> | <b>(5,299,460)</b> |

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

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

|                                                    | Note | 2020             | 2019            |
|----------------------------------------------------|------|------------------|-----------------|
|                                                    |      | \$               | \$              |
| <b>Cash flows from operating activities</b>        |      |                  |                 |
| Payments to suppliers and employees                |      | (255,345)        | (7,999)         |
| Interest received                                  |      | 147              | 390             |
| Interest, finance costs and exchange losses        |      | (21,683)         | (90,100)        |
| <b>Net cash used in operating activities</b>       | 18   | <b>(276,881)</b> | <b>(97,709)</b> |
| <b>Cash flows from investing activities</b>        |      |                  |                 |
| Payment for exploration and evaluation expenditure |      | (43,422)         | (231,458)       |
| Proceeds of security deposit released              |      | 10,000           | -               |
| Proceeds from forfeited deposit on tenement sale   |      | -                | 500,000         |
| Payments for environmental deposits                | 8    | -                | (1,199)         |
| Payments for loan repayment                        | 14   | -                | (250,000)       |
| <b>Net cash used in investing activities</b>       |      | <b>(33,422)</b>  | <b>17,343</b>   |
| <b>Cash flows from financing activities</b>        |      |                  |                 |
| Proceeds from Administration funding               |      | 60,000           | -               |
| Proceeds from DOCA contribution                    |      | 100,000          | -               |
| Proceeds from asset sale deposit                   |      | 150,000          | -               |
| Proceeds from short term advance                   |      | 3,000            | -               |
| Proceeds from share issue                          | 15   | 41,000           | 66,000          |
| Payments for capital raising costs                 | 15   | (4,564)          | (1,884)         |
| <b>Net cash provided by financing activities</b>   |      | <b>349,436</b>   | <b>64,116</b>   |
| Net increase in cash held                          |      | 39,133           | (16,250)        |
| Cash at beginning of financial year                |      | 1,348            | 17,598          |
| <b>Cash at end of financial year</b>               | 18   | <b>40,481</b>    | <b>1,348</b>    |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1. Reporting Entity

The financial report is for the entity Ark Mines Ltd (Subject to a Deed of Company Arrangement) (referred herein also as the "Company" or "Ark") as an individual entity. Ark Mines Ltd is a company limited by shares incorporated and domiciled in Australia with its registered address at Level 9, 19 – 29 Martin Place Sydney NSW 2000. Ark Mines Ltd is listed on the ASX.

The principal activity of the Company for the financial year up to the commencement of the Administration process on 25 September 2019 was the development of its Mt. Porter, Frances Creek and Glencoe projects in preparation for the mining of gold. From 25 September 2019, the principle activity of the Company was the disposal of its assets for the benefit of creditors and the execution of a Deed of Company Arrangement seeking to recapitalise the Company and secure a new exploration project.

## 2. Basis of Preparation

### Statement of compliance

The financial statements are general-purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for-profit oriented entities. The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorised for issue by a resolution of the Board dated 31 August 2021.

### Basis of measurement

These financial statements have been prepared under the historical cost convention.

### Functional and presentation currency

The financial report has been presented in Australian Dollars (\$) which is the functional currency of the Company.

### Use of estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Information about critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

- Note 7 – Capitalised Exploration and Evaluation Expenditure.
- Note 24 – Going Concern.

### Comparative figures

When required by accounting standards comparative figures have been adjusted to changes in presentation for the current financial year.

## 3. Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Property plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

#### Depreciation

Items of equipment have limited lives and are depreciated on a straight-line basis over their estimated useful lives.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed to the statement of profit or loss and other comprehensive income.

Office furniture and fittings and motor vehicles are depreciated at the rate of 20% per annum. Computer equipment is depreciated at the rate of 33% per annum.

**3. Significant Accounting Policies (cont.)****De-recognition and disposal**

An item of office equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss on de-recognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is de-recognised.

**Capitalised exploration and evaluation expenditure**

Capitalised exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Once an area of interest enters a development phase, historical capitalised exploration expenditure is transferred to capitalised development expenditure.

Accumulated costs in relation to an abandoned area are written off in the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Expenditure relating to pre-exploration activities is written-off to the statement of profit or loss and other comprehensive income during the period in which the expenditure is incurred.

**Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted at the reporting date.

Deferred tax is accounted for using the statement of financial position method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**Financial instruments****Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

**Payables**

Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are generally settled between 7 days and 30 days terms.

**Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant Accounting Policies (cont.)

#### Interest income

Interest revenue is recognised using the effective interest rate method taking into account rates applicable to the financial assets.

#### Foreign currency transactions and balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in the statement of profit or loss and other comprehensive income as they arise.

#### Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the equity as a deduction net of tax, from the proceeds.

#### Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

#### Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value through the profit and loss.

#### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### New, revised or amending accounting standards and interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

#### New, revised or amending accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020.

These standards are not expected to have an impact on the Company in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 4. Income Tax Expense

The prima facie tax benefit on loss before income tax is reconciled to the income tax expense as follows:

|                                                                                 | 2020      | 2019      |
|---------------------------------------------------------------------------------|-----------|-----------|
|                                                                                 | \$        | \$        |
| Prima facie income tax benefit on loss before income tax at 27.5% (2019: 27.5%) | (672,584) | (431,719) |
| <u>Add tax effect of:</u>                                                       |           |           |
| Income on DOCA not assessable                                                   | (16,500)  |           |
| Non allowable expenses                                                          | 79        | 11,150    |
| <u>Add/(deduct) temporary differences not brought to account:</u>               |           |           |
| Capital raising expenses                                                        | (4,894)   | (5,011)   |
| Derivative fair value adjustment                                                | 567,999   | 310,535   |
| Exploration expenditure                                                         | (22,637)  | 45,851    |
| Other temporary differences                                                     | 11,676    | 56        |
| Tax losses not recognised                                                       | 136,861   | 69,138    |
| <b>Income tax expense</b>                                                       | <b>-</b>  | <b>-</b>  |

|                                                                                      | Opening          | Movement        | Closing          |
|--------------------------------------------------------------------------------------|------------------|-----------------|------------------|
|                                                                                      | \$               | \$              | \$               |
| <b>Deferred income tax – 2020</b>                                                    |                  |                 |                  |
| Deferred tax assets have not been recognised in respect of the following items:      |                  |                 |                  |
| Capital raising expenses                                                             | 7,754            | (3,863)         | 3,891            |
| Provisions                                                                           | 127,183          | 4,102           | 131,285          |
| Fair value derivative liability                                                      | 1,020,367        | 481,361         | 1,501,728        |
| Tax losses                                                                           | 4,016,414        | (89,681)        | 3,926,733        |
| <b>Total deferred tax assets</b>                                                     | <b>5,171,718</b> | <b>391,919</b>  | <b>5,563,637</b> |
| Deferred tax liabilities have not been recognised in respect of the following items: |                  |                 |                  |
| Exploration and evaluation expenditure                                               | 839,388          | (24,382)        | 815,006          |
| <b>Total deferred tax liabilities</b>                                                | <b>839,388</b>   | <b>(24,382)</b> | <b>815,006</b>   |

## Deferred income tax – 2019

Deferred tax assets have not been recognised in respect of the following items:

|                                  |                  |                |                  |
|----------------------------------|------------------|----------------|------------------|
| Capital raising expenses         | 12,248           | (4,494)        | 7,754            |
| Provisions                       | 127,127          | 56             | 127,183          |
| Fair value derivative liability  | 709,832          | 310,535        | 1,020,367        |
| Tax losses                       | 3,947,276        | 69,138         | 4,016,414        |
| <b>Total deferred tax assets</b> | <b>4,796,483</b> | <b>375,235</b> | <b>5,171,718</b> |

Deferred tax liabilities have not been recognised in respect of the following items:

|                                        |                |                 |                |
|----------------------------------------|----------------|-----------------|----------------|
| Exploration and evaluation expenditure | 885,239        | (45,851)        | 839,388        |
| <b>Total deferred tax liabilities</b>  | <b>885,239</b> | <b>(45,851)</b> | <b>839,388</b> |

The tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the Company can utilise the benefits.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

|                                          | 2020          | 2019          |
|------------------------------------------|---------------|---------------|
|                                          | \$            | \$            |
| <b>5. Cash and Cash Equivalents</b>      |               |               |
| Cash at bank                             | 40,481        | 1,348         |
| <b>6. Trade and Other Receivables</b>    |               |               |
| GST recoverable                          | 10,678        | 22,655        |
| Other receivables                        | 33,791        | 24,988        |
| <b>Total trade and other receivables</b> | <b>44,469</b> | <b>47,643</b> |

### 7. Capitalised Exploration and Evaluation Expenditure

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Balance at the beginning of the year  | 3,052,323        | 3,219,053        |
| Capitalised during the year           | 82,317           | 231,458          |
| Impaired during the year              | -                | (398,188)        |
| <b>Balance at the end of the year</b> | <b>3,134,640</b> | <b>3,052,323</b> |

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of respective areas. The Company reviews annually the carrying value of the exploration and evaluation expenditure, and will capitalise the expenditure if it considers the area of interest to be prospective. Should the particular area of interest no longer be considered prospective, then the Company will make a provision in the accounts for the carrying value of the project.

Capitalised exploration and evaluation expenditure was shown as a non- current asset in the prior year.

The list of tenements the Company has an interest in is disclosed on page 31.

### 8. Environmental Bonds

|                                                 |                |                |
|-------------------------------------------------|----------------|----------------|
| EL 23237 Frances Creek                          | 5,223          | 5,223          |
| ML 23139 Mt Porter Mining Management Plan bonds | 80,329         | 80,329         |
| ML 29679 Glencoe                                | 36,707         | 36,707         |
| <b>Total environmental bonds</b>                | <b>122,259</b> | <b>122,259</b> |

Environmental Bonds were shown as a non- current asset in the prior year.

### 9. Plant and Equipment

#### At cost

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Balance at the beginning of the year | 21,727       | 21,727       |
| Balance at the end of the year       | 21,727       | 21,727       |
| <u>Accumulated depreciation</u>      |              |              |
| Balance at the beginning of the year | (14,753)     | (10,768)     |
| Charge for the year                  | (3,985)      | (3,985)      |
| Balance at the beginning of the year | (18,738)     | (14,753)     |
| <b>Total plant and equipment</b>     | <b>2,989</b> | <b>6,974</b> |

Plant and equipment was shown as a non- current asset in the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

|                                          | 2020           | 2019     |
|------------------------------------------|----------------|----------|
|                                          | \$             | \$       |
| <b>10. DOCA Contributions Received</b>   |                |          |
| Contributions received                   | 100,000        | -        |
| <b>Total DOCA contributions received</b> | <b>100,000</b> | <b>-</b> |

On 6 January 2020, Creditors voted to accept a DOCA proposed by the Directors of the Company for total consideration of \$663,000 as this would result in a better return to creditors in timing, quantum, and certainty than other DOCA proposals received, or if the Company was liquidated. An initial payment of \$75,000 was made on 7 February 2020 and a further payment of \$25,000 was made on 2 June 2020. Refer to Note 25 – Subsequent Events for the latest details of the Administration process.

|                                         |                |          |
|-----------------------------------------|----------------|----------|
| <b>11. Asset Sale Agreement Deposit</b> |                |          |
| Deposits received                       | 150,000        | -        |
| <b>Balance at the end of the year</b>   | <b>150,000</b> | <b>-</b> |

The Administrators agreed terms for an Asset Sale Agreement with Ausgold Trading Pty Ltd for the sale of the Company's mining tenements and associated assets for \$4.15m. Of this amount, a deposit of \$150,000 was received on 29 January 2020 and a further amount of \$1.25m on 15 December 2020. Refer to Note 25 – Subsequent Events for the latest details of the Administration process.

|                                          |                |                |
|------------------------------------------|----------------|----------------|
| <b>12. Borrowings</b>                    |                |                |
| Interest bearing loan from related party | 750,000        | 750,000        |
| <b>Total borrowings</b>                  | <b>750,000</b> | <b>750,000</b> |

On 4 February 2016, the Company entered into a loan agreement ("Loan") with a related party of Mr Ian B Mitchell, who is a Director of the Company. The Loan was for an amount of \$750,000, for an initial term of 18-months at an interest rate of 12% p.a., payable monthly. On entering into the Loan, the Directors determined that the transaction was conducted on an arms-length basis and on terms no more favourable than were otherwise commercially available at the time. The Directors noted at the time that the terms of the Loan were significantly better than the terms of all competing loan or equity propositions investigated by the Company in the previous 18 months.

The term of the Loan has been extended on a number of occasions and on 18 June 2019, the lender agreed to further extend the term of the Loan to 1 July 2020. As at 30 June 2020, the Loan was repayable on demand. The Loan is secured by a second ranking charge over the Company's Glencoe mining tenement (ML 29679) and a second ranking charge over the Company's Mt. Porter mining tenement (ML 23839). Refer to Note 25 – Subsequent Events for the latest details of the Administration process.

|                                       |                  |                |
|---------------------------------------|------------------|----------------|
| <b>13. Trade and Other Payables</b>   |                  |                |
| Trade creditors                       | 67,148           | 18,303         |
| Other payables – Directors' fees      | 558,404          | 464,493        |
| Deferred Directors' fees              | 449,855          | 447,612        |
| Accruals                              | 55,084           | 14,870         |
| Other payables                        | 3,000            | -              |
| <b>Total trade and other payables</b> | <b>1,133,491</b> | <b>945,278</b> |

Directors had previously entered into a Deed of Forbearance with the Company whereby the Directors and the Company agreed that all fees due to Directors were payable at a future time to be determined by the Board, and accrued interest at an interest rate of 10% per annum until paid. Since the end of the financial year, these amounts have been settled by the Deed Administrator as part of the DOCA and nothing further is payable by the Company. Refer to Note 25 – Subsequent Events for further details of the settlement of these payables under the Deed of Company Arrangement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 14. Derivative Liability

Balance at the beginning of the year

Fair value movement

Repaid in cash

**Balance at the end of the year**

| 2020             | 2019             |
|------------------|------------------|
| \$               | \$               |
| 6,854,682        | 5,975,464        |
| 2,065,450        | 1,129,218        |
| -                | (250,000)        |
| <b>8,920,132</b> | <b>6,854,682</b> |

On 4 August 2016 the Company entered into a Gold Loan Facility Agreement ("Facility") with Chan Investments Ltd ("Chan") to fund its Mt. Porter gold mining project and surrounding exploration.

The Facility was secured by all of the current and future assets of the Company including its Mt Porter mining tenement (ML 23839) but excluding its Glencoe tenement (ML29679).

The carrying value for the Facility of \$8,920,132 as at 30 June 2020 represents the fair value of the gold that would have needed to be delivered to satisfy this liability at that date, less an amount of \$250,000 repaid in the 2019 financial year.

The movement of \$2,065,450 from the 30 June 2019 carrying value of \$6,854,682 has been charged to profit and loss as a fair value adjustment.

On 25 September 2019 Richard Tucker and Craig Shepard of KordaMentha were appointed Voluntary Administrators of the Company by Chan and later Deed Administrators following the acceptance of a Deed of Company Arrangement.

Refer to Note 25 – Subsequent Events for further details of the Administration process.

### 15. Contributed Equity

52,321,175 (2019: 51,129,509) ordinary shares fully paid

#### Ordinary Shares Number

Balance at the beginning of the year

Shares issued during the period

Issued 15 August 2019

Issued 31 July 2019

Issued 30 January 2019

**Balance at the end of the year**

| No.               | No.               |
|-------------------|-------------------|
| 51,129,509        | 49,129,509        |
| 525,000           | -                 |
| 666,666           | -                 |
| -                 | 2,000,000         |
| <b>52,321,175</b> | <b>51,129,509</b> |

#### Ordinary Shares Value

Balance at the beginning of the year

Shares issued during the period

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

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

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

Share issue costs

**Balance at the end of the year**

| \$               | \$               |
|------------------|------------------|
| 9,940,247        | 9,876,131        |
| 21,000           | -                |
| 20,000           | -                |
| -                | 66,000           |
| (4,564)          | (1,884)          |
| <b>9,976,683</b> | <b>9,940,247</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

|                                                | 2020                | 2019                |
|------------------------------------------------|---------------------|---------------------|
|                                                | \$                  | \$                  |
| <b>16. Accumulated Losses</b>                  |                     |                     |
| Balance at the beginning of the year           | (15,239,707)        | (13,669,820)        |
| Net loss attributable to members of the entity | (2,445,761)         | (1,569,887)         |
| <b>Balance at the end of the year</b>          | <b>(17,685,468)</b> | <b>(15,239,707)</b> |

## 17. Related Party Transactions

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Antony B Corel LLM - legal services     | -             | 4,167         |
| Interest on related party loan          | 21,250        | 90,000        |
| <b>Total related party transactions</b> | <b>21,250</b> | <b>94,167</b> |

All related party transactions have to receive Board approval in advance. All payments to related parties also receive Board approval. All transactions with Directors and their associates are conducted on an arms-length basis and in the ordinary course of business.

The Board is sufficiently knowledgeable and experienced to ensure that amounts paid for these services is in line with commercial expectations. Refer also to Note 20 for Key Management Personnel disclosures.

## 18. Cash Flow Information

### Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position

|                     |               |              |
|---------------------|---------------|--------------|
| <b>Cash at bank</b> | <b>40,481</b> | <b>1,348</b> |
|---------------------|---------------|--------------|

### Reconciliation of cash flow from operations with loss from ordinary activities after income tax

|                                                             |                  |                 |
|-------------------------------------------------------------|------------------|-----------------|
| Loss from continuing operations after income tax            | (2,445,761)      | (1,569,887)     |
| <u>Less: investment amounts included in profit and loss</u> |                  |                 |
| Creditor funding of Administration                          | (60,000)         | -               |
| Receipt for forfeited deposit on tenement sale              | -                | (500,000)       |
| <u>Less: non-cash items</u>                                 |                  |                 |
| Depreciation                                                | 3,985            | 3,985           |
| Fair value movement of derivative liability                 | 2,065,450        | 1,129,218       |
| Old Pirate deposit written off                              | -                | 50,000          |
| Impairment of tenements                                     | -                | 398,188         |
| <u>Less: investment amounts included in working capital</u> |                  |                 |
| Exploration and evaluation expenditure                      | (38,895)         | -               |
| Security deposit recovered                                  | (10,000)         | -               |
| Short term advance received                                 | (3,000)          | -               |
| <u>Add: movements in working capital</u>                    |                  |                 |
| (Increase) / decrease in prepayments                        | 19,953           | 430             |
| (Increase) / decrease in trade and other receivables        | 3,174            | 21,087          |
| Increase / (decrease) in trade payables                     | 188,213          | 369,270         |
| <b>Cash flow from operations</b>                            | <b>(276,881)</b> | <b>(97,709)</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 19. Auditor's Remuneration

Audit and review of the financial reports

**Total auditor's remuneration**

| 2020          | 2019          |
|---------------|---------------|
| \$            | \$            |
| 46,330        | 50,000        |
| <b>46,330</b> | <b>50,000</b> |

## 20. Directors and Key Management Personnel Disclosures

### Directors

Antony B Corel

Roger A Jackson

Ian B Mitchell

| Position                                       |
|------------------------------------------------|
| Chairman – Non-Executive                       |
| Managing Director                              |
| Director - Non-Executive and Company Secretary |

**Directors equity holdings including holdings of their personally related entities as at 30 June 2020**

| Fully Paid Ordinary Shares | Opening   | Acquired | Disposed | Closing   |
|----------------------------|-----------|----------|----------|-----------|
| Antony B Corel             | 208,010   | 333,333  | -        | 541,343   |
| Roger A Jackson            | 2,183,262 | 333,333  | -        | 2,516,595 |
| Ian B Mitchell             | 5,847,424 | -        | -        | 5,847,424 |

### Short-term employee benefits compensation

#### Directors

##### Executive

Roger A Jackson

##### Non-Executive

Antony B Corel

Ian B Mitchell

**Total remuneration**

| 2020          | 2019           |
|---------------|----------------|
| \$            | \$             |
| 8,500         | 180,000        |
| 23,610        | 99,996         |
| 14,167        | 60,000         |
| <b>46,277</b> | <b>339,996</b> |

Mr Corel has not entered into a contract of service with the Company and Mr Jackson's consulting agreement is now expired.

In addition to the above, Mr Corel accrued superannuation entitlements of \$2,243 (2019: \$9,499).

In the 2019 year, a portion of Mr Jackson's remuneration totalling \$144,000 was capitalised to Capitalised Exploration and Evaluation Expenditure.

The Company has no other Key Management Personnel.

## 21. Commitments

Under the terms of the agreement whereby the Company acquired its Glencoe tenement it is required to pay the vendor a Net Smelter Royalty of 1% up to a maximum of \$1m on gold produced from this tenement.

Under the terms of the agreement whereby the Company acquired its tenements and gold rights from Arafura Resources Ltd, it is required to pay the vendor a Royalty of 2.5% on gross sales of gold from those tenements and gold rights. Please refer to the Company's ASX release of 20 June 2016 for further details.

These commitments refer to assets that are subject to an Asset Sale Agreement being pursued by the Administrators as part of the Administration process. Refer to Note 25 – Subsequent Events for further details of the Administration process.

### 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 the aggregate of these commitments follows:

|                                             | 2020     | 2019          |
|---------------------------------------------|----------|---------------|
|                                             | \$       | \$            |
| Within 1 year                               | 34,000   | 10,795        |
| More than 1 year but not later than 5 years | -        | 34,000        |
| Later than 5 years                          | -        | -             |
| <b>Total Commitments</b>                    | <b>-</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. Refer to Note 25 – Subsequent Events for further details of the Administration process.

## 22. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

Exposure to currency risk, interest rate risk, commodity price risk, and liquidity risk arises in the normal course of the business. The Company's overall financial risk management strategy is to seek to ensure that the Company is able to fund its business plans.

The Company uses various measures dependent on the types of risk to which it is exposed. These methods include cash flow at risk analysis in the case of interest rate and foreign exchange risk. Financial risk management is carried out by the Managing Director under policies approved by the Directors. The Directors provide written principles for overall risk management.

|                                  | Note | Current<br>Interest rate | Fixed<br>Interest rate | Floating<br>Interest rate | Non-Interest<br>Bearing | Total            |
|----------------------------------|------|--------------------------|------------------------|---------------------------|-------------------------|------------------|
|                                  |      |                          | \$                     | \$                        | \$                      | \$               |
| <b>Financial assets</b>          |      |                          |                        |                           |                         |                  |
| Cash held in general account     | 5    | 0.00%                    | -                      | 39,273                    | -                       | <b>39,273</b>    |
| Cash held in US\$ bank account   | 5    | 0.00%                    | -                      | 1,208                     | -                       | <b>1,208</b>     |
| Trade and other receivables      | 6    | 0.00%                    | -                      | -                         | 44,469                  | <b>44,469</b>    |
| <b>Financial liabilities</b>     |      |                          |                        |                           |                         |                  |
| DOCA contribution received       | 10   | 0.00%                    | -                      | -                         | 100,000                 | <b>100,000</b>   |
| Asset Sale Agreement deposit     | 11   | 0.00%                    | -                      | -                         | 150,000                 | <b>150,000</b>   |
| Borrowings                       | 12   | 12.00%                   | 750,000                | -                         | -                       | <b>750,000</b>   |
| Trade creditors and accruals     | 13   | 0.00%                    | -                      | -                         | 122,232                 | <b>122,232</b>   |
| Other payables – Directors' fees | 13   | 0.00%                    | -                      | -                         | 1,008,259               | <b>1,008,259</b> |
| Other payables                   | 13   | 0.00%                    | -                      | -                         | 3,000                   | <b>3,000</b>     |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 22. Financial Risk Management (cont.)

#### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk exposure is limited to cash and cash equivalents. Management have reduced this risk by depositing cash with financial institutions with a credit rating of AAA or higher.

#### Interest rate risk

The Company's main interest rate risk arises from interest earnings on its surplus cash. The Company is exposed to interest rate risk to the extent its interest earnings may fluctuate. The impact of a 1% movement in the interest rate on the funds invested when all other variables are held constant is immaterial.

#### Gold price risk

The Company's gold price risk arises from its derivative liability which is payable in a defined number of ounces of gold. The Company is exposed to gold price risk to the extent that the price of gold may fluctuate.

#### Exchange rate risk

The Company's exchange rate risk arises from its cash deposited in a US dollar bank account and any requirement to repay its Chan Finance Facility in US dollars. The Company is exposed to exchange rate risk to the extent that the exchange rate between US dollars and Australian dollars may fluctuate. The Company's objective is to minimise this risk through careful monitoring of the exchange rate and to draw down sufficient funds when the rate is favourable.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to meet ongoing operational requirements, exploration expenditure, and small to medium sized opportunistic projects and investments, by keeping surplus cash available.

The Company's objective is to safeguard its ability to continue as a going concern and to maintain a conservative capital structure so that management can focus on running its core business together with being an attractive company for shareholders and potential investors. The Company will consider the most appropriate use of debt and equity to maximise its returns while maintaining a low risk capital structure.

The following is a maturity analysis of the Company's financial liabilities:

|                                  | Note | Total     | Less than one year | Greater than one year | Maturity Details             |
|----------------------------------|------|-----------|--------------------|-----------------------|------------------------------|
|                                  |      | \$        | \$                 | \$                    |                              |
| <b>Financial liabilities</b>     |      |           |                    |                       |                              |
| Trade creditors and accruals     | 13   | 122,232   | 122,232            | -                     | Usually payable each 30 days |
| Other payables – Directors' fees | 13   | 558,404   | 558,404            | -                     | On Board determination       |
| Deferred Directors' fees         | 13   | 449,855   | 449,855            | -                     | On Board determination       |
| Other payables                   | 13   | 3,000     | 3,000              | -                     | On demand                    |
| DOCA Contribution                | 10   | 100,000   | 100,000            | -                     | On conclusion of DOCA        |
| Asset Sale Agreement deposit     | 11   | 150,000   | 150,000            | -                     | On conclusion of DOCA        |
| Interest bearing loans           | 12   | 750,000   | 750,000            | -                     | On demand                    |
| Derivative liability             | 14   | 8,920,132 | 8,920,132          | -                     | On demand                    |

#### Fair values

The Company has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 23. Earnings Per Share

|                                                  | No                | No                |
|--------------------------------------------------|-------------------|-------------------|
|                                                  | Weighted Av.      |                   |
| <b>Ordinary share number 2020 financial year</b> |                   |                   |
| Balance at the beginning of the year             | 51,129,509        | 51,129,509        |
| <u>Shares issued during the period</u>           |                   |                   |
| Issued 31 July 2019                              | 666,666           | 613,698           |
| Issued 15 August 2019                            | 525,000           | 461,712           |
| <b>Balance at end of the year</b>                | <b>52,321,175</b> | <b>52,204,919</b> |
| <b>Ordinary share number 2019 financial year</b> |                   |                   |
| Balance at the beginning of the year             | 49,129,509        | 49,129,509        |
| <u>Shares issued during the period</u>           |                   |                   |
| Issued 31 January 2019                           | 2,000,000         | 827,397           |
| <b>Balance at end of the year</b>                | <b>51,129,509</b> | <b>49,956,906</b> |
| <br>Total comprehensive income for the year      | <br>(2,445,761)   | <br>(1,569,887)   |
| <b>Earnings per share</b>                        |                   |                   |
| Basic - cents per share                          | (4.68)            | (3.14)            |
| Diluted - cents per share                        | (4.68)            | (3.14)            |

## 24. 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"). 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 was returned to the Directors on 10 June 2021.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe it is appropriate to prepare these accounts on a going concern basis as:

- the DOCA concluded on 10 June 2021 has extinguished all previous liabilities of the Company;
- since the end of the financial year the Company has announced that subject to shareholder approval, it will equity settle certain post-administration liabilities, including the \$100,000 DOCA Contribution Balance included in these financial statements;
- since the end of the financial year Company has also announced that it has entered into a binding heads of agreement to acquire three gold and other mineral projects located in Queensland ("Acquisition") for \$1.8m to be funded by the issue of 9m ordinary shares, subject to shareholder approval; and
- the Company expects to raise additional capital of at least \$4.5m ("Capital Raising"), subject to shareholder approval, by 25 October 2021.

Further details of the post year end events above are included in Note 25 – Subsequent Events, and the ASX releases made by the Company on 25 August 2021.

Directors have commenced all actions necessary to ensure that the Acquisition and Capital Raising will be completed in accordance with the agreed terms and regulatory requirements and are confident that this can be achieved.

Directors also consider that a capital raising of \$4.5m should be sufficient to fund the exploration and evaluation of these projects, and the working capital needs of the Company for the next two years.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 24. Going Concern (cont.)

On this basis, the Directors have prepared these Financial Statements on the going concern basis, however there remain significant risks that:

- ASX may delist the Company if it determines that the Company has failed to meet the requirements of the Listing Rules, including failure to lodge outstanding ASX reporting requirements within the time stipulated by ASX, and / or re-complying with Chapters 1 and 2 of the Listing Rules; and
- for whatever reasons the Acquisition and Capital Raising are not completed.

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

### 25. Subsequent Events

No matters or circumstances have arisen since the end of the 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 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 2021, 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 10 June 2021, after the Due Date of the DOCA had been extended a number of times, the Directors raised the DOCA Contribution Balance and this was paid to the Deed Administrators.

On 10 June 2021, the Deed Administrators completed the Asset Sale Agreement. The Deed Administrators received sale proceeds of \$4,150,000 and the tenements were transferred to the purchaser.

On 11 June 2021, the Deed Administrator settled the claims of unsecured creditors, excluding the amounts owed to the Directors, or their associates, in the sum of \$70,149.

On 15 June 2021 The Deed Administrator transferred \$2,843,173 to Chan and the balance of settlement to Chan on 20 July 2021 in full satisfaction of the Company's derivative gold loan liability.

On 10 June 2021, the Deed of Administration was concluded and control of the Company returned to the Directors.

On 25 August 2021, the Company announced that it had signed a binding head of agreement ("HoA") with Bmax Holdings Pty Limited ("Bmax") to acquire 100% of the issued shares in MIJ Holdings Pty Ltd ("MIJ") ("Acquisition"). Bmax currently holds (and is in the process of transferring to MIJ) 3 granted Exploration Permits; EPM26560 (Gunnawarra); EPM26464 (Mt. Jesse); and EPM26883 (Pluton), all located in the prolific Mt Garnet and Greenvale mineral field, northern Queensland. Further details of these EPMS are included in the Company's ASX announcement of 25 August 2021.

Consideration for the Acquisition is \$1.8m, to be satisfied through the issue of new fully paid ordinary shares in Ark Mines Ltd, at a deemed issue price of \$0.20 per share (post a 1 for 20 consolidation) to Bmax, the vendor of MIJ, or its nominee.

Completion of the Acquisition is conditional upon, amongst other things:

- Ark obtaining all regulatory approvals in order to undertake the Acquisition, including re-complying with the admission requirements of ASX;
- Ark and Bmax each being reasonably satisfied with the due diligence performed on the other party, and / or the EPMS;
- Ark obtaining all necessary shareholder approvals prior to 25 September 2021 (or such later date as agreed by the ASX); and
- Ark raising at least \$4.5m in new capital by the issue of new ordinary shares ("Capital Raising").

### 25. Subsequent Events (cont.)

The Company also announced that it would seek shareholder approval to:

- consolidate its fully paid ordinary shares on a 1 for 20 basis;
- issue up to 25,000,000 new ordinary shares (post the 1 for 20 consolidation) at an issue price of \$0.20 per share to raise up to \$5m new capital;
- issue 7,066,230 new ordinary shares (post the 1 for 20 consolidation) at an issue price of \$0.10 with one free attaching option exercisable at \$0.20 and expiring 2 years after issue, to repay loans to the Company made to fund the DOCA, including the DOCA Contribution Balance of \$100,000 included in these financial statements; and
- issue 2,000,000 new ordinary shares (post the 1 for 20 consolidation) at an issue price of \$0.10 repay loans made to the Company post 30 June 2021 to fund the Company prior to the Capital Raising.

Further details of the Acquisition, the EPMs and the Capital Raising are included in the Company's ASX announcement of 25 August 2021.

## DIRECTORS' DECLARATION

For the year ended 30 June 2020

### In the Directors' opinion;

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) (a) of the Corporations Act 2001.

On behalf of the directors



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**Antony Corel**

Director

Sydney, 31 August 2021

**Moore Australia Audit (WA)**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ARK MINES LIMITED****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Ark Mines Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and directors' declaration.

In our opinion the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Emphasis of Matter - Uncertainty relating to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 24 to the financial statements concerning the Company's ability to continue as a going concern. As disclosed in Note 24 the Company is dependent on various funding initiatives in order to fund working capital and discharge its liabilities in the ordinary course of business. At this time we are uncertain as to whether or not the required funding can be raised and the timing of such, which may cast doubt as to the Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be required if the Company were unable to continue as a going concern.

**Emphasis of Matter – Comparative Financial Information**

The previous auditor disclaimed an opinion on the comparative financial information as at 30 June 2019 and for the year then ended on the basis that they were "unable to obtain sufficient appropriate audit evidence 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 effectuated as there was not sufficient information available". We note that these matters have since been satisfactorily concluded by the Company

We did not audit the comparative financial information and accordingly do not express an opinion on them.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2020



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK MINES LIMITED (CONTINUED)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Carrying value of Exploration and Evaluation assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Refer to Note 7 Capitalised Exploration and Evaluation Expenditure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>At 30 June 2020 the carrying value of Capitalised Exploration and Evaluation Expenditure was \$3.1 million.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Company is required to report at each reporting date if there are any indicators of impairment which may suggest the carrying value is in excess of the estimated recoverable value.</p> <p>This is a key audit matter because of the significant value attributed to the asset in the accounts and the significant management judgement involved in determining if impairment indicators exist at reporting date.</p>                                                                                       | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Review of management's records of capitalised exploration and evaluation expenditure, by area of interest, and reconciling to the general ledger.</li> <li>• Ensuring that capitalised exploration and evaluation expenditure has been properly recorded in respect of each area of interest in accordance with requirements set out in AASB 6.</li> <li>• Ensuring that the carrying amount of the exploitation and evaluation expenditure assets are below the expected recoverable amount.</li> <li>• Assessing the accuracy and adequacy of any impairments recorded in respect of the year ended 30 June 2020; and</li> <li>• Assessing the appropriateness of disclosures in respect of impairments made in the financial statements.</li> </ul>   |
| Refer to Note 14 Derivative Liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>The Company entered into a Gold Loan Facility Agreement to fund its Mt. Porter mining project and surrounding exploration. The Facility is a derivative liability that is required to be carried at fair value in accordance with AASB 9 "Financial Instruments" as the repayment amount is required to be calculated by applying a future spot (gold) price to the agreed volume of gold.</p> <p>As 30 June 2020, the derivative liability has a fair value of \$8.9 million.</p> <p>This is a key audit matter due to the complex nature of the instrument, its significant value and judgmental estimates used in determining the valuation of the Facility and the fair value movement charged to P&amp;L.</p> | <p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the key contracts terms of the derivative liability to assess the appropriateness of the relevant accounting applied in the financial statements;</li> <li>• Testing the valuation of the derivative liability as at 30 June 2020 which included, but were not limited to:- <ul style="list-style-type: none"> <li>a) Evaluating the integrity of the valuations calculations;</li> <li>b) Assessing the incorporation of the contract terms and the key assumptions into valuation calculation including gold price assumptions by comparing to market rate and foreign exchange at year end.</li> </ul> </li> <li>• We have also assessed the appropriateness of the disclosures in the financial statements</li> </ul> |

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ARK MINES LIMITED (CONTINUED)****Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibility for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to include the economic decisions of the users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standard Board website at [https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our audit report.

**Report on the Remuneration Report****Opinion on the Remuneration Report**

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Ark Mines Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2020



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARK MINES LIMITED (CONTINUED)

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

WEN-SHIEN CHAI  
PARTNER

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 31<sup>st</sup> day of August 2021.

## SCHEDULE OF TENEMENTS

As at 30 June 2020

| Exploration licence | Title name          | Location              | Interest                | Mineral | Grant date        | Expiry date       | Status  |
|---------------------|---------------------|-----------------------|-------------------------|---------|-------------------|-------------------|---------|
| ML 29679            | Glencoe             | 65kn N Pine Creek NT  | 100%                    | Gold    | 27 September 2012 | 26 September 2022 | Current |
| ML 23839            | Mt. Porter          | 15km NE Pine Creek NT | 100%                    | Gold    | 2 February 2005   | 1 February 2030   | Current |
| EL 23237            | Frances Creek South | 17km N Pine Creek NT  | 100%                    | Gold    | 8 December 2003   | 7 December 2020   | Current |
| ELR 116             | Mt. Porter          | 15km NE Pine Creek NT | 100%                    | Gold    | 12 September 1990 | 11 September 2021 | Current |
| ML 24727            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 5 April 2007      | 4 April 2032      | Current |
| ML 25087            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 24 April 2007     | 23 April 2032     | Current |
| ML 25088            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 24 April 2007     | 23 April 2032     | Current |
| ML 25529            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 22 December 2010  | 21 December 2035  | Current |
| ML 27225            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 17 August 2012    | 16 August 2037    | Current |
| ML 27226            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 21 January 2014   | 20 January 2039   | Current |
| ML 27227            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 20 October 2011   | 19 October 2036   | Current |
| ML 27228            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 26 September 2011 | 25 September 2036 | Current |
| ML 27229            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 20 October 2011   | 19 October 2036   | Current |
| ML 27230            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 21 January 2014   | 20 January 2039   | Current |
| EL 10137            | Frances Creek       | Frances Creek NT      | 100% - Gold rights only | Gold    | 10 July 2002      | 9 July 2020       | Current |

### Mineral Resources and Ore Reserves

The Company is a mining exploration entity and has no JORC Code 2012 compliant mineral resources or ore reserves.

## ADDITIONAL ASX INFORMATION

As at 31 August 2021

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 August 2021.

### Distribution of Equity Securities

| Range               | Number of holders | Number of shares  | %             |
|---------------------|-------------------|-------------------|---------------|
| 1 - 1,000           | 20                | 6,084             | 0.01          |
| 1,001- 5,000        | 42                | 141,733           | 0.27          |
| 5,001 - 10,000      | 92                | 851,771           | 1.63          |
| 10,001 - 100,000    | 175               | 6,431,272         | 12.29         |
| 100,001 - 9,999,999 | 64                | 44,890,315        | 85.80         |
| <b>Total</b>        | <b>393</b>        | <b>52,321,175</b> | <b>100.00</b> |

Since listing the Company has issued 52,321,175 fully paid ordinary shares. The number of shareholders holding less than a marketable parcel is 177.

### Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

| Nº           | Shareholder                                                  | Shares            | %            |
|--------------|--------------------------------------------------------------|-------------------|--------------|
| 1            | Solo Resources Pty Limited                                   | 6,676,000         | 12.76        |
| 2            | Cobungra Holdings Pty Ltd                                    | 6,327,742         | 12.09        |
| 3            | Mr Ian Burnham Mitchell                                      | 3,294,984         | 6.30         |
| 4            | Dr Rebecca Mitchell                                          | 2,510,000         | 4.80         |
| 5            | John Wardman & Associates Pty Ltd                            | 2,156,475         | 4.12         |
| 6            | Patrick James Walsh                                          | 2,000,000         | 3.82         |
| 7            | Ichiya Co Ltd                                                | 1,324,072         | 2.53         |
| 8            | Chahen Pty Ltd <The BCS Super Fund A/C>                      | 1,175,267         | 2.25         |
| 9            | RJ Consolidated Pty Ltd <Roger Jackson S/Fund A/C>           | 1,073,333         | 2.05         |
| 10           | Mr B L Franklin & Mrs J M Franklin <Franklin Family S/F A/C> | 1,031,173         | 1.97         |
| 11           | Mr James Rhodes Smith                                        | 1,023,960         | 1.96         |
| 12           | Tempest Dawn Pty Limited <SWT Super Fund A/C>                | 999,790           | 1.91         |
| 13           | Mr John Christopher Slade                                    | 904,648           | 1.73         |
| 14           | Mr Stephen Roy Webster <Capitol Industries Ltd A/C>          | 879,298           | 1.68         |
| 15           | Horizon Storm Pty Limited                                    | 854,189           | 1.63         |
| 16           | RJ Consolidated Pty Ltd                                      | 800,000           | 1.53         |
| 17           | Mr Roger Alan Jackson                                        | 697,000           | 1.33         |
| 18           | Mr Paul Galbraith                                            | 626,262           | 1.20         |
| 19           | AJM Super Co Pty Ltd <AJM Super Fund A/C>                    | 563,500           | 1.08         |
| 20           | Martin Place Securities Nominees Pty Ltd                     | 537,650           | 1.03         |
| <b>Total</b> |                                                              | <b>35,455,343</b> | <b>67.76</b> |

### Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

| Shareholder                | Shares    | %     |
|----------------------------|-----------|-------|
| Solo Resources Pty Limited | 6,676,000 | 12.76 |
| Cobungra Holdings Pty Ltd  | 6,327,742 | 12.09 |
| Mr Ian Burnham Mitchell    | 5,804,984 | 11.20 |

### Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no restricted securities or securities subject to voluntary Escrow.

### On market buy-back

There is no current on-market buy back.

