

Annual Financial Report



**Ark Mines Ltd
ACN 123 668 717**

30 June 2011

DIRECTORS' REPORT

For the year ended 30 June 2011

**Ark Mines Limited
Corporate directory
30 June 2011**

Directors	Antony Corel Roger Jackson Robert McLennan Ian Mitchell John Slade
Company Secretary	Marcelo Mora
Registered office	Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
Principal place of Business	Level 33, Australia Square 264-278 George Street SYDNEY NSW 2000
Share Register	Gould Ralph Pty Limited Level 42, Suncorp Place 259 George Street Sydney NSW 2000
Auditor	PKF (East Coast Practice) Level 10 1 Margaret Street Sydney NSW 2000
Solicitors	Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
Bankers	Macquarie Bank 1 Martin Place Sydney NSW 2000
Stock Exchange Listing	Ark Mines Limited shares are listed on the Australian Securities Exchange (ASX code: AHK)
Website address	www.arkmines.com.au

DIRECTORS' REPORT

For the year ended 30 June 2011

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DIRECTORS' REPORT

For the year ended 30 June 2011

Your Directors present their report together with the financial statements of Ark Mines Ltd ('the Company' or 'Ark') for the financial year ended 30 June 2011.

Review of operations

The Company was incorporated on 30 January 2007.

The Company raised funds for the development of its projects. In February and March 2011 Ark raised \$275,000 to fund ongoing exploration activity and prospectus costs. In May 2011 Ark issued 15,500,000 ordinary fully paid shares pursuant to its Initial Public Offer (IPO), raising a total of \$3,100,000 at a price of \$0.20 per share. On 9 May 2011 Ark Mines Ltd shares were listed on the ASX following a successful IPO.

Ark currently holds Exploration Licence EL6365 (Byrock), EL6341 (Gundabooka), EL6339 (Bald Hills), EL6338 (Babinda) and EL6726 (Nangerybone) in the State of NSW.

Ark has a portfolio of projects in Eastern Australia with an excellent team of successful and highly experienced Directors and management. Our aim is to create and add significant value for our shareholders by utilising and leveraging off the skills of our motivated and dedicated team.

Ark's projects are located in the Lachlan Fold Belt of New South Wales within the established Cobar mining district with long standing mines and proven mineral deposits. These include several large operating mines – CSA, Peak, Endeavor and Triton. All of Ark's EL's contain defined targets and are being drill tested with the intention of rapidly upgrading and delineating economically viable ore resources. All the ELs are close to railroads or roads with labour force and power readily available.

Results of Operations

For the year ending 30 June 2011 Ark recorded an after tax loss of \$496,860 (2010: loss of \$246,568)

Principal Activity

The principal activity of the Company during the financial year ended 30 June 2011 was the exploration and evaluation of gold, base metals and rare earth element projects. No change in the principal activity occurred during this period.

Directors

The names of the Directors who held office from the 1 July 2010 to date of this report, unless otherwise stated, are:

Antony Corel (Chairman) (appointed 22 September 2008)
Roger Alan Jackson (Managing Director) (appointed 21 October 2010)
Fye Hong (resigned 21 October 2010)
Seizo Yamamoto (resigned 21 October 2010)
Shinji Yamamoto (resigned 21 October 2010)
John Slade (appointed 21 October 2010)
Robert McLennan (appointed 21 October 2010)
Ian Mitchell (appointed 29 December 2010)

DIRECTORS' REPORT

For the year ended 30 June 2011

Antony Corel – Chairman

Diploma Law (S.A.B), LL.M (U.N.S.W)

Mr Antony Corel is a solicitor with significant corporate and managerial experience, gained within and outside Australia.

Antony was admitted as a solicitor in the Supreme Court of N.S.W. in 1987 and in the High Court of Hong Kong in 2000.

Having a distinguished career spanning four continents he established himself as a leading practitioner in his field of expertise advising both public and private sector organisations and managing significant commercial, corporate, regulatory and litigious matters. During this time he has developed essential skill sets and experience through his successful management of complex transactions, stakeholders, professional advisers, employees and colleagues.

Between 1995 and 2006 Antony resided outside of Australia and worked in, or advised clients in, more than 25 countries. Since returning to Australia in 2006 Antony has, in addition to continuing his practice as a solicitor, accepted managerial roles in various ventures, including Ark, with a view to sharing his experience in law, governance, compliance and management.

Antony was appointed a Director of Ark at the invitation of the then majority Shareholder, Ichiya Co Limited from Japan to review and contribute to the Company's operations. Antony was instrumental in positioning the Company for public listing and was appointed Chairman of Directors.

Antony is based in Sydney and also serves on the Audit Committee.

Roger Jackson – Managing Director

BSc (geology), Dip Ed, Grad Dip Fin Man, MAusIMM, AICD, ADIA

Mr Roger Jackson is an experienced manager.

Roger completed a science degree majoring in geology and geophysics and also holds a Graduate diploma in Financial Management from the University of New England.

Prior to 1995 he held a variety of roles in Exploration Geology, construction and teaching, including the creation of a School Board endorsed High School Certificate in Mining. Roger founded Geological Ore Search in 1995 as a geological services and contracting company, later to be GOS Drilling and Australian Gas Drilling. He also is the founder of Every Day Mine Services Limited which is now an ASX listed company specialising in mine services.

Roger is the principal of the RJ Group, a mining and exploration consulting business and is a long standing Member of the Institute of Mining and Metallurgists, Australian Institute of Company Directors and the Australian Drilling Industry Association. Roger was appointed Managing Director of Ark Mines.

Roger is based in Brisbane.

Ian Mitchell – Non-Executive Director

BA Dip Law

Mr Ian Mitchell is a practising solicitor of over 35 years standing. He is the Company Secretary of a number of ASX listed and non-listed public companies and is a Director of Reliance Resources Limited and Medical Australia Limited. He has had experience as a Director and Secretary of listed mining, exploration and industrial companies commencing from 1987.

His legal expertise is in commercial, contract law and ASIC and ASX compliance.

Ian is based in Sydney and also serves on the Audit Committee.

DIRECTORS' REPORT

For the year ended 30 June 2011

John Slade – Non-Executive Director

B Sc (Australian National University), M Sc (Australian National University), MAusIMM

Mr John Slade is a Member of the Australasian Institute of Mining and Metallurgy.

John has worked in the mineral exploration and mining industry in eighteen (18) different countries, including Australia, over the last 40 years. John is a very experienced geophysicist who has worked for many companies including BHP, CRA, Comalco and MIM. John has also developed a number of unique geophysical technology and techniques and is a Director of Centius Gold Limited.

John is based in Sydney and also serves on the Audit Committee.

Robert McLennan - Non-Executive Director

B Sc (Melbourne University), B Sc (Hons.) (Melbourne University), M Sc (Melbourne University)

Mr Robert McLennan is a Member of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy.

Robert has worked in the mineral exploration and mining industry in Australia and internationally for over 40 years for Companies including C.R.A.E., M.I.M., Pacific Islands Gold and Dome Mines.

Robert co-founded a number of ASX listed companies including Robust Resources Limited, Augur Resources Limited, Pacific Islands Gold Limited, Range Resources Limited, Dome Mines Limited, Centius Gold Limited and Magma Mines Limited and is a Director of Altius Mining Limited and Centius Gold Limited.

Robert is based in Sydney and fills the supervisory role in the exploration and development program of Ark Mines Ltd.

Company Secretary

Mr Marcelo Mora is the Company secretary and holds a Bachelor in Business degree and Graduate Diploma of Applied Corporate Governance. Marcelo is a Chartered Secretary ACIS and has been Company Secretary since December 2010. Marcelo has been an accountant for more than 25 years and has experience in resources and mining companies both in Australia and internationally.

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 2011 (2010: Nil).

Events subsequent to balance date

The Directors are not aware of any matter or circumstance not otherwise dealt with in the 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, other than the following:

Nangerybone

The Nangerybone EL6726 licence was pegged in March 2007 and comprised 50 units as an exploration tenement. Ark has been requested to drop 50% of this area on applying for renewal. All the targets and projects that Ark has expended money on are within the 50% requested to be retained.

DIRECTORS' REPORT

For the year ended 30 June 2011

The Company will be commencing exploration on pre determined targets later in the year. Ark has a commitment to spend \$80,000 a year on this licence. The Directors expect to spend in excess of \$130,000 by next March.

Marsuparia

Ark Mines Ltd signed an option agreement with Fullway Limited on the 9th of September 2011 to acquire ownership and control of the Masuparia Contract of Work (COW) tenement in Central Kalimantan, Indonesia. Under the terms of the agreement, Ark will acquire the business and COW for \$4 million cash, and issue the vendors 10M Ark shares (5m shares will be held in escrow for 6 months). Ark will be funding this through equity raising. Ark will acquire this business as a going concern and have full control of the business and the tenement.

A deposit of \$200,000 was paid on the 9th of September at signing. The next interim payment of \$800,000 will be paid to the vendor on the 20th of September 2011. Ark is currently undertaking a placement which allows the Company to offer up to 15% of its shares on issue, and is expecting to raise approximately \$1.26 million by issuing 4,200,000 shares.

The remaining \$3,000,000 will be paid in late October, early November after the AGM and is subject to shareholder approval. The 10M shares that make up the payment for the acquisition also require shareholder approval.

There are seven advanced gold projects on Masuparia, with a further nine projects within the eight principal exploration areas, which are significant on the COW. The Ongkang is the most advanced with production likely to commence within twelve months.

Directors' Interest

The Directors' beneficial interest in shares and options as at 30 June 2011 are:

	Shares			Options
	Direct	Indirect	Total	
Antony Corel	126,750	-	126,750	Nil
Roger Jackson	35,000	530,000	565,000	Nil
Ian Mitchell	285,000	-	285,000	Nil
John Slade	-	-	-	Nil
Robert McLennan	10,000	7,934,000	7,944,000	Nil
Total	456,750	8,464,000	8,920,750	Nil

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Director of the Company and for the executives receiving the highest remuneration.

Remuneration policy

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the remuneration committee and approved by the board. All executives receive remuneration based on factors such as length of service and experience. The remuneration 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.

DIRECTORS' REPORT

For the year ended 30 June 2011

The board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting.

There were no bonuses paid or proposed to be paid for the year ended 30 June 2011 (2010: NIL). Below is a table summarising key performance and shareholder wealth indicators for the Company for the year ended 30 June 2011.

Period	Loss after Tax	EPS in Cents	Share Price
Year ending 30 June 2011	(\$496,860)	(1.78)	\$0.19

Directors' and Key Management Remuneration

Details of 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:

	2011 Fees \$	2010 Fees \$
Executive Directors		
Roger Jackson	102,289	-
Non-Executive Directors		
Antony Corel	40,376	54,500
Fye Hong	16,667	54,500
Ian Mitchell	16,237	-
John Slade	16,212	-
Robert McLennan	16,183	-
Total Non-Executive	105,675	109,000
Other		
Marcelo Mora	36,000	60,000
Total Remuneration	243,964	169,000

Employee Contracts of Senior Executives

The Managing Director, Mr Jackson, is engaged under contract. Prior to his contract Mr Jackson provided consulting services to the Company. The current employment contract provides an amount of \$250,000 annually, to be paid monthly, in remuneration. The contract commenced on 14 November 2010 for an initial term of 24 months. The contract may be terminated by either party providing 90 days written notice or 20 business days notice if there is a breach of the agreement.

This concludes the remuneration report, which has been audited.

Significant Changes in State of Affairs

The Company raised funds for the development of its projects. In February 2011 Ark raised \$261,000 and in March 2011 a further \$14,000 was raised pre IPO. In May 2011 Ark issued 15,500,000 ordinary fully paid shares pursuant to its IPO, raising a total of \$3,100,000 at a price of \$0.20 per share.

DIRECTORS' REPORT

For the year ended 30 June 2011

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 the 30 June 2011 and the numbers of meetings attended by each Director are as follows:

Director	Directors' Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Antony Corel	9	9	-	-	-	-
Fye Hong	4	4	-	-	-	-
Seizo Yamamoto	4	3	-	-	-	-
Shinji Yamamoto	4	4	-	-	-	-
Ian Mitchell	5	5	-	-	-	-
John Slade	5	3	-	-	-	-
Robert McLennan	5	5	-	-	-	-
Roger Jackson	5	5	-	-	-	-

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

Likely Developments

The Company will continue to undertake its activities described in this report with major emphasis on early commercialisation of the Company's projects.

Further information as to likely developments in the operations of the Company and the expected results of those operations in subsequent years have not been included in this report because, as in the opinion of the Directors, it would prejudice the interests of the Company.

Indemnifying Officers and Auditor

During the financial year the Company paid premiums to insure all Directors and officers of the Company against claims brought against the individual while performing services for the Company and against expenses relating thereto, other than conduct involving a wilful breach of duty in relation to the Company.

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 not indemnified the auditor.

Share Options

No share options were issued by Ark Mines Ltd during or since the end of the financial year.

DIRECTORS' REPORT

For the year ended 30 June 2011

Non Audit Services

The auditor also provided services in relation to the Investigating Accountant's Report included in the prospectus. The total fee for this work was \$13,200. The Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Profession and Ethical Standards Board.

Officers of the Company who are former Audit Partners of PKF East Coast Practice

There are no officers of the Company who are former Partners of PKF East Coast Practice

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and a copy is reproduced on page 10.

PKF East Coast Practice continues in 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.

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

Sydney, 15 September 2011

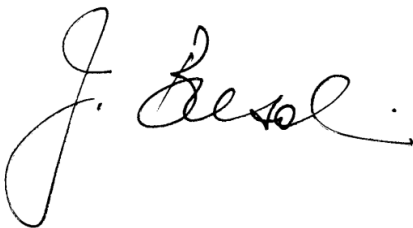


Antony Corel
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ark Mines Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of 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.

**PKF**

John Bresolin
Partner

Sydney
15 September 2011

ARK MINES LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		\$	\$
Revenue from ordinary activities	2a	36,120	3,116
Less expenses:			
Accounting and secretarial expenses		1,759	1,912
ASX fees		31,529	-
Audit fees	2b,14	23,500	15,000
Consulting fees		59,127	86,327
Depreciation	9	7	-
Directors' fees	16	207,964	109,000
Finance costs	2b	93	6,425
Insurance		12,928	20,360
Legal fees		12,673	-
Marketing and public relation expenses		9,175	-
Rent		6,680	3,468
Share registry costs		1,852	-
Travel and accommodation expenses		75,554	3,547
Other expenses from ordinary activities		90,139	3,645
Total Expenses		<u>532,980</u>	<u>249,684</u>
Loss from continuing operations before income tax		(496,860)	(246,568)
Income tax expense	3	-	-
Loss from continuing operations after income tax		(496,860)	(246,568)
Other Comprehensive income for the year		-	-
Total comprehensive income for the year		<u>(496,860)</u>	<u>(246,568)</u>
Earnings per share			
Basic - cents per share	22	(1.78)	(0.55)
Diluted - cents per share	22	(1.78)	(0.55)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

ARK MINES LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	181,300	33,067
Trade and other receivables	5	60,722	8,088
Other financial assets	6	2,000,000	-
Prepayments		17,992	1,293
TOTAL CURRENT ASSETS		<u>2,260,014</u>	<u>42,448</u>
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	7	2,804,851	2,496,612
Exploration licences	8	50,000	50,000
Plant and equipment	9	1,588	-
Other assets	8	990	990
TOTAL NON-CURRENT ASSETS		<u>2,857,429</u>	<u>2,547,602</u>
TOTAL ASSETS		<u>5,117,443</u>	<u>2,590,050</u>
CURRENT LIABILITIES			
Trade and other payables	10	100,372	15,000
TOTAL CURRENT LIABILITIES		<u>100,372</u>	<u>15,000</u>
TOTAL LIABILITIES		<u>100,372</u>	<u>15,000</u>
NET ASSETS		<u>5,017,071</u>	<u>2,575,050</u>
EQUITY			
Contributed equity	11	7,176,120	4,237,239
Accumulated losses	12	(2,159,049)	(1,662,189)
TOTAL EQUITY		<u>5,017,071</u>	<u>2,575,050</u>

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

ARK MINES LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(516,848)	(248,548)
Interest received		36,120	3,116
Interest paid		(93)	-
Net cash used in Operating Activities	13b	<u>(480,821)</u>	<u>(245,432)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Deposits paid		-	(990)
Payment for exploration and evaluation expenditure		(308,239)	(127,922)
Payment for term deposit		(2,000,000)	-
Purchase of plant and equipment		(1,588)	-
Net cash used in Investing Activities		<u>(2,309,827)</u>	<u>(128,912)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		3,374,652	206,425
Capital raising costs		(435,771)	-
Net cash provided by financing activities		<u>2,938,881</u>	<u>206,425</u>
Net increase / (decrease) in cash held		148,233	(167,919)
Cash at beginning of financial year		33,067	200,986
Cash at end of financial year	13a	<u>181,300</u>	<u>33,067</u>

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

**ARK MINES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009	4,030,814	(1,415,621)	2,615,193
Total comprehensive income for the year	-	(246,568)	(246,568)
Total	<u>4,030,814</u>	<u>(1,662,189)</u>	<u>2,368,625</u>
Ordinary shares issued, net of transaction costs	206,425	-	206,425
Balance at 30 June 2010	<u>4,237,239</u>	<u>(1,662,189)</u>	<u>2,575,050</u>
Balance at 1 July 2010	4,237,239	(1,662,189)	2,575,050
Total comprehensive income for the year	-	(496,860)	(496,860)
Total	<u>4,237,239</u>	<u>(2,159,049)</u>	<u>2,078,190</u>
Ordinary shares issued, net of transaction costs	2,938,881	-	2,938,881
Balance at 30 June 2011	<u>7,176,120</u>	<u>(2,159,049)</u>	<u>5,017,071</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report is for the entity Ark Mines Ltd as an individual entity. Ark Mines Ltd is a company limited by shares incorporated and domiciled in Australia.

The principle activity of the Company during the year was the exploration for gold and other mineral deposits.

The financial statements have been approved by the board on the date of signing.

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.

A. Basis of accounting

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.

The financial statements of the Company comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ('IASB').

1 Historical cost convention

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

2 Critical accounting estimates

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 group's accounting policies. Management do not believe that there was a high degree of judgement associated in the determination of any account balance or class of transactions in this financial report.

The financial report has been expressed in Australian Dollars (\$A) which is the functional currency of the entity.

B. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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.

C. 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.

D. 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 net basis.

E. Going concern

The financial statements are prepared on a going concern basis notwithstanding that the Company has incurred a net loss after tax of \$496,860 (2010: \$246,568) for the full year. Cash outflows from operating activities were \$480,821 (2010: \$245,432). The Company also entered into an agreement, details of which are in Note 20 which will result in the payment of \$1,000,000 by 20 September 2011 (\$200,000 was paid on 12 September 2011) with a further \$3,000,000 expected to be paid by late October or early November 2011. These conditions may give rise to a material uncertainty which casts significant doubt over the Company's ability to continue as a going concern.

The Directors believe the Company will be able to raise further necessary funds for ongoing activities and be cash positive to September 2012, as the Company has been successful in raising funds in the past. Ark is currently undertaking a placement which allows the Company to offer up to 15% of its shares on issue, and is expecting to raise approximately \$1.26 million by issuing 4,200,000 shares. On this basis the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Company will be able to pay its debts as and when they fall due and payable.

Should the Company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

F. Exploration and evaluation expenditure

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Accumulated costs in relation to an abandoned area are written off in the statement of 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 comprehensive income during the period in which the expenditure is incurred.

G. Critical accounting estimates and judgments

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.

During the year the Company capitalised exploration and evaluation expenditure of \$308,239 (2010:\$127,922) on the basis that the Company believes that the tenements that the Company owns are prospective for commercial quantities of mineral reserves.

H. Interest income

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

I. 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 balance 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 comprehensive income as they arise.

J. 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.

K. Other receivables

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

L. 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 Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Company. The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 2 Share-based Payment Transactions - amendments for Group Cash-settled Share-based Payment Transactions

The Company has applied the amendments to AASB 2 from 1 July 2010. The amendments clarified the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the Company settles the transaction, and no matter whether the transaction is settled in shares or cash.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Company has applied Interpretation 19 from 1 July 2010. The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualifies as consideration paid. The equity instruments issued are measured at their fair value, or if not reliably measured, at the fair value of the liability extinguished, with any gain or loss recognised in profit or loss.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Company has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;

AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;

AASB 117 'Leases' - removal of specific guidance on classifying land as a lease;

AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent; and

AASB 136 'Impairment of Assets' - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

AASB 2009-10 Amendments to AASB 132 - Classification of Rights Issues

The Company has applied AASB 2009-10 from 1 July 2010. The amendments clarified that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendment therefore provides relief to entities that issue rights in a currency other than their functional currency from treating the rights as derivatives with fair value changes recorded in profit or loss.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Company has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations - clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

M. New Accounting Standards and Interpretations not yet mandatory or early adopted

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements. The Company does not anticipate early adoption of any of the following reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.

AASB amendment	Outline of amendment	Operative Date (Annual reporting periods beginning on or after)
AASB 9 Financial Instruments	<p>Simplifies the classifications of financial assets into two categories:</p> <ul style="list-style-type: none"> • Those carried at amortised cost; and • Those carried at fair value. <p>Simplifies requirements related to embed derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately.</p> <p>Removes the tainting rules associated with held-to-maturity assets.</p> <p>Investments in equity instruments that are not held for trade can be designated at fair value through other comprehensive income, with only dividends being recognised in profit and loss.</p> <p>Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.</p>	1 January 2013
AASB 10 Consolidation	<p>AASB 10 replaces AASB 127 and 3 key elements of control. According to AASB 10 an investor controls an investee if and only if the investor has all the following:</p> <ul style="list-style-type: none"> (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. <p>Additional guidance is provided in how to evaluate each of the three limbs above. While this is not a wholesale change from the current definition of control within AASB 127 (and for many entities no change in practice will result) some entities may be impacted by the change. The limbs above are more principle based rather than hard and fast rules.</p>	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

AASB amendment	Outline of amendment	Operative Date (Annual reporting periods beginning on or after)
AASB 11 Joint Arrangements	<p>AASB 11 replaces the AASB 131 Interests in Joint Ventures. The previous standard had 3 types of Joint ventures whereas AASB 11 only has two. These are:</p> <ul style="list-style-type: none"> • Joint Operations; and • Joint Ventures. <p>A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.</p> <p>A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.</p> <p>Joint ventures must now be accounted for using the equity method of accounting. The option to proportionately consolidate a joint venture entity has been removed.</p>	<p>1 January 2013</p>
AASB 12 Disclosure of Interests in Other Entities	<p>AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it pulls together and replaces disclosure requirements from many existing standards.</p> <p>The AASB requires an entity to disclose information that enables users of financial statements to evaluate:</p> <ul style="list-style-type: none"> (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. 	<p>1 January 2013</p>
AASB 13 Fair Value Measurement	<p>AASB 13:</p> <ul style="list-style-type: none"> (a) defines fair value; (b) sets out in a single IFRS a framework for measuring fair value; and (c) requires disclosures about fair value measurements. <p>Fair value is defined as:</p> <p>“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)”</p>	<p>1 January 2013</p>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

AASB amendment	Outline of amendment	Operative Date (Annual reporting periods beginning on or after)
AASB 1053 Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards; and</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>For-profit entities in the private sector that have public accountability (as defined in this Standard) would apply Tier 1 requirements in preparing general purpose financial statements.</p> <p>For-profit private sector entities that do not have public accountability would apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements.</p> <p>Public accountability means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs. A for-profit private sector entity has public accountability if:</p> <p>(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or</p> <p>(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.</p>	1 July 2013
AASB 2009-12	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011
AASB 2010-2	<p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.</p>	1 July 2013
AASB 2010-4	<p>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project are set out below:</p> <p>AASB 7 Financial Instruments: Disclosures Clarification of disclosures</p> <p>AASB 101 Presentation of Financial Statements Clarification of statement of changes in equity</p> <p>AASB 134 Interim Financial Reporting Significant events and transactions</p>	1 January 2011

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

AASB amendment	Outline of amendment	Operative Date (Annual reporting periods beginning on or after)
AASB 2010-5	<p>The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011
AASB 2010-6	<p>The Standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them.</p>	1 July 2011
AASB 2010-7	<p>The Standard makes numerous amendments to Australian Accounting Standards and Interpretations listed above as a result of the amendments to AASB 9.</p>	1 January 2013
AASB 2010-8	<p>The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. Under AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in AASB 140.</p> <p>To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale.</p> <p>Interpretation 121 Income Taxes – Recovery of Revalued Non-Depreciable Assets addresses similar issues involving non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment. The amendments incorporate Interpretation 121 into AASB 112 after excluding investment property measured at fair value from the scope of the guidance previously contained in Interpretation 121.</p>	1 January 2012
AASB 2010-9	<p>The amendments in respect of severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.</p>	1 July 2011
AASB 2010-10	<p>The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9 Financial Instruments as issued in December 2009) as it has been superseded by AASB 2010-7 for annual reporting periods beginning on or after 1 January 2013.</p>	1 January 2013
AASB 2011-1	<p>These amendments are a consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the FRSB. Phase 1 has addressed the harmonisation of financial reporting requirements across the Tasman in relation to for-profit entities that assert compliance with International Financial Reporting Standards (IFRSs). The Boards were keen to first address differences from IFRSs and between Australian and New Zealand Standards as they apply to for-profit entities, on the basis that such entities are the most likely to claim compliance with IFRSs and trade across the Tasman.</p>	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

AASB amendment	Outline of amendment	Operative Date (Annual reporting periods beginning on or after)
AASB 2011-2	<p>AASB 1054 contains the Australian-specific disclosures that are in addition to International Financial Reporting Standards. AASB 2011-1 contains the related amendments to other Australian Accounting Standards. For example, some of the disclosure requirements previously in paragraphs Aus15.1-Aus15.3 and other paragraphs of AASB 101 are now included in AASB 1054 instead.</p> <p>This Standard makes amendments to AASB 1054 to introduce reduced disclosure requirements to that Standard for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. These reflect the reduced disclosure requirements originally specified in AASB 2010-2 for AASB 101 disclosures that are now in AASB 1054.</p>	1 July 2013
AASB 2011-4	<p>This Standard makes amendments to Australian Accounting Standard AASB 124 Related Party Disclosures.</p> <p>These amendments arise from a decision of the AASB to remove the individual key management personnel (KMP) disclosures from AASB 124 on the basis they:</p> <ul style="list-style-type: none">• are not part of International Financial Reporting Standards (IFRSs), which include requirements to disclose aggregate (rather than individual) amounts of KMP compensation;• are not included in New Zealand accounting standards and, accordingly, their removal is consistent with meeting the 2010 Outcome Proposal of the Australian and New Zealand governments that for-profit entities are able to use a single set of accounting standards and prepare only one set of financial statements;• are considered by the AASB to be more in the nature of governance disclosures that are better dealt with as part of the Corporations Act 2001;• were originally included in AASB 124 when fewer similar disclosure requirements were included in the Corporations Act and, in many respects, relate to similar disclosure requirements currently in that Act and therefore detract from the clarity of the requirements applying in this area; and• could be considered (during the transition period for this Amending Standard) for inclusion in the Corporations Act or other legislation to the extent they presently go beyond the requirements in legislation and are considered appropriate in light of government policy.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2011	2010
\$	\$

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

Losses before income tax benefit have been determined after:

(a) Income

- Bank interest

	36,120	3,116
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Total revenue from operating activities

	36,120	3,116
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(b) Expenses

Finance costs:

- Ichiya Co. Ltd – former shareholder

	-	6,425
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- Bank interest

	93	-
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Total borrowing costs

	93	6,425
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Remuneration of the auditors for

- Audit of statutory Financial Statements

	23,500	15,000
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Total auditors remuneration

	23,500	15,000
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NOTE 3: INCOME TAX EXPENSE

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

Prima facie income tax benefit on loss before income tax at 30%	(149,058)	(73,970)
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Add:

Tax effect of:

- Capital raising expenses

	(26,146)	-
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- Temporary differences not recognised

	(9,898)	38,377
--	---------	--------

- Exploration expenditure

	(92,472)	-
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- Tax losses not recognised

	247,944	35,593
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Less:

Tax effect of:

- Temporary differences

	25,828	-
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- Non allowable deductions

	3,802	-
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Income tax expense

	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	Opening balance \$	Movement for the year \$	Closing Balance \$
Deferred income tax – 2011			
Deferred tax assets have not been recognised in respect of the following items:			
- Accruals	4,500	14,190	18,690
- Capital raising expenses	-	104,585	104,585
- Tax losses	1,395,869	247,944	1,643,813
Total Deferred Tax Assets	1,400,369	366,719	1,767,088
Deferred tax liabilities have not been recognised in respect of the following items:			
- Prepaid expenses	388	5,009	5,397
- Exploration and evaluation assets	748,984	92,471	841,455
Total Deferred Tax Liabilities	749,372	97,480	846,852
	Opening balance \$	Movement for the year \$	Closing Balance \$
Deferred income tax - 2010			
Deferred tax assets have not been recognised in respect of the following items:			
- Accruals	4,680	(180)	4,500
- Tax losses	1,360,276	35,593	1,395,869
Total Deferred Tax Assets	1,364,956	35,413	1,400,369
Deferred tax liabilities have not been recognised in respect of the following items:			
- Prepaid expenses	425	(37)	388
- Exploration and evaluation assets	710,607	38,377	748,984
Total Deferred Tax Liabilities	711,032	38,340	749,372

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 2011

	2011 \$	2010 \$
NOTE 4: CASH AND EQUIVALENTS		
Cash at bank	<u>181,300</u>	<u>33,067</u>

NOTE 5: TRADE AND OTHER RECEIVABLES

Other receivables	3,465	-
GST recoverable	40,134	8,088
Interest receivable	<u>17,123</u>	-
Total other receivables	<u>60,722</u>	<u>8,088</u>

NOTE 6: OTHER FINANCIAL ASSETS

Other receivables	<u>2,000,000</u>	-
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The term deposit is with the National Australian Bank and matures on the 11 November 2011.

NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE - NON CURRENT

Opening balance	2,496,612	2,368,690
Capitalised during the year	<u>308,239</u>	<u>127,922</u>
Closing Balance	<u>2,804,851</u>	<u>2,496,612</u>

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 capitalised 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.

The list of tenements the Company has an interest in is disclosed on page 37.

NOTE 8: OTHER ASSETS - NON CURRENT

Deposits	990	990
Environmental bond deposits	<u>50,000</u>	<u>50,000</u>
Closing Balance	<u>50,990</u>	<u>50,990</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	2011	2010
	\$	\$

NOTE 9: FIXED ASSETS - PLANT AND EQUIPMENT

Office equipment at cost	1,595	-
Accumulated depreciation	(7)	-
Total plant and equipment	1,588	-

Office equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of office 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 comprehensive income.

Office equipment is depreciated at the rate of 15% per annum.

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 comprehensive income in the year the asset is de-recognised.

NOTE 10: TRADE AND OTHER PAYABLES

Accruals	62,300	-
Audit fee	22,500	15,000
Company issued credit cards	15,572	-
Trade creditors		
Total trade and other payables	100,372	15,000

Refer to note 19 for detailed information on financial instruments.

NOTE 11: CONTRIBUTED EQUITY

28,000,000 (2010: 44,511,720) Ordinary shares fully paid

	<u>No</u>	<u>No</u>
(a) Ordinary Shares Number		
Balance at the beginning of the year	44,511,720	42,641,254
Share buyback		
Issued Capital	(34,761,720)	-
Shares issued during the period		
Seed Capital	2,750,000	-
Issued Capital	15,500,000	1,870,466
Balance at the end of the financial year	28,000,000	44,511,720

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	2011 \$	2010 \$
(b) Ordinary Shares Value		
Balance at the beginning of the year	4,237,239	1,422,453
Share issue costs	(435,771)	-
Share buyback		
Issued Capital	(348)	-
Share issued during the period		
Seed Capital	275,000	-
Issued Capital	<u>3,100,000</u>	<u>2,814,786</u>
Balance at the end of the financial year	<u>7,176,120</u>	<u>4,237,239</u>

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

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

Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can produce return for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the Company's share price at the time of the investment.

NOTE 12: ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(1,662,189)	(1,415,621)
Net loss attributable to members of the entity	<u>(496,860)</u>	<u>(246,568)</u>
Accumulated losses at the end of the financial year	<u>(2,159,049)</u>	<u>(1,662,189)</u>

NOTE 13: CASH FLOW INFORMATION

(a) 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.

Cash at bank	<u>181,300</u>	<u>33,067</u>
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(b) Reconciliation of cash flow from operations with loss from ordinary activities after income Tax

Loss from ordinary activities after Income Tax	(496,860)	(246,568)
Adjustment for non-cash items		
Add: Changes in working capital		
(Increase) / decrease in trade and other receivables	(69,333)	1,736
Increase / (decrease) in trade and other payables	<u>85,372</u>	<u>(600)</u>
Cash flow from operations	<u>(480,821)</u>	<u>(245,432)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2011	2010
\$	\$

NOTE 14: AUDITOR'S REMUNERATION

Auditing or reviewing the financial reports	23,500	15,000
Other Services - investigating accountants report	13,200	-
Total	36,700	15,000

NOTE 15: SEGMENT INFORMATION

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

NOTE 15: KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Person	Position
Directors	
Antony Corel	Chairman - non executive
Roger Jackson	Managing Director
Ian Mitchell	Director - Non-executive
John Slade	Director - Non-executive
Robert McLennan	Director - Non-executive
Marcelo Mora	Company Secretary

Directors Interests as at 30 June 2011

Shareholding	Direct No	Indirect No
Antony Corel	126,750	-
Roger Jackson	35,000	530,000
Ian Mitchell	285,000	-
John Slade	-	-
Robert McLennan	10,000	7,934,000

Compensation

The aggregate compensation made to Directors and other members of Key Management personnel of the Company is set out below:

	2011	2010
	\$	\$
Short-term employee benefits	243,964	169,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2011	2010
\$	\$

NOTE 17: RELATED PARTY TRANSACTIONS

Transactions with key management personnel are conducted at arms-length and in the ordinary course of business. The Company has paid fees to entities related to the Directors for services.

Key management personnel

Antony Corel - Chairman

for other services – consulting	31,309	-
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Roger Jackson - Managing Director

Related Entity - EveryDay Hire Pty Ltd – asset hire and expenses	1,640	-
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Related Entity - Torpedo Drilling Pty Ltd – drilling services	100,068	-
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Ian Mitchell - Non-executive Director

Related Entity - Websters Solicitors – legal advice	19,605	-
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John Slade - Non-executive Director

Related Entity - Geophysical Consulting Services – consulting	6,840	-
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Robert McLennan - Non-executive Director

Related Entity - Mineral Exploration Consultants Pty Ltd – consulting and analytical advice	102,943	-
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Marcelo Mora - Company Secretary

Related Entity - Integral Admin Services Pty Ltd – consulting	-	-
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Total related services payments	262,405	-
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NOTE 18: COMMITMENTS

Exploration Expenditure Commitments

The Company is required to meet minimum committed expenditure requirements to maintain current rights of tenure to exploration licences. These obligations may be subject to re-negotiation, may be farmed-out or may be relinquished and have not been provided for in the statement of financial position. A summary of aggregate commitments is as follows:

Within 1 year	313,000	471,000
More than 1 year but not later than two years	313,000	-
Total	616,000	471,000

Operating Expenditure Commitment

Management fees	260,000	-
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Other Commitment

Option payment in respect of Marsuparia transaction – refer note 20	1,000,000	-
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 19: 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 does not have derivative financial instruments as at 30 June 2011.

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.

	<u>Note</u>	Amount \$ Current Interest rate	Amount \$ Floating Interest rate	Amount \$ Non Interest Bearing	Amount \$ Total
Financial assets					
Cash and cash equivalents	4	6.25%	181,300	-	181,300
Trade and other receivables	5			60,722	60,722
Other financial assets	6	6.25%	2,000,000		2,000,000
Financial liabilities					
Trade and other payables	10			-	100,372

(a) Credit risk

Credit risk refers to the risk that a 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.

(b) 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. Below is a table of impact of a 1% movement in the interest rate on the funds invested when all other variables are held constant.

	Year Ended 30-Jun-11 \$
Potential impact on post-tax loss:	
Interest rate -1%	(21,813)
Interest rate +1%	21,813

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Ark Mines Ltd 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.

(d) Fair values

The financial assets and liabilities of the Company are recognised in the statement of financial position at their fair value in accordance with the accounting policies in note 1.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Trade and other receivables

The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short term nature of trade receivables.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest flows, discounted at the market rate of interest at the report date. Where these cash flows are in a foreign currency the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

NOTE 20: EVENTS AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years, except as follows:

Nangerybone

The Nangerybone EL6726 licence was pegged in March 2007 and comprised 50 units as an exploration tenement. Ark has been requested to drop 50% of this area on applying for renewal. All the targets and projects that Ark has expended money on are within the 50% requested to be retained. We shall be commencing exploration on pre determined targets later in the year. Ark has a commitment to spend \$80,000 a year on this licence. The Directors expect to spend in excess of \$130,000 by next March.

Masuparia

Ark Mines Ltd signed an option agreement with Fullway Limited on the 9th of September 2011 to acquire ownership and control of the Masuparia Contract of Work (COW) tenement in Central Kalimantan, Indonesia. Under the terms of the agreement, Ark will acquire the business and COW for \$4 million cash, and issue the vendors 10M Ark shares (5m shares will be held in escrow for 6 months). Ark will be funding this through various equity raisings. Ark will acquire this business as a going concern and have full control of the business and the tenement

A deposit of \$200,000 was paid on the 9th of September at signing. The next interim payment of \$800,000 will be paid to the vendor on the 20th of September 2011. Ark is currently undertaking a placement which allows the Company to offer up to 15% of its shares on issue, and is expecting to raise approximately \$1.26 million by issuing 4,200,000 shares.

The remaining \$3,000,000 will be paid in late October, early November after the AGM and is subject to shareholder approval. The 10M shares that make up the payment for the acquisition also require shareholder approval.

There are seven advanced gold projects on Masuparia, with a further nine projects within the eight principal exploration areas, which are significant on the COW. The Ongkang is the most advanced with production likely to commence within twelve months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 21: COMPANY DETAILS

The registered office of the Company is:
Ark Mines Ltd
Level 11,
37 Bligh Street
Sydney NSW 2000

The names of Directors who have held office during the year are:
Antony Corel (Chairman) (appointed 22 September 2008)
Roger Alan Jackson (Managing Director) (appointed 21 October 2010)
Fye Hong (resigned 21 October 2010)
Seizo Yamamoto (resigned 21 October 2010)
Shinji Yamamoto (resigned 21 October 2010)
John Slade (appointed 21 October 2010)
Robert McLennan (appointed 21 October 2010)
Ian Mitchell (appointed 29 December 2010)

NOTE 22: EARNINGS PER SHARE


	No	No
Ordinary share number 2010 financial year		Weighted Average
Balance at the beginning of the year	42,641,254	42,641,254
Shares issued during the period		
Issued Capital July	<u>1,870,466</u>	<u>1,870,466</u>
Balance at end of the year	<u>44,511,720</u>	<u>44,511,720</u>
Ordinary share number 2011 financial year		Weighted Average
Balance at the beginning of the year	44,511,720	44,511,720
Share buyback		
Issued Capital - Dec 2010	(34,761,720)	(20,277,670)
Shares issued during the period		
Seed Capital February	2,650,000	1,104,167
Seed Capital March	100,000	33,333
Issued Capital May	<u>15,500,000</u>	<u>2,583,333</u>
Balance at end of the year	<u>28,000,000</u>	<u>27,954,883</u>
	2011	2010
	\$	\$
Total comprehensive income for the year	(496,860)	(246,568)
Earnings per share		
Basic - cents per share	(1.78)	(0.55)
Diluted - cents per share	(1.78)	(0.55)

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to 33, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
 - (c) the financial statements also comply with International Financial reporting Standards as issued by the International Accounting Standards Board ('IASB') as disclosed in note 1.
2. This declaration has been made after receiving declarations from the Managing Director and the Chairman to the Directors in compliance with section 295A of the Corporations Act 2001 for the year ended 30 June 2011.
3. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Antony Corel
Director

Sydney, 15 September 2011



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Ark Mines Limited

Report on the Financial Report

We have audited the accompanying financial report of Ark Mines Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 the 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

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Auditor's Opinion

In our opinion:

- (a) the financial report of Ark Mines Limited 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$496,860 during the year ended 30 June 2011 and, as of that date, the company's cash outflow from operating activities were \$480,821. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

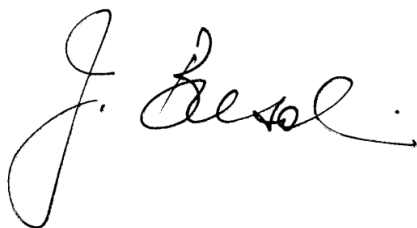
We have audited the Remuneration Report included in pages 6 to 7 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Ark Mines Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.



PKF



John Bresolin
Partner

Sydney
15 September 2011

Schedule of Ark Tenements

Exploration Licence Act (1992)	Title Name	Expiry Date	Status
6365	Byrock	16-Jan-11	On application for renewal
6341	Gundabooka	9-Nov-11	Current
6339	Bald Hills	8-Nov-10	On application for renewal
6338	Babinda	8-Nov-11	Current
6726	Nangerybone	1-Mar-11	On application for renewal

CORPORATE GOVERNANCE STATEMENT

The role and responsibilities of the Board of Directors is for the overall Corporate Governance of the Company and oversight of management, protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for the administration.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (Council). Whilst the Company's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When Ark is not able to implement one of the Council's recommendations the Company applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

Details of all of the Council's recommendations can be found on the ASX website at <http://www.asx.com.au>

Principle 1 – Lay solid foundations for management and oversight

The Company has adopted recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives in the content of every new Director and senior executive appointment.

BOARD OF DIRECTORS – ROLE AND RESPONSIBILITIES

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and the monitoring of the financial performance of the Company;
- the resourcing, reviewing and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

CORPORATE GOVERNANCE STATEMENT

The Company has adopted recommendation 1.2 of evaluating the performance of senior executives.

Because all Board members were appointed less than 1 year ago, with the exception of Mr Antony Corel, the Board has not yet reviewed the performance of its senior executives. This will be conducted during the current financial year.

The Company is in the process of adopting recommendation 1.3 by implementing in the 2011 – 2012 financial year evaluations for senior executives in accordance with the process described above.

The performance evaluation for the Managing Director will be conducted over the next 12 months, once the Managing Director completes one year of service, as described in Recommendation 1.2, by the Chairman of the Board.

Principle 2 – Structure the Board to add value

BOARD OF DIRECTORS - COMPOSITION, STRUCTURE AND PROCESS

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Company's current size, scale and nature of its activities.

INDEPENDENT DIRECTORS

Due to the small size of the Company, the Board is made up of five Directors. One Director is not involved in management and one is not a shareholder in the Company.

The Company has adopted Recommendation 2.1 by having 3 independent Directors on the Board. It is the Board's opinion that all Directors bring to the Board their independent judgement, irrespective if they are independent or not.

REGULAR ASSESSMENT OF INDEPENDENCE

An Independent Director, in the view of the Company, is a Non-executive Director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

CHAIRMAN AND MANAGING DIRECTOR

The Company follows recommendation 2.2. The office of Chair is held by Mr Antony Corel, an independent Director.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The Managing Director is responsible and accountable to the Board for the Company's management. Mr Roger Jackson is the Managing Director of the Company and performs the role of Chief Executive Officer. Therefore, the Company follows recommendation 2.3.

CORPORATE GOVERNANCE STATEMENT

BOARD NOMINATIONS

The Board has established a Remuneration and Nomination Committee Charter. The Charter considers nominations for the appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

The Remuneration and Nomination Committee is appointed by the Board. Because all, with the exception of Antony Corel, were appointed between October and December 2010 the Committee has not had a Committee meeting during the financial year ending 30 June 2011. During the financial year 2011-2012 the Committee will implement the functions listed below. Therefore the Company has adopted Recommendation 2.4.

The responsibilities assumed by the Remuneration and Nomination Committee include:

- Board and senior executive functions;
- Board composition;
- number of Board members;
- criteria for nomination of Directors;
- selection and appointment of the Chairperson;
- selection and appointment of the Secretary;
- determine the frequency of meetings of the Committee;
- seek professional advice when required;
- responsibilities of the Committee; and
- oversight of Board and executive succession plans.

PERFORMANCE REVIEW AND EVALUATION

The Company follow recommendation 2.5 and 2.6 by disclosing the process for evaluating the performance of the Board, and disclosure requirements under Principle 2 in the following paragraphs.

It is the policy of the Board to ensure that the Directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

INDUCTION AND EDUCATION

The Company has the policy to provide each new Director or officer with a copy of the following documents:

- Audit and Risk Committee Charter;
- Remuneration and Nomination Committee Charter;
- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Diversity policy.

ACCESS TO INFORMATION

Each Director has access to Board papers and all relevant documentation.

SKILLS KNOWLEDGE AND EXPERIENCE

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and, Director-level business or corporate experience required by the Company.

CORPORATE GOVERNANCE STATEMENT

INDEPENDENT DIRECTORS

The Company considers that as at 30 June 2011 Mr Antony Corel, Ian Mitchell and John Slade are classified as Independent Directors.

PROFESSIONAL ADVICE

Board members, with the approval of the Chairman, may seek from time to time external professional advice.

PERIOD OF OFFICE HELD BY EACH DIRECTOR

- Antony Corel since 22 September 2008;
- Roger Jackson since 21 October 2010;
- Robert McLennan since 21 October 2010;
- Ian Mitchell since 29 December 2010; and
- John Slade since 21 October 2010

TERMS OF APPOINTMENT AS A DIRECTOR

The Constitution of the Company provides that a Director, other than the Managing Director, may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (excluding the Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

MEETINGS OF THE REMUNERATION AND NOMINATION COMMITTEE

Because all but one Director were appointed between October and December 2010 the Remuneration and Nomination Committee has not had a Committee meetings during the financial year ending 30 June 2011.

Principle 3 – Promote ethical and responsible decision making

CODE OF CONDUCT AND ETHICAL STANDARDS

The Company has adopted recommendation 3.1 by establishing a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

The code of conduct outlines:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

ACCESS TO COMPANY INFORMATION AND CONFIDENTIALITY

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

CORPORATE GOVERNANCE STATEMENT

SHARE DEALINGS AND DISCLOSURES

The Company has adopted a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

CONFLICT OF INTEREST

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

RELATED PARTY TRANSACTIONS

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

BOARD DIVERSITY

The Company complies with recommendation 3.2 by establishing a diversity policy.

The Company complies with recommendation 3.3 by posting on its webpage the diversity policy which discloses the measurable objectives for achieving gender diversity.

The Company complies with recommendation 3.4 by notifying that no females are engaged to provide services to the Company for the year ending 30 June 2011. However, the Company does take into account the gender, age, ethnicity and cultural background of potential Board members, Executives and Contractors.

PUBLICLY AVAILABLE INFORMATION

The Company has adopted recommendation 3.5 by making publicly available on the Company's website, www.arkmines.com.au, the Share Trading Policy, Diversity policy and Continuous Disclosure policy and Code of Conduct under the corporate governance section.

Principle 4 – Safeguard integrity in financial reporting

CORPORATE GOVERNANCE STATEMENT

AUDIT AND RISK COMMITTEE

The Company has established an Audit and Risk Committee which has a corresponding charter. The objective of the Committee is to make recommendations to the Board regarding, among various matters, the adequacy of the external audit, risk management and compliance procedures. The Committee is asked to evaluate from time to time the effectiveness of the financial statements prepared for the Board meetings and to insure that an independent judgement is always exercised. Although the Committee has not had a meeting, the functions of the committee are being performed directly by the Board. Therefore, no Committee meetings were held during the financial year.

At the time the Annual Report was prepared, Ark's recommendation 4.2 is not fully adopted.

The Company has followed recommendation 4.3 establishing an Audit Committee charter setting out the following:

- duties and responsibilities of the Committee;
- meetings;
- complaints procedures;
- composition of the Audit Committee;
- structure of the Audit Committee;
- number of meetings; and
- membership requirements.

All duties and responsibilities of the Audit and Risk Committee are presently carried out jointly by the Board.

Because the functions of the Audit and Risk Committee are now performed by the Board recommendation 4.4 provides the name and qualification of all Directors.

- Antony Corel – Diploma Law (S.A.B.) and LLM, University of New South Wales.
- Roger Jackson - Bachelor of Science Geology and Graduate Diploma in Financial Management, University of New England.
- Robert McLennan – Bachelor of Science (Hons.) and Master of Science, University of Melbourne.
- Ian Mitchell - Bachelor of Art Dip Law, University of Sydney
- John Slade - Bachelor of Science (Hons.) and Master of Science, Australian National University.

Principle 5 – Make timely and balanced disclosure

The Company has adopted recommendation 5.1 by putting in place a continuous Disclosure Policy.

CONTINUOUS DISCLOSURE TO THE ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities; and
- the announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in Ark securities.

Ark has adopted recommendation 5.2 by making publicly available on its website a summary of the Continuous Disclosure Policy.

CORPORATE GOVERNANCE STATEMENT

Principle 6 – Respect the rights of shareholders

COMMUNICATIONS

Ark has not adopted recommendation 6.1 because it does not have a formal Shareholders' Communication Policy. However the Board has undertaken under consideration for the financial year 2011 to 2012 to implement this policy.

Although the Company does not have a Shareholder Communication Policy the Company follows recommendation 6.2 which is described under the heading "Communication to the Market and Shareholders" below.

COMMUNICATION TO THE MARKET AND SHAREHOLDERS

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs and has adopted a Shareholder Communication Policy. The Policy provides that information will be communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' and financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website www.arkmines.com.au and on the ASX website www.asx.com.au, under ASX code 'AHK'.

Principle 7 - Recognise and manage risk

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Due to the size of the Company, recommendation 7.2 is not relevant for Ark because the Board has the oversight function of risk management and internal control systems. Therefore, the risk management functions and oversight of material business risks are performed directly by the Board and not by management. The paragraph below contemplates the principles incorporated in the Company's Audit and Risk Committee Charter.

INTERNAL CONTROL AND RISK MANAGEMENT

The primary vehicle for managing corporate risks is the Audit Committee appointed by the Board (currently performed by the Board). The Committee/Board reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

The Company ensures that appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

CORPORATE GOVERNANCE STATEMENT

INTERNAL AUDIT FUNCTION

The internal audit function is carried out by the Board. The Company does not have an internal audit department nor has an internal auditor. The size of Ark does not warrant the need or the cost of appointing an internal auditor.

CEO AND CFO DECLARATIONS

The Company has adopted and complied with recommendation 7.3.

The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the CEO and CFO declarations in respect of the year ended 30 June 2011, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board is also satisfied that the internal control system is operating effectively in all material respects.

The Company has adopted and complied with recommendation 7.4 as follows:

- the Board conducted its evaluations regarding internal control and risk management;
- the Board has received the assurance from the Managing Director and Company Secretary;
- the Company does not have a written policy on risks oversight management of business material risks because the number of people engaged in the Company's operations is minimal; and
- independent professional advice - subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Principle 8 – Remunerate fairly and responsibly

The Board of Ark established a remuneration Committee in accordance with Recommendation 8.1.

The Remuneration and Nomination Committee has not had Committee meetings during the financial year ending 30 June 2011. Given the small size of the Company the Board believes that no efficiencies would be derived by having a committee, the duties and responsibilities are currently preformed jointly by the Board.

REMUNERATION COMMITTEE CHARTER AND RESPONSIBILITIES

The Company has established a Remuneration and Nomination Committee charter. The role and responsibility of the Committee/Board is to review and make recommendations in respect of:

- executive remuneration policy;
- Executive Director and senior management remuneration;
- Non-executive Directors' Remuneration;
- performance measurement policies and procedures;
- Administration of the Company's Diversity policy;
- Board evaluation and performance of Directors; and
- Issue and allotment of options to Directors and Senior Executives.

COMPOSITION OF THE REMUNERATION COMMITTEE

Ark endeavours for the Remuneration Committee to be structured so that is made up of:

- only Non-executive Directors;
- a majority of Independent Directors; and
- an independent Chairperson, who is not chairperson of the board.

The Company does not to fully comply with recommendation 8.1 because of the current size of the Company.

CORPORATE GOVERNANCE STATEMENT

REMUNERATION POLICY

The Directors remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. The Managing Director has entered into a Directors Service Agreement for a term not exceeding three years. Consultants are engaged as required pursuant to service agreements. The Company ensure that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company. All salaries of Directors and statutory officers are disclosed in the Annual Report of the Company each year.

The Company has not fully complied with recommendation 8.2. Because of its size it is unable to appoint sufficient independent Directors to a remuneration committee. The duties and responsibilities of the committee are carried out by the full Board.

The Company does follow recommendation 8.3. Although the Company at present does not distinguish between Executive Directors and non Executive Directors remuneration the Company does have a policy structure to remunerate Directors differently based on a fixed and incentive component salary packages to reflect the short and long term objectives of the Company.

- The salary component of the Managing Director's remuneration is made up of fixed remuneration;
- The salary component of Non-executive Directors is made up of fixed remuneration.

The Company has adopted recommendation 8.4 as follows:

- The Company discloses the name of Directors in the Remuneration Committee and the attendance of each Director to the Remuneration Committee meetings, within its Directors' Reports - no meetings were held for the financial ended 30 June 2011;
- The Company does not provide any schemes for retirement; and
- The Company has not made publicly available a summary of the Remuneration Committee Charter on the Company's website.

CORPORATE GOVERNANCE STATEMENT

20 Largest Shareholders as at 7 September 2011

<u>NAME</u>	<u>NUMBER OF ORDINARY FULLY PAID SHARES HELD</u>	<u>% HELD OF ISSUED ORDINARY CAPITAL</u>
1 SOLO RESOURCES PTY LIMITED	7,644,000	27.30
2 ICHIYA CO LTD	1,901,250	6.79
3 AEGEAN PAL PTY LTD	1,600,000	5.71
4 COBUNGRA HOLDINGS PTY LTD	525,000	1.88
5 QUEENSLAND MARKETING	500,000	1.79
6 RJ CONSOLIDATED PTY LTD	500,000	1.79
7 GURRAVEMBI INVESTMENTS PTY LTD	470,000	1.68
8 AURALANDIA NO LIABILITY	420,000	1.50
9 JOHN WARDMAN & ASSOCIATES	400,000	1.43
10 MR SIMON WILLIAM TRITTON	320,000	1.14
11 JOHN DESMOND MARTIN	280,000	1.00
12 HILDAVID PTY LTD	250,000	0.89
13 MIRRUP PTY LTD	250,000	0.89
14 AUSTOCK NOMINEES PTY LTD	229,300	0.82
15 NW SUPER NOMINEES PTY LTD	220,000	0.79
16 BT PORTFOLIO SERVICES LTD	210,000	0.75
17 MR PAUL BALSARINI & MRS ANNETTE BALSARNI	200,000	0.71
18 MR BEN EMERY	200,000	0.71
19 GBBM PTY LIMITED	200,000	0.71
20 MR CHRISTOPHER JOHN MORGAN-HUNN	200,000	0.71
Total top 20	16,519,550	59.00
Total number of Ordinary fully paid shares	28,000,000	100.00