



ACN 123 668 717

Financial Report

For the Half-Year Ended 31 December 2014

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CORPORATE DIRECTORY

Directors	Antony B Corel Roger A Jackson Ian B Mitchell
Company Secretary	Ian B Mitchell
Registered Office	C\ - Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
Principal Place of Business	C\ - Professional Edge Pty Ltd Level 9 27 – 31 Macquarie Place Sydney NSW 2000
Share Register	Gould Ralph Pty Limited Level 42, Suncorp Place 259 George Street Sydney NSW 2000
Auditor	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
Solicitors	Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
Bankers	National Australia Bank Level 15, Ernst and Young Centre 680 George Street Sydney NSW 2000
Accounting Services	Professional Edge Pty Ltd GPO Box 1458 Sydney NSW 2000
Securities Exchange Listing	Ark Mines Ltd shares are listed on the Australian Securities Exchange (ASX code: AHK)
Website Address	www.arkmines.com.au

Your Directors present their report together with the financial statements of Ark Mines Ltd (the "Company" or "Ark") for the financial half-year ended 31 December 2014.

Directors

The names of the Directors, who held office from 1 July 2014 to date of this report, unless otherwise stated, are:

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

Review of Operations

During the half-year the Company raised \$339k (net of issue costs) through the issue of 3.0m shares at an issue price of \$0.095 per share and 608k shares at an issue price of \$0.10 per share. Of this amount, \$221k was invested in its gold exploration projects including \$219k to undertake a 26-hole drilling programme across the Company's Golden Honcho gold project in the Northern Territory. The results of this programme were detailed in the Company's announcement of 10 November 2014 and its Quarterly Report which was released to the market on 30 January 2015.

The Company now plans to undertake the necessary desk work to bring the prospect up to a JORC compliant mineral resource.

This expenditure satisfied the Company's first earn-in condition in its agreement with Arafura Resources Limited (ASX: ARU) that it spend a minimum of \$200k on the exploration and evaluation of these tenements before 26 December 2014. Under this agreement, the Company is required to spend a further \$200k on the exploration and evaluation of the tenements before 26 August 2015. As at 31 December 2014, the Company has spent \$19k with \$181k remaining to be spent.

The Company is currently finalising a fund raising which is expected to raise a minimum of \$100k over the coming weeks and plans to raise a minimum of a further \$320k by June 2015 to facilitate the 26 August 2015 requirement and its working capital needs. Details of the agreement entered into by the Company with Arafura Resources Limited are shown at Note 8 on page 10 of this Report.

The Company's other tenement; Babinda EL 7973, is located in the Lachlan Fold Belt of New South Wales within the established Cobar mining district, a district with long standing mines and proven mineral deposits. These include several large operating mines – CSA, Peak, Endeavour and Triton. It contains defined targets and has been drill tested with the intention of rapidly upgrading and delineating an economically viable ore resource. It is close to roads with a labour force and power readily available.

The Company continued to review its tenements during the period and in the light of competing priorities sought a buyer for its Nangerybone EL 6726 tenement. As a consequence of its decision not to pursue exploration and evaluation activities on this tenement, and in the absence of an identified buyer at the date of this report, the Company fully impaired its capitalised expenditure on this tenement. As a consequence, an impairment cost of \$539k has been included in the loss for the half year.

A full list of the Company's Tenement interests is shown on page 15 of this Report.

The loss for the Company during the half-year was \$750k (2013: \$253k).

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2014 has been received and a copy is reproduced on page 3.

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



Antony B Corel

Chairman

Sydney, 13 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

For the half-year ended 31 December 2014



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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ARK MINES LTD

As lead auditor for the review of Ark Mines Ltd for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Gareth Few'.

Gareth Few

Partner

BDO East Coast Partnership

Sydney, 13 March 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

	Note	December 2014	December 2013
		\$	\$
Income			
Interest income		2,004	1,867
Less: Expenses			
Accounting and secretarial expenses		27,600	35,741
ASX listing costs		7,137	6,304
Audit fees		31,500	31,500
Consulting fees		3,850	2,070
Depreciation		382	382
Directors' fees		104,867	118,439
Impairment of exploration and evaluation capitalised	4	539,192	-
Insurance		6,201	15,521
Legal fees		1,200	-
Share registry costs		8,988	9,013
Travel and accommodation expenses		11,204	7,842
Other expenses from ordinary activities		9,861	27,566
Total expenses		(751,982)	254,378
Loss from operating activities		(749,978)	(252,511)
Finance costs		-	65
Loss before income tax		(749,978)	(252,576)
Income tax expense		-	-
Loss from continuing operations after income tax		(749,978)	(252,576)
Other comprehensive loss for the year		-	-
Total comprehensive loss for the year		(749,978)	(252,576)
Earnings per share			
Basic - cents per share		(2.01)	(0.75)
Diluted - cents per share		(2.01)	(0.75)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	December 2014	June 2014
		\$	\$
Current assets			
Cash and cash equivalents		43,362	29,772
Trade and other receivables		45,130	34,691
Prepayments		18,602	5,213
Total current assets		107,094	69,676
Non-current assets			
Exploration and evaluation expenditure	4	688,133	1,005,878
Environmental bonds		21,529	20,000
Plant and equipment		763	1,145
Total non-current assets		710,425	1,027,023
Total assets		817,519	1,096,699
Current liabilities			
Trade and other payables		54,584	60,762
Total current liabilities		54,584	60,762
Non-current liabilities			
Other payables		223,472	110,972
Total non-current liabilities		223,472	110,972
Total liabilities		278,056	171,734
Net assets		539,463	924,965
Equity			
Contributed equity	5	8,717,181	8,352,705
Accumulated losses		(8,177,718)	(7,427,740)
Total equity		539,463	924,965

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

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2014

	Note	December 2014	December 2013
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(89,033)	(186,603)
Interest received		2,004	1,867
Interest paid		-	(65)
Net cash used in operating activities		(87,029)	(184,801)
Cash flows from investing activities			
Payment for exploration and evaluation expenditure		(216,978)	(21,375)
Refunds of (payments for) environmental bonds		(21,529)	10,000
Net cash used in investing activities		(238,507)	(11,375)
Cash flows from financing activities			
Proceeds from share issue	5	345,821	81,977
Capital raising costs	5	(6,695)	(14,292)
Net cash provided by financing activities		339,126	67,685
Net increase (decrease) in cash held		13,590	(128,491)
Cash at beginning of financial year		29,772	236,392
Cash at end of financial year		43,362	107,901

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

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

	Note	Issued capital	Acc. losses	Total
		\$	\$	\$
December 2014				
Balance at 1 July 2014		8,352,705	(7,427,740)	924,965
Total comprehensive income for the year		-	(749,978)	(749,978)
Total		8,352,705	(8,177,718)	174,987
<u>Transactions with owners in their capacity as owners</u>				
Ordinary shares issued net of transaction costs	5	339,126	-	339,126
Share based payment expense	5	25,350	-	25,350
Balance at 31 December 2014		8,717,181	(8,177,718)	539,463
December 2013				
Balance at 1 July 2013		8,285,020	(7,017,653)	1,267,367
Total comprehensive income for the year		-	(252,576)	(252,576)
Total		8,285,020	(7,270,229)	1,014,791
<u>Transactions with owners in their capacity as owners</u>				
Ordinary shares issued net of transaction costs	5	67,685	-	67,685
Share based payment expense	5	-	-	-
Balance at 31 December 2013		8,352,705	(7,270,229)	1,082,476

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

1. Significant Accounting Policies

These financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This financial report covers Ark Mines Limited and was authorised for issue in accordance with a resolution of Directors on 13 March 2015

These financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of Ark Mines Limited as at 30 June 2014 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Ark Mines Limited is a public company, listed on the Australian Securities Exchange, incorporated and domiciled in Australia. The Company's operations comprise exploration for and evaluation of mineral resources.

a) Basis of preparation

The half-year financial report has been prepared on the historical cost basis except as disclosed in the notes to the annual financial report for the year ended 30 June 2014.

b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2014.

c) 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 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. The Company's assessment of these new standards and interpretations is that they will result in no significant changes to the amounts recognised or matters disclosed in this half-year report.

d) Fair value

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

2. Going Concern

The Company has incurred a net loss after tax of \$749,978 (2013: \$252,576) for the half-year and net cash outflows from operating activities of \$87,029 (2013: \$184,801). These conditions give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The ongoing viability of the Company and the recoverability of its non-current assets are dependent on the successful development of its exploration and evaluation expenditure, and/or sale of assets and future capital raisings.

The financial statements are prepared on a going concern basis as the Company's cash-flow forecast indicates that after meeting all of its commitments, it will remain cash positive until at least March 2016. This forecast assumes that the Company is able to raise additional funds of at least \$420,000 before June 2015 of which Directors are confident of raising at least \$100,000 in the coming weeks.

The Directors are also confident that the balance of at least \$320,000 before June 2015 will be successfully raised and depending on the outcome of various metallurgical and commercial activities currently underway, anticipate a rights issues for which preparations have commenced.

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.

3. Segment Information

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

	December 2014	June 2014
	\$	\$
4 Exploration and Evaluation Expenditure		
Opening balance	1,005,878	938,679
Capitalised during the year	221,447	74,038
Impaired during the year	(539,192)	(6,839)
Closing Balance	688,133	1,005,878

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 the carrying value of the exploration and evaluation expenditure each half-year, 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 Company continued to review its tenements during the period and in the light of competing priorities sought a buyer for its Nangerybone EL 6726 tenement. As a consequence of its decision not to pursue exploration and evaluation activities on this tenement, and in the absence of an identified buyer at the date of this report, the Company fully impaired its capitalised expenditure on this tenement. As a consequence, an impairment cost of \$539,192 has been included in the loss for the half year.

During the period The Company capitalised \$221,447 on its tenements.

	December 2014	December 2013
	No.	No.
5. Contributed Equity		
Ordinary Shares Number		
Balance at the beginning of the period	34,019,777	33,200,000
Shares issued during the period		
Issued for cash at @ \$0.095 per share on 21 July 2014	3,000,000	-
Issued in settlement of a liability @ \$0.10 per share on 24 July 2014	253,500	-
Issued for cash @ \$0.10 on exercise of options on 13 August 2014	608,211	819,777
Closing Balance	37,881,488	34,019,777

	\$	\$
Ordinary Shares Value		
Balance at the beginning of the period	8,352,705	8,285,020
Shares issued during the period		
Issued for cash	345,821	81,977
Issued in settlement of a liability	25,350	-
Share issue costs	(6,695)	(14,292)
Closing Balance	8,717,181	8,352,705

On 21 July 2014 the Company made a placement of 3,000,000 shares at an issue price of \$0.095 to fund part of the mining and exploration commitments for its Northern Territory Golden Honcho gold project, fund further exploration of the Company's NSW tenement and fund working capital requirements.

On 24 July 2014 the Company issued 253,500 shares at an issue price of \$0.10 to a principal of the Company's accounting serviced provider, Professional Edge Pty Ltd in lieu of fees.

On 11 August 2014 the Company issued 608,211 shares at an issue price of \$0.10 following the exercise of options attached to a Rights Issue that closed on 2 August 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

6. Dividends

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

7. Seasonality and Irregular Trends

The activities of the Company are not materially affected by seasonality or irregular trends.

8. 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:

	December 2014	June 2014
	\$	\$
Within 1 year	43,500	56,641
More than 1 year but not later than 5 years	43,500	-
More than 5 years but not later than 10 years	-	-
Total	87,000	56,641
Operating expenditure commitment		
Minimum fees payable under Managing Director's Consultancy Agreement ¹	31,250	31,250
Other commitment		
Mt Porter and Frances Creek minimum obligation ²	-	183,864

1. This amount may double after the raising of further capital – refer remuneration report in the Company's 2014 Annual Report.

2. Arafura Resources Limited and Territory Resources Limited as holders of the Northern Territory exploration licences are responsible for the minimum expenditure commitments over the Northern Territory licences in which the company has an interest.

Mt Porter and Frances Creek Gold Projects

On 15 January 2013, the Company announced that it had entered into an agreement with Arafura Resources Limited (ASX:ARU) to mine, farm-in and joint venture the Mt Porter and Frances Creek gold projects ("the Tenements") in the Northern Territory.

The agreement and subsequent amendments provides amongst other things that in order to earn a 40% interest in the Tenements Ark must spend at least \$400,000 on exploration and evaluation of the Tenements before 26 August 2015, of which \$200,000 was required to be spent before 26 December 2014. The agreement provides that Ark may withdraw at any time after satisfying the first \$200,000 expenditure requirement.

This 26 December 2014 expenditure requirement has now been met.

As at 31 December 2014, \$181,134 of the balance of 26 August 2015 expenditure was outstanding.

The agreement further provides that Ark may earn a further 30% interest the Tenements by spending least \$1,600,000 on further exploration and evaluation and identify at least 100k oz. gold. Alternatively, following the expenditure of \$400,000 as required under the first earn-in period, Ark may acquire a 100% interest in the Tenements for \$2,000,000.

Further details of the agreement are included in the ASX release made on 15 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

9. Fair Value Measurement

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that will ultimately be realized by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

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

10. Subsequent Events

There are no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

For the half-year ended 31 December 2014

The Directors of the Company declare that:

In their opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Antony Corel

Director

Sydney, 13 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

For the half-year ended 31 December 2014



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ark Mines Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ark Mines Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ark Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ark Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ark Mines Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the half-year financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the company's tenements. These conditions, along with other matters as set out in Note 2, 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.

BDO East Coast Partnership

A stylized, handwritten signature of the BDO East Coast Partnership, appearing as 'BDO' in a cursive script.

A handwritten signature in cursive script that reads 'Gareth Few'.

Gareth Few
Partner

Sydney, 13 March 2015

SCHEDULE OF TENEMENTS

Exploration licence	Title name	Interest	Mineral	Grant date	Expiry date	Status
EL 7973	Babinda	100%	Gold	11 October 2012	11 October 2014	Renewal pending
ML 23839	Mt Porter	Right to earn 70% or acquire 100% through option.	Gold	2 February 2005	1 February 2030	Current
EL 10137	Frances Creek	Right to earn 70% or acquire 100% through option.	Gold	10 July 2002	9 July 2016	Current
EL 23237	Frances Creek South	Right to earn 70% or acquire 100% through option.	Gold	8 December 2003	7 December 2016	Current
ELR 116	Mt Porter	Right to earn 70% or acquire 100% through option.	Gold	12 September 1990	11 September 2016	Current

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