Ark Mines Ltd.

ABN 31 123 668 717

Special Purpose Financial Report

For the Year Ended 30 June 2008

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Directors' Report

The Directors present their report on the Company for the financial year ended 30 June 2008.

Directors

The names of the Directors in office at any time during or since the end of the financial year are:

Peter John Bradfield - Chairman (Appointed 30 January 2007)
Kimikazu Yoshioka (Appointed 30 January 2007)
Joshua Simon Rogers (Appointed 30 January 2007; resigned 26 June 2008)
Roger Alan Jackson (Appointed 20 February 2007; resigned 29 November 2007)
Terrence John Shanahan (Appointed 7 June 2007; resigned 22 February 2008)
Grant Leo Kensington (Appointed 22 February 2008; resigned 21 April 2008)

Principal Activity

The principal activity of the Company during the financial year was mineral exploration.

No significant change in the nature of this activity occurred during the year.

Operating Results

The net loss of the Company for the financial year amounted to $642,896.

Review of Operations

The Company holds five Exploration Licence areas within the Lachlan Fold Belt in New South Wales, being the primary focus for most gold exploration in the State. The Company has continued with the exploration and evaluation of the tenements since they were acquired in 2007.

Significant Changes in State of Affairs

There has been no significant change in the state of affairs of Ark Mines Ltd during the financial year ended in June 2008.

After Balance Date Events

On 18 September 2008 the Company became a wholly-owned subsidiary of Ichiya Co. Ltd.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely Developments

The Company will continue its work towards identifying a commercially viable mineral resource in the granted Exploration Licences.

Dividends Paid or Recommended

No dividends were paid or declared since the date of the last financial report. No recommendation for payment of dividends has been made for the current financial year.

Directors' Report (continued)

Information on Directors

The information on Directors is as follows:

Peter John Bradfield Chairman and Company Secretary, age 66

Peter has had a distinguished career in the resources, research and development industries, spanning 40 years. For many years Peter was with CRA Limited, becoming a Director of several of the Group's companies. In 1986 Peter became chief executive of Energy Resources of Australia Ltd before being appointed Managing Director of the large and diversified Elders Mining Group of companies, which included Chairmanships of Mt Morgan Ltd and Kaiser Engineers Australia. Peter's Directorships have included the Australian Mining Industry Council (he was chairman of its Environment Committee between 1986 and 1991), Energy Australia, as well as resources and research and development organisations. He was a founding Director of the Australian Minerals Energy and Environment Foundation.

Peter is currently a Director of several private and public companies, including Counsellors for Management Inc (Washington DC). Peter is a Fellow of the Australian Institute of Company Directors.

Joshua Simon Rogers Executive Director, aged 39

Joshua has more than 15 years of experience in company development with a particular focus on resources and finance in both private and publicly listed companies. At senior executive or Managing Director level he has been involved in the resources, finance and telecommunications sectors in the development of medium to large scale companies. In the late 1990's he was general manager of corporate advisory group, First Sydney Capital specialising in structured finance, corporate restructuring and public market raisings. Until 2003 he specialised in providing corporate restructuring advice to a variety of clients in which he often acted as Managing Director until project completion and which included publicly listed companies.

He is currently Managing Director of Mitchell Morgan, which he founded in 2003, a corporate advisory firm and fund manager providing specialised services in the resources, finance and property development sectors. In addition he is also a Director of a number of both public and private resources and finance companies.

Kimikazu Yoshioka Non Executive Director, Age 49

From December 1985 he was a manger of Obiya-Machi Main Store, Ichiya Co. Ltd. He worked in the retail business as manager of the main menswear store, the principal operation of the company, and was concurrently in charge of stores in the Kochi district. He transferred to General Affairs Department, Ichiya Co. Ltd in May 1990. He was responsible for the launch of the General Affairs Department and involved in the company's public offering. He was appointed as Managing Director in General Affairs Department, Ichiya Co., Ltd in June 2001. Currently, he holds office as President and Representative Director, Ichiya Co. Ltd and is an Executive Director of Augur Resources Ltd

Meetings of Directors

DIRECTORS	DIRECTORS MEETINGS	
	Number eligible to attend	Number attended
Joshua Simon Rogers (Appointed 30 January 2007; resigned 26 June 2008)	8	8
Peter John Bradfield (Appointed 30 January 2007)	8	7
Kimikazu Yoshioka (Appointed 30 January 2007)	8	8
Roger Alan Jackson (Appointed 20 February 2007 – Resigned 29 November 2007)	3	2
Terrence John Shanahan (Appointed 7 June 2007 – Resigned 22 February 2008)	3	2
Grant Kensington (Appointed 22 February 2008 – Resigned 21 April 2008)	1	1

Directors' Report (continued)

Options

At the date of this Report no options had been issued.

Indemnification of Officer or Auditor

No indemnities have been given to any person who is or has been an officer or auditor of the company. However the Company has taken a policy for Directors and officers liability which is valid from July 7th 2008 to July 7th 2009. The premium paid was $14,910.

Proceedings on Behalf of the Company

No person has applied for leave of Court 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 part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed this 29 October 2008 in accordance with a resolution of the Board of Directors:

Director P. J. Bradfield

Peter John Bradfield

Ark Mines Ltd
ABN 31 123 668 717

PKF

Chartered Accountants
& Business Advisers

AUDITORS' INDEPENDENCE DECLARATION

To the Directors of Ark Mines Limited

As lead auditor for the audit of Ark Mines Limited for the year ended 30 June 2008, 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

Bruce Gordon
Partner

Sydney
29 October 2008

Income Statement
For the year ended 30 June 2008

	Note	2008 $	30 January 2007 to 30 June 2007 $
Interest income		1,322	-
IPO-related expense		(125,311)	-
Accountants fee		(11,625)	(4,564)
Management fees		(100,000)	-
Audit fees	2	(33,150)	(8,500)
Consulting fees		(108,639)	(3,965)
Directors fees		(33,728)	(96,851)
Legal fees		(9,093)	(2,045)
Other expenses		(12,640)	(961)
Loan establishment fees		(50,000)	-
Insurance		(21,445)	-
Finance costs	2	(86,587)	(5,470)
Rent		(52,000)	-
Loss before income tax expense		(642,896)	(122,356)
Income tax expense	3	-	-
Loss after income tax expense		(642,896)	(122,356)
Loss attributable to members of the entity		(642,896)	(122,356)

The accompanying notes form part of these financial statements.

Balance Sheet
As at 30 June 2008

	Note	2008 $	2007 $
CURRENT ASSETS			
Cash and cash equivalents	4	65,562	894
Prepayments		2,069	-
Other receivables	5	19,615	44,820
TOTAL CURRENT ASSETS		87,246	45,714
NON-CURRENT ASSETS			
Other assets	6	50,000	50,000
Exploration licences	7	1,602,601	1,602,601
Exploration and evaluation expenditure	7	292,935	-
TOTAL NON-CURRENT ASSETS		1,945,536	1,652,601
TOTAL ASSETS		2,032,782	1,698,315
CURRENT LIABILITIES			
Other payables	8	15,000	106,795
Borrowings	9	1,360,581	291,423
TOTAL CURRENT LIABILITIES		1,375,581	398,218
TOTAL LIABILITIES		1,375,581	398,218
NET ASSETS		**657,201**	**1,300,097**
EQUITY			
Issued capital	10	1,422,453	1,422,453
Accumulated losses	11	(765,252)	(122,356)
TOTAL EQUITY		**657,201**	**1,300,097**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the year ended 30 June 2008

	Issued Capital $	Accumulated Losses $	Total $
At date of incorporation	100	-	100
Ordinary shares issued during the period to acquire exploration and evaluation licences	1,422,353	-	1,422,353
Loss for the period	-	(122,356)	(122,356)
Balance at 30 June 2007	**1,422,453**	**(122,356)**	**1,300,097**
Loss for the year	-	(642,896)	(642,896)
Balance at 30 June 2008	**1,422,453**	**(765,252)**	**657,201**

The accompanying notes form part of these financial statements.

Cash Flow Statement
For the year ended 30 June 2008

	Note	2008 $	30 January 2007 to 30 June 2007 $
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(626,290)	(54,911)
Interest received		1,322	-
Interest paid		(31,476)	-
Net cash used in operating activities	12 (b)	**(656,444)**	**(54,911)**
CASH FLOW FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditure		(292,935)	(230,248)
Net cash used in investing activities		**(292,935)**	**(230,248)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue at date of incorporation		-	100
Proceeds from borrowings		1,300,000	285,953
Repayment of borrowings		(285,953)	-
Net cash provided by financing activities		**1,014,047**	**286,053**
Net increase in cash held		64,668	894
Cash at beginning of financial year/ period		894	-
Cash at end of financial year/ period	12 (a)	**65,562**	**894**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Directors have determined that the Company is not a reporting entity. The financial report is therefore a 'Special Purpose Financial Report' that has been prepared in accordance with the Corporations Act 2001.

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

The financial report was authorised for issue by the Directors on 29 of October 2008.

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.

Basis of Preparation

The report has been prepared in accordance with the requirement of the Corporations Act 2001 and applicable Australian Accounting Standards except for the following:

AASB 7: Financial Instruments: Disclosures
AASB 124: Related Party Disclosures
AASB 132: Financial Instruments: Presentation

The accounting policies set out below are consistent with the prior period and unless otherwise stated, have been adopted in the preparation of this financial report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs convention of selected non-current assets. The financial report has been expressed in Australia Dollars ($A).

(a) Financial Instruments

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

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 day terms.

Receivables

Receivables are recorded at amounts due less any allowance for doubtful debts.

(b) 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 an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

(c) Going Concern

The Company had a net deficiency of current assets at 30 June 2008 of $1,288,335 and made a loss of $642,896 for the year ended 30 June 2008.

The ongoing viability of the Company and the recoverability of its exploration and evaluation assets are dependent on the successful development or sale of its tenements. The Directors believe that the Company will be able to fund future operations through advances from its holding company, Ichiya Co. Ltd..

Notes to the Financial Statements
For the year ended 30 June 2008

(c) Going Concern (Continued)

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure commitments and to repay liabilities and that realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors have received a letter of financial support from the holding company. The Directors believe the Company will be able to fund future operations through further financial support from the holding company.

However, if additional funds are not forthcoming, the going concern basis may not be appropriate with the result the Company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and carried forward in the Balance Sheet where:

1) rights to tenure of the area of interest are current

2) one of the following conditions is met:

   - such costs are expected to be recoup through successful development and exploitation of the area of interest or alternatively by its sale; or

   - exploration and/or evaluation activities in the area of interest have not at balance sheet date yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Expenditure relating to pre-exploration activities is written-off to the income statement during the period in which the expenditure is incurred.

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. Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written-off in the year in which such a decision 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.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Financial Statements
For the year ended 30 June 2008

	2008 $	2007 $
NOTE 2: LOSS BEFORE INCOME TAX EXPENSE		
Losses before income tax expenses has been determined after:		
(a) Expenses		
Finance costs:		
- Australian Fresh Food Producers Pty Ltd	26,006	5,470
- Augur Resources Ltd	19,683	-
- Ichiya Company Ltd	40,898	-
Total borrowing costs	86,587	5,470
Remuneration of the auditors for		
- Audit of statutory Financial Statements	15,000	8,500
- Investigating Accountant's Report for IPO	18,150	-
Total auditors remuneration	33,150	8,500

NOTE 3: INCOME TAX EXPENSE

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

	2008 $	2007 $
Prima facie income tax payable on loss before income tax at 30%	(192,869)	(36,707)
Add:		
Tax effect of:		
- Non-deductible expenses - Temporary differences not recognised	(54,189)	(480,919)
- Tax losses not recognised	247,058	517,626
Income tax expense	-	-

Deferred income tax

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

	2008 $	2007 $
- Tax Losses	764,684	517,626
- Deductible temporary differences	31,742	2,550

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 probable that future taxable profit will be available against which the Company can utilised the benefits.

	2008 $	2007 $
NOTE 4: CASH AND EQUIVALENTS		
Cash at bank	65,562	894
NOTE 5: OTHER RECEIVABLES		
Prepaid capital raising costs	-	44,100
GST recoverable	19,615	720
	19,615	44,820
NOTE 6: OTHER ASSETS		
Environmental bond deposit	50,000	50,000

The environmental bond deposit relates to deposit held by the Department of Mineral Resources, NSW in relation to the 5 Exploration Licences held by Ark Mines Ltd. The deposit is refundable upon surrender of the licences.

Notes to the Financial Statements
For the year ended 30 June 2008

	2008 $	2007 $
NOTE 7: EXPLORATION LICENCES AND EXPLORATION AND EVALUATION EXPENDITURE		
Exploration licences		
Opening balance	1,602,601	-
Acquired during the year/ period	-	1,602,601
Closing balance	1,602,601	1,602,601
Exploration and evaluation expenditure		
Opening balance	-	-
Capitalised during the year/ period	292,935	-
Closing balance	292,935	-

Recoverability of the carrying amount of the exploration and expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 8: OTHER PAYABLES		
Other creditors	-	55
Accruals	-	98,240
Audit fee	15,000	8,500
Total payables	15,000	106,795

NOTE 9: BORROWINGS		
Principal	1,300,000	285,953
Interest payable to Australian Fresh Food Producers Pty Ltd	-	5,470
Interest payable to Augur Resources Ltd	19,682	-
Interest payable to Ichiya Co., Ltd	40,899	-
	1,360,581	291,423

- Augur Resources Ltd has provided a loan secured by:

  i. Fixed and Floating Charge over the Company's assets with a maximum drawdown of $500,000;
  ii. First registered mortgage by the borrower in favour of the lender in respect of the mining tenements described as Exploration Licence 6338, 6339, 6365, 6341and 6726
  iii. Caveat in favour of the lender in respect of mining tenements described as exploration licence 6338, 6339, 6341, 6365 and 6726.

  The loan attracts interest of 10% p.a. and accrued daily from the first drawdown date. The loan is repayable at the earlier of 12 months from the date of the initial advance or upon Ark Mines listing on the ASX.

- Ichiya Co. Ltd has provided an unsecured loan of which $800,000 has been drawndown as at the 30th of June 2008. Ichiya Co. Ltd has provided an unlimited letter of support to enable the company to pay it's liabilities as and when they become due in the ordinary course of business.

  The loan attracts interest of 12% p.a. and accrued daily from the first drawdown date. The loan is repayable at the earlier of the Company listing on the ASX or as and when funds become available.

- The loan payable to Australian Fresh Food Producers Pty Ltd was re-payable at the earlier of:
  i. within 7 days of the successful listing of the company on the ASX or;
  ii. 1 November 2007

  Under the conditions of the loan an establishment fee of $50 000 would have been waived if the loan was repaid prior to 1 November 2007, as the loan was not repaid prior to this date the loan establishment fee was charged and paid by the company.

  In accordance with the conditions of the loan penalty interest at a rate of 15% p.a. was charged on the outstanding balance from 1 November 2007 until the repayment date of 18 December 2007.

Notes to the Financial Statements
For the year ended 30 June 2008

	2008 No.	2007 No.	2008 $	2007 $
NOTE 10 : CONTRIBUTED EQUITY				
19,006,229 Ordinary shares fully paid	19,006,229	19,006,229	1,422,453	1,422,453
(a) Ordinary Shares				
Balance at the beginning of the year/ period	19,006,229	100	1,422,453	-
Share issued during the year/ period	-	19,006,129	-	1,422,453
Balance at the end of the financial year/ period	19,006,229	19,006,229	1,422,453	1,422,453

NOTE 11: ACCUMULATED LOSSES

	2008 $	2007 $
Accumulated losses at the beginning of the year/ period	(122,356)	-
Net loss attributable to members of the entity	(642,896)	(122,356)
Accumulated losses at the end of the financial year/ period	(765,252)	(122,356)

NOTE 12: 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 Balance Sheet as follows:

	2008 $	2007 $
Cash at Bank	65,562	894

(b) Reconciliation of cash flow from operations with loss from ordinary activities after income tax

	2008 $	2007 $
Loss from ordinary activities after income tax	(642,896)	(122,356)
Adjustment for non-cash items:		
Interest expense accrued	55,111	-
Add: Changes in working capital:		
(Decrease)/ Increase in receivables	23,136	(44,100)
(Decrease)/ Increase in payables	(91,795)	111,545
Cash flows from operations	(656,444)	(54,911)

NOTE 13: REMUNERATION
(a) Directors' remuneration

	2008 $	2007 $
Fees paid or payable to all Directors of the Company	33,728	96,851

NOTE 14: SEGMENT INFORMATION

The company principally operates in New South Wales, Australia in the mineral exploration and development sector.

Notes to the Financial Statements
For the year ended 30 June 2008

NOTE 15: RELATED PARTY

The Company's immediate and ultimate holding company is Ichiya Co. Ltd, a public company domiciled in Japan, whose shares are listed on the JASDAQ stock exchange.

Borrowings from related parties:

	2008 $	2007 $
Augur Resources Ltd:		
Principal	500,000	-
Interest payable	19,682	-
	519,682	-
Ichiya Co. Ltd:		
Principal	800,000	-
Interest payable	40,899	-
	840,899	-
Total	1,360,581	-

Details of borrowing securities are disclosed in Note 9 to the Financial Statements.

Transactions with related parties:

Management fees paid to Mitchell Morgan	100,000	-
Rental paid to Mitchell Morgan	52,000	-
Exploration expenditure paid to GOS Pty Limited	57,853	-
Exploration expenditure paid to Every Day Mine Services Operations Pty Limited	3,606	-

NOTE 16: 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 balance sheet. A summary of aggregate commitments is as follows:

	2008 $	2007 $
Within 1 year	79,852	214,000
More than 1 year	246,054	356,000
	325,906	570,000

Operating expenditure commitment

Management fees

Within 1 year	62,500	-

NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

On 18 September 2008 the Company became a wholly-owned subsidiary of Ichiya Co. Ltd. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Notes to the Financial Statements
For the year ended 30 June 2008

NOTE 18: COMPANY DETAILS

The registered office of the company is
Ark Mines Ltd.
Level 45,
2 Park Street,
Sydney NSW 2000

The names of directors who have held office during the financial year are:

Peter John Bradfield - Chairman (Appointed 30 January 2007)
Kimikazu Yoshioka (Appointed 30 January 2007)
Joshua Simon Rogers (Appointed 30 January 2007; resigned 26 June 2008)
Roger Alan Jackson (Appointed 20 February 2007; resigned 29 November 2007)
Terrence John Shanahan (Appointed 7 June 2007; resigned 22 February 2008)
Grant Leo Kensington (Appointed 22 February 2008; resigned 21 April 2008)

Directors' Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 15 are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the financial year ended on that date.

2. In the Directors' 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 with the continuing support of the holding company.

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

Director

Peter John Bradfield

Dated 29 October 2008

PKF
Chartered Accountants
& Business Advisers

INDEPENDENT AUDITORS' REPORT

To the members of Ark Mines Ltd

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Ark Mines Ltd, which comprises the Balance Sheet as at 30 June 2008, Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The Directors' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards.

These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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.

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PKF

Chartered Accountants
& Business Advisers

The financial report has been prepared for distribution to members for the purpose of fulfilling the Directors' financial reporting requirements under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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*.

Auditors' Opinion

In our opinion, the financial report of Ark Mines Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Act 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Company had a net deficiency of current assets at 30 June 2008 of $1,288,335 (2007: $352,504) and had incurred a loss of $642,896 (2007: $122,356) for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

PKF

Bruce Gordon
Partner

Sydney
29 October 2008