ACN 123 668 717

Financial Report

For the Half-Year Ended 31 December 2013

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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 2013.

Directors

The names of the Directors, who held office from 1 July 2013 to date of this report, unless otherwise stated, are:

- Antony B Corel
- Roger A Jackson
- Robert M McLennan (passed away 21 July 2013)
- Ian B Mitchell

Review of Operations

The loss for the Company during the half-year was $253k (2012: $867k). During the half-year the Company spent and capitalised $21k on the acquisition, exploration and evaluation of its Exploration Licences ("ELs").

The Company has a portfolio of projects in New South Wales and the Northern Territory with an excellent team of successful and highly experienced Directors and management. The Company's aim is to create and add significant value for its shareholders by utilising and leveraging off the skills of its motivated and dedicated team.

The Company's New South Wales projects are 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. All of Ark's ELs contain defined targets and have been drill tested with the intention of rapidly upgrading and delineating economically viable ore resources. All the ELs are close to railways or roads with a labour force and power readily available. A full list of the Company's ELs is shown on page 15 of this Report.

During the half-year the Company relinquished EL6339 (Bald Hills), EL6341 (Gundabooka) and EL8050 (New Coonara) in order to conserve cash. These relinquishments were foreseen at 30 June 2013 and capitalised exploration and evaluation expenditure for each of these tenements was written off at that time.

Cash constraints prevented the Company furthering its Mt Porter and Frances Creek gold projects in the Northern Territory. Details of the agreement entered into by the Company with Arafura Resources Limited (ASX:ARU) to mine, farmin and joint venture these projects are shown at Note 8 on page 10 of this Report.

Funding constraints have otherwise restricted geological activities during the half-year to assessing merger and acquisition proposals. Directors have concentrated on assessing suitable mining projects and tenements which will yield near term production as well as opportunities to increase levels of production by further exploration along the lines of its existing Northern Territory tenement interests. In this regard the Company is currently in advanced negotiations for the acquisition of a suitable near term production mining project. The Company is also in advanced negotiations for funding for this acquisition as well as its other tenement and working capital requirements. Further details of these funding negotiations are shown at Note 2 on page 8 of this Report.

<u>Auditor's Independence Declaration</u>

The auditor's independence declaration for the half-year ended 31 December 2013 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 Corel

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Antony B Corel

Chairman

Sydney, 13 March 2014

BDO

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DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF ARK MINES LIMTED

As lead auditor for the review of Ark Mines Limited for the half year ended 31 December 2013, 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.

Partner

BDO East Coast Partnership

Sydney, 13 March 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2013

	Note	December 2013	December 2012
		$	$
Revenue from ordinary activities			
Interest income		**1,867**	**18,367**
Less: Expenses			
Accounting and secretarial expenses		35,741	37,845
ASX listing costs		6,304	11,804
Audit fees		31,500	35,000
Consulting fees		2,070	-
Depreciation		382	541
Directors' fees		118,439	163,177
Impairment of exploration and evaluation capitalised		-	579,292
Insurance		15,521	12,949
Rent		-	990
Share registry costs		9,013	9,614
Travel and accommodation expenses		7,842	16,284
Other expenses from ordinary activities		27,566	16,376
Total expenses		**(254,378)**	**(883,872)**
Loss from operating activities		**(252,511)**	**(865,505)**
Finance costs		65	1,074
Loss before income tax		**(252,576)**	**(866,579)**
Income tax expense		**-**	**-**
Loss from continuing operations after income tax		**(252,576)**	**(866,579)**
Other comprehensive income for the year		**-**	**-**
Total comprehensive loss for the year		**(252,576)**	**(866,579)**
Earnings per share			
Basic - cents per share		-0.75	-2.69
Diluted - cents per share		-0.75	-2.69

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 2013

	Note	December 2013	June 2013
		$	$
Current assets			
Cash and cash equivalents		107,901	236,392
Trade and other receivables		58,620	69,873
Prepayments		6,675	18,345
Total current assets		**173,196**	**324,610**
Non-current assets			
Exploration and evaluation expenditure	4	960,054	938,679
Environmental bonds		30,000	30,000
Plant and equipment		1,526	1,908
Total non-current assets		**991,580**	**970,587**
Total assets		**1,164,776**	**1,295,197**
Current liabilities			
Trade and other payables		82,300	27,830
Total current liabilities		**82,300**	**27,830**
Total liabilities		**82,300**	**27,830**
Net assets		**1,082,476**	**1,267,367**
Equity			
Contributed equity	7	8,352,705	8,285,020
Accumulated losses		(7,270,229)	(7,017,653)
Total equity		**1,082,476**	**1,267,367**

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

	Note	December 2013	December 2012
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(186,603)	(350,814)
Interest received		1,867	9,573
Interest paid		(65)	(1,074)
Net cash used in operating activities		**(184,801)**	**(342,315)**
Cash flows from investing activities			
Payment for exploration and evaluation expenditure	4	(21,375)	(239,272)
Refunds of (payments for) environmental bonds		10,000	(40,000)
Net cash used in investing activities		**(11,375)**	**(279,272)**
Cash flows from financing activities			
Proceeds from share issue	7	81,977	-
Capital raising costs		(14,292)	-
Net cash provided by financing activities		**67,685**	**-**
Net decrease in cash held		(128,491)	(621,587)
Cash at beginning of financial period		236,392	1,190,245
Cash at end of the period		**107,901**	**568,658**

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 2013

	Note	Issued capital	Acc. losses	Total
		$	$	$
December 2013				
Balance at 1 July 2013		8,285,020	(7,017,653)	1,267,367
Total comprehensive loss for the half-year		-	(252,576)	(252,576)
Total		8,285,020	(7,270,229)	1,014,791
Transactions with owners in their capacity as owners				
Ordinary shares issued, net of transaction costs	7	67,685	-	67,685
Balance at 31 December 2013		**8,352,705**	**(7,270,229)**	**1,082,476**
December 2012				
Balance at 1 July 2012		8,192,670	(4,346,242)	3,846,428
Total comprehensive loss for the half-year		-	(866,579)	(866,579)
Total		8,192,670	(5,212,821)	2,979,849
Transactions with owners in their capacity as owners				
Ordinary shares issued, net of transaction costs		-	-	-
Balance at 31 December 2012		**8,192,670**	**(5,212,821)**	**2,979,849**

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

1. Significant Accounting Policies

These financial statements for the half-year reporting period ended 31 December 2013 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 2014.

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 2013 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 gold 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 2013.

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 2013.

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 ("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.

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 $252,576 (2012: $866,579) for the half-year and net cash outflows from operating activities of $184,801 (2012: $342,315). 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 March 2015. This forecast assumes that the Directors will be able to place $400,000 in March 2014 and make another substantial placement in July 2014.

The Directors are confident that these placements will be made and are currently in discussions with interested parties who have indicated a willingness to invest.

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.

	December 2013	June 2013
	$	$
4. Exploration and Evaluation Expenditure		
Balance at the beginning of the financial year	938,679	2,380,365
Capitalised during the period	21,375	462,114
Impaired during the period	-	(1,903,800)
Closing Balance	**960,054**	**938,679**

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.

During the period The Company spent $21,375 on its tenements.

During the half-year the Company relinquished EL6339 (Bald Hills), EL6341 (Gundabooka) and EL8050 (New Coonara) in order to conserve cash. The Company anticipated this at 30 June 2013 and as a result, wrote off capitalised expenditure that it had incurred in the exploration and evaluation of these tenement at that date.

5. Dividends

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

6. Seasonality and Irregular Trends

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

7. Contributed Equity

	December 2013	June 2013
Ordinary Shares Number	**No.**	**No.**
Balance at the beginning of the financial year	33,200,000	32,200,000
Shares issued during the period		
Shares issued - 12 August 2013 @ $0.100	819,777	-
Shares issued - 13 March 2013 @ $0.094	-	1,000,000
Closing Balance	**34,019,777**	**33,200,000**

Ordinary Shares Value	**$**	**$**
Balance at the beginning of the financial year	8,285,020	8,192,670
Shares issued during the period		
Shares issued - 12 August 2013 @ $0.100	81,977	-
Shares issued - 13 March 2013 @ $0.094	-	94,000
Share issue costs	(14,292)	(1,650)
Closing Balance	**8,352,705**	**8,285,020**

During the half-year, the Company made a rights issue pursuant to section 708AA of the Corporations Act. The purpose of the rights issue was to fund part of the mining and exploration commitments for the Mt Porter tenements, fund further exploration of the Company's NSW tenements and fund working capital requirements.

The rights issue was a pro-rata non-renounceable entitlement issue of one new share for every two shares held at the Record Date. The issue price for each new share was 10 cents with share issued having an attaching option exercisable at $0.10 within twelve months of issue. The offer sought to raise $1,660,000 before expenses of the offer, resulting in the issue of 16,600,000 new shares. The offer was not underwritten.

The Record Date for entitlement was 5 July 2013 and the offer closed on 2 August 2013. On 12 August 2013, the Company issued 819,777 shares pursuant to the rights issue to raise $81,977. The Company concurrently issued 819,777 accompanying options exercisable at $0.10 and expiring on 11 August 2014.

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 2013	June 2013
	$	$
Within 1 year	185,187	161,127
More than 1 year but not later than 5 years	-	30,267
More than 5 years but not later than 10 years	-	-
Total	**185,187**	**191,394**
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	**197,774**	**200,000**

1. This amount may double after the raising of further capital – refer remuneration report in the Company's 2013 Annual Report.

Mt Porter and Frances Creek Gold Projects

On 15 January 2012, 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 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 15 July 2015, of which $200,000 must be spent before 15 April 2014. Ark is presently seeking an extension of this date to July 2014.

As at 31 December 2013, $197,774 of this commitment was outstanding pending the raising of additional funds.

The agreement provides that Ark may withdraw at any time after spending the first $200,000, 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 2012.

8. Commitments (cont.)

Agreed Equity Settled Amounts Owing to Professional Edge Pty Ltd

Professional Edge provides accounting services to the Company. From July 2013 Professional Edge agreed to take that portion of its fees in ordinary shares at an issue price of $0.10 per share until the Company raises further capital. Trade and Other Payables include an amount of $17,550 that the Company has agreed to pay to Professional Edge by way of issue of 175,500 ordinary shares.

9. Subsequent Events

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.

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 2013 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 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 2013, 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 2013 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.

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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 2013 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, and/or sale of noncore assets. 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

BDO
J Bresolin

John Bresolin
Partner

Sydney, 13 March 2014

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SCHEDULE OF TENEMENTS

Exploration licence	Title name	Interest	Mineral	Grant date	Expiry date	Status
7973	Babinda	100%	Gold	11 October 2012	11 October 2014	Current
6726	Nangerybone	100%	Gold	2 March 2007	1 March 2015	Current
7988	Blackfellows Dam	100%	Gold	22 October 2012	22 October 2014	Current
8050	New Coonara	100%	Gold	9 January 2013	9 January 2015	Being relinquished
ML23839	Mt Porter	100%	Gold	2 February 2005	1 February 2030	Current
EL23237	Frances Creek South	Right to earn 70% or acquire 100% through option.	Gold	8 December 2003	7 December 2014	Current
EL10137	Frances Creek	Right to earn 70% or acquire 100% through option.	Gold	10 July 2002	9 July 2014	Current
ELR116	Mt Porter	Right to earn 70% or acquire 100% through option.	Gold	12 September 1990	11 September 2014	Current