



ACN 123 668 717

# ***Annual Report***

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*For the Year Ended 30 June 2016*

# CORPORATE DIRECTORY

<b>Directors</b>	Antony B Corel Roger A Jackson Ian B Mitchell
<b>Company Secretary</b>	Ian B Mitchell
<b>Registered office</b>	C\ - Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
<b>Principal Place of Business</b>	C\ - Professional Edge Pty Ltd Level 9 27 – 31 Macquarie Place Sydney NSW 2000
<b>Share Register</b>	Next Registries PO Box H195 Australia Square NSW 1215
<b>Auditor</b>	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
<b>Solicitors</b>	Websters Solicitors and Barristers Level 11 37 Bligh Street Sydney NSW 2000
<b>Bankers</b>	National Australia Bank Level 15, Ernst and Young Centre 680 George Street Sydney NSW 2000
<b>Accounting Services</b>	Professional Edge Pty Ltd GPO Box 1458 Sydney NSW 2000
<b>Securities Exchange Listing</b>	Ark Mines Ltd. shares are listed on the Australian Securities Exchange (ASX code: AHK)
<b>Website address</b>	<a href="http://www.arkmines.com.au">www.arkmines.com.au</a>



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# *Annual Report*

*For the Year Ended 30 June 2016*

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## CHAIRMAN'S LETTER TO SHAREHOLDERS

For the year ended 30 June 2016



*“Mt. Porter has been our primary focus over the last 12 months.”*

Dear Fellow Shareholders,

Since our last annual report, there have been many positive developments for the company.

Very recently the Northern Territory Department of Mines & Energy (DME) confirmed that our mining management plan (MMP) for Mt. Porter was complete and no further information was required. Mt. Porter has been our primary focus over the last 12 months and in particular, procuring MMP approval from the DME. This has been an arduous process, which has taken longer and cost more than expected, despite our best efforts and consultations with government prior to submitting the MMP. We plan to commence mining at Mt. Porter as soon as is practicable.

We believe, however, the great effort and money we have invested in the Mt. Porter MMP process will be worthwhile and that we should be able to effectively amortise that time and expense when we proceed with other mines, including the nearby Mt. Porter North and Mt. Porter South projects, which we plan to do as soon as is practicable. During the MMP process, much has been learned about the Mt. Porter mining area and also the current matrix of governmental processes, attitudes and response times in the Northern Territory.

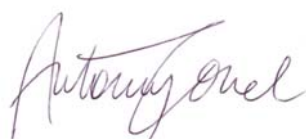
Another very significant and positive development has been the acquisition of valuable tenements and gold exploration and mining rights in the Northern Territory. These tenements and rights were acquired on very reasonable terms from Newmarket Gold NT Holdings Pty Ltd (ML 29679 “Glencoe” was acquired for \$75,000) and Arafura Resources Ltd (ARU) (ELR116, ML 23839 “Mt. Porter” and EL23237 were acquired for \$275,000 and gold rights over twelve (12) nearby mining leases and one exploration licence were acquired for \$25,000).

As a consequence of acquiring the ARU tenements, the Mining, Farmin and Joint Venture Agreement with ARU dated 14 January 2013 has now been terminated, which has saved the company raising and expending \$1.6M to acquire a further 30% interest in the ARU tenements (in addition to the 40% previously earned), which have now all been acquired 100% for \$300,000.

Within a short period of time the company has cost-effectively built an impressive portfolio of tenements and mining/exploration rights in an historic and very prospective gold mining area, which should provide a solid base to develop the company into a significant gold producer over the coming years. A great deal of effort has been expended to get the company in this advantageous position and the board is already planning ahead for:

- future mining projects within our existing portfolio of tenements;
- further investigation of prospects amongst our extensive gold rights; and
- additional tenement acquisitions, as soon as is practicable.

I would like to thank you for your continuing support and look forward to sharing further developments with you in the near future.

A handwritten signature in black ink that reads "Antony Corel".

Antony B Corel  
**Chairman**  
30th day of September 2016



*“Ark is continuing to build a story around Frances creek Gold province with further drilling completed in September 2016.”*

## OPERATIONAL HIGHLIGHTS

- During the year Ark agreed to purchase and Arafura Resources Ltd agreed to sell and assign the tenements and gold rights the subject of the Mining, Farmin and Joint Venture Mt. Porter Tenements Agreement dated 14 January 2013. Ark has subsequently settled the acquisition.
- Successfully determined a commercial Mining project for Mt Porter.
- Ark lodged its Mt Porter Gold project Mine Management Plan (MMP) on the 14th of March to the Department of Mines and Energy in the Northern Territory. Ark lodged its Final Mine Management Plan (MMP) on 1st of June with the Department of Mines and Energy in the Northern Territory. Ark subsequently has lodged its final amended MMP on the 12th of September. Ark plans to commence mining as soon as practicable after receiving the MMP approval.
- Ark finalised and settled a number of logistic issues for Mt Porter including, Haul road access, mine worker accommodation, explosive magazine site, mine rosters, suppliers, survey contractor, rehabilitation planning and monitoring, and securing the services of the Ark mining technical team.
- Ark purchased from Newmarket Gold NT Holdings Pty Ltd (Newmarket) Glencoe ML29679 in the Northern Territory. Glencoe is a 42,000 oz Gold deposit which only requires a Mine Management Plan approval to get it into production.
- Ark has successfully completed a drilling program at its Golden Honcho and Golden Slips prospects at Frances Creek in the Northern Territory.
- Extended the strike length of Golden Slips to approximately 1km.
- Ark undertook a mapping and rock chip program, at its Frances Creek, High Grade Gold Prospect in Pine Creek, Northern Territory.
- The recent work has provided further extensions to known vein systems and delivered strong drill targets.
- Ark identifies two potential Gold deposits only 400m south and north of Mt Porter.

## PINE CREEK TENEMENT ACQUISITION DETAILS

The tenements and gold rights acquired, are all located in the Northern Territory near Pine Creek (see Figures 1), they comprise:

- Exploration Licence in Retention (ELR) 116 (which immediately surrounds ML23839);
- Mineral Lease (ML) 23839 (known as Mt. Porter);
- Mineral Exploration Licence (EL) 23237 (covering the northern extension of the Mt. Porter anticline); and
- ARU rights to explore for and mine gold on tenements north of Pine Creek (Gold Rights), owned by:
  - Territory Resources Ltd (comprising ML24727, ML25087, ML25088, ML25529, ML27225, ML27226, ML27228, ML27230 and EL10137); and
  - Frances Creek Pty Ltd (comprising ML27227, ML27229 and MA389).

The purchase price components paid in cash by AHK for 100% include:

- ELR116, ML23839 and EL23237 for \$275,000) plus GST; and
- the Gold Rights for \$25,000 plus GST.

Ark is continuing to build a story around Frances creek Gold province with further drilling completed in September 2016.

# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

For the year ended 30 June 2016

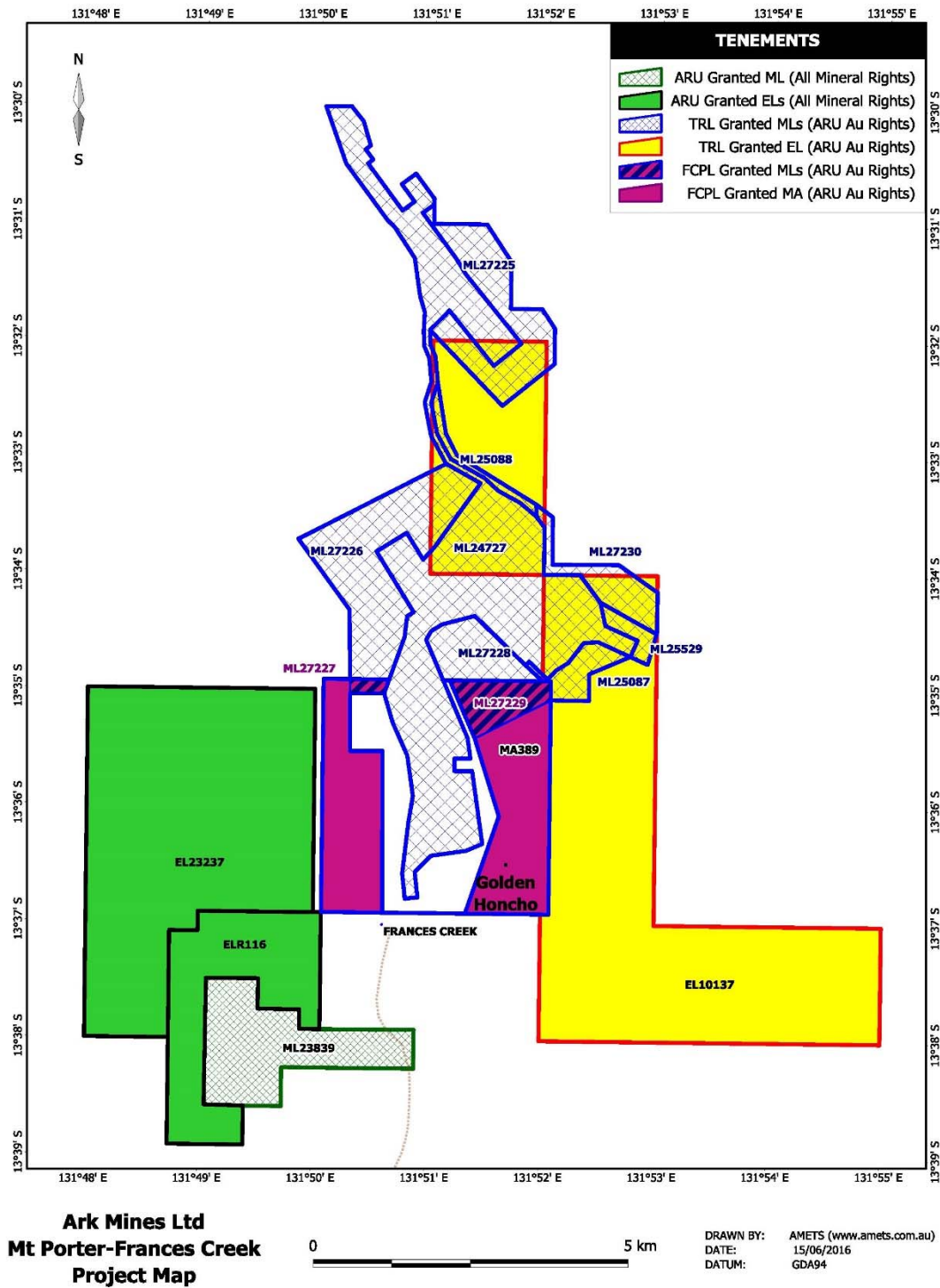


Figure 1 Tenements Purchased from Arafura

## KEY PROJECTS IN TENEMENTS

### Mt Porter Anticline Projects

- 10400 Gold Deposit
  - Mine ready pending NT Mining Management Plan approval
  - Processing up to 300,000 to 500,000 tonnes @ 2.2g/t to 2.7g/t
  - 73% recovery
  - Proximal to mill
  - 3:1 strip ratio
- 10800 Gold project
  - High grade gold target
  - 400m North of Mt Porter
  - Modest known strike length
- 10000 gold Project
  - Larger lower grade gold target
  - 630 m known strike length
  - Shallow and tabular

## GLENCOE ACQUISITION

The acquisition of Glencoe is an important step in AHK fulfilling its plans to become a medium level gold producer in the Northern Territory. Glencoe joins AHK's established projects at Mt. Porter and Frances Creek.

Material terms of the Agreement (and associated arrangements) are that:

- Ark paid seventy five thousand Australian dollars (AUD\$75,000.00), which includes all Environmental bonds. The bonds or security shall be assigned to Ark;
- Ark shall pay to Newmarket the sum of one hundred thousand Australian dollars (AUD\$100,000) upon the commencement of Glencoe mining; and
- In the event that Ark shall mine Glencoe, Ark shall pay to Newmarket a royalty of one percent (1.0%) to be applied against gold sales made from Glencoe ore.

### Highlights of the Glencoe Project include:

- 704,000 tonnes @ 1.9g/t Au with 253,000 tonnes @ 2.2 g/t Au oxide and 451,000 tonnes @ 1.7 g/t Au Fresh (see Table A below). This mineral resource estimate complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC);
- metallurgical test work has shown high gravity/cyanidation recoveries of 95.85% (Ammtec 2012). Reagent consumptions were relatively low, with lime and cyanide consumption of 1.01 and 0.77 kg/t, respectively;
- Bulk sample has been undertaken and reconcilable;
- Pre strip completed;
- The oxide zone is 30m below surface;
- The deposit is proximal to the other AHK tenements and within trucking distance of Newmarket's Union Reef Gold Mill;
- A strike length of 800m (from 3,300mE to 4,100mE) with potential for extensions;
- The deposit being located in three mineralized zones, the largest of which is a round 700m in strike length, 100m down dip and up to 15m in width;
- Sealed road access;
- Flat and easily accessible terrain; and
- No existing entitlements.

# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

For the year ended 30 June 2016

**Table A: Glencoe Deposit April 2006 Mineral Resource Estimate**

**1.0g/t Cut-off, High Grade Cut 20g/t**

Zone	Indicated		Inferred		Total		
	Tonnes	Cut Au	Tonnes	Cut Au	Tonnes	Cut Au	Cut Au
	T	g/t	T	g/t	T	g/t	Ounces
Oxide	208,000	2.1	45,000	2.4	<b>253,000</b>	<b>2.2</b>	<b>17,700</b>
Fresh	174,000	2.0	277,000	1.6	<b>451,000</b>	<b>1.7</b>	<b>25,200</b>
<b>Total</b>	<b>382,000</b>	<b>2.1</b>	<b>322,000</b>	<b>1.7</b>	<b>704,000</b>	<b>1.9</b>	<b>42,900</b>
<b>Previous Estimates</b>							
ERA 1989					730,000	2.3	54,000

## GOLDEN HONCHO DRILLING PROGRAM HIGHLIGHTS (Frances Creek)

- 22 inclined holes drilled with average depth 40m (*refer to Ark Announcement 29 October 2015*).
- All 22 holes intersected gold mineralisation, with a few failing to intersect the interpreted lode position, meaning mineralisation is still open at depth.
- Best new AHK 2015 intersections (*refer to Ark Announcement 29 October 2015*):
  - 3m @ 13.41 g/t Au, including 1m @ 30.8 g/t Au;
  - 2m @ 12.9g/t Au, including 1m @14.5 g/t Au;
  - 2m @ 6.65g/t Au, including 1m @11.7 g/t Au; and
  - 1m @ 6.42g/t Au.
- The new drilling results complement high-grade gold intersections from past drilling:
- Best 2014 AHK intersections (*refer to Ark Announcement 29 October 2015*):
  - 2m @ 21g/t Au;
  - 2m @ 11.9g/t Au;
  - 2m @ 10.5g/t Au; and
  - 3m @7.5g/t Au;
  - with 21 other intersections over 1m over 5g/t Au.
- Best 2004 Arafura (ARU) intersections (*refer to Ark Announcement 29 October 2015*):
  - 5m @ 19.11g/t Au;
  - 4m @ 47.54g/t Au;
  - 2m @ 10.07g/t Au;
  - 2m @ 13.29g/t Au;
  - 2m@ 11.61g/t Au;
  - 3m @ 10.96g/t Au;
  - 3m @ 10.66 g/t Au;
  - 2m @ 21g/t Au;
  - 2m @ 11.9g/t Au;
  - 2m @ 10.5g/t Au;
  - 2m @9.92g/t Au;
  - 3m @7.5g/t Au; and
  - with 30 other intersections over 1m over 5g/t Au.



## FRANCES CREEK PROJECT HIGHLIGHTS

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- Golden Slips prospect is only 1km NNE from Golden Honcho prospect, with five other identified reefs within a 2km zone (refer to Ark Announcement 29 October 2015):
  - Golden Amigo;
  - Golden Austerian;
  - Golden Senorita;
  - Golden Gulf; and
  - Golden Bandito.All within the Ark tenement.
- Sub-vertical quartz veins and adjacent gold-bearing alteration zones outcrop on top of steep ridge crests that are amenable to simple, low cost, open pit mining.
- The deposits are only 20km from a gold plant, with current capacity to process oxide gold.
- Additional exposed gold veins, within the Frances Creek project area, require drill testing.
- The deposits are close to Ark's Mount Porter 34,000oz gold mineral resource and to Pine Creek Township
- Oxide down to 60m.
- Existing Haul road running from Frances Creek to local Mill (directly past Mt Porter).

## FRANCES CREEK MAPPING

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Whilst the mapping undertaken by Ark to date has been limited, the results have been impressive, in the context of extending the known gold vein exposure.

Ark undertook a two day reconnaissance mapping program focussed on gold mineralisation near to its known gold veins at Frances Creek. The mapping was completed in the area around Golden Honcho, Golden Senorita and Golden Gulf prospects within the Exploration Lease.

The mapping unveiled numerous new occurrences of quartz veins. Furthermore, the study extended known veins and structures and three of the most promising locations were assigned as new prospects: Golden Honcho North, Golden Dias and Golden Sierra.

At Golden Honcho North, quartz veining and stockwork – type mineralisation was recorded in the Golden Honcho structural corridor, for a further 600m to the north of the existing mineralisation. Two relatively thin 0.2- 0.3m veins returned 12.3 and 0.88 ppm Au. This prospect is thought to be of high priority for further exploration including rock chip geochemistry and drill testing. (refer to Figure 2)

Further to the north across a valley, a series of prominent, up to 1 m thick veins was recorded on a plateau somewhat parallel to Golden Slips, previously named Golden Dias. The veins at Golden Dias, arching from the meridional to north-eastern strike were traced for a distance of over 200 m with individual veins being 80-120 m long. One of the northernmost 0.3 m-thick veins returned 0.77 and 0.11 ppm Au. The prospect, demonstrating a significant-scale, gold-bearing vein system, is potentially related to the same Golden Honcho structural corridor and warrants follow-up exploration work.

The Golden Sierra prospect is located on the next ridge to the east of the Golden Sips northern extension. A series of quartz veins was documented; the major 0.4m-thick vein outcropping for a 25m distance along a road returned 0.32ppm Au. The area also warrants follow up work.

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

For the year ended 30 June 2016



Figure 2 Series of concordant and discordant quartz veins in a sandstone sequence, Golden Honcho North, looking east

### In Summary

- Upon receiving the Mt Porter mine approval, Ark has an opportunity to commence mining and become the first Gold Mining operator to be granted a permit since 2014 in Northern Territory
- More importantly, Ark has the opportunity to replicate the Mt Porter model with a better insight into understanding the requirements of permitting in NT with Mt Porter North and South
- Ark has a significant land tenure in the Pine Creek region
- Ark has a pipeline of gold projects to develop
- Ark has a high grade surface and underground project in Golden Honcho

Roger Jackson  
Managing Director

30th day of September 2016

*The information in this report relates to Exploration Results associated to Ark Tenements, and has been compiled by Roger Jackson BSc, Grad Dip Fin Man, who is a Member of The Australasian Institute of Mining and Metallurgy and who has more than five years' experience in the field of activity being reported on. Mr Jackson is a director of the Company. Mr Jackson has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jackson consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.*

**FURTHER INFORMATION: Roger Jackson, Managing Director, Ark Mines Ltd.: +61 400 408 550**

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 2016.

### **Review of Operations**

During the financial year the Company undertook exploration and development activities to increase its interests in the Mt Porter and Frances Creek tenements.

On 18 September 2015 the Company announced that it had complied with its first earn-in obligations under the Mining Farmin and Joint Venture Agreement ("Gold Agreement") to earn a 40% interest in these tenements.

Following this the Company was able to acquire ELR116, ML 23839 ("Mt Porter") and EL23237 were acquired for \$275,000 and gold rights over twelve (12) nearby MLs and one EL were acquired for \$25,000 from Arafura Resources Ltd.

On 13 October 2015 the Company announced that it had entered into a Binding Heads of Agreement for the purpose of acquiring the Glencoe gold project ML29679 ("Glencoe") located near to Mt Porter.

On 25 February 2016 the Company announced that it had acquired the Glencoe for \$75,000. The acquisition of this Project is part of the Company's strategy to develop and maintain a continuing stream of meaningful gold production. This stream will commence with Mt Porter and is expected to be followed by Glencoe mining in 2017 and Frances Creek mining in 2017 and 2018, subject to required permitting. The Company is actively locating and securing additional well placed gold tenements that can be mined within 12 months or so after acquisition.

On 18 March the Company announced that it had lodged its Mining Management Plan ("MMP") with the NT Department of Mines and Energy.

On 18 April 2016 the Company announced that it had undertaken a placement 4m shares @ \$0.10 to raise \$400k to finalise preparations for the commencement of mining at Mt Porter.

On 6 June 2016 the Company announced that it had lodged a revised MMP as requested by the NT Department of Mines and Energy. The revision was necessary to strengthen certain environmental and financial elements of the project.

On 5 August 2016 the Company announced that it had secured a US\$6.5m loan facility from Hong Kong based Chan Investments. The loan is secured over ML23829 and is to be repaid in gold bullion. The Company expects to make its first draw down of \$2.6m on approval of its Mining management plan (MMP) and pay the necessary environmental bond. The Company said that it expected these funds to be sufficient to develop the project to a cash flow positive stage,

On 22 August the Company announced that approval from its MMP had been received conditional on amongst other things, the lodgement of a security bond on \$1.36m and ground water monitoring. The Company confirmed that the security deposit would be met from the US\$6.5m loan facility it had arranged.

On 5 September the Company announced that it had completed the drilling necessary for the water monitoring bores required under the MMP.

On 13 September 2016 the Company announced that had commenced work on the undertakings necessary to comply with its approved MMP, including cultural heritage surveys, drilling and preparing 11 water monitoring bores, flora and fauna studies, geochemical waste rock characterisation and soil and clay investigation.

During the year the Company also successfully completed a drilling program at its Golden Honcho and Golden Slips prospects at Frances Creek in the Northern Territory (see 30 October 2015 ASX announcement), extending the strike length of Golden Slips to approximately 1km.

A full list of the Company's ELs is shown on page 41 of this Annual Report.

The loss after income tax for the full year ended 30 June 2016 was \$731k (2015: \$947k).

### **Principal Activity**

The principal activity of the Company during the financial year ended 30 June 2016 was the development of its Mt Porter project in preparation for the mining of gold and the exploration and evaluation of surrounding tenements for gold. No change in the principal activity occurred during this period.

# DIRECTORS' REPORT

For the year ended 30 June 2016

## Directors

The names of the Directors, who held office from 1 July 2015 to date of this report, unless otherwise stated, are:



### **Antony B Corel – Non-Executive Independent Chairman**

Dip Law, LLM

Mr Corel is a solicitor with significant corporate and managerial experience gained within and outside Australia. Mr Corel 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 has 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 Mr Corel resided outside of Australia and worked in, or advised clients in more than 25 countries. Since returning to Australia in 2006 Mr Corel 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.

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

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



### **Roger A Jackson – Managing Director**

BSc, Dip Ed, Grad Dip Fin Man, MAusIMM, AICD

Mr Jackson has held a variety of roles in exploration geology, construction and teaching, including the creation of a School Board endorsed High School Certificate in Mining. Mr Jackson 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. Mr Jackson is the principal of the mining and exploration consulting RJ Group.

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



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

BA, Dip Law

Mr Mitchell is a practising solicitor of over 40 years' standing. He is the Company Secretary of a number of ASX listed and non-listed public companies. He has over 27 years' experience as a Director and Secretary of listed mining, exploration and industrial. His legal expertise is in commercial law, contract law and ASIC and ASX compliance.

Mr Mitchell was appointed Company Secretary on 16 November 2011.

- Appointed: 29 December 2010
- Committee memberships: Audit & Risk (Chairman), Remuneration & Nomination
- Other listed Board memberships: Resource Capital Gold Ltd., Medical Australia Ltd.
- Previous listed Board memberships: Nil for the last three years

## 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 2016 (2015: Nil).

## Events Subsequent to Reporting Date

Events subsequent to reporting date are included in note 23 to the financial statements. The Directors are not aware of any matter or circumstance not otherwise dealt with in this Annual Report or in the financial statements that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## Remuneration Report (Audited)

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

## Directors' Interests

The Directors' beneficial interests in shares as at 30 June 2016 are shown in the following table. The Company had not issued any options to Directors as remuneration as at this date.

Director	Holding type	Shares			
		1 July 2015	Acquired	Disposed	30 June 2016
Antony B Corel	Direct	208,010	-	-	208,010
	Indirect	-	-	-	-
	<b>Total</b>	<b>208,010</b>	<b>-</b>	<b>-</b>	<b>208,010</b>
Roger A Jackson	Direct	696,262	-	-	696,262
	Indirect	1,287,000	140,000	-	1,427,000
	<b>Total</b>	<b>1,983,262</b>	<b>140,000</b>	<b>-</b>	<b>2,123,262</b>
Ian B Mitchell	Direct	3,047,424	270,000	-	3,317,424
	Indirect	-	-	-	-
	<b>Total</b>	<b>3,047,424</b>	<b>270,000</b>	<b>-</b>	<b>3,317,424</b>

## Remuneration Policy

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

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

The Remuneration & Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to a limit of \$300,000 set by shareholders when the Company was first floated. There were no bonuses paid or proposed to be paid for the year ended 30 June 2016 (2015: Nil). Below is a table summarising key performance and shareholder wealth indicators for the Company for the year ended 30 June 2016 and the previous 4 financial years.

# DIRECTORS' REPORT

For the year ended 30 June 2016

Period	Loss after Tax	EPS (cents per share)	Share Price
Year ending 30 June 2016	(\$730,506)	(1.80)	\$0.14
Year ending 30 June 2015	(\$946,533)	(2.50)	\$0.05
Year ending 30 June 2014	(\$410,087)	(1.21)	\$0.08
Year ending 30 June 2013	(\$2,671,411)	(8.22)	\$0.08
Year ending 30 June 2012	(\$2,187,193)	(7.01)	\$0.08

## Directors and Key Management Remuneration

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

	Short- term	Post-employment	Total
	Base fee / salary \$	Superannuation \$	\$
<b>2016</b>			
<b>Executive Directors</b>			
Roger A Jackson	205,300	-	205,300
<b>Non-Executive Directors</b>			
Antony B Corel	75,000	7,125	82,125
Ian B Mitchell	40,000	-	40,000
<b>Total Non-Executive</b>	<b>115,000</b>	<b>7,125</b>	<b>122,125</b>
<b>Total Remuneration</b>	<b>320,300</b>	<b>7,125</b>	<b>327,425</b>
<b>2015</b>			
<b>Executive Directors</b>			
Roger A Jackson	125,000	-	125,000
<b>Non-Executive Directors</b>			
Antony B Corel	60,000	5,700	65,700
Ian B Mitchell	40,000	-	40,000
<b>Total Non-Executive</b>	<b>100,000</b>	<b>5,700</b>	<b>105,700</b>
<b>Total Remuneration</b>	<b>225,000</b>	<b>5,700</b>	<b>230,700</b>

## Contracts of Senior Executives

The Managing Director, Mr Jackson, is engaged under Consultancy Agreement. Under this Agreement, Mr Jackson's consulting company (Every Day Hire Pty Ltd) is paid an annual fee, including all Director's fees, of \$250,000. The Agreement commenced on 14 November 2010 for an initial term of 24 months and was extended for a further 3-years. 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. No termination payments are payable.

From July 2012 until February 2016, Mr Jackson agreed to reduce his annual fee to \$125,000.

In common with the Non-Executive Directors, in August 2013, Mr Jackson agreed to defer payment of one third of his monthly payment. In common with the Non-Executive Directors, in March 2014 Mr Jackson agreed to defer payment of all of his monthly payment. The Directors have resolved, and Mr Jackson has agreed, that the outstanding fees will remain deferred until the Company generates cash flow from its Mt Porter project sufficient to pay the deferred amounts.

From 1 February 2016 the Board determined that Mr Jackson would be paid on a daily basis at a rate of \$1,500 per day for work undertaken for the company but that his payments would be capped at \$20,000 per month with any amounts in excess of this deferred until the Company generates cash flow from its Mt Porter project sufficient to pay the deferred amount.

This concludes the Remuneration Report, which has been audited.

## Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Company.

## Directors' Meetings

The number of Directors' meetings and meetings of committees of Directors of Ark Mines Ltd (including by way of circular resolution) held during the year ended 30 June 2016 and the numbers of meetings attended by each Director are as follows:

Director	Board		Audit & Risk Committee		Rem. & Nom. Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Antony B Corel	5	5	2	2	-	-
Roger A Jackson	5	4	-	-	-	-
Ian B Mitchell	5	5	2	2	-	-

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

## Likely Developments

The Company intends to pursue its rights and obligations under its agreement with Arafura Resources Limited ("Arafura") to mine, Earnin and joint venture the Mt Porter and Frances Creek gold projects in the Northern Territory.

On 18 August 2015 the Company entered into an 18-month agreement with Newmarket Gold Inc. ("Newmarket") and its 100% owned Australian subsidiary Crocodile Gold Australia Operations Pty Ltd for the processing of Mt Porter ore into gold dore' and selling the gold dore' on a monthly basis. Each party will deduct its costs from the cash flow generated by the gold sales, with Newmarket's processing costs agreed at \$30 per ton. The residual cash flow is to be split 55% to Ark and 45% to Newmarket.

The Company has also commenced further definition drilling at Frances Creek. Twenty three RC holes up to 60 metres deep are planned with the aim of extending the strike by some 300m. Ark plans to drill another four gold prospects within the tenements early in the next dry season.

## 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 is prohibited under its contract for insurance from disclosing the amount of the premiums paid.

The Company has indemnified Directors and staff to the extent possible under the Corporations Act 2001 against any liabilities incurred by the person as an officer of the Company. The Company has also provided an indemnity to its contracted accounting staff for liabilities incurred in acting in this capacity. The Company has not indemnified the auditor.

## Non Audit Services

The Auditor provided no other services during the financial year ended 30 June 2016.

## Officers of the Company who are former Audit Partners of BDO East Coast Partnership

There are no officers of the Company who are former Partners of BDO East Coast Partnership.

## Auditor Independence Declaration

The Auditor's independence declaration for the year ended 30 June 2016 has been received and a copy is reproduced on page 15.

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

# DIRECTORS' REPORT

*For the year ended 30 June 2016*

## **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.



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**Antony B Corel**  
Chairman

Sydney, 30th September 2016



# AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2015



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Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

## DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ARK MINES LIMITED

As lead auditor of Ark Mines Limited for the year ended 30 June 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Gareth Few  
Partner

**BDO East Coast Partnership**

Sydney, 30 September 2016

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.

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

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

The Board is committed to maintaining the highest standards of Corporate Governance possible within the framework of its current organisation and structure. 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 (the "Council"). The Company's practices are consistent with the Council's guidelines. 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 the Company 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.

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## ***Principle 1 – Lay solid foundations for management and oversight***

### **The Board – 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 within the knowledge of the Board, appropriate external advice is 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;
- the establishment and maintenance of appropriate ethical standards;
- the Board undertakes appropriate security checks before appointing a Director or allowing a Director to nominate for re-election as a Director of the Company and provides Shareholders with any relevant results of such checks; and
- the Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

### **Evaluation of Performance of Executives**

The evaluation of performance of Directors and senior executives is by way of a report on such performance by the Managing Director to the Remuneration and Nomination Committee whenever senior executives are engaged. The fact of performance evaluation is disclosed in the Annual Report.

The Company Secretary is accountable directly to the Board through the Chairman for the functioning of the Board.

The performance evaluation for the Managing Director will be conducted by the Chairman of the Board.

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## ***Principle 2 – Structure the Board to add value***

### **Board of Directors - Composition, Structure and Process**

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

Due to the small size of the Company, the Board is made up of three Directors. One Director is the Managing Director and both the other Directors have experience as Directors of public listed companies.

Other than the Managing Director all other Directors are independent. All Directors are required to 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:

- 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.

#### Office of Chairman and Managing Director

The office of Chair is held by 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.

#### Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee and Charter. Whilst such committee is comprised of only two independent Directors (as opposed to three as recommended by the Council) the Company believes that number to be sufficient in view of the present size of the Company and its assets. The Committee 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 and ASX Listing Rules.

The Remuneration and Nomination Committee is appointed by the Board. It is Chaired by an independent Director. The Committee implements the functions listed below.

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 Chairman;
- selection and appointment of the Secretary;
- determine the frequency of meetings of the Committee;
- seek professional advice when required;
- responsibilities of the Committee;
- oversight of Board and executive succession plans; and
- Evaluate performance of Senior Executives.

#### Performance Review and Evaluation

The Company discloses its process for evaluating the performance of the Board, Committees and Independent Directors.

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 by the Board. There is on-going monitoring by the Chairman and the Board of such knowledge, information and experience. The Chairman also speaks with each Director individually regarding their role as a Director.

#### Evaluation Process

##### Induction and education

The Company has a policy of providing 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
- Constitution.

##### 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 mining exploration and development, finance, law, financial and investment markets, financial management and public company administration, and, director-level business or corporate experience required by the Company.

##### Independent directors

The Company considers that the current directors other than the Managing Director are Independent Directors. The names, qualifications, experience of each Director and period in office are as set out in the Directors' Report, as well as whether the Board considers them to be Independent Directors. The Chairman is an independent Director.

##### Professional advice

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

##### Terms of appointment as a director

The Constitution of the Company provides that a 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 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.

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

## Nomination Committee

The members of the Nomination Committee, the number of times it meets and the attendance thereat is set out in the Annual Report.

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## Principle 3 – Act ethically and responsibly

### Code of Conduct and Ethical Standards

The Company has established 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 is included on the Company's website.

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.

### 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 with 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.

### Diversity

The Company has established a policy concerning diversity. The policy is disclosed on the Company's website.

### Disclosure of Diversity Objectives

The Company discloses in each Annual Report the measurable objectives for achieving gender diversity in accordance with the diversity policy and the current position in relation thereto.

### Proportion of Women Employees

The Company discloses in each Annual Report the proportion of women employees in its organisation, senior executive positions and on the Board.

### Publicly Available Information

The Company makes publicly available on the Company's website, the Share Trading Policy, and Continuous Disclosure Policy and Code of Conduct under the corporate governance section.

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## Principle 4 – Safeguard integrity in financial reporting

### 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, the adequacy of the external audit, risk management and compliance procedures. The Committee evaluates from time to time the effectiveness of the financial statements prepared for the Board meetings and ensures that an independent judgement is exercised in relation thereto.

### Membership of Audit and Risk Committee

The two independent Directors are members of the Audit & Risk Committee and the Audit & Risk Committee is not chaired by the Chairman of the Company. In view of the present size of the Company and its assets the Board considers the present structure of such committee to be adequate even though it comprises only two members instead of three as recommended by the Council.

### Charter of Audit and Risk Committee

The Audit & Risk Committee charter includes the following:

- duties and responsibilities of the Committee;
- meetings;
- complaints procedures;
- composition of the Audit & Risk Committee;
- structure of the Audit & Risk Committee;
- number of meetings;
- membership requirements: and
- selection, appointment and rotation of the external auditor.

#### Members and Qualifications of Audit and Risk Committee

The members and qualifications of the Audit & Risk Committee are as set out in the Annual Report together with the number of meetings of the Committee and the number of meetings each member attended.

#### Status of Financial Statements

Before it approves the Company's Financial Statements for each period the Board receives from the Managing Director and the Company Secretary a declaration that in their opinion the financial records of the Company have been properly maintained, comply with appropriate financial standards and give a true and fair view of the financial position and performance of the Company and the basis of its risk management and internal control systems and its effective operation.

#### Auditor attendance at Meetings

The external auditor attends the AGM of the Company and is available to answer questions in relation to the audit.

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### Principle 5 – Make timely and balanced disclosure

#### 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 shareholders.

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 the Company's securities.

#### Disclosure Policy

The Company has adopted a continuous disclosure policy which is included on the Company's website.

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### Principle 6 – Respect the rights of shareholders

#### Communications

The Company has not adopted recommendation 6.1 because it does not have a formal Shareholders' Communication Policy.

Although the Company does not have a Shareholder Communication Policy the Company recognises its duty to ensure that its shareholders are informed of the details of the Company's structure, its governance and all major developments affecting the Company's state of affairs.

Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders as requested (usually with the Notice of Annual General Meeting); and is displayed on the company's website;
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' Report 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 and on the ASX website and shareholders' questions may be directed to members of the Board.

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### Principle 7 - Recognise and manage risk

#### Risk Management

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control. At each of its monthly meetings the Board regularly reviews and monitors areas of significant business risk.

#### Risk Management Control

Because the Board has the oversight function of risk management and internal control systems, the risk management functions and oversight of material business risks are performed directly by the Board and not by management.

#### Internal control and risk management

The primary vehicle for managing corporate risks is the Audit & Risk Committee appointed by the Board. The Committee 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

For the year ended 30 June 2016

The internal audit function is carried out by the Audit & Risk Committee.

## CEO and CFO declarations

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 each financial year ended, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board also satisfies itself that the internal control system is operating effectively in all material respects.

## Internal Controls and Risk Management

- The Board conducts evaluations regarding internal control and risk management.
- The Board receives the assurance of compliance 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 insufficient to warrant production of a detailed policy document.
- 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.

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## Principle 8 – Remunerate fairly and responsibly

### Remuneration and Nomination Committee

The Board has established a Remuneration & Nomination Committee which reports to the Board.

### Remuneration & Nomination 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 & Nomination Committee

The Remuneration & Nomination Committee is structured so that is made up of:

- only Non-executive Directors;
- Independent Directors; and
- an Independent Chairman, who is not Chairman of the board. In view of the present size of the Company and

its assets the Board considers the present structure of such committee to be adequate even though it comprises only two members instead of three as recommended by the Council.

## Remuneration Policy

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 Service Agreement for a term not exceeding three years. Consultants are engaged as required pursuant to service agreements. The Company ensures 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.

## Salaries and Allowances

- The salary component of the Managing Director remuneration is made up of fixed remuneration.
- The salary component of Non-executive Directors is made up of fixed remuneration.
- The Company discloses the names of Directors in the Remuneration & Nomination Committee in its Annual Report as well as the number of times such Committee has met and attendance at such meetings.
- The Company does not provide any schemes for retirement other than superannuation for the Chairman which is provided at the superannuation guarantee rate.
- The Company has made publicly available a summary of the Remuneration & Nomination Committee Charter on the Company's website.

## Corporate Governance Compliance

The Company confirms that it complies with ASX Listing Rule 4.10.3 relating to Corporate Governance Reporting except where specifically otherwise mentioned in this Corporate Governance Statement.



ACN 123 668 717

# ***Financial Statements***

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*For the year ended 30 June 2016*

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016	2015
		\$	\$
<b>Revenue from ordinary activities</b>			
Interest income		964	2,511
<b>Less: Expenses</b>			
Accounting and secretarial expenses		64,084	51,900
ASX listing fees		14,786	15,989
Audit fees	15	35,500	37,500
Computer and communications		10,515	9,080
Depreciation	9	477	668
Directors' fees		205,935	217,037
Impairment of exploration and evaluation capitalised	7	243,526	539,192
Insurance		13,712	10,192
Printing and stationery		8,963	-
Share registry costs		14,882	17,323
Title management and tenement reporting		18,849	13,918
Travel and accommodation expenses		25,989	19,725
Other expenses from ordinary activities		23,447	13,291
<b>Total expenses</b>		<b>(680,665)</b>	<b>(945,815)</b>
<b>Loss from operating activities</b>		<b>(679,701)</b>	<b>(943,304)</b>
Finance costs		50,805	3,229
<b>Loss before income tax</b>		<b>(730,506)</b>	<b>(946,533)</b>
Income tax expense	4	-	-
<b>Loss from continuing operations after income tax</b>		<b>(730,506)</b>	<b>(946,533)</b>
Other Comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>(730,506)</b>	<b>(946,533)</b>
<b>Earnings per share</b>			
Basic - cents per share	21	(1.80)	(2.50)
Diluted - cents per share	21	(1.80)	(2.50)

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



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016	2015
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	5	91,088	168,373
Trade and other receivables	6	71,632	25,953
Prepayments		41,030	8,453
<b>Total current assets</b>		<b>203,750</b>	<b>202,779</b>
<b>Non-current assets</b>			
Capitalised exploration and evaluation expenditure	7	1,336,658	764,508
Environmental bonds	8	19,596	21,529
Plant and equipment	9	18,929	477
<b>Total non-current assets</b>		<b>1,375,183</b>	<b>786,514</b>
<b>Total assets</b>		<b>1,578,933</b>	<b>989,293</b>
<b>Current liabilities</b>			
Trade and other payables	10	693,141	48,675
Borrowings	18	-	196,428
<b>Total current liabilities</b>		<b>693,141</b>	<b>245,103</b>
<b>Non-current liabilities</b>			
Other payables	11	-	347,222
Borrowings	18	750,000	-
<b>Total non-current liabilities</b>		<b>750,000</b>	<b>347,222</b>
<b>Total liabilities</b>		<b>1,443,141</b>	<b>592,325</b>
<b>Net assets</b>		<b>135,792</b>	<b>396,968</b>
<b>Equity</b>			
Contributed equity	12	9,240,571	8,767,180
Reserves		-	4,061
Accumulated losses	13	(9,104,779)	(8,374,273)
<b>Total equity</b>		<b>135,792</b>	<b>396,968</b>

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	Issued capital	Reserves	Acc. losses	Total
		\$	\$	\$	\$
<b>2016</b>					
Balance at 1 July 2015		8,767,180	4,061	(8,374,273)	396,968
Total comprehensive income for the year		-	-	(730,506)	(730,506)
Total		8,767,180	4,061	(9,104,779)	(333,538)
<u>Transactions with owners in their capacity as owners</u>					
Ordinary shares issued, net of transaction costs	12	473,391	-	-	473,391
Movement in reserves		-	(4,061)	-	(4,061)
<b>Balance at 30 June 2016</b>	<b>13</b>	<b>9,240,571</b>	<b>-</b>	<b>(9,104,779)</b>	<b>135,792</b>
<b>2015</b>					
Balance at 1 July 2014		8,352,705	-	(7,427,740)	924,965
Total comprehensive income for the year		-	-	(946,533)	(946,533)
Total		8,352,705	-	(8,374,273)	(21,568)
<u>Transactions with owners in their capacity as owners</u>					
Ordinary shares issued, net of transaction costs	12	414,475	-	-	414,475
Movement in reserves		-	4,061	-	4,061
<b>Balance at 30 June 2015</b>	<b>13</b>	<b>8,767,180</b>	<b>4,061</b>	<b>(8,374,273)</b>	<b>396,968</b>

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

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016	2015
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(225,173)	(199,034)
Interest received		964	2,511
Interest paid		(43,305)	-
<b>Net cash used in operating activities</b>	14	<b>(267,514)</b>	<b>(196,523)</b>
<b>Cash flows from investing activities</b>			
Net refunds of environmental deposits		1,932	18,471
Payment for plant and equipment		(18,930)	-
Payment for exploration and evaluation expenditure	7	(815,675)	(297,822)
<b>Net cash used in investing activities</b>		<b>(832,673)</b>	<b>(279,351)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue	12	505,000	421,171
Capital raising costs	12	(31,609)	(6,696)
Repayment of convertible notes		(200,489)	-
Proceeds from borrowings	18	750,000	200,000
<b>Net cash provided by financing activities</b>		<b>1,022,902</b>	<b>614,475</b>
Net increase(decrease) in cash held		(77,285)	138,601
Cash at beginning of financial year		168,373	29,772
<b>Cash at end of financial year</b>	14	<b>91,088</b>	<b>168,373</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 1. Reporting Entity

The financial report is for the entity Ark Mines Ltd (referred herein also as the "Company" or "Ark") as an individual entity. Ark Mines Ltd is a company limited by shares incorporated and domiciled in Australia with its registered address at Level 11, 37 Bligh Street Sydney Australia. Ark Mines Ltd is listed on the ASX.

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

## 2. Basis of Preparation

### Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities.

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

The financial statements were authorised for issue by a resolution of the Board dated 30 September 2016.

### Basis of measurement

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

### Functional and presentation currency

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

### Use of estimates and judgements

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

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Information about critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 7 – Capitalised Exploration and Evaluation Expenditure.

## 3. Significant Accounting Policies

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

### Property plant and equipment

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

#### Depreciation

Items of 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 profit or loss and other comprehensive income.

Office furniture and fittings are depreciated at the rate of 20% per annum. Computer equipment is depreciated at the rate of 33½% 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 profit or loss and other comprehensive income in the year the asset is de-recognised.

## Capitalised exploration and evaluation expenditure

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

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

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

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

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

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

## Income tax

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

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

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

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

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

## Financial instruments

### Cash and cash equivalents

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

### Payables

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

### **Goods and services tax (GST)**

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

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

### **Interest income**

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

### **Foreign currency transactions and balances**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## Contributed equity

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

## Other receivables

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

## Borrowings

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

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

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

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

## Impact of standards issued but not yet applied by the entity

### AASB 9: Financial Instruments

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through other comprehensive income.

The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Adoption of AASB 9 is only mandatory for reporting periods commencing on or after 1 January 2018. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$	\$
<b>4. Income Tax Expense</b>		
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%	(219,152)	(283,960)
<u>Add tax effect of:</u>		
Non allowable expenses	654	88
<u>Add/(deduct) temporary differences not brought to account comprising:</u>		
Capital raising expenses	(31,429)	(29,532)
Exploration expenditure	(244,703)	(89,478)
Other temporary differences	113,145	232,532
Tax losses not recognised	381,484	170,350
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

	Opening	Movement	Closing <sup>(1)</sup>
	\$	\$	\$
<b>Deferred Income Tax – 2016</b>			
Deferred tax assets have not been recognised in respect of the following items			
Accruals	1,800	(1,800)	-
Capital raising expenses	34,559	(21,947)	12,612
Provisions	104,167	41,887	146,054
Tax losses	2,744,341	381,485	3,125,826
<b>Total Deferred Tax Assets</b>	<b>2,884,867</b>	<b>399,625</b>	<b>3,284,492</b>

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

Prepaid expenses	-	-	-
Exploration and evaluation expenditure	229,352	171,645	400,997
<b>Total Deferred Tax Liabilities</b>	<b>229,352</b>	<b>171,645</b>	<b>400,997</b>

#### Deferred Income Tax – 2015

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

Accruals	1,800	-	1,800
Capital raising expenses	62,083	(27,524)	34,559
Provisions	34,957	69,210	104,167
Tax losses	2,573,991	170,350	2,744,341
<b>Total Deferred Tax Assets</b>	<b>2,672,831</b>	<b>212,036</b>	<b>2,884,867</b>

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

Prepaid expenses	1,564	(1,564)	-
Exploration and evaluation expenditure	301,763	(72,411)	229,352
<b>Total Deferred Tax Liabilities</b>	<b>303,327</b>	<b>(73,975)</b>	<b>229,352</b>

<sup>(1)</sup> The company qualifies as a Small Business Entity for the 2016 financial year as its turnover is less than \$2m. As a Small Business Entity, the Company is subject to an income tax rate of 28.5%. The balances for income tax disclosed above have been prepared on the basis of a 30% income tax rate as it is expected that if the Company is in a position to utilise the tax assets not brought to account, it would no longer qualify as a Small Business Entity as currently defined in the tax legislation.

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 2016

	2016	2015
	\$	\$
<b>5. Cash and Cash Equivalents</b>		
Cash at bank	91,088	168,373
<b>6. Trade and Other Receivables</b>		
Bonds on relinquished tenements or tenements to be relinquished	10,000	10,000
GST recoverable	46,168	9,558
Other receivables	15,464	6,395
<b>Total trade and other receivables</b>	<b>71,632</b>	<b>25,953</b>

None of the receivables are past due or impaired at end of the reporting date.

<b>7. Capitalised Exploration and Evaluation Expenditure</b>		
Opening balance	764,508	1,005,878
Capitalised during the year	815,676	297,822
Impaired during the year	(243,526)	(539,192)
<b>Closing Balance</b>	<b>1,336,658</b>	<b>764,508</b>

Impairments of \$243,526 (2015: \$539,192) shown above arose as a result of the surrender of the tenements and the write off of associated capitalised exploration and evaluation expenditure.

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of respective areas. The Company reviews annually the carrying value of the exploration and evaluation expenditure, and will capitalise the expenditure if it considers the area of interest to be prospective. Should the particular area of interest no longer be considered prospective, then the Company will make a provision in the accounts for the carrying value of the project. The list of tenements the Company has an interest in is disclosed on page 49.

<b>8. Environmental Bonds</b>		
EL 7973 Babinda	-	10,000
EL 23237 Pine Creek South	19,596	11,529
<b>Closing Balance</b>	<b>19,596</b>	<b>21,529</b>

<b>9. Plant and Equipment</b>		
<u>At cost</u>		
Opening balance	2,798	2,798
Additions	18,929	-
Disposals	-	-
Closing balance	21,727	2,798
<u>Accumulated depreciation</u>		
Opening balance	(2,321)	(1,653)
Charge for the year	(477)	(668)
Closing balance	(2,798)	(2,321)
<b>Total plant and equipment</b>	<b>18,929</b>	<b>477</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$	\$
<b>10. Trade and Other Payables</b>		
Trade creditors	189,694	39,935
Deferred Directors' fees	486,847	-
Accruals	16,600	8,740
<b>Total trade and other payables</b>	<b>693,141</b>	<b>48,675</b>

Refer to note 20 for detailed information on financial instruments.

## 11. Other Payables

Deferred Directors' fees	-	347,222
<b>Total other payables</b>	<b>-</b>	<b>347,222</b>

Deferred Directors' Fees are now current. See note 10 above.

## 12. Contributed Equity

44,381,488 (2015: 38,881,488) Ordinary shares fully paid

Ordinary Shares Number	No.	No.
Balance at the beginning of the year	<b>38,881,488</b>	34,019,777
<u>Shares issued during the period</u>		
Issued Capital	5,500,000	4,861,711
<b>Balance at the end of the financial year</b>	<b>44,381,488</b>	<b>38,881,488</b>

Ordinary Shares Value	\$	\$
Balance at the beginning of the year	8,767,180	8,352,705
<u>Shares issued during the period</u>		
21 July 2014 - Issue 2,900,000 shares @ \$0.095	-	275,500
21 July 2014 - Issue 100,000 shares @ \$0.095	-	9,500
25 July 2014 - Issue 253,500 @ \$0.100	-	25,350
11 August 2014 - Issue 608,211 shares @ \$0.100 on exercise of options.	-	60,821
24 March 2015 - Issue 1,000,000 shares @ \$0.050	-	50,000
2 December 2015 - Issue 1,500,000 shares @ \$0.070	105,000	-
18 April 2016 - Issue 4,000,000 shares @ \$0.100	400,000	-
Share issue costs	(31,609)	(6,696)
<b>Balance at the end of the financial year</b>	<b>9,240,571</b>	<b>8,767,180</b>

Fully paid ordinary shares carry one vote per share and carry the rights to dividends. The Company's shares have no par value.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$	\$
<b>13. Accumulated Losses</b>		
Balance at the beginning of the year	(8,374,273)	(7,427,740)
Net loss attributable to members of the entity	(730,506)	(946,533)
<b>Balance at the end of the year</b>	<b>(9,104,779)</b>	<b>(8,374,273)</b>
<b>14. Cash Flow Information</b>		
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position		
<b>Cash at bank</b>	<b>91,088</b>	<b>168,373</b>
<b>Reconciliation of cash flow from operations with loss from ordinary activities after income tax</b>		
Loss from ordinary activities after Income Tax	(730,506)	(946,533)
<u>Less: non-cash items not included in working capital movements</u>		
Depreciation	1,474	668
Impairment of exploration and evaluation expenditure capitalised	243,526	539,192
Deferred Directors' fees	139,625	230,700
Prior years Director's superannuation reallocated from working capital	-	5,550
Accrued recognition of Convertible Note equity component	-	489
Environmental bonds reallocated to working capital	-	(20,000)
<u>Add: movements in working capital</u>		
(Increase) / decrease in prepayments	(32,577)	(3,240)
(Increase) / decrease in trade and other receivables	(45,679)	8,738
Increase / (decrease) in trade and other payables	157,619	(12,087)
<b>Cash flow from operations</b>	<b>(266,518)</b>	<b>(196,523)</b>
<b>15. Auditor's Remuneration</b>		
Auditing or reviewing the financial reports	35,500	37,500
<b>Total auditor's remuneration</b>	<b>35,500</b>	<b>37,500</b>

## 16. Share Based Payment

Date	Creditor	No. of shares	Valuation	Value per share	Total \$	Purpose
<b>2016</b>						
N/a	N/a	-	-	-	-	
<b>2015</b>						
25 July 2014	Professional Edge Pty Ltd	253,500	Services provided	\$0.10	25,350	Consideration for accounting services

## 17. Directors and Key Management Personnel Disclosures

### Directors

Antony B Corel  
 Roger A Jackson  
 Ian B Mitchell

### Position

Chairman – Non-Executive  
 Managing Director  
 Director - Non-Executive  
 Company Secretary

### Directors equity holdings including holdings of their personally related entities as at 30 June 2016

	Opening	Acquired	Disposed	Closing
Antony B Corel	208,010	-	-	208,010
Roger A Jackson	2,023,262	140,000	-	2,163,262
Ian B Mitchell	3,047,424	270,000	-	3,317,424

### Short-term employee benefits compensation

#### Directors

##### Executive

Roger A Jackson

	2016	2015
	\$	\$
Roger A Jackson	205,300	125,000
<u>Non-Executive</u>		
Antony B Corel	75,000	60,000
Ian B Mitchell	40,000	40,000
<b>Total remuneration</b>	<b>320,300</b>	<b>225,000</b>

##### Non-Executive

Antony B Corel

Ian B Mitchell

#### **Total remuneration**

Mr Corel also received post-employment benefits of \$7,125 (2015: \$5,700) being superannuation contributions agreed to be paid to him at the time that the Company was listed on the ASX. Mr Corel has not entered into a contract of service with the Company.

A portion of Mr Jackson's compensation totalling \$121,490 (2015: \$13,663) was capitalised against Exploration and Evaluation Expenditure. The balance of \$84,010 (2015: \$113,337) was written off to profit and loss.

The Company has no other Key Management Personnel.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$	\$
<b>18. Borrowings</b>		
Interest bearing loan from related party	750,000	-
Face value of Convertible Notes issued	-	200,000
Less: Equity portion of Convertible Notes	-	(3,572)
<b>Total borrowings</b>	<b>750,000</b>	<b>196,428</b>

On 4 February 2016 the Company entered into a loan agreement (Loan) with a related party of Mr Ian Mitchell, who is a Director of the Company. The Loan is for an amount of \$750,000 for a term of 18-months at an interest rate of 12%. Interest is payable monthly. The Loan is secured by a second ranking charge over the Company's Mt Porter mining tenement (ML238390).

On entering into the loan agreement the Directors determined that the transaction was conducted on an arms-length basis and on terms no more favourable to the related party than were otherwise commercially available at the time. The Directors noted that the terms of the Loan were significantly better than the terms of all competing loan or equity propositions investigated by the Company in the previous 18 months.

The loan advance was used to pay a portion of the mining costs to bring the Mt Porter mining lease to production and also for the acquisition of the Glencoe tenement.

The granting of the second ranking charge securing the loan was approved by shareholders at a general meeting held on 15 March 2015.

## 19. 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	53,000	53,000
More than 1 year but not later than 5 years	123,767	123,767
<b>Total</b>	<b>176,767</b>	<b>176,767</b>
<b>Operating expenditure commitment</b>		
Minimum fees payable under Managing Director's Consultancy Agreement <sup>1</sup>	31,250	31,250
<b>Other commitment</b>		
Mt Porter and Frances Creek minimum obligation – refer below	83,634	83,634
<b>Total</b>	<b>83,634</b>	<b>83,634</b>

1. This amount doubles after the raising of further capital – Remuneration Report refers.

## 20. 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 2016.

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

	Note	Current interest rate	Fixed interest rate	Floating interest rate	Non- interest bearing	Total
			\$	\$	\$	\$
Cash held in general account	5	0.00%	-	10,420	-	<b>10,420</b>
Cash held in investment account	5	1.50% <sup>1</sup>	-	80,668	-	<b>80,668</b>
Trade and other receivables	6	0.00%	-	-	71,632	<b>71,632</b>
<b>Financial liabilities</b>						
Trade and other payables	10	0.00%	-	-	206,294	<b>206,294</b>
Deferred Directors' fees	11	0.00%	-	-	486,847	<b>486,847</b>
Borrowings	18	12.00%	750,000	-	-	<b>750,000</b>

1) 1.5% for balances over \$10,000

### Credit risk

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

### Interest rate risk

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

### Liquidity risk

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

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

### Fair values

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 21. Earnings Per Share

	No	No
	Weighted Av.	
<b>Ordinary share number - 2016 financial year</b>		
Balance at the beginning of the year	38,881,488	38,881,488
Shares issued during the period		
Issued 2 December 2015	1,500,000	867,123
Issued 18 April 2016	4,000,000	800,000
<b>Balance at end of the year</b>	<b>44,381,488</b>	<b>40,548,611</b>
<b>Ordinary share number - 2015 financial year</b>		
Balance at the beginning of the year	34,019,777	34,019,777
Shares issued during the period		
Issued 21 July 2014	2,900,000	2,733,151
Issued 21 July 2014	100,000	94,247
Issued 25 July 2014	253,500	236,137
Issued 11 August 2014	608,211	538,224
Issued 24 March 2015	1,000,000	268,493
<b>Balance at end of the year</b>	<b>38,881,488</b>	<b>37,890,029</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Total comprehensive loss for the year	(730,506)	(946,533)
<b>Loss per share</b>		
Basic - cents per share	(1.80)	(2.50)
Diluted - cents per share	(1.80)	(2.50)

## 22. Going Concern

The Company has incurred a net loss after tax of \$730,506 (2015: \$946,533) for the full year and net cash outflows from operating activities of \$251,015 (2015: \$196,523).

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

The Directors have prepared the Financial Statements on the Going Concern basis as the Company intends to commence gold mining from its Mt. Porter gold mining project in the 2017 financial year. The Company has secured a gold loan facility of \$6 million (the "Facility") to fund the necessary mining activities until the project becomes cash positive. The Company's cash flow projection however indicates that it will need to raise funding of an additional \$300,000 before mining activities commence. Directors are confident that this amount can be raised within the required time as the Company has successfully raised funds through share issues and debt funding on a number of occasions including over \$1 million during and since the end of the financial year.

As announced on 27 September 2016, the Department of Mines and Energy in the NT (the "DME") has advised the Company that it requires a security deposit of \$1,360,418 prior to 19 October 2016 for approval of the Mine Management Plan. Should mining not commence by this date there is no legal obligation for the company to pay this deposit. As a precaution, the Company has applied to have this date extended, and based on conversations with DME officials and past experience, the Directors are confident that this application will be successful.

Should the Company choose to pay the deposit ahead of mining it could draw down on its Facility to meet the payment but may need to renegotiate repayment terms to realign these with gold production cash inflows. Directors are confident that renegotiated terms could be achieved.

With the additional funding, the Facility and forecast gold production from its project, the Company is forecast to remain cash positive at least until September 2017.

On this basis the Directors are of the opinion that the financial statements can be prepared on a going concern basis and that the Company will be able to pay its debts as and when they fall due and payable.

In the unlikely event of the Mt. Porter gold mining project being cancelled the Company would have to raise additional capital or source additional funds. The Company has successfully raised funds through share issues and debt funding on a number of occasions and the Directors are confident that this could be achieved should the need arise.

Should this not be achieved the Company 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.

### 23. Subsequent Events

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

On 5 August 2016 the Company announced that it had secured a gold loan facility to fund its Mt. Porter gold mining project near Pine Creek in the Northern Territory. A USD\$6M (six million United States dollars) gold loan facility (Facility) is being provided by Chan Investments Ltd (Hong Kong registration number 2277478) and arranged by Pansia Ltd, also based in Hong Kong. The Facility will:

- be secured through AHK assets including a mortgage to be provided over ML23839, which AHK has acquired from Arafura Resources Ltd (see AHK's previous announcement dated 20/06/2016);
- be repaid in gold bullion, within the life of the mines for which amounts are drawn down; and
- not require AHK to issue any equity securities to any person

On 27 September 2016 the Company announced that the Department of Mines and Energy in the Northern Territory had confirmed that all requirements for the issue of the Mining Management Plan (MMP) had been fulfilled and that on payment of a security bond of \$1,360,418 the MMP would be issued. The Security Bond is required to be paid by 19 October 2016, however the Company has requested, and expects to receive, an extension of this date due to the delay in the commencement of mining.

The Company also announced that due to delays in the assessment of the MMP, it had not commenced mining in the 12-month period required in its Toll Treatment Agreement with NT Mining operations Pty Ltd (formerly Crocodile Gold Australia Pty Ltd.) As a consequence, that Agreement has now terminated and a new Agreement is at present being negotiated. The Company expects that a new Agreement will be concluded shortly.

## DIRECTORS' DECLARATION

For the year ended 30 June 2016

### In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors.



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**Antony Corel**

Director

Sydney, 30th September 2016





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Australia

## 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 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, 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 company'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 company'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*. 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 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.



## 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 2016 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 2.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 22 in the 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 and/or debt and future successful gold production. These conditions, along with other matters as set out in Note 22, 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 17 to 18 of the directors' report for the year ended 30 June 2016. 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.

## Opinion

In our opinion, the Remuneration Report of Ark Mines Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

The BDO logo, consisting of the letters 'BDO' in a stylized, handwritten font.

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

Gareth Few  
Partner

Sydney, 30 September 2016

## SCHEDULE OF TENEMENTS

As at 30 June 2016

Exploration licence	Location	Title name	Interest	Mineral	Grant date	Expiry date	Status
EL7973	NSW	Babinda	100%	Gold	11 October 2012	11 October 2016	Current
ML22839	NT	Pine Creek	Right to earn 70% or acquire 100% through option.	Gold	2 February 2005	1 February 2030	Current
EL10137	NT	Frances Creek	Right to earn 70% or acquire 100% through option.	Gold	10 July 2002	9 July 2016	Current
EL23237 (MA 389)	NT	Pine Creek South	Right to earn 70% or acquire 100% through option.	Gold	8 December 2003	7 December 2016	Current
ELR116	NT	Mt Porter	Right to earn 70% or acquire 100% through option.	Gold	12 September 1990	11 September 2016	Current

## OTHER ASX INFORMATION

As at 14 September 2015

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 14 September 2016.

### Distribution of Equity Securities

Range	Number of holders	Number of shares
1 - 1,000	8	1,696
1,001- 5,000	52	187,462
5,001 - 10,000	128	1,174,871
10,001 - 100,000	225	8,078,190
100,001 - 9,999,999	59	39,159,640
<b>Total</b>	<b>472</b>	<b>48,601,859</b>

Since listing the Company has issued 48,601,859 fully paid ordinary shares.

The number of shareholders holding less than a marketable parcel is 15.

### Twenty Largest Shareholders

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

Nº	Shareholder	Shares	%
1	Solo Resources Pty Limited	6,676,000	13.74%
2	Cobungra Holdings Pty Ltd	6,327,742	13.02%
3	Mr Ian Burnham Mitchell	3,317,424	6.83%
4	Dr Rebecca Mitchell	2,510,000	5.16%
5	John Wardman & Associates	1,593,500	3.28%
6	RJ Consolidated Pty Ltd	1,437,000	2.96%
7	Ichiya Co Ltd	1,324,072	2.72%
8	Martin Place Securities	945,000	1.94%
9	Mr John Christopher Slade	904,648	1.86%
10	LWP Technologies Ltd	884,000	1.82%
11	Mr Stephen Roy Webster	879,298	1.81%
12	Alcardo Investments Limited	855,000	1.76%
13	Pindims Pty Ltd	830,000	1.71%
14	Horizon Storm Pty Limited	800,000	1.65%
15	Mr Robert Benjamin Deutsch	700,000	1.44%
16	Mr Roger Alan Jackson	686,262	1.41%
17	Mr Simon William Tritton	552,230	1.14%
18	AJM Super Co Pty Ltd	450,000	0.93%
19	Lippo Securities Ltd	436,300	0.90%
20	Kings Park Superannuation Fund	400,000	0.82%
	<b>Total</b>	<b>32,508,476</b>	<b>66.89%</b>

**Substantial Shareholders**

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

Shareholder	Shares	%
Solo Resources Pty Limited	6,676,000	13.74%
Cobungra Holdings Pty Ltd	6,327,742	13.02%
Mr Ian Burnham Mitchell	3,317,424	6.83%
Dr Rebecca Mitchell	2,510,000	5.16%

**Class of Shares and Voting Rights**

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

No voting rights attach to convertible notes.

There are no securities subject to voluntary Escrow.

**On market buy-back**

There is no current on-market buy back.

