

Financial Statements

ARK CATAPULT ENERGY CLASS FUND

June 30, 2011 (unaudited)

Ark Catapult Energy Class Fund
Statements of Net Assets
As at June 30, 2011(unaudited) and December 31, 2010

	<u>2011</u>	<u>2010</u>
Assets		
Investments, at fair value	\$ 4,482,300	\$ 7,758,655
Cash	28,126	297,579
Dividends and interest receivable	3,132	5,768
Total assets	4,513,558	8,062,002
Liabilities		
Accrued expenses	22,034	72,159
Redemptions payable	-	17,630
Total liabilities	22,034	89,789
Total net assets and shareholders' equity (Note 3)	\$ 4,491,524	\$ 7,972,213
Shares outstanding (Note 3), Series A	201,865	359,116
Net asset value per share (GAAP NAV), Series A	\$ 22.25	\$ 22.20
Net asset value per share (Transactional NAV), Series A	\$ 22.55	\$ 22.43

(See accompanying notes to financial statements)

Approved on behalf of the Board of Redwood Asset Management Inc.

(signed) Peter Shippen
Director

(signed) Jonathon Clapham
Director

Ark Catapult Energy Class Fund
Statements of Operations
For the Six Months ended June 30 (unaudited)

	<u>2011</u>	<u>2010</u>
Investment Income		
Income		
Dividend	\$ 39,341	\$ 0
Interest	1,354	173
Early redemption fee	0	1,200
	<u>40,695</u>	<u>1,373</u>
Expenses (Note 4)		
Management fees	77,940	40,640
Administration fees	32,742	107,277
Audit fees	5,377	7,630
Custodial fees	5,201	6,980
Filing fees	3,816	0
Legal fees	1,735	4,559
Net expenses	<u>126,811</u>	<u>167,086</u>
Net investment loss	<u>(86,116)</u>	<u>(165,713)</u>
Net realized and unrealized gain (loss) on investments		
Net realized gain on sale of investments	628,085	167,333
Transaction costs	(22,935)	(1,723)
Change in unrealized appreciation (depreciation) in value of investments	(251,666)	265,144
Net gain on investments	<u>353,484</u>	<u>430,754</u>
Increase in net assets from operations	<u>\$ 267,368</u>	<u>\$ 265,041</u>
Increase in net assets from operations, Series A	\$ 267,368	\$ 265,041
Increase in net assets from operations per share, Series A	<u>\$ 1.16</u>	<u>\$ 1.57</u>

(see accompanying notes to financial statements)

Ark Catapult Energy Class Fund
Statements of Changes in Net Assets
For the Six Months ended June 30 (unaudited)

	<u>2011</u>	<u>2010</u>
Net assets at the beginning of the year, Series A	<u>\$ 7,972,213</u>	<u>\$ 2,729,839</u>
Increase in net assets from operations, Series A	<u>267,368</u>	<u>265,041</u>
Capital transactions, Series A		
Proceeds from the issuance of shares	15,000	984,384
Payment for redemption of shares	(3,763,057)	(1,121,528)
Net assets at the end of the year, Series A	<u>\$ 4,491,524</u>	<u>\$ 2,857,736</u>

(see accompanying notes to financial statements)

Ark Catapult Energy Class Fund
Statement of Investment Portfolio
As at June 30, 2011 (unaudited)

SECURITY	SHARES HELD	AVERAGE COST	MARKET VALUE
Canadian Equities (99.7%)			
Energy (84.4%)			
Angle Energy Inc.	200	\$ 1,165	\$ 2,000
Argosy Energy, Inc.	12,775	20,440	37,048
Arsenal Energy Inc.	120,191	36,113	82,932
AvenEx Energy Corporation	79	252	451
BNP Resources, Inc. Class A	600	24	48
Bellamont Exploration Ltd. Class A	208,700	73,045	104,350
Crescent Point Energy Corp.	13,600	591,600	604,112
Crocotta Energy Inc.	150	254	435
Delphi Energy Corp.	350	441	746
Fairborne Energy Ltd.	100	418	475
Gear Energy Ltd.	80,000	328,000	328,000
Open Range Energy Corporation	74,500	82,695	356,110
Painted Pony Petroleum Ltd. Class A	35,200	42,592	392,128
Reliable Energy Ltd.	1,080,000	356,400	388,800
Southern Pacific Resource Corp.	300	15	459
Strategic Oil & Gas Ltd.	244,400	210,184	227,292
Trafina Energy Ltd. Class A	950,000	427,500	285,000
TriOil Resources Ltd. Class A	45,937	204,420	108,871
Twin Butte Energy Ltd.	140,000	284,200	338,800
Waldron Energy Corporation	102,865	261,408	291,108
Yoho Resources Inc.	75,300	88,101	240,960
		<u>3,009,267</u>	<u>3,790,124</u>
Utilities (15.3%)			
Bonterra Energy Corporation	10,500	534,975	596,190
Whitecap Resources Inc.	14,876	29,753	92,975
		<u>564,728</u>	<u>689,165</u>
Total Canadian Equities		<u>3,573,996</u>	<u>4,479,289</u>
U.S. Equities (0.1%)			
Energy (0.1%)			
Magnum Hunter Resources Corp.	462	322	3,012
TOTAL INVESTMENT PORTFOLIO (99.8%)		3,574,318	4,482,300
Cash (0.6%)		28,126	28,126
Other Assets less Other Liabilities (-0.4%)		(18,902)	(18,902)
NET ASSETS (100.0%)		<u>\$ 3,583,542</u>	<u>\$ 4,491,524</u>

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

1. Basis of presentation

Ark Catapult Energy Class Fund (the "Fund") is a class of shares of Ark Resources Corp. (the "Corporation"), a mutual fund corporation under the laws of Ontario on October 30, 2008 and authorized to issue an unlimited number of common shares and an unlimited number of classes on non-voting redeemable mutual fund shares in multiple series.

The Fund was established, in part, to facilitate exchange transactions pursuant to which the net assets of one or more Limited Partnerships are transferred into the Fund in a mutual fund rollover transaction. The Limited Partnerships are established to invest primarily in "flow-through shares" within the meaning of the Income Tax Act of resources and energy companies involved in exploration and development in the mining and oil and gas industries. The custodian of the Fund is CIBC Mellon ("Custodian"). Redwood Asset Management Inc. ("Redwood" or the "Manager") is the manager of the Fund. Redwood acquired Ark Funds Management Ltd. on August 31, 2009. The Fund was established on December 31, 2008.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Most significant estimates include valuation of investments and accrued liabilities. Actual results could vary from these estimates.

(a) Valuation of Investments

Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 14.2 of National Instrument 81-106 ("NI 81-106"), issued by the Canadian Securities Administrators requires a fund to calculate the net asset value ("NAV") using the fair value of a fund's assets and liabilities, other than for financial reporting purposes.

The differences between this net asset value per share (the "Transactional NAV") and the net assets per share (the "GAAP NAV") on the Statements of Net Assets is due to different pricing methodologies used to calculate the GAAP NAV for financial reporting and the Transactional NAV for fund pricing purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices for investments held to be used in the fair valuation of investments for financial statements, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques.

The fair value of investments as at the financial reporting period end is determined as follows:

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

Securities listed upon a recognized public stock exchange are valued at their bid prices for long positions on the valuation date. Securities with no available bid or ask prices are valued at their closing prices.

- (i) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, using observable market inputs, on such basis and in such manner established by the Manager. The current value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. These estimated fair values may differ from values that would have been realized had a ready market for these holdings existed, and the differences could be material.
- (ii)
- (iii) All other financial assets and liabilities such as subscriptions receivable, dividends receivable, redemptions payable and accrued expenses, are recorded at amortized cost using the effective interest method, which approximates fair value due to the short term nature of these investments.

(b) Transaction costs

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities are expensed, and are included in "Transaction costs" in the Statements of Operations.

(c) Share valuation and valuation date

Units are issued and redeemed on a continuing basis at the Transactional NAV per unit which is determined for each series of shares of the Fund on each day that the Toronto Stock Exchange is open for business. The value of each share of a series of shares of the Fund is determined by dividing the aggregate market value of the net assets of that series of shares of the Fund by the total number of shares of that series of shares of the Fund outstanding at the close of business on the valuation day.

(d) Investment transactions

Investment transactions are accounted for on the trade date.

(e) Revenue Recognition

- (i) Interest income is recorded on the accrual basis.
- (ii) Dividend income is recorded on the ex-dividend date and is net of withholding taxes.
- (iii) Realized gains and losses on investments and unrealized appreciation (depreciation) in the fair value of investments are calculated with reference to the average cost of the related investments.
- (iv) Income received from income trusts is recorded on the ex-dividend date.
- (iv) Interest and dividend income, realized gain (loss) and unrealized gain (loss) are allocated among the share classes on a pro-rata basis.

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

(f) Foreign exchange

Foreign currency amounts are expressed in Canadian dollars on the following basis:

- (i) Market value of investments, other assets and liabilities at the rate of exchange prevailing on June 30, 2011.
- (ii) Value of investment transactions, income and expenses at the rates prevailing on the respective dates of such transactions.
- (iii) Realized and unrealized foreign exchange gains and losses related to investment transactions are included in "Net realized gain (loss) on sale of investments" and "Change in unrealized appreciation (depreciation) on investments".

(g) Increase/ (decrease) in net assets from operations per share

Net increase/ (decrease) in net assets from operations per share in the Statement of Operations represents the net increase/ (decrease) in net assets from operations for the period, divided by the average shares outstanding during the year.

(h) Capital management

Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, "Capital Disclosures", requires that the Fund discloses information about its objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of any non-compliance. The Fund considers its net asset to be its capital, the relevant capital movements are disclosed in the Statement of Changes in Net Assets. The Fund manages its capital in accordance with the investment objectives and strategy as disclosed in the Fund's offering documents. The Fund has no externally imposed capital requirements.

(i) Financial instrument disclosures

Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, "Financial Instruments – Disclosures" requires use of the three-level hierarchy that reflects the significance of the input used when assessing the fair value of financial assets and liabilities and is presented below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

See note 7 for further details.

(j) Cash and cash equivalent

Cash and cash equivalents consist of cash with bank, money market fund and short-term investments with terms of approximately 90 days or less. Cash and cash equivalents are carried at cost which approximates their fair value.

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

3. Shares

The authorized capital of the Corporation consists of an unlimited number of common shares and 1,000 classes of fund shares, issued in series. The Fund, a class of shares of the Corporation currently has one series of shares – Series A.

The Fund		Number of shares beginning of period	Purchase/ reinvestment during period	Redemptions during period	Number of shares end of period
Series A	2011	359,116	610	157,861	201,865
	2010	158,906	553,460	353,250	359,116

4. Management fees and other expenses

The Fund pays the Manager an annual management fee of up to 2.5% in the case of Series A shares, subject to GST or HST, to cover management expenses. The management fee is calculated and accrued daily and is paid on the last day of each month based on the average daily net asset value of the Fund. The management fee for Series I shares is negotiated by the investor and may be paid by the Fund or directly by the investor.

In addition to the management fee, each Fund pays its own operating expenses. Operating expenses include, but are not limited to, brokerage commissions and fees, taxes, audit and legal fees, safekeeping, trustee and custodial fees, interest expenses, operating and administrative costs, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses. Operating expenses and other costs of a Fund are subject to applicable taxes.

The Manager has the discretion, from time to time, to waive or absorb expenses associated with the Fund. The amounts of the absorbed or waived expenses are reported in the Statements of Operations.

5. Income taxes

The Corporation is required to include in all income (loss) and net capital gains (losses) for the year. It is assumed that the Fund will continuously qualify as a “mutual fund corporation” for the purposes of the Income Tax Act and that the Corporation will elect to be a “public corporation” from the date it was established.

All income of the Corporation, including taxable capital gains net of allowable capital losses, will be subject to tax at normal corporate rates. Taxes payable on net realized capital gains are refundable on a formula basis when shares are redeemed or the Corporation elects to pay capital gains dividends. Dividends received by the Corporation on taxable dividends from taxable Canadian corporations are subject to a 33% tax which is refundable on payment of sufficient taxable dividends by the Corporation. Taxes payable by the Corporation on income from other sources (such as interest, foreign income and distributions of income from royalty trusts and exchange traded funds) are not refundable. Due to deductible expenses and to tax refunds available to the Corporation upon the payment of capital gains dividends and taxable dividends, the Corporation is not expected to have any material net income tax liability in any year.

6. Financial risk management

The Fund financial instruments consist of cash and investments. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments, and markets in which it invests. These risks include market risk, currency risk, interest rate risk, credit risk and liquidity risk. The value of investments within a Fund’s portfolio can fluctuate on a daily basis as a result of changes

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

in interest rates, economic conditions, market and company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objectives and the type of securities in which it invests. These risks and related risk management practices employed by the Funds are discussed below:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund market price risk is managed through diversification of the investment funds. The Investment Manager monitors the Fund overall market positions on a daily basis and positions are maintained within established ranges.

The Fund's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. If the following equity prices on the exchange increased (decreased) by 5%, with all other variables held constant, this would have approximately increased (decreased) net assets value per share as follows:

	2011		2010	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Ark Catapult Energy Class A	\$ 23.36	\$ 21.14	\$ 23.31	\$ 21.09

In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(b) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Statement of Investments identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund functional currency in determining fair value.

The Fund invested primarily in Canadian securities. As at June 30, 2011 and December 31, 2010, the Fund did not have any significant exposure to currency risk.

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Fund exposure to interest rate risk is concentrated in its investment in money market instruments. Other assets and liabilities are short-term in nature and/or non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates.

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. The Fund's counterparties are generally major brokerage firms and banks. The Fund is exposed to credit risk through the use of custodians for their cash and investments. Bankruptcy or insolvency of the custodians may cause the Fund's rights with respect to its cash and investments held by the custodian to be delayed or limited.

The Fund does not invest in any debt instruments or derivatives as at June 30, 2011 and December 31, 2010, therefore is not exposed to credit risk.

Substantially all of the Fund's cash and investments are held at CIBC Mellon, the Custodian. The Fund monitors its risk by monitoring the credit quality and financial position of the custodian.

(e) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The shares of the Fund are redeemed on demand at the current Transactional NAV per unit at the option of the shareholder. Liquidity risk is managed by investing the majority of the Fund assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. Accrued liabilities are generally due within 90 days.

Ark Catapult Energy Class Fund
Notes to Financial Statements
June 30, 2011 (unaudited) and December 31, 2010

7. Fair value hierarchy

The valuation of the Fund's financial assets under the Section 3862 hierarchy as of December 31, 2010 and 2009 is as follows:

	Fair Values as of June 30, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 28,126	\$ 0	\$ 0	\$ 28,126
Equities	4,154,300	0	328,000	4,482,300
	\$ 4,182,426	\$ 0	\$ 328,000	\$ 4,510,426

	Fair Values as of December 31, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 297,579	\$ 0	\$ 0	\$ 297,579
Equities	7,430,655	0	328,000	7,758,655
	\$ 7,728,234	\$ 0	\$ 328,000	\$ 8,056,234

There were no transfers between any levels during the year.

	<u>2011</u>	<u>2010</u>
Balance as of January 1	\$ 328,000	\$ 210,675
Net realized losses	0	0
Purchases	0	328,000
Sales	0	0
Change in unrealized appreciation (depreciation)	0	0
Transfers into Level 3	0	0
Transfers out of Level 3	0	(210,675)
Balance as of June 30 and December 31	328,000	\$ 328,000

Changes in unrealized gains (losses) included in increase in net assets from operations for the period ended June 30 and December 31 for positions still held	\$ 0	\$ 0
---	-------------	-------------

Ark Catapult Energy Class Fund

Notes to Financial Statements

June 30, 2011 (unaudited) and December 31, 2010

Transfers in or out of Level 3 are assumed to occur at the end of the year. For an asset that transfers into Level 3, the entire change in fair value is excluded from Changes in unrealized gains (losses) included in earnings. Conversely, for transfers out of Level 3, the entire change is included. Transfers out of Level 3 relate to improved pricing sources while transfers in are due to an illiquid market.

8. Future changes in accounting standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers.

On January 12, 2011, the Canadian Accounting Standards Board amended the requirement to prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board, permitting investment companies, which include investment funds, to defer adoption of IFRS to fiscal years beginning on or after January 1, 2013. The Fund has elected to defer adoption of IFRS to January 1, 2013.