ARUMA RESOURCES LIMITED

ABN 77 141 335 364

ANNUAL REPORT
30 JUNE 2014

CONTENTS TO ANNUAL REPORT

Contents ***Page***

CORPORATE INFORMATION

This annual report covers the Group consisting of Aruma Resources Limited (**"Aruma", "the Company")** and the entities it controlled during the year for the year ended 30 June 2014. The Group's functional and presentation currency is Australian dollars ($).

Directors

Paul Boyatzis (Chairman)

Peter Schwann (Managing Director)

Ki Keong Chong (Non-Executive Director)

Company Secretary

Phillip MacLeod

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Nedlands WA 6009
Australia

Principal place of business

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Auditors

Nexia Perth Audit Services Pty Ltd
Level 3
88 William Street
Perth WA 6000
Australia

Solicitors

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe WA 6011
Australia

ASX Code:

Ordinary shares – AAJ

LETTER FROM THE CHAIRMAN TO SHAREHOLDERS

Dear Shareholder

Your company, Aruma Resources Ltd, is an active West Australian gold and base metal exploration company focused on the Eastern Goldfields and Ashburton regions of WA.

The past 18 months have been a difficult period for the resources industry and in particular for exploration companies. This was primarily due to weakness in commodity and equity markets coupled with a generally reduced investor appetite for exploration risk. Despite this backdrop, Aruma is in the fortunate position of being sufficiently funded, having raised approximately $3 million during this difficult time and receiving $536,000, net of costs from an R&D tax offset.

During the past year Aruma has been very active and delineated new gold mineralisation at both its Glandore Project near Kalgoorlie and its Jundee South Project near Wiluna. The Company also evaluated and relinquished 446km^2 of lease holdings from other regional projects.

Importantly Aruma identified the exciting Bulloo Downs Copper Project. This is a new project based on strong anomalism in copper, gold, silver, lead and zinc covering over 2,200km^2 of prospective ground in the mineral rich Proterozoic basins of the Gascoyne-Pilbara regions.

Projects

The coming year will see accelerated exploration on all of the Company's projects, including the flying of large HyMap surveys at Bulloo Downs and the systematic ranking of the exploration targets for subsequent RC drilling.

The size and scope of the Bulloo Downs project will see Aruma become a significant copper exploration company in the rich Proterozoic basin of the Gascoyne-Pilbara regions which host the De Grussa, Nifty and Forrest Deposits. The Bulloo Downs Copper Project is now the largest copper camp in Western Australia, with over 300km of mineralised structures to be tested in the coming year, as well as new structures defined from HyMap and magnetic surveys.

Additionally Aruma has two advanced gold project areas in the Eastern Goldfields, which are considered to be both highly prospective for gold as well as highly amenable to the development and exploitation of new deposits.

Ongoing exploration of the Glandore Project has identified a mineralising system within the lease area. The opportunity to explore the lease area has been greatly enhanced following the successful negotiation with the local Native Title Group. Previous exploration has identified CSIRO Fluid Flow targets, focussed drilling and sampling has commenced on the lake areas and will be completed in the coming year.

The Jundee South Project is approximately 50km to the east of Wiluna within the Yandal Greenstone belt. Exciting results from RC drilling confirmed both the grade and thickness of the Marks zone. Geochemical sampling has delineated new anomalies that coincide with the structures seen in the HyMap surveys.

Aruma will be drilling a large aircore program on the various anomalies at Glandore and Clinker Hill. Jundee South will be evaluated further to determine a preferred commercial strategy, including gauging third party interest in the project.

All of the project areas can be readily accessed from the regional towns of Kalgoorlie-Boulder, Newman or Wiluna.

The Company will continue to seek and review other resource opportunities that the Directors consider have the potential to add shareholder value.

At this time the Directors would like to thank all staff and contractors for their contribution to the continuing development of the Company.

I recommend reading this report to gain a further understanding of the Company's plans and projects, and thank you for your support.

Paul Boyatzis
Chairman

COMPANY REVIEW

Aruma is a focused, West Australian-based mineral exploration company which has several prospective project areas within the Eastern Goldfields and Ashburton regions of Western Australia. Inclusive of several tenements that are still under application, Aruma's tenement package now totals approximately 2,300km^2.

Highlights

Bulloo Downs Copper Project

- Newest and biggest copper camp in WA
- 2,200km^2 of leases with >300km of hydrothermal structures to be tested
- Maiden RC drilling hits 4m at 2.2% copper at Madison (1% Cu cut-off)

Glandore Project

- Drilling results confirm new gold trends
- Second phase drilling results include 2m at 3.5g/t Au and 2m at 2.55g/t Au
- Clinker Hill soil sampling defines a large gold anomaly

Jundee South Project

- Geochemical survey defines bismuth anomaly over gold areas
- 6m (from 52m) at 3.44g/t Au (including 1m at 15.62g/t Au) in MRC10
- 16m (from 12m) at 1.22g/t Au in MRC11

Project Descriptions

The Company continued to manage and rationalise its landholding in Western Australia. To support this strategy, Aruma has relinquished several exploration projects that have not given the expected responses to exploration. These leases totalled approximately 434km^2. A further 12km^2 were relinquished in early July 2014.

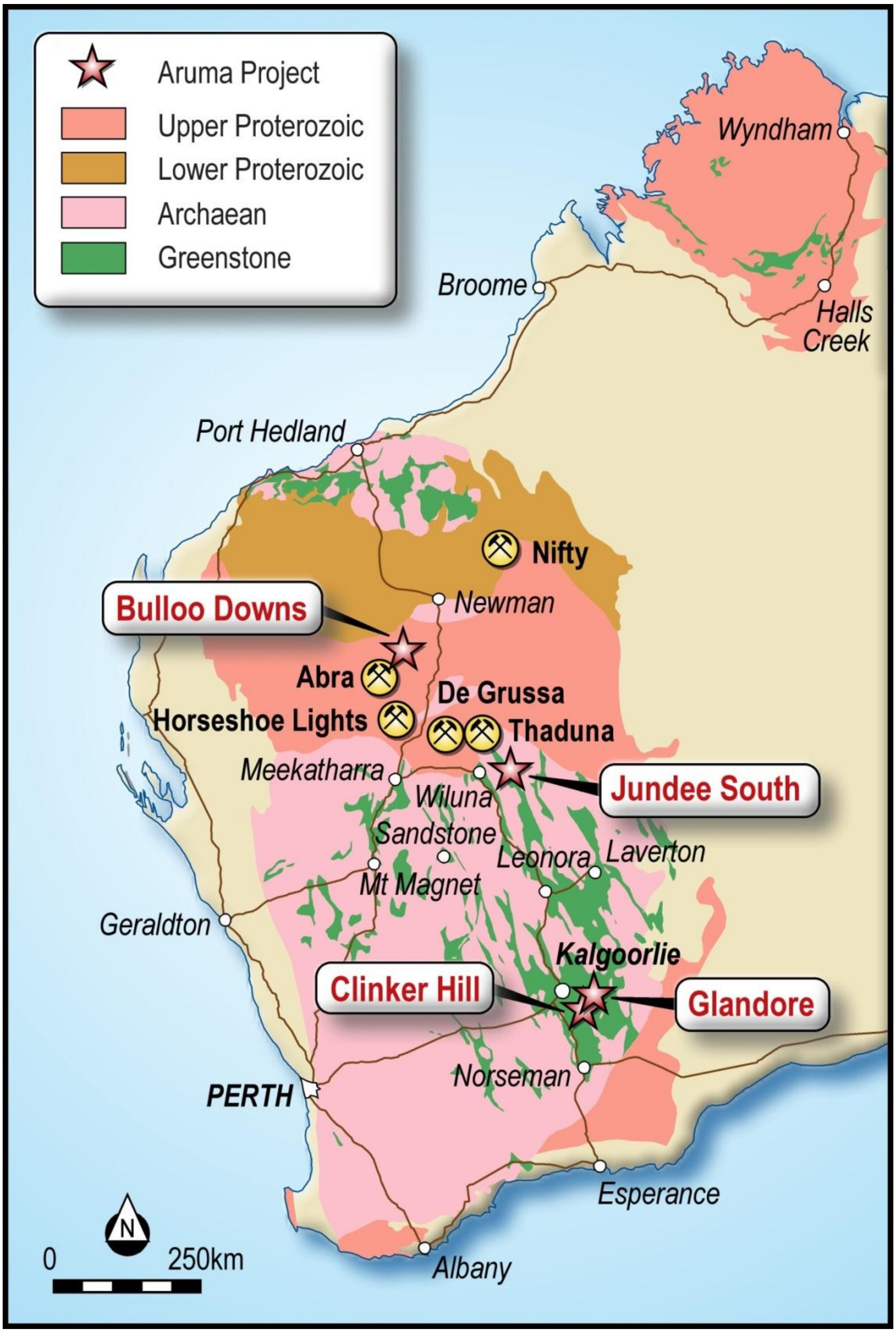

Figure 1 **Aruma exploration areas in Western Australia**

COMPANY REVIEW

Glandore Hub	▪ **Glandore Gold Project** - 40km east of Kalgoorlie-Boulder ▪ Drill ready awaiting dry lake ▪ Native Title claim dropped
	▪ **Clinker Hill Gold Lease** - 35km east of Kalgoorlie-Boulder ▪ Large soil anomaly ready to drill
Regional Projects	▪ **Jundee South Gold Project** - 20km south of Jundee Mine ▪ RC drilling completed with strong mineralisation discovered ▪ JV discussions in progress
	▪ **Bulloo Downs Copper Project** - 100km south of Newman ▪ First pass RC drilling hits 4m at 2.2% copper ▪ Area upgraded to 2,200km^2

Table 1 Table of Project locations and descriptions

PROJECT DETAILS

Bulloo Downs Copper Project

Since farming into the project in April 2014, Bulloo Downs has developed into Aruma's premier project with the demonstrated potential to be "the biggest copper camp in WA". It contains many mapped and sampled deep-seated, structurally controlled hydrothermal and high grade copper mineralised outcrops.

				%	Au	Ag	Fe
Sample ID	**Location**	**Easting**	**Northing**	**Cu %**	**ppb**	**ppm**	**%**
JB110	Madison	750625	7348767	**37.9**	20.0	X	6.7
VRC10002	Lachlan	752607	7345083	**33.0**	13.0	**15.3**	7.5
JB101	Madison	750650	7348770	**21.7**	17.0	0.6	1.3
JB112	Lachlan	752601	7345075	**15.0**	6.0	1.3	1.5
JB109	Madison	750609	7348768	**10.9**	31.0	0.1	3.3
JB007	Madison	751919	7348955	**8.9**	19.0	0.1	41.3
JB102	Madison	750719	7348786	**8.7**	X	X	35.9
PS3	Madison	751880	7348943	**6.7**	n/a	n/a	n/a
PS2	Madison	751880	7348943	**6.6**	n/a	n/a	n/a
JB003	Madison	751880	7348943	**6.1**	2.0	X	27.5
JB015	Madison	750717	7348784	**4.2**	2.0	X	24.7
JB006	Madison	751910	7348952	**1.5**	X	X	36.6

Table 2 Initial rock chip samples taken at Bulloo Downs that were over 1% Cu

The area is considered highly prospective for copper, gold, silver, lead and zinc. The high grade samples in the initial appraisal are shown above in Table 2 and confirmed the grade and extent.

Of particular note are the two structural corridors mapped and defined in Figure 2, being the original Bulloo Corridor and the recently defined Neds Corridor. These corridors have many anomalous prospects containing gossans which may be the surface expressions of sulphides at depth.

ARUMA RESOURCES

COMPANY REVIEW

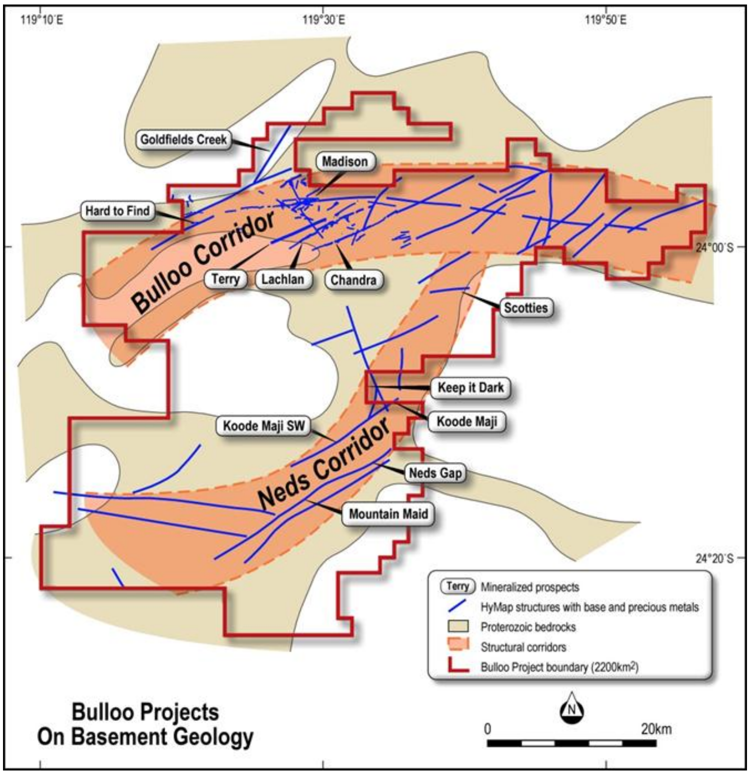

Figure 2 Bulloo Copper Project leases on geology with structures

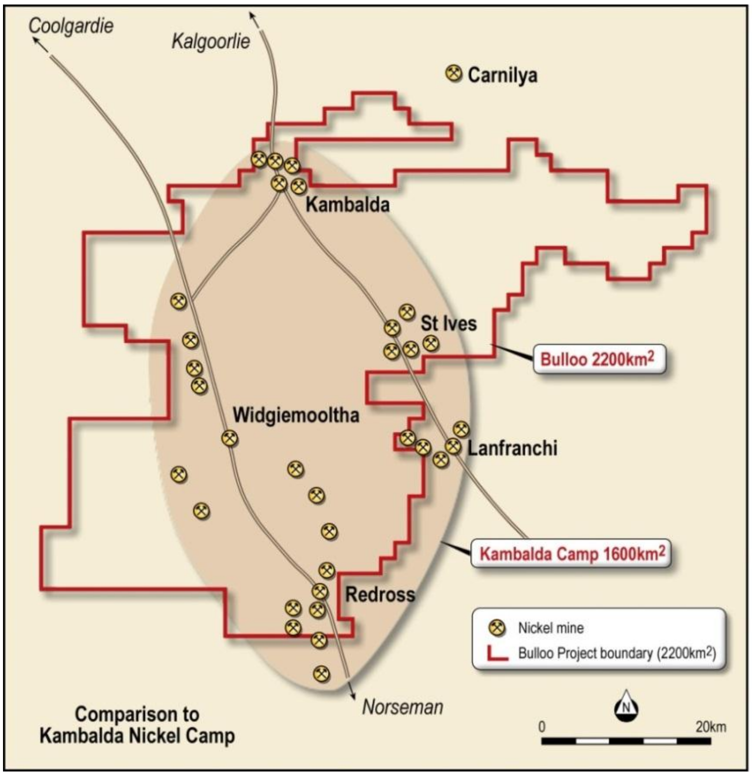

Figure 3 Bulloo Copper Project compared to Kambalda Nickel camp

Aruma is now the major landholder in the area and has secured access to additional mineralised structures in both corridors. The best assays from the new areas have confirmed the widespread mineralisation. The size and grades of the outcrop are compared to the similar sized Kambalda-Widgiemooltha nickel camp in Figure 3.

The mapping and sampling has now confirmed the strike extent of the mineralised structures to more than 300km. The Company has booked HyVista Multispectral Scanning to fly an additional 1,700km2 (for a total of 2,800km2) to define further mineralisation targets. The precious and base metals at all locations add a new dimension to the project.

RC drilling was undertaken early in the evaluation stage of the Madison Trend to confirm the presence of mineralisation at depth. A short 13 hole program intersected the mineralised structure on all lines with the best assays being 4m at 2.2% copper from 51m depth. The full drilling results are shown in Table 3 below. This program was limited to the central Madison area by the limited previous heritage clearance. The total area is now cleared for drilling in the later program after all data and targets have been evaluated and ranked.

HOLE ID	Easting	Northing	RL	Depth	Azimuth	Dip	From	To	Int.	Cu%
BMRC02	750709	7348736	568	150	330	-60	0	1	1	0.11
BMRC05	750832	7348780	572	120	330	-60	71	72	1	0.07
BMRC07	751021	7348819	554	120	350	-60	78	80	2	0.06
BMRC08	751078	7348800	559	150	356	-60	141	142	1	0.22
BMRC09	751194	7348885	564	120	355	-60	28	29	1	0.06
BMRC09	751194	7348885	564	120	355	-60	91	93	2	0.09
BMRC12	751507	7348828	563	150	355	-60	14	17	3	0.07
BMRC13	750639	7348757	567	60	345	-60	20	22	2	0.07
BMRC13	750639	7348757	567	60	345	-60	25	26	1	0.05
BMRC13	750639	7348757	567	60	345	-60	51	52	1	1.14
BMRC13	750639	7348757	567	60	345	-60	52	53	1	2.15
BMRC13	750639	7348757	567	60	345	-60	53	54	1	2.78
BMRC13	750639	7348757	567	60	345	-60	54	55	1	2.78
BMRC13	750639	7348757	567	60	345	-60	55	56	1	0.81
BMRC13	750639	7348757	567	60	345	-60	56	57	1	0.68
BMRC13	750639	7348757	567	60	345	-60	57	58	1	0.33
BMRC13	750639	7348757	567	60	345	-60	58	59	1	0.21
BMRC13	750639	7348757	567	60	345	-60	59	60	1	0.08
BLRC01	752636	7345021	567	172	330	-60	119	121	2	0.06
BLRC01	752638	7345020	567	172	330	-60	137	138	1	0.05

Table 3 Drill hole details of RC at Bulloo Downs with all intersections over 0.05% Cu (500ppm Cu). BMRC holes are on the Madison Trend and BLRC are on the Lachlan Trend.

Location	Lease	Length m	Width m	Cu %	Au ppm	Pb %
Scotties	E52/2337	100	2	42.93	1.5	0.1
Keep it Dark	E52/2803	100	3	na*	na	20.5
Madison	E52/2024	3000	3	42.6	1	na
Chandra	E52/2024	8000	2	7.63	na	na
Terry's	E52/2024	800	2	0.57	na	0.14
Hard to Find	ELA52/2887	100	2	Visible	na	na
Koode Maji SW	E52/2429	900	10	0.24	na	0.14
Koode Maji	E52/2429	100	2	15.9	na	0.11% Zn
Neds Gap	E52/2429	1100	2	16.7	na	0.12
Mountain Maid	E52/2429	600	2	35	na	0.05
Goldfields Creek	E52/2024	?	?	?	workings	?

Table 4 Sampling results from all prospects

Table 4 above summarises the extent and tenor of the mapped mineralisation. The gossans are large by comparison to other gossans in Western Australia. This together with the proven depth intersection make this area a valuable exploration target and the coming year will see Aruma diligently explore the tenement package using the proven HyMap and sampling technique before drilling the targets in order of merit.

COMPANY REVIEW

Glandore Hub

Glandore Project

The initial geochemical survey at Steves Prospect defined the mineralisation as 350m long and up to 23m thick. The highly anomalous surface sampling contained values up to 20 g/t gold and visible gold in hand specimens. The second phase RC drilling at Glandore was done to follow up the 5m at 4.3g/t in GRC103 at Steves Prospect. The RC sample assay results which included 5m at 4.3g/t Au from 60m in GRC103 are in Table 5. These are on a quartz vein system with associated carbonate lode style alteration.

RC	Dip/Az	GDA94	Depth	GDA94	Depth	Depth	g/t Au	Intercept m
Drillhole	**Degrees**	**Easting**	**EOH**	**Northing**	**From**	**To**	**FA 30g**	**Down hole**
GRC094	-60/270	390900	100	6595310	68	72	**1.35**	4
GRC100	-60/60	390548	100	6595374	22	23	**1.38**	1
GRC103	-60/240	390472	100	6595573	60	65	**4.31**	5
GRC105	-60/220	390432	100	6595641	62	65	**2.61**	3
GRC106	-60/240	390457	100	6595602	64	66	**2.56**	2
GRC117	-60/270	390648	100	6595328	19	21	**1.21**	2
GRC119	-60/270	390661	100	6595201	16	17	**1.18**	1

Table 5 Gold intersections >1.0 g/t Au from RC drilling at Steves Prospect

Refer ASX Quarterly release dated 12 February 2014

The intersections define the mineralisation and can be traced over 450m and are open to the north and south. No estimate has been attempted of true thickness.

The definition of several lines of mineralisation at Steves Prospect is now apparent, and with the Grunts line still to be followed up, the potential of the Glandore discoveries keeps increasing. Figure 4 below shows the Fluid Flow trends as pink with the drill defined trends as yellow. The pink areas define the >1g/t on the fluid flow and are up to 750m long.

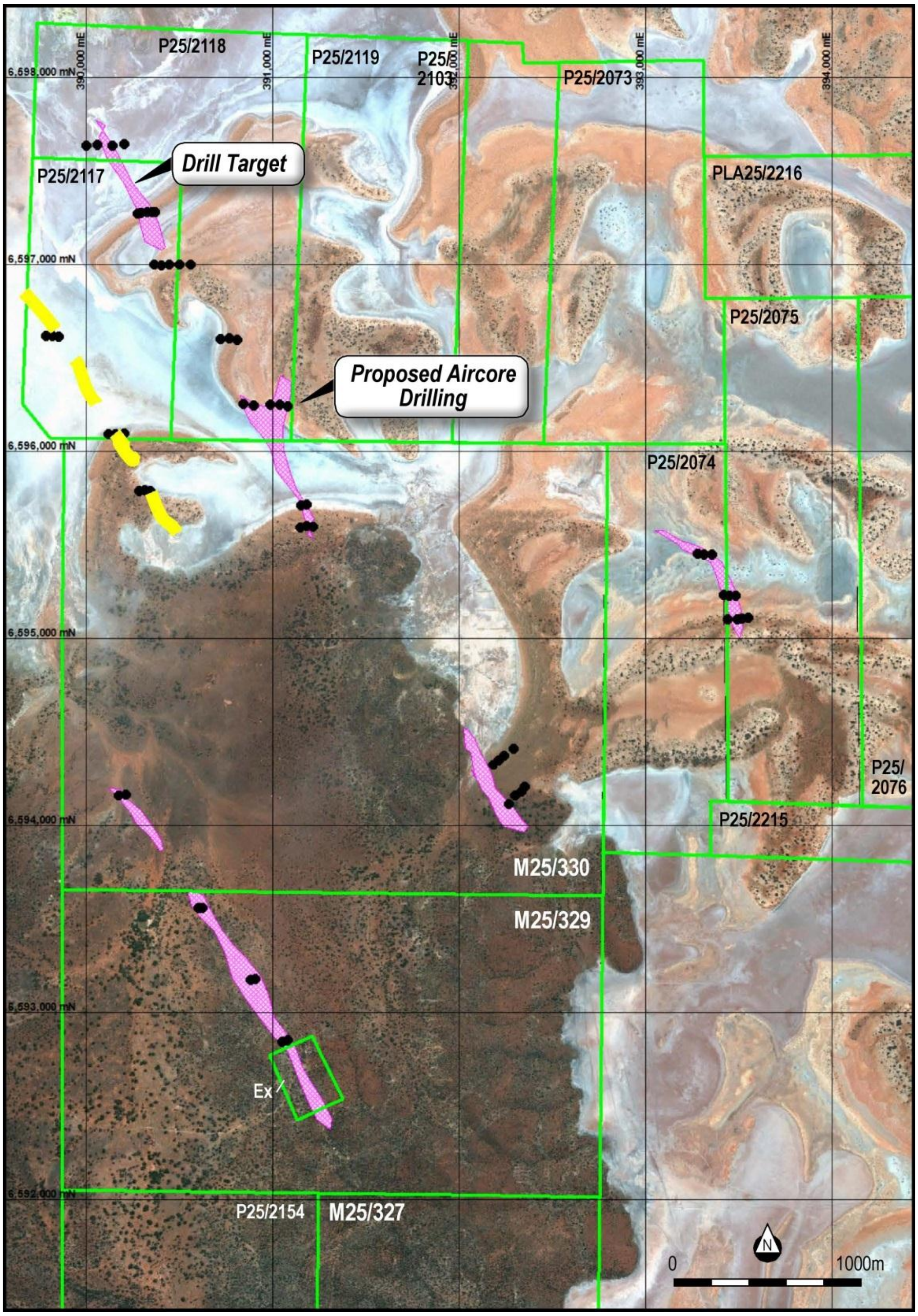

Figure 4 Google ® image with Fluid Flow drilling targets at Glandore

The pink areas are >1.0g/t Au outlines from previous work and Fluid Flow. The yellow dashes are the Steves Line trend.

COMPANY REVIEW

Clinker Hill

A soil sampling programme gave a strong 40 ppb gold anomaly which extends from the north western corner of the lease to the south-eastern corner. The anomaly has a strike length of some two kilometres. Within this anomaly there are several +60ppb anomalies, the largest occurring over two lines for a strike length of 400 metres. The width of the anomaly is from 40-160 metres for the +40 ppb contour and 20 to 60 metres for the +60ppb contour. Maximum gold value of 132 ppb was recorded. These are shown in Figure 5 below.

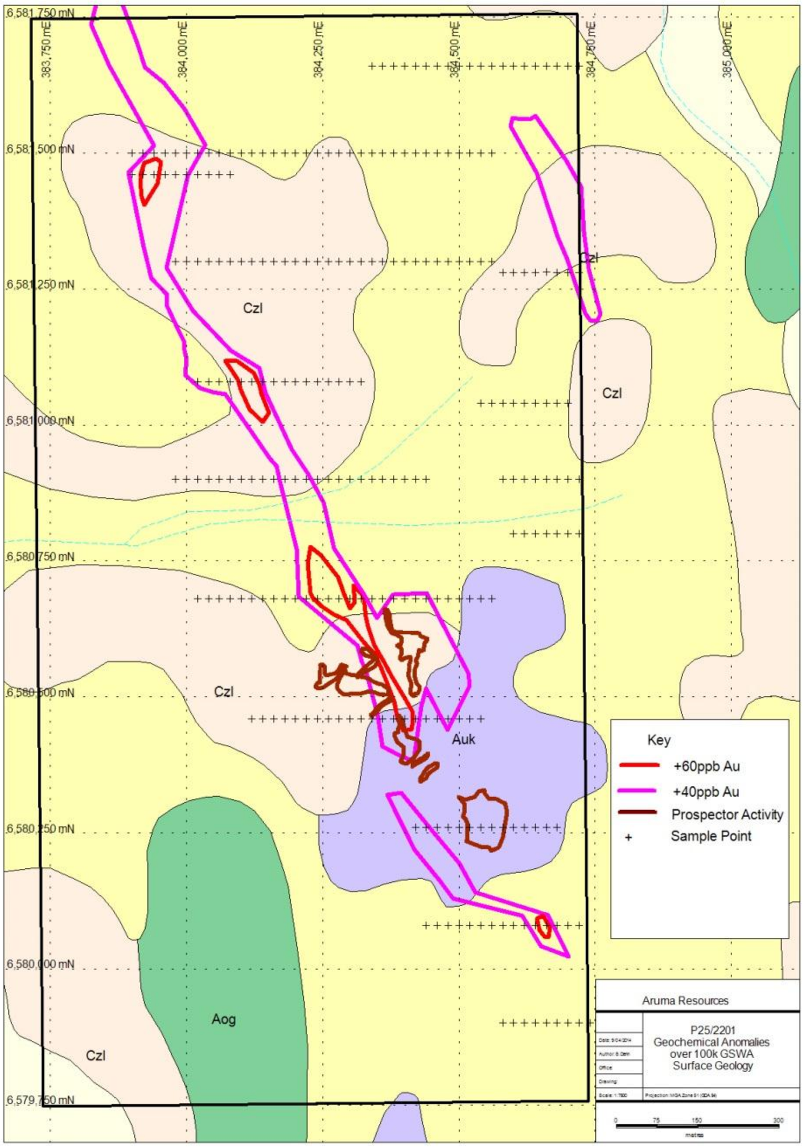

Figure 5 Geochemistry gold values on local geology (GSWA 100k Surface Geology)

COMPANY REVIEW

Jundee South Project

The Jundee South project (E53/1461) is located 60km east of Wiluna and 25km south of the Jundee mine. The RC program in 2013-14 comprised 1,704m in 13 holes. The significance of the RC results are again the shallow depths (from 11m), thickness (12 to 16m), high grades (6m at 3.44g/t Au including 1m at 15.62g/t Au) in MRC10 and it is open to the west. The mineralisation is in several rock types indicating a LODE system, with associated quartz, sulphides and carbonates.

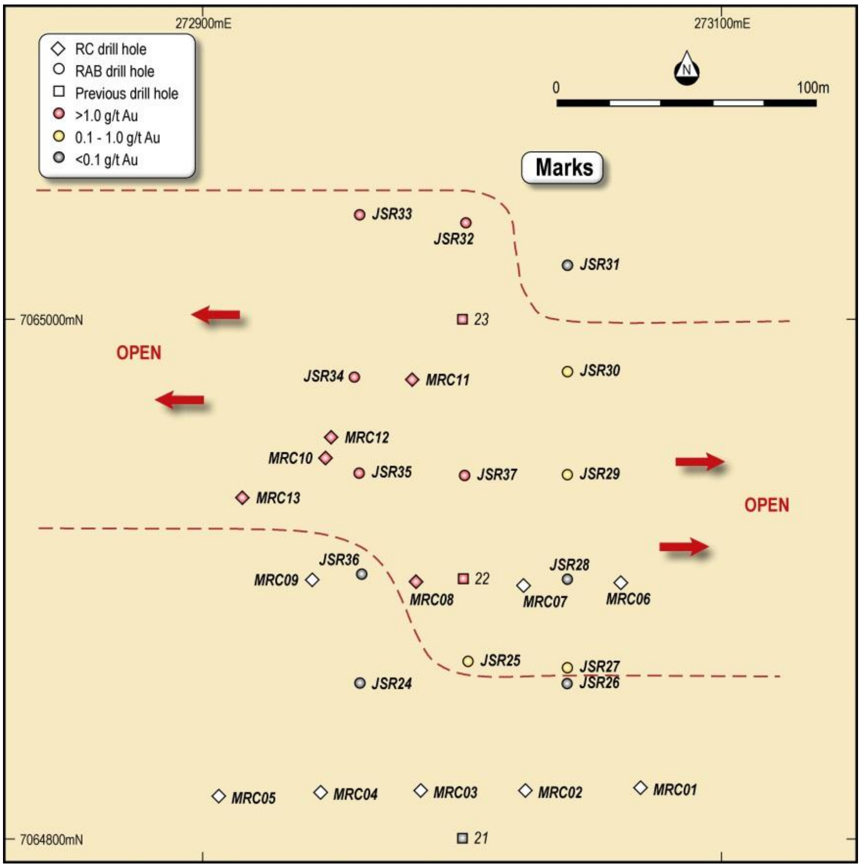

Figure 6 Drill holes in the Marks area showing the mineralised trend

The gold mineralisation is detailed in Table 6 and was scanned with PIMA to map the alteration and mineralisation style which was masked by oxidation and weathering.

COMPANY REVIEW

RC	Dip/Az	GDA94	GDA94	Depth	Depth	Depth	Average	Intercept
Drillhole	Degrees	Easting	Northing	EOH m	From	To	g/t Au	m
MRC08	-60/090	272982	7064899	120	24	37	0.67	13
			inc		33	37	1.81	4
					34	36	3.45	2
MRC10	-60/065	272947	7064947	120	5	15	0.46	10
			inc		11	12	1.60	1
					47	59	1.85	12
					52	58	3.44	6
					52	53	15.30	1
MRC11	-60/330	272980	7064977	180	14	30	1.22	16
			inc		16	19	3.15	3
MRC12	-60/330	272949	7064955	180	36	41	0.83	5
			inc		38	40	1.40	2
MRC13	-60/330	272915	7064931	180	49	52	0.51	3
			inc		49	50	1.09	1

Table 6 Intersections at Jundee South Project greater than 0.4g/t Au

There are now three types of targets at Jundee South Gold Project, namely:

1. Resource targets in the Marks area;
2. Follow up targets under drilling, HyMap and geochemical anomalies; and
3. Regional HyMap and structural targets.

Rehabilitation

Aruma has completed all of the required rehabilitation for the year at Jundee South, Glandore, Gindalbie and Twin Hills projects. The latter two have been relinquished in good order.

Proposed Exploration Activities for FY2014-15

Aruma's project areas in Western Australia are located in the Eastern Goldfields and the Ashburton on areas with known mineral endowments and strong indications of mineralisation. Aruma is concentrating exploration on the advanced projects at Bulloo Downs Copper and gold at Glandore and Glandore Hub (Clinker Hill).

The lease holdings are constantly being appraised and are currently approximately 2,300km^2.

COMPANY REVIEW

All of Aruma's projects have strong metal indicators and proven high-grade potential. The ongoing work comprises:

- **Bulloo Downs Copper Project** - rock and soil sampling and mapping planned and completed in July, magnetic and HyMap surveys in September and interpretation for drilling in October-November
- **Glandore** – PoW approved for a large scale drill program on Lake Yindarlgooda in Q1 2014, including drilling six targets defined by Fluid Flow and extension of **Steves Prospect** trend
- **Glandore Hub – Clinker Hill** - quantifying geochemical anomalies by drilling
- **Jundee South -** discussions with third parties for possible sale or joint venture

Aruma will also be appraising leases that are becoming available in the Wiluna-Kalgoorlie terrain, especially where adjacent to current projects or with resources or intersections.

In addition to its current projects in Western Australia, Aruma continues to evaluate potential project opportunities.

Competent Person's Statement

The information in this release that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Schwann who is a Fellow of the Australasian Institute of Mining and Metallurgy and Chartered Professional (Geology). Mr Schwann is a full time employee of the Company. Mr Schwann has sufficient relevant experience to qualify as a Competent Person as defined in the JORC Code (2012) and consents to the inclusion of this information in the form and context in which it appears All exploration results reported have previously been released to ASX and are available to be viewed on the Company website www.arumaresources.com.au. The Company confirms it is not aware of any new information that materially affects the information included in the original announcement. The Company confirms that the form and context in which the Competent Person's findings are present have not been materially modified from the original announcements.

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the Group consisting of Aruma Resources Limited ("the Company") and the entities it controlled for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. INFORMATION ABOUT THE OFFICERS OF THE COMPANY

The names and particulars of the officers of the Company during or since the end of the year are:

Paul Boyatzis – Chairman, Non-Executive Director, appointed 5 January 2010

B Bus, ASA, MSDIA, MAICD

Mr Boyatzis has over 25 years' experience in the commercial, investment and equity markets, and in particular, with emerging growth companies within the financial services and mining sectors.

Mr Boyatzis is a member of the Australian Institute of Company Directors, the Securities and Derivatives Industry Association and CPA Australia. He has served as Chairman and Director of a number of public and private companies globally.

During the three year period to the end of the financial year Mr Boyatzis has served as a Director of Transaction Solutions International Limited (February 2010 – present), Ventnor Resources Limited (September 2010 – present) and Nexus Minerals Limited (October 2006 – present).

Mr Peter Schwann – Managing Director, appointed 11 February 2010

Ass.App.Geology, FAusIMM (CP)

Mr Schwann has worked all facets of mineral exploration, company management and consulting.

Early in his career he worked with some of Australia's biggest companies exploring for nickel, iron ore, gold and mineral sands. Mr Schwann has held project generation and evaluation roles with resource companies in Africa, Asia, Australia and Eastern Europe. He has participated in evaluations of precious and base metal deposits in Mexico, Africa, Madagascar, China and Kyrgyzstan.

During the past three years Mr Schwann has not served as a director of any other listed company.

DIRECTORS' REPORT

1. INFORMATION ABOUT THE OFFICERS OF THE COMPANY (CONTINUED)

Ki Keong Chong – Non-Executive Director, appointed 1 February 2011

LLB (Hons)

Mr Chong is the Managing Partner of the law firm, KK Chong & Company. He is highly regarded in the legal aspects of corporate finance and banking, conveyancing, employee stock option schemes, public listing, due diligence exercise, joint ventures, schemes of arrangement and compromise and exchange control regulations in both Singapore and Malaysia. He brings to the Board a wealth of international corporate experience and contacts to investors in the Singapore/Malaysia region.

During the past three years Mr Chong has not served as a director of any other listed company.

Phillip MacLeod – Company Secretary, appointed 5 January 2010

B Bus, ASA, MAICD

Mr MacLeod has over 20 years' commercial experience and has held the position of company secretary with listed public companies since 1995. Mr MacLeod has provided corporate, management and accounting advice to a number of public and private companies involved in the resource, technology, property and healthcare industries.

2. FINANCIAL AND OPERATING REVIEW

The Group made a loss for the year of $1,244,175 (2013: $1,832,197). The Group had cash and term deposit balances at 30 June of $2,493,159 (2013: $3,202,347).

The Company completed a share placement in April 2014 with a total of $560,000 being raised before issue costs from the issue of 20,000,000 shares at an issue price of 2.80 cents per share.

The Company also received $636,552 before costs as a tax offset under the Research and Development tax incentive for 2013 for exploration activity carried out on the Glandore Project.

These funds are to be used for future development of the Group's exploration projects.

A review of operations is on page 6.

DIRECTORS' REPORT

3. DIRECTORS' MEETINGS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Company during their term in office during the period is as follows.

Director	Meetings held	Meetings attended
Paul Boyatzis	4	4
Peter Schwann	4	4
Ki Keong Chong	4	4

The Company does not have any committees. Matters usually considered by an audit, remuneration or nomination committee were dealt with by the directors during regular Board meetings.

4. REMUNERATION REPORT (*Audited*)

4.1 Principles of compensation (audited)

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company and other executives. Key management personnel comprise the directors of the Company and other executives.

Remuneration levels for key management personnel and other staff of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives and take account of factors such as length of service, particular experience and expertise. The non-executive director receives a fixed fee, currently $30,000 per annum. The Chairman receives a fixed fee of $72,000 per annum plus statutory superannuation or GST as applicable. Currently key management personnel remuneration is not dependent on the satisfaction of any performance condition.

The Company does not have a policy for key management personnel on hedging their equity positions against future losses.

DIRECTORS' REPORT

4. REMUNERATION REPORT (*Audited*) (Continued)

4.2 Remuneration of directors and senior management (audited)

Key management personnel remuneration for the years ended 30 June 2014 and 30 June 2013:

		Short-term				Post-employment	Other long term		Share-based payments			
		Salaries & fees	Cash bonus	Non-monetary benefits	Total	Superannuation benefits		Termination benefit	Options and rights	Total	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		$	$	$	$	$	$	$	$	$		
Non-executive Directors												
Mr P Boyatzis	2014	72,000	-	-	72,000	-	-	-	-	72,000	-	-
	2013	72,000	-	-	72,000	-	-	-	12,917	84,917	-	15.21
Mr K K Chong	2014	30,000	-	-	30,000	-	-	-	-	30,000	-	-
	2013	30,000	-	-	30,000	-	-	-	6,459	36,459	-	17.71
Executive Director												
Mr P Schwann	2014	250,000	-	-	250,000	23,125	-	-	-	273,125	-	-
	2013	250,000	-	-	250,000	22,500	-	-	25,835	298,335	-	8.65
Total	**2014**	**352,000**	**-**	**-**	**352,000**	**23,125**	**-**	**-**	**-**	**375,125**	**-**	**-**
	2013	**352,000**	**-**	**-**	**352,000**	**22,500**	**-**	**-**	**45,211**	**419,711**	**-**	**10.77**

DIRECTORS' REPORT

4. REMUNERATION REPORT (*Audited*) (Continued)

4.3 Share-based payments granted as compensation for the current year

There were no options over unissued shares granted to directors or key management personnel as part of their remuneration during the year.

4.4 Service agreement (audited)

Aruma has an Executive Service Agreement with Mr Peter Schwann, Managing Director of Aruma. The agreement continues until terminated by either party. The agreement can be terminated without cause by either party upon three months' written notice.

Mr Schwann's remuneration consists of $250,000 per annum base salary plus statutory superannuation and provision of a laptop computer and mobile phone. Remuneration is reviewed every twelve months.

The Company may elect to pay 3 months' base salary and superannuation in lieu of notice. The Company has no other service agreements with any other directors or key management personnel.

5. SHARE OPTIONS

Unissued shares under option

There are 6,000,000 options (2013: 6,400,000) over unissued shares in Aruma.

Share options lapsed

No options expired during the year (2013: nil). 400,000 options expired unexercised on 14 August 2014.

Share options issued

There were no options over unissued shares in Aruma issued during the year as share-based compensation to directors (2013: 3,500,000 options).

There were no options over unissued shares in Aruma issued during the year to sponsoring brokers in consideration for share issue costs (2013: 2,500,000 options).

Shares issued on exercise of options

There were no ordinary shares issued as a result of the exercise of options during the period.

6. PRINCIPAL ACTIVITY

The principal activity of the Group during the year was mineral exploration in Australia.

DIRECTORS' REPORT

7. DIVIDENDS

No dividends were paid or declared by the Company during the year or since the end of the year.

8. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date the Company announced the addition of several leases increasing the size of the Bulloo Downs project to over 2,000Km^2.

Other than the material event described above there have been no other material events occurring subsequent to the reporting date.

9. LIKELY DEVELOPMENTS

The Group will continue planning and executing mineral exploration work on its existing projects as well as any new projects or investments which come under review during the financial year.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options of the Company as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Directors' Interests

Directors	Ordinary shares	Options over ordinary shares
Mr P Boyatzis	4,184,962	1,000,000
Mr P Schwann	4,802,167	2,000,000
Mr K K Chong	300,000	500,000

11. ENVIRONMENTAL REGULATIONS

In the course of its normal exploration and evaluation activities the Group adheres to environmental regulations imposed on it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Group has complied with all material environmental requirements up to the date of this report. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Group.

DIRECTORS' REPORT

12. INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year in respect of liability for any past, present or future directors, secretary, officers and employees of the Company or related body corporate. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance or indemnification for the Auditor of the Company.

13. NON-AUDIT SERVICES

Details of the amounts paid to the auditor of the Group, Nexia Perth Audit Services Pty Ltd, and its related practices for audit and non-audit services provided are set out below:

The Board has considered the non-audit services provided during the year by the auditor and has resolved that it is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and does not compromise, the auditor independence requirements of the *Corporations Act 2001*. The non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES110 (*Code of ethics for professional accountants*), as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Audit and review of financial reports	36,293	24,375
Taxation services	9,268	7,700
	45,561	32,075

14. AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set on page 27

15. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of directors there were no significant changes in the state of affairs of the Group that occurred during the year.

This report is made with a resolution of the directors.

P Schwann
Managing Director
Perth

Dated 29th August 2014

nexia
australia
the next solution

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Aruma Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

29 August 2014
Perth

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED	CONSOLIDATED
		2014	2013
		$	$
Refund for exploration expenditure	3	636,733	422,373
Exploration expenditure expensed as incurred		(916,692)	(1,306,640)
Depreciation	4	(4,050)	(4,788)
Directors' fees	24	(375,125)	(374,500)
Employee benefits		(98,087)	(104,232)
Impairment of exploration assets		(190,000)	(112,472)
Legal and professional fees		(155,057)	(102,291)
Occupancy expenses		(37,675)	(36,763)
Share-based payment		-	(63,096)
Other expenses		(190,189)	(227,651)
Loss from operating activities	4	(1,330,142)	(1,910,060)
Financial income		85,967	77,904
Financial expense		-	(41)
Net financing income	5	85,967	77,863
Loss before income tax		(1,244,175)	(1,832,197)
Income tax expense	8	-	-
Total comprehensive loss for the year		(1,244,175)	(1,832,197)
Loss per share			
Basic and diluted loss per share	7	(0.93 cents)	(2.02 cents)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Note	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Current Assets			
Cash and cash equivalents	10	928,001	1,702,347
Trade and other receivables	11	63,329	110,524
Term deposit investments	12	1,565,158	1,500,000
Other current assets	13	12,403	10,246
Total current assets		2,568,891	3,323,117
Non current assets			
Plant and equipment	14	54,486	15,122
Capitalised exploration expenditure	15	256,969	446,447
Total non current assets		311,455	461,569
Total assets		2,880,346	3,784,686
Current liabilities			
Trade and other payables	16	118,707	344,939
Provisions	17	65,049	53,432
Total current liabilities		183,756	398,371
Total liabilities		183,756	398,371
Net assets		2,696,590	3,386,315
Equity			
Issued capital	18	8,729,961	8,175,511
Reserves	19	95,389	95,389
Accumulated losses	20	(6,128,760)	(4,884,585)
Total equity		2,696,590	3,386,315

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 2014	CONSOLIDATED 2013
Cash flows from operating activities		$	$
Refund for exploration expenditure		636,733	422,372
Interest received		104,379	79,592
Interest paid		-	(41)
Exploration expenditure		(1,146,869)	(1,149,624)
Payments to suppliers and employees		(813,945)	(829,579)
Net cash used in operating activities	26(b)	(1,219,702)	(1,477,280)
Cash flows from investing activities			
Transfer to term deposit investment		(65,158)	(1,500,000)
Payment for settlement of tenement liability		(522)	(20,000)
Payments for purchase of plant and equipment		(43,414)	(198)
Net cash used in investing activities		(109,094)	(1,520,198)
Cash flows from financing activities			
Proceeds from issue of securities		560,000	2,500,000
Costs of capital raising		(5,550)	(130,072)
Net cash provided by financing activities		554,450	2,369,928
Net decrease in cash and cash equivalents		(774,346)	(627,550)
Cash and cash equivalents at beginning of year		1,702,347	2,329,897
Cash and cash equivalents at 30 June*	26(a)	928,001	1,702,347

* In addition to cash and cash equivalents the Group holds a term deposit investment with a balance of $1,565,158 at 30 June 2014.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital	Accumulated losses	Share-based payment reserve	Total equity
	$	$	$	$
Balance at 1 July 2012	5,837,879	(3,052,388)	-	2,785,491
Loss for the year	-	(1,832,197)	-	(1,832,197)
Total comprehensive loss for the year	-	(1,832,197)	-	(1,832,197)
Shares issued for cash	2,500,000	-	-	2,500,000
Shares issue costs	(162,368)	-	-	(162,368)
Share-based payments	-	-	95,389	95,389
Balance at 30 June 2013	8,175,511	(4,884,585)	95,389	3,386,315
Balance at 1 July 2013	8,175,511	(4,884,585)	95,389	3,386,315
Loss for the year	-	(1,244,175)	-	(1,244,175)
Total comprehensive loss for the year	-	(1,244,175)	-	(1,244,175)
Share issued for cash	560,000	-	-	560,000
Share issue costs	(5,550)	-	-	(5,550)
Balance at 30 June 2014	8,729,961	(6,128,760)	95,389	2,696,590

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Aruma Resources Limited (the "Company") is a company domiciled in Australia. The financial report of the Company and its subsidiaries (the "Group") is for the year ended 30 June 2014.

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

The consolidated financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the directors on 29th August 2014.

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, the Group's functional currency, unless otherwise noted.

(c) Adoption of new and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 10 Consolidated Financial Statements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

When effective Applicable to annual reporting periods beginning on or after 1 January 2013

30 June 2014 – Applicability – Full years Mandatory

30 June 2014 – Applicability – Half-years Already Implemented

This Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee.

Accordingly, this Standard identifies the principles of control, determines how to identify control and whether or not the investee should be consolidated and the principles for the preparation of consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of new and revised standards (continued)

AASB 11 Joint Arrangements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

When effective Applicable to annual reporting periods beginning on or after 1 January 2013

30 June 2014 – Applicability – Full years Mandatory

30 June 2014 – Applicability – Half-years already implemented

This Standard replaced AASB 131 Interests in Joint Ventures.

Joint arrangements are now either joint operations or joint ventures. The determination of the type of joint arrangement requires a party to assess the rights and obligations and then to account for those rights and obligations in accordance with the type of joint arrangement. The application of the standard did not result in any change to this financial report.

AASB 127 Separate Financial Statements (2011), AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

When effective Applicable to annual reporting periods beginning on or after 1 January 2013

30 June 2014 – Applicability – Full years Mandatory

30 June 2014 – Applicability – Half-years already implemented

This Standard now only deals with the requirements for separate financial statements.

Requirements for consolidated financial statements are now contained in AASB 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and joint ventures are accounted for either at cost, or in accordance with AASB 9 Financial Instruments.

The recognition of dividends, certain Group reorganisations and disclosure requirements are also included in this Standard. The application of this standard did not result in any change to this financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of new and revised standards (continued)

AASB 13 Fair value

When effective Applicable to annual reporting periods beginning on or after 1 January 2013

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. Comparative amounts have not been restated. There is no material change arising from the application of this standard.

AASB 128 Investments in Associates and Joint Ventures (2011), AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

When effective Applicable to annual reporting periods beginning on or after 1 January 2013

30 June 2014 – Applicability – Full years Mandatory

30 June 2014 – Applicability – Half-years already implemented

This Standard supersedes AASB 128 Investments in Associates.

The Standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases) as well as prescribes how investments in associates and joint ventures should be tested for impairment. The application of this standard did not result in any change to this financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of new and revised standards (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

When effective Applicable to annual reporting periods beginning on or after 1 July 2013

30 June 2014 – Applicability – Full years Mandatory

30 June 2014 – Applicability – Half-years Mandatory

Amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs.

Disclosure requirements in relation to remuneration referred to in s.300(1)(c) of the Corporations Act 2001 are detailed in Regulation 2M.3.03 of the Corporation Regulations 2001.

(d) Basis of Consolidation

The consolidated financial statements comprise the consolidated financial statements of Aruma Resources Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Control is achieved where the Company has exposure to variable returns from its involvement with the entity and the power to affect those returns.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of Consolidation (continued)

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Aruma.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Revenue recognition

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Research & Development

Research and development (“R&D”) claims are recognised when the Company is notified that its R&D claim has been accepted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Plant & equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of profit or loss and other comprehensive income on a diminishing value basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

(i)	computer software	2.5 years
(ii)	computer hardware	4 years
(iii)	office equipment	5-7 years
(iv)	field equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Issued capital

Ordinary shares

Ordinary shares are classified as issued capital. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(j) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income tax

Income tax on the consolidated statement of profit or loss and other comprehensive income for the periods presented comprises current payable and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of the receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investment or financing activities which is payable to, or recoverable from, the taxation authority is classified within operating cash flows.

(n) Exploration and evaluation

Exploration and evaluation costs, excluding the costs of acquiring licences, are expensed as incurred. Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are carried forward only if the rights to tenure of the area of interest are current and either:

- They are expected to be recouped through successful development and exploitation of the area of interest; or
- The activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Accumulated acquisition costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

The carrying values of acquisition costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(o) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all potentially dilutive ordinary shares, which comprise convertible notes and share options granted to employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Aruma.

(q) Financial assets

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”) ‘held to maturity’ investments, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

ii) *Financial assets at FVTPL*

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial assets (continued)

- the financial asset forms part of a group of financial assets or financial liabilities or both which, is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 9.

(iii) AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Fair value is determined in the manner described in note 9. Gains and losses arising from changes in fair value are recognised in other comprehensive income and are accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

(iv) *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost, using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(v) *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss and other comprehensive income.

(v) *Impairment of financial assets (continued)*

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(r) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to directors and executives of the Group and to sponsoring brokers in the form of share-based payments, whereby directors, executives and brokers render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than market conditions, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payment transactions (continued)

(i) Equity settled transactions: (continued)

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit and loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

Finance lease assets are depreciated on a diminishing value basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(u) Financial position

The financial report for the year ended 30 June 2014 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2014 the Group recorded a net loss of $1,244,175 (2013: $1,832,197) and had a net working capital surplus of $2,385,135 (30 June 2013: $2,924,746).

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group's accounting policies which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with directors and executives by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model, using the assumptions detailed in note 23.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the directors have elected for the acquisition of licence costs to be capitalised. All other exploration and evaluation costs are expensed during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

Recovery of deferred tax assets

Significant management judgement has been effected to determine that no deferred tax assets be recognised, based on the expectation that the Group will not make any taxable profits over the next two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		CONSOLIDATED	
		2014	2013
		$	$
3.	**REVENUE**		
	R & D tax offset	636,552	376,507
	Refunds	181	45,866
		636,733	422,373
4.	**LOSS BEFORE INCOME TAX**		
	Loss before income tax expense has been arrived at after charging the following items:		
	Depreciation	4,050	4,788
5.	**FINANCING INCOME**		
	Interest income	85,967	77,904
	Interest expense	-	(41)
		85,967	77,863
6.	**AUDITORS' REMUNERATION**		
	During the year the following fees were paid or payable for services provided by the auditors of the Group, their related practices and non-related audit firms:		
	Auditors' remuneration:		
	Audit and review services:		
	- Auditors of the Group	36,293	24,375
	Other professional services:		
	- Auditors of the Group	9,268	7,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		CONSOLIDATED	
		2014	2013
		$	$
7.	**LOSS PER SHARE**		
	Loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date	0.93 cents	2.02 cents
(a)	Weighted average number of shares used in calculation of basic loss per share	**No. shares**	**No. shares**
	Shares on issue at beginning of year	129,304,167	79,304,167
	Effect of 20,000,000 shares issued on 14 April 2014	4,273,973	-
	Effect of 19,668,000 shares issued on 11 March 2013	-	6,035,112
	Effect of 30,332,000 shares issued on 26 April 2013	-	5,484,690
	Weighted average number of ordinary shares at 30 June	133,578,140	90,823,969
(b)	Loss used in calculating basic loss per share	$1,244,175	$1,832,197

As the Group incurred a loss for the year the options on issue have an anti-dilutive effect therefore the diluted loss per share is fixed at the value of the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED	
	2014	2013
	$	$
8. INCOME TAXES		
a) Recognised in the statement of profit or loss and other comprehensive income		
The major components of the tax expense/(income) are:		
Current tax expense	-	-
Deferred tax income relating to the origination and reversal of temporary timing differences	-	-
Total tax income attributable to continuing operations	-	-
b) Amounts charged or credited directly to equity	-	-
Deferred income tax related to items (credited) directly to equity	-	-
Income tax expense/(benefit) reported in equity	-	-

8. INCOME TAXES (CONTINUED)

The prima facie income tax expense/(benefit) on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:

	CONSOLIDATED	
	2014	**2013**
	$	**$**
c) Numerical reconciliation between aggregate income tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate		
Profit/(loss) before income tax expense from operations	(1,244,175)	(1,832,197)
Income tax expense/(benefit) calculated at 30%	(373,253)	(549,660)
Non-assessable income	(190,966)	(112,952)
Temporary differences not recognised	(32,832)	60,741
Non-deductible expenses	2,043	19,019
Tax losses not recognised	595,008	582,852
Income tax expense/(benefit)	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES (CONTINUED)

	CONSOLIDATED	
	2014	2013
	$	$
d) The following deferred tax assets and (liabilities) have not been brought to account as assets:		
Tax losses – revenue	1,316,271	1,145,701
Temporary differences	76,804	76,624
	1,393,075	1,222,325
d) Deferred tax assets not recognised in respect of the following items:		
Trade and other receivables	(776)	(6,627)
Trade and other payables	37,535	94,664
Exploration costs	(20,091)	30,787
Section 40-880 expenses	60,136	(42,200)
Tax losses carried forward	1,316,271	1,145,701
	1,393,075	1,222,325
e) Carry forward tax losses:		
Unused tax losses, for which no deferred tax asset has been recognised (as recovery is currently not probable)	4,387,570	3,819,002
Unused capital losses, for which no deferred tax asset has been recognised (as recovery is currently not probable)	-	-
At 30%	1,316,271	1,145,701

The deferred tax assets have not been brought into account at balance date as the realisation of these is not probable. This benefit (which has been calculated as 30% of losses and deductions available) will only be obtained if

i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
ii) the Company continues to comply with the conditions for deductibility imposed by the tax legislation; and
iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from its parent entity and cash at bank.

Cash

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Cash and cash equivalents are held with ANZ Bank which is an Australian bank with an AA credit rating (Standard & Poor's).

Trade and other receivables

As the Group operates in the mining exploration sector it does not have trade receivables and is therefore not exposed to credit risk in relation to trade receivables. Other receivables relate to GST input credits and interest accrued on cash held with banks.

Presently, the Group undertakes exploration and evaluation activities solely in Australia. At the balance date there were no significant concentrations of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	CARRYING AMOUNT CONSOLIDATED	
		2014	**2013**
		$	$
Cash and bank balances	10	928,001	1,702,347
Trade and other receivables	11	16,768	20,997
Term deposit investments	12	1,565,158	1,500,000

Impairment losses

None of the Group's trade and other receivables is past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Group ensures it has sufficient cash on demand to meet expected operational expenses for a minimum period of 90 days.

	Carrying amount	Contractual cash flows	6 months or less	6 months or more
Consolidated	$	$	$	$
30 June 2014				
Trade and other payables	118,707	(118,707)	(118,707)	-
	118,707	(118,707)	(118,707)	-
30 June 2013				
Trade and other payables	344,939	(334,939)	334,939	-
	344,939	(334,939)	334,939	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is not exposed to any currency risk. All investments and purchases are denominated in Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its assets held in cash and cash equivalents.

The Group has no borrowings.

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	CONSOLIDATED			
	2014		2013	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	$	%	$	%
Variable rate instruments				
Cash and bank balances	674,873	1.58	702,347	0.12
Fixed rate instruments				
Bank balances	253,128	3.55	1,000,000	4.10
Term deposit investments	1,565,158	3.60	1,500,000	4.30

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity		Profit and loss	
	100bp increase	**100bp** decrease	**100bp** Increase	**100bp** decrease
30 June 2014				
Variable rate instruments	6,749	(6,749)	6,749	(6,749)
30 June 2013				
Variable rate instruments	7,023	(7,023)	7,023	(7,023)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

The Group currently has no financial instruments that are shown at fair value.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
10. CASH AND CASH EQUIVALENTS		
Cash at hand	1	1
Cash at bank	674,872	702,346
Short term deposits	253,128	1,000,000
	928,001	1,702,347
	%	%
Weighted average interest rate.	2.12	2.46

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
11. TRADE AND OTHER RECEIVABLES		
Current		
GST receivable	46,561	89,527
Other receivables	16,768	20,997
	63,329	110,524

Trade and other receivables are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		CONSOLIDATED	
		2014	2013
		$	$
12.	**TERM DEPOSIT INVESTMENTS**		
	6 month term deposit	1,565,158	1,500,000

Term deposit investments are interest bearing attracting a fixed rate of 3.60%

13.	**OTHER CURRENT ASSETS**		
	Prepayments	7,019	4,862
	Deposits	5,384	5,384
		12,403	10,246

14. PLANT & EQUIPMENT

	CONSOLIDATED	
	2014	2013
	$	$
Office equipment at cost	11,093	11,093
Accumulated depreciation	(4,976)	(3,691)
Office equipment	6,117	7,402
Field equipment at cost	40,800	1,889
Accumulated depreciation	(1,857)	(1,045)
Field equipment	38,943	844
Computer equipment at cost	20,182	15,677
Accumulated depreciation	(10,756)	(8,801)
Computer equipment	9,426	6,876
Total carrying value	54,486	15,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PLANT & EQUIPMENT (CONTINUED)

Movement in the carrying amounts for each class of plant and equipment

	Office equipment	**Computer equipment**	**Field equipment**	**Total**
Consolidated: 30 June 2014	$	$	$	$
At 1 July 2013 net of accumulated depreciation	7,402	6,876	844	15,122
Additions	-	4,505	38,911	43,416
Depreciation charge for the year	(1,285)	(1,955)	(812)	(4,052)
At 30 June 2014 net of accumulated depreciation	6,117	9,426	38,943	54,486

	Office equipment	**Computer equipment**	**Field equipment**	**Total**
Consolidated: 30 June 2013	$	$	$	$
At 1 July 2012 net of accumulated depreciation	8,842	9,650	1,220	19,712
Additions	198	-	-	198
Depreciation charge for the year	(1,638)	(2,774)	(376)	(4,788)
At 30 June 2013 net of accumulated depreciation	7,402	6,876	844	15,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		CONSOLIDATED	
		2014	2013
		$	$
15.	CAPITALISED EXPLORATION EXPENDITURE		
	Balance at beginning of the year	446,447	538,919
	Settlement of contingent liability	-	20,000
	Impairment of tenements	(190,000)	(112,472)
	Stamp duty paid on acquisition of tenements	522	-
	Balance at end of the year	256,969	446,447

The ultimate recoupment of acquisition costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. At balance date the exploration projects have not reached a stage where this determination can be made.

		CONSOLIDATED	
		2014	2013
		$	$
16.	TRADE AND OTHER PAYABLES		
	Trade creditors and accruals (i)	118,707	344,939
		118,707	344,939

(i) All trade creditors and accruals are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
17. PROVISIONS		
Employee leave entitlements	59,549	53,432
Rehabilitation	5,500	-
	65,049	53,432

18. SHARE CAPITAL

	COMPANY 2014 $	COMPANY 2013 $
Ordinary shares		
149,304,167 (2013: 129,304,167) fully paid ordinary shares	8,729,961	8,175,511

Movements during the year	2014 Number	2014 $	2013 Number	2013 $
Balance at beginning of year	129,304,167	8,175,511	79,304,167	5,837,879
Shares issued for cash	20,000,000	560,000	50,000,000	2,500,000
Shares issued on acquisition of exploration assets	-	-	-	-
Transaction costs arising on share issues	-	(5,550)	-	(162,368)
Balance at end of year	149,304,167	8,729,961	129,304,167	8,175,511

		CONSOLIDATED	
		2014	2013
		$	$
19.	**RESERVES**		
	Share-based payment reserve	95,389	95,389
	Movement		
	Balance at beginning of year	95,389	-
	Share-based payments	-	95,389
	Balance at end of year	95,389	95,389

Share-based payment reserve

The share-based payment reserve is used to record the value of equity benefits provided as consideration for goods and services received.

		CONSOLIDATED	
		2014	2013
		$	$
20.	**ACCUMULATED LOSSES**		
	Movement		
	Balance at beginning of year	(4,884,585)	(3,052,388)
	Loss for the year	(1,244,175)	(1,832,197)
	Balance at end of year	(6,128,760)	(4,884,585)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED	
	2014	2013
	$	$
21. COMMITMENTS		
Exploration Expenditure Commitments		
not later than 1 year	863,380	531,060
Later than 1 year but not later than 5 years	3,453,520	2,124,240
	4,316,900	2,655,300
Operating Lease Commitments		
not later than 1 year	8,397	33,589
Later than 1 year but not later than 5 years	-	8,397
	8,397	41,986

22. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE-BASED PAYMENTS

During the year no options were granted as share-based compensation by Aruma (2013: 6,400,000).

The following share-based payment arrangements were in place during the year:

Aruma Resources Limited	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Option series No.1	400,000	15 Aug 2012	14 Aug 2014	0.093	17,885
Option series No.2	6,000,000	17 Apr 2013	17 Mar 2016	0.082	77,504

The following table illustrates the number (No.) and weighted average exercise prices of and movements in, share options on issue:

	2014 No.	2014 Weighted average exercise price $	2013 No.	2013 Weighted average exercise price $
Outstanding at the beginning of the year	6,400,000	0.08	-	-
Issued during the year	-	-	6,400,000	0.08
Expired during the year	-	-	-	-
Outstanding at the end of the year	6,400,000	0.08	6,400,000	0.08
Exercisable at the end of the year	6,400,000	0.08	6,400,000	0.08

The outstanding balance as at 30 June 2014 is represented by 6,400,000 options over ordinary shares with an exercise price of between $0.082 and $0.093 each, exercisable up to dates of between 14 August 2014 and until 17 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the year and unless otherwise indicated were key management personnel for the entire period:

Executive director

Mr P Schwann, Managing Director

Non-executive directors

Mr P Boyatzis, Chairman

Mr K K Chong

(a) Key management personnel compensation

The key management personnel compensation for the year is as follows:

	CONSOLIDATED	
	2014	2013
	$	$
Short-term employee benefits	352,000	352,000
Share-based payments	-	45,211
Post-employment benefits	23,125	22,500
	375,125	419,711

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and executives. Remuneration packages comprise fixed remuneration.

Information regarding individual directors and executives compensation disclosures as required by *Corporations Regulations* 2M.3.03 and 2M.6.04 is provided in the remuneration report section 3.1, 3.2, and 3.3 of the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. RELATED PARTIES

	Ownership interest	
	2014	**2013**
Controlled entities		
Aruma Exploration Pty Ltd	100%	100%

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

During the year Schwann Consulting Pty Ltd, an entity related to Managing Director Peter Schwann, provided a motor vehicle, caravan and equipment for hire to the Company charging a total of $10,095 plus GST (2013: $31,395 plus GST). There is no amount outstanding (2013: $2,837.76 plus GST) included under trade payables at 30 June 2014.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED	
	2014	2013
	$	$
26. NOTES TO STATEMENT OF CASH FLOWS		
a) Reconciliation of cash and bank balances		
For the purposes of the statement of cash flows, cash and bank balances comprise the following at 30 June:		
Cash at hand	1	1
Cash at bank	674,872	702,346
Short term deposits	253,128	1,000,000
	928,001	1,702,347
b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities:		
Loss for the year	(1,244,175)	(1,832,197)
Adjustments for:		
Depreciation	4,050	4,788
Share-based payments	-	63,096
Impairment of assets	190,000	112,472
Add/(less):		
(Increase)/decrease in trade and other receivables	47,195	(46,690)
(Increase)/decrease in other current assets	(2,157)	(1,512)
Increase/(decrease) in trade and other payables	(226,232)	205,292
Increase/(decrease) in provisions	11,617	17,471
Net cash used in operating activities	(1,219,702)	(1,477,280)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. SEGMENT INFORMATION

AASB 8: *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the chief operating decision maker to make decisions regarding the Group's operations and allocation of working capital.

Due to the size and nature of the Group, the Board as a whole has been determined as the chief operating decision maker.

The Group operates in one business segment and one geographical segment, namely mineral exploration industry in Australia only. AASB 8: *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Group has therefore decided to aggregate all their segments into one reportable operating segment.

The revenues and results of this segment are those of the Group as a whole and are set out in the statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the statement of financial position.

28. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date the Company announced the addition of several leases increasing the size of the Bulloo Downs project to over 2,000Km^2.

Other than the material event described above there have been no other material events occurring subsequent to the reporting date.

29. DIVIDENDS

No dividends were paid or declared by the Company during the year or since the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. PARENT ENTITY INFORMATION

In the year ended 30 June 2014 the Parent company of the Group was Aruma Resources Limited.

	COMPANY	
	2014	2013
	$	$
Financial performance of Parent entity at year end		
Loss for the year	(1,244,175)	(1,832,197)
Other comprehensive income		-
Total comprehensive expense for the year	(1,244,175)	(1,832,197)
Financial position of Parent entity at year end		
Current assets	2,568,891	3,323,117
Total assets	2,880,346	3,784,686
Current liabilities	183,756	398,371
Total liabilities	183,756	398,371
Total equity of the Parent entity comprising:		
Share capital	8,729,961	8,175,511
Share-based payment reserve	95,389	95,389
Accumulated losses	(6,128,760)	(4,884,585)
Total equity	2,696,590	3,386,315

DIRECTORS' DECLARATION

1. In the opinion of the directors of Aruma Resources Limited ("the Company"):

a. the financial statements, notes and the additional disclosures of the Group are in accordance with the Corporations Act 2001 including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

d. the remuneration disclosures included in Section 3 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2014.

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

P Schwann
Managing Director
Perth

Dated 29th August 2014

nexia australia

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Independent auditor's report to the members of Aruma Resources Limited

Report on the financial report

We have audited the accompanying financial report of Aruma Resources Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with the 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 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

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 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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*.

Nexia Perth Audit Services Pty Ltd
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audit@nexiaperth.com.au, www.nexia.com.au

nexia
australia

Opinion

In our opinion:

(a) the financial report of Aruma Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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 Aruma Resources Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

29 August 2014
Perth

CORPORATE GOVERNANCE

Aruma Resources Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The disclosure of corporate governance practices can be viewed on the Company website at www.arumaresources.com.

The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Corporate Governance Compliance

A description of the Company's main corporate governance practices are set out below. All these practices, unless otherwise stated, have been in place for financial year ended 30 June 2014. The Company has considered the ASX Corporate Governance Principles and the corresponding Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX Principles and Recommendations	“If not, why not”
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 2.1	✓	
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5	✓	
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 3.2		✓
Recommendation 3.3		✓
Recommendation 3.4	✓	
Recommendation 4.1		✓
Recommendation 4.2		✓
Recommendation 4.3		✓
Recommendation 4.4	✓	
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 7.1	✓	
Recommendation 7.2		✓
Recommendation 7.3	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3	✓	

CORPORATE GOVERNANCE (CONTINUED)

<u>Disclosure – Principles & Recommendations - financial year 2013/2014</u>

Principle 1 – Lay solid foundations for management and oversight

"Companies should establish and disclose the respective roles and responsibilities of board and management."

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary and Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

CORPORATE GOVERNANCE (CONTINUED)

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Managing Director who acts in the capacity as CEO and his performance is monitored and evaluated by the Board.

Some Board functions may be handled through Board Committees. These committees are appointed when the size and scale of operations requires. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Board is responsible for evaluating the senior executives. The performance of senior executives is reviewed with reference to the terms of their employment contracts.

There was no formal performance evaluation of the senior executives during the financial year although their performance was monitored regularly by the Chairman and feedback provided as and when required.

Principle 2 – Structure the board to add value

"Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties."

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Board has a majority of independent directors. The independent directors are Mr Boyatzis (Non- Executive Chairman) and Mr Chong (Non-Executive Director).

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

Mr Boyatzis is Non-Executive Chair of the Board.

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 2.3:

The roles of the Chair and CEO should not be exercised by the same individual.

Disclosure:

The role of the Chairman and the CEO are not exercised by the same person.

The division of responsibilities between the Chairman and the CEO is set out in the Board Charter.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

A nomination committee has not been established.

The role of the Nomination Committee has been assumed by the full Board and processes are in place to address issues that would otherwise be considered by the Nomination Committee.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chairman is responsible for evaluation of the CEO, the Board and the committees.

The review is currently informal but is based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance.

Induction procedures are in place for all directors and senior executives report to the Board as to their area of responsibility at each Board meeting, if required.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and term of office of each Director and re-election procedure

A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.

In accordance with the Constitution, one third of the directors retire by rotation each year and may offer themselves for re-election.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company’s scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

CORPORATE GOVERNANCE (CONTINUED)

Identification of Independent Directors

Mr Boyatzis and Mr Chong are independent directors of the Company.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Principle 3 – Promote ethical and responsible decision-making

"Companies should actively promote ethical and responsible decision-making."

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code.

Disclosure:

The Company has a Code of Conduct that applies to all directors, senior executives, employees and contractors. The Code is disclosed on the Company's website.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Board has not adopted a Diversity Policy, however, the Board recognises the benefits of having an appropriate blend of diversity on the Board and in all areas of the Group's business. The employees and officers of the Group currently represent a range of ethnicity, cultural background, age, gender skills and experience.

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

The Board has not yet established formal measurable objectives for achieving gender diversity as they are not considered to be warranted given the size and stage of development of the organization.

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 3.4:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

Given the size of the Company, the Directors do not consider it appropriate to set and include measurable objectives in relation to diversity. Nevertheless, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds.

<u>Proportion of women employees</u>

	Number
Women employees in the Group:	1 of 3
Women in senior executive positions:	0 of 1
Women on the Board:	0 of 3

Principle 4 – Safeguard integrity in financial reporting

"Companies should have a structure to independently verify and safeguard the integrity of their financial reporting"

Recommendation 4.1

The Board should establish an Audit Committee.

Disclosure:

An Audit Committee has not been established. The role of the Audit Committee has been assumed by the full Board.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent Chair, who is not Chair of the Board; and
- has at least three members.

Disclosure:

There is no Audit Committee and based on the current Board membership an Audit Committee would not comply with this recommendation.

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an Audit Committee. When the establishment of an Audit Committee it is considered to be justified and the Board of a sufficient size, an appropriate Charter will be adopted.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:

There is no Audit Committee and the whole Board acts in this capacity.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed as required by the Board.

Principle 5 – Make timely and balanced disclosure

"Companies should promote timely and balanced disclosure of all material matters concerning the company."

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market.

Principle 6 – Respect the rights of shareholders

"Companies should respect the rights of shareholders and facilitate the effective exercise of those rights."

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

CORPORATE GOVERNANCE   (CONTINUED)

Disclosure:

The Company has a Shareholder Communications Policy and a website for making information available to shareholders. Shareholders are encouraged to attend and participate in general meetings.

Principle 7 – Recognise and manage risk

"Companies should establish a sound system of risk oversight and management and internal control."

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Principle 7 – Recognise and manage risk (continued)

Disclosure:

The Board has adopted a Risk Management Policy. As detailed in 7.2 no risk management committee has been formed and this role is undertaken by the Board, however, the overall basis for risk management is to provide recommendations about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
    - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
    - litigation and claims; and
    - relevant business risks other than those that are dealt with by other specific Board Committees.
2. Ensuring that the Company has an effective risk management system and that major risks to the Company are reported at least annually to the Board.
3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.
4. Evaluating the process the Company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Company's control environment.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

CORPORATE GOVERNANCE (CONTINUED)

Disclosure:

Management designs, implements and maintains risk management and internal control systems to manage the Company's material business risks. As part of regular reporting procedure, management report to the Board confirming that those risks are being managed effectively.

The Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

A Risk Management Committee has not been formed and no internal audit function exists. All functions, roles and responsibilities with regard to risk oversight and management and internal control are undertaken by Management as at the date of this report.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Board has received the declaration from the Chief Executive Officer and the person assuming the role of Chief Financial Officer.

Principle 8 – Remunerate fairly and responsibly

"Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear."

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

A Remuneration Committee has not been established and the role of the Remuneration Committee has been assumed by the full Board. The Board considers that the Company is not of a size to justify the formation of a remuneration committee. Processes are in place for the Board to address issues that would otherwise be considered by the Remuneration Committee.

Recommendation 8.2:

The Remuneration Committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

CORPORATE GOVERNANCE (CONTINUED)

Disclosure:

There is no remuneration committee and based on the current Board membership a remuneration committee could not comply with this recommendation. When the establishment of a remuneration committee is considered to be justified an appropriate Charter will be adopted.

Recommendation 8.3:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed periodically to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares options granted at the discretion of the Board and subject to obtaining the relevant approvals.

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation). Non-executive directors were granted options during the previous year to suitably remunerate and incentivise the directors whilst not impacting on the Company's cash reserves. This was considered to be very important for a company of the size and stage of development as Aruma in current market conditions. The issue of options to non-executive directors may be put to shareholders for their approval at the 2014 annual general meeting. It is noted that the grant of options to non-executive directors is contrary to the guidelines of Recommendation 8.3.

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 22 August 2014.

Substantial shareholders

The Company has not received any current substantial shareholder notices as at 22 August 2014.

Voting rights

Ordinary shares

One vote for each ordinary fully paid share.

Options

There are no voting rights attached to options.

On-market buy-back

There is no current on-market buy-back

Distribution of equity security holders

Quoted ordinary shares

Category	Number of holders	Number of shares
1 - 1,000	8	145
1,001 - 5,000	6	23,085
5,001 - 10,000	105	1,043,287
10,000 - 100,000	158	7,476,311
100,000 and over	175	140,761,339
	452	149,304,167

124 shareholders hold less than a marketable parcel of ordinary shares.

Unquoted options

	Exercisable at 8.2 cents expiring 17 March 2016		Exercisable at 5 cents expiring 28 February 2017	
Category	Number of holders	Number of options	Number of holders	Number of options
1 - 1,000	-	-	-	-
1,001 - 5,000	-	-	-	-
5,001 - 10,000	-	-	-	-
10,000 - 100,000	-	-	-	-
100,000 and over	4	6,000,000	2	2,500,000
	4	6,000,000	2	2,500,000

ASX ADDITIONAL INFORMATION (CONTINUED)

Restricted Securities

The Company has 149,304,167 shares and 8,500,000 options on issue. The Company does not have any securities on issue subject to escrow.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
National Nominees Limited	18,848,500	12.62
Zero Nominees Pty Ltd	7,400,000	4.96
BBY Nominees Limited	5,330,000	3.57
Ironside Pty Ltd	5,200,000	3.48
K R Don Pty Ltd	5,200,000	3.48
Nexus Minerals Limited	5,000,000	3.35
PB Schwann	4,344,667	2.91
RA Caldow	3,800,000	2.54
Cornela Pty Ltd	3,750,000	2.51
JP Morgan Nominees Australia Limited	3,292,000	2.20
Lesuer Pty Ltd	3,000,000	2.01
Navigator Australia Ltd	2,800,000	1.88
Lemuel Investments Limited	2,222,222	1.49
Hipete Pty Ltd	2,122,805	1.42
WB & RM Willis	2,000,000	1.34
GR & CA Schuhkraft	1,817,568	1.22
Buckingham Investment Financial Services Pty Ltd	1,654,481	1.11
Papua Coal Pty Ltd	1,555,555	1.04
DP Schwann	1,500,000	1.01
LF & KJ Bailey	1,486,205	1.00
	82,324,003	55.14

SUMMARY OF ARUMA RESOURCES LIMITED TENEMENTS:

TENEMENTS	LOCATION	OWNERSHIP INTEREST
Glandore (Gold)		
M25/327	Eastern Goldfields region Western Australia	100%
M25/329		
M25/330		
P25/2089		
P25/2090		
P25/2091		
P25/2092		
P25/2093		
P25/2094		
P25/2103		
P25/2117		
P25/2118		
P25/2119		
P25/2153		
P25/2154		
P25/2199		
P25/2202		
P25/2203		
P25/2204		
P25/2073	Eastern Goldfields region Western Australia	100%. Transfer from Plasia Pty Ltd
P25/2074		
P25/2075		
P25/2076		
Bulong (Gold)		
E25/469	Eastern Goldfields region Western Australia	100%

TENEMENTS	LOCATION	OWNERSHIP INTEREST
Clinker Hill (Gold)		
P25/2201	Eastern Goldfields region Western Australia	100%
Jundee South (Gold)		
E53/1461	Eastern Goldfields region Western Australia	100%
Bulloo Downs (Copper)		
E52/2024-I	Ashburton region Western Australia	0% Option with Dynasty Resources Ltd to farm-in for up to a 90% interest
E52/2464-I		
E52/2317-I		0% Joint venture with Atlas Iron Ltd to earn up to 90% interest
E52/2327-I		
E52/2337-I		
E52/2351-I		
E52/2283-I		
E52/2803-I		
E52/2887		100%. Transfer from Plasia Pty Ltd
E52/3096		100%