ARUMA RESOURCES LIMITED

(ABN 77 141 335 364)

Annual Financial Report
30 June 2020

Contents

Corporate information

Directors

Paul Boyatzis (Chairman)

Peter Schwann (Managing director)

Mark Elliott

Company secretary

Phillip MacLeod

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Elderton Audit Pty Ltd

Level 2, 267 St George's Terrace

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Securities exchange listing

ASX Limited

ASX Code: AAJ

Letter from the Board to Shareholders

Dear Shareholder

Your company, Aruma Resources Ltd (“Aruma” or “The Company”), is an active gold exploration company based in Western Australia with a focus in the Pilbara and Norseman regions in Western Australia, and the Lachlan Fold Belt in New South Wales, whilst also retaining a presence in the Eastern Goldfields.

During the year, the Company completed exploration at its Eastern Goldfields projects, which culminated in a drilling program at the Slate Dam, Beowulf and Clinker Hill Projects. This program delivered zones of low-grade gold anomalism.

The Beowulf and Kopai Projects have been relinquished and Slate Dam, Trojan and Clinker Hill are under review. Additionally, the company’s Glandore project was transferred to a private gold miner in the Kalgoorlie area and a 1.25% net smelter royalty is maintained.

The outbreak of Covid-19 triggered travel and movement restrictions, during which time the Company focused on generating new projects using new geological information packages in highly prospective Australian gold districts.

The acquisition of the Capital Project in the Lachlan Fold Belt, in NSW, will become a future exploration focus for the Company. This project includes two leases in close proximity to Sky Metals’ exciting Hume gold discovery. A subsequent appraisal of the surrounding area resulted in the application for the Bywong Lease, which contains historic gold production.

Also, as part of Aruma’s targeted project generation strategy, the Company during the second half of the year, secured two strategic gold projects in the Pilbara region;

1. Melrose, adjacent and encircling the 1M oz. Paulsens gold project; and
2. Saltwater, a known historic gold area and previously explored for Uranium.

The Company also added the Scotia South Gold Project to its project portfolio. Scotia South is located on the same stratigraphy and similar structures as Pantoro’s gold discovery, south of Norseman.

All of Aruma’s new projects are strategically located, and have attracted the attention of investors, who have supported the Company’s successful capital raising activities during the year. The funds raised will be used to support Aruma’s enhanced exploration plans and enlarge the exploration team.

The coming year will see targeted exploration on the Company’s projects, with the focus on initial evaluation of the strong gold trends on all four new projects.

Finally, I would like to thank shareholders for their continued support during the past twelve months and recommend all shareholders read this report to gain a further understanding of the Company’s plans and projects.

Paul Boyatzis

Chairman

Review of operations

Exploration

Highlights

- **Aruma successfully commenced implementation of its strategy to identify and acquire new prospective gold projects**
- **Company acquired and/or pegged four, new strategically located gold projects in major, active gold mineralised belts**
- **New projects demonstrate potential to host large high-grade gold discoveries – in line with Aruma's sediment-hosted gold model**
- **Data assembly on all projects has identified strong evidence of gold mineralisation at all projects**
- **Final phase of exploration at Eastern Goldfields gold projects completed – 2,090m Reverse Circulation (RC) drilling program at the Slate Dam, Beowulf and Clinker Hill Projects**
- **Drilling intersected multiple zones of low-grade gold anomalism, but Aruma determined the projects did not warrant follow up drilling**
- **Mt Deans Lithium tenement granted and costs of $30,746 plus GST reimbursed to Aruma and the equivalent of $75,000 received in shares in Lithium Australia NL**
- **2019 R&D tax rebate of $444,818 (before costs) received**
- **$708,000 capital raised (before costs) completed at 30 June 2020 – cash balance at 30 June 2020 of $1.057m**

Aruma Resources Limited (ASX: AAJ) (Aruma or the Company) is pleased to provide the following review of operations on its exploration activities for the year ending 30 June 2020.

During the year the Company successfully implemented a project acquisition strategy, which saw it acquire and peg a number of new, prospective gold projects, which demonstrate the potential to host new, large high-grade gold discoveries.

Consistent with this strategy, Aruma has rationailsed its exiting project portfolio, and the Slate Dam/Trojan and Clinker Hill Projects are currently being assessed by potential purchasers.

During the year, Aruma acquired and/or pegged four, new, large and exciting gold projects, strategically located in major, active gold mineralised belts. Three of the new projects are located in Western Australia and one is located in New South Wales – and they cover a total area of 1,556km^2.

The new projects were identified as a result of research and assessment undertaken by Aruma for prospective project areas, which exhibit the characteristics of its sediment-hosted gold exploration model - and also based on their proximity to project areas where recent significant gold discoveries had been made. The projects are located in the Pilbara, Norseman and Lachlan Fold Belt environments and each were selected because of the setting, structure and proximity to known gold fertility.

Review of operations

The four new gold projects are:

- Saltwater Project – five Exploration Licences (Els) and three Exploration Licence Applications (ELAs) covering 736km² with a strike extent of more than 65km of the highly significant Nanjilgardy fault, in the Pilbara region of WA.
- Melrose Project - eight ELAs covering an area of 216km² adjacent to Northern Star Resources' Paulsens Gold Mine in the Pilbara region of WA.
- Scotia South Project – one ELA covering an area of 217km², at the southern end of the prolific Norseman-Wiluna greenstone belt, in south-east WA.
- Capital Project - three ELAs covering 372km² on a possible extension of the stratigraphy and structure of Sky Metals' significant Hume gold discovery, in the Goulburn region of NSW with known historic gold production.

See Figure 1 for Aruma's project location map and Table 1 for details of the Company's Licence holdings.

Projects' overview

Figure 1: Aruma's Australian gold projects

Review of operations

Tenement	Project	State	Holder	Status	Applied	Granted	Area km^2	Totals km^2
E52/3816	Saltwater	WA	AEPL (100%)	Granted	15/04/2020	1/07/2020	19	
E52/3818	Saltwater	WA	AEPL (100%)	Granted	17/04/2020	1/07/2020	171	
E52/3825	Saltwater	WA	AEPL (100%)	Granted	5/05/2020	5/07/2020	121	
E52/3830	Saltwater	WA	AEPL (100%)	Pending	12/05/2020	5/07/2020	56	
E52/3846	Saltwater	WA	AEPL (100%)	Pending	1/07/2020	1/09/2020	96	
E52/3852	Saltwater	WA	AEPL (100%)	Granted	7/08/2020		121	
E52/3854	Saltwater	WA	AEPL (100%)	Pending	7/08/2020		56	
E52/3857	Saltwater	WA	AEPL (100%)	Pending	14/08/2020		96	**736**
ELA08/3183	Melrose	WA	AEPL (100%)	Pending	20/04/2020		26	
ELA08/3184	Melrose	WA	AEPL (100%)	Pending	20/04/2020		16	
ELA08/3210	Melrose	WA	AEPL (100%)	Pending	27/05/2020		31	
ELA08/3188	Melrose	WA	AEPL (100%)	Pending	21/04/2020		45	
ELA47/4362	Melrose	WA	AEPL (100%)	Pending	21/04/2020		16	
ELA08/3219	Melrose	WA	AEPL (100%)	Pending	4/06/2020		65	
ELA47/4414	Melrose	WA	AEPL (100%)	Pending	22/07/2020		6	
ELA08/3244	Melrose	WA	AEPL (100%)	Pending	10/08/2020		12	**216**
E63/2037	Scotia South	WA	AEPL (100%)	Pending	21/05/2020		217	**217**
ELA5955	Gurrendah	NSW	Augustus PL	Pending	22/04/2020	Approved	48	
ELA5956	Currawang	NSW	Augustus PL	Pending	22/04/2020	Approved	156	
ELA5987	Bywong	NSW	AEPL (100%)	Pending	8/06/2020	Approved	168	**372**
						Grand Total		**1541**

Table 1: Aruma's new lease application details (shaded areas are in the current year).

Saltwater Gold Project

The Saltwater Gold Project consists of the five granted Exploration Licences (EL52/3816, ELA52/3818, EL52/3825, EL52/3830 and EL52/3846) and three Licence Applications (ELA52/3852, ELA52/3854 and ELA52/3857,) for a total area of 736km^2. The Project is located approximately 100 kilometres south-west of the regional mining centre of Newman.

The Project area is interpreted to cover a strike extent of more than 65km of the highly significant Nanjilgardy fault, the same regional structure reported as the primary source of gold mineralisation at Northern Star Resources' (ASX: NST) Paulsens Gold Mine and the Mt Olympus Gold Mine in the region.

Heritage Agreements for the Saltwater project area are in place and the Company has landholder support. Aruma has commenced its first phase of exploration at Saltwater in the current quarter.

An initial reconnaissance site visit to the Project has been completed to inspect the geological setting and zones of anomalous mineralisation, and previous mining activities. The Company now plans to undertake a detailed mapping program in conjunction with a rock chip and soil sampling program, targeting the outcropping areas at a large 60km^2 magnetic ring structure – known as the Saltwater Ring Structure. This initial exploration program will focus on identifying the stratigraphic and alteration control of mineralisation identified in work by previous explorers to quickly identify drilling areas and targets.

Aruma will then apply for a program of work (PoW) and other regulatory approvals required for drilling, ahead of the first phase of drilling at Saltwater which it expects to be undertaken as soon as possible.

Review of operations

Saltwater Gold Project (continued)

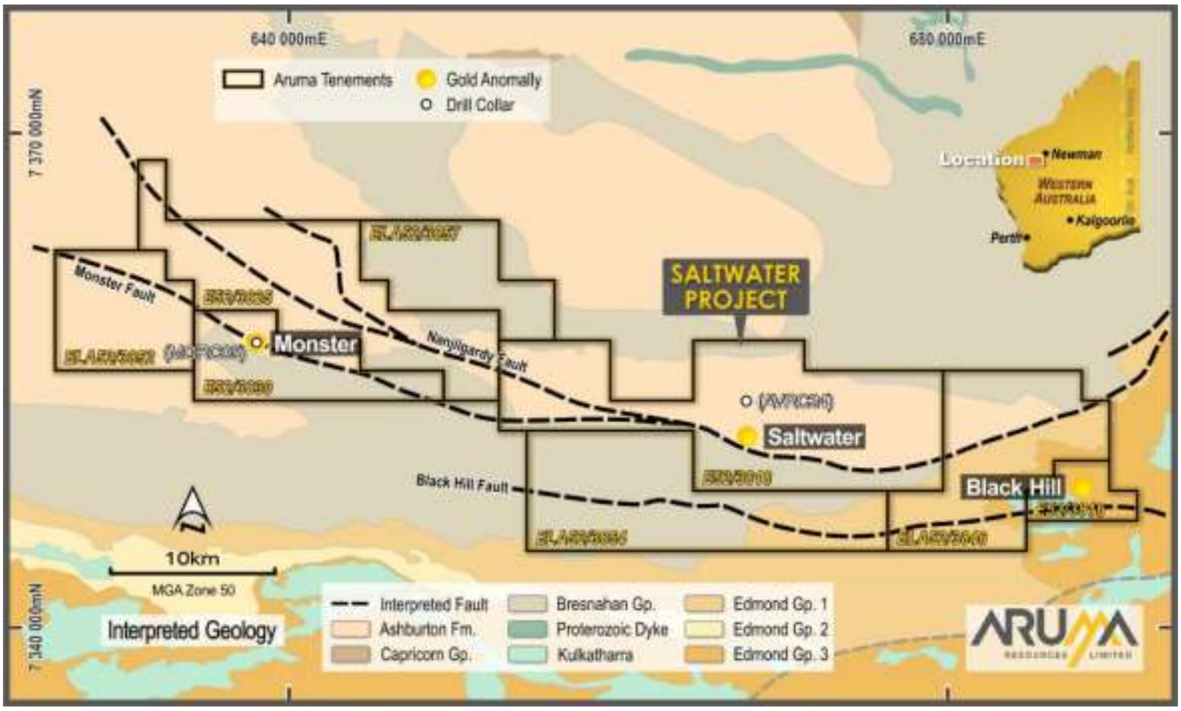

Figure 2: Aruma's Saltwater Project area on 500K geology showing Faults and anomalies.

Melrose Gold Project

The Melrose Gold Project consists of eight Exploration Licence Applications (ELA08/3183, ELA08/3184, ELA08/3188, ELA08/3210, ELA08/3219, ELA08/3244, ELA47/4362 and ELA47/4414) and covers a total area of 216km^2. It is located approximately 105km south of the mining town of Pannawonica on the border of the Ashburton and West Pilbara Mineral Fields.

As with the Saltwater Project, the Melrose Projects is situated on the same regional structure reported as the main source of gold mineralisation at the Paulsens Gold Mine and Mt Olympus Gold Mine. The structural corridors that control the mineralisation at Paulsens appear to continue into Aruma's Melrose Project area, where initial exploration targets have been identified (shown in Figures 3 and 4).

The Paulsens Deposit was discovered and mined in the early 1930s and was then called the Melrose Mine. It is situated in a +3 million ounce gold camp and most production has come from multiple lodes at the Paulsen Mine.

Review of operations

Melrose Gold Project (continued)

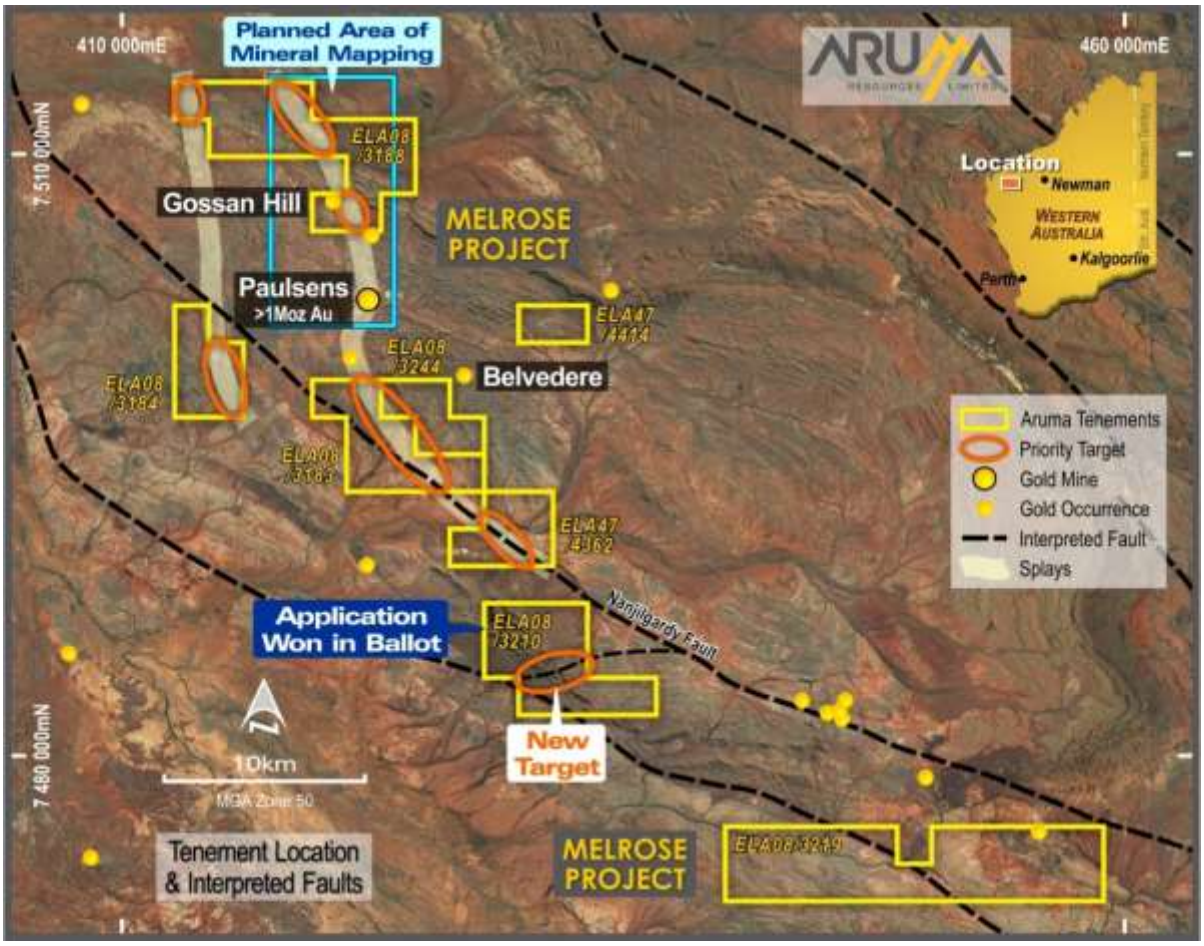

Figure 3: New lease ELA08/3210 with structures and targets

Review of operations

Melrose Gold Project (continued)

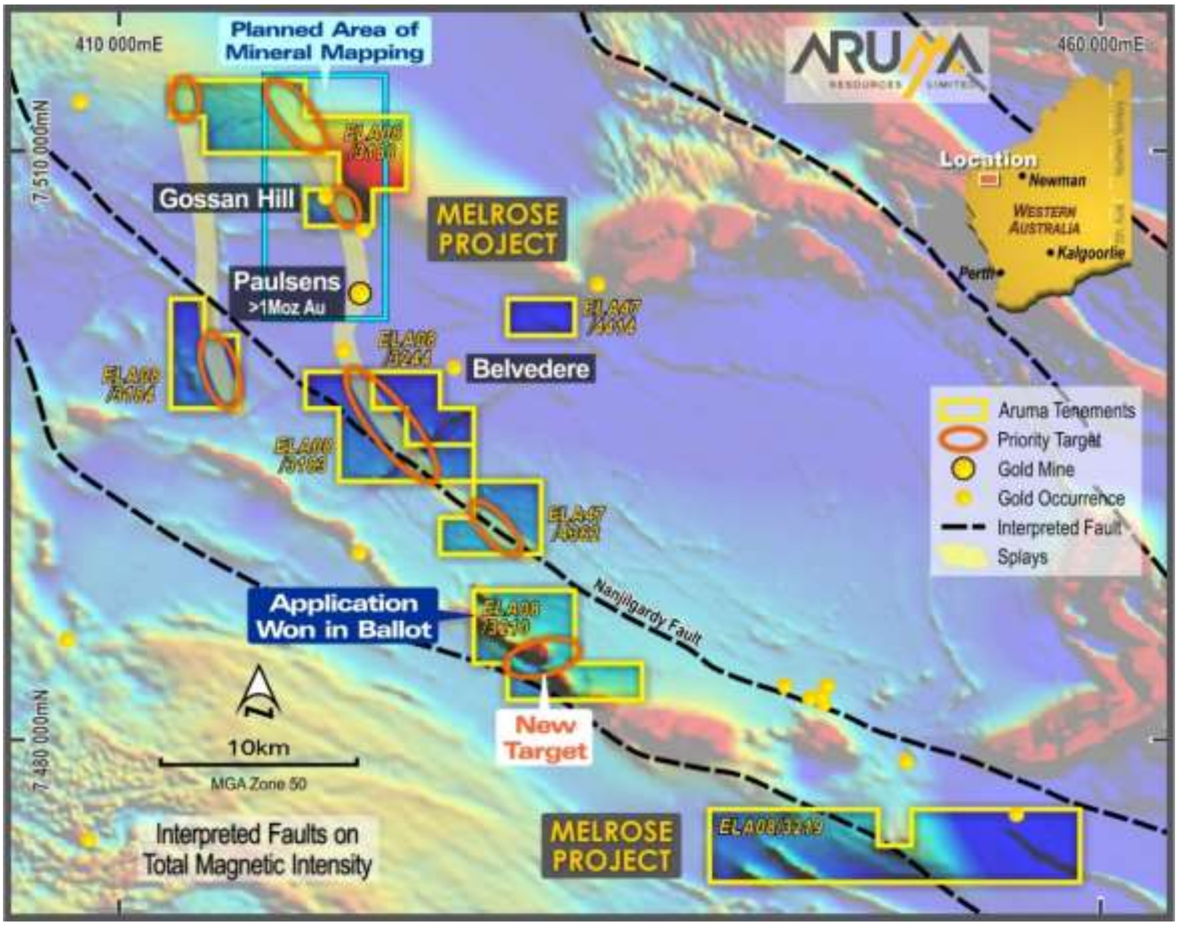

Figure 4: New lease ELA08/3210 on magnetics with structures and targets

Modern evaluation and mining of the Paulsens mine by NuStar Mining Corporation commenced in May 2004 and the Paulsens process plant poured the first bar in June 2005. In July 2010, Northern Star Resources took over the mine and successfully mined it until late 2017 producing up to 100,000 ounces of gold per year through both existing and new ore shoots.

Since 2017 Northern Star have relinquished areas in the Paulsens district following initial exploration, and these areas represent the ground that Aruma has appraised, using its "gold in sediment" exploration model to seek stratigraphic repetitions in favourable structures associated with the Nanjilgardy Fault.

ELAs at Melrose cover extensions and splays of the Nanjilgardy Fault which contain the Paulsens mine as well as the Mt Olympus mine, where the ore is either quartz veins in greywacke or lode in shale - which is in line with the Aruma model.

Most of the reported historic drilling and sampling was conducted on east-west traverses at a spacing that Aruma believes has left windows of opportunity for the discovery of further gold mineralisation. One such area is the Gossan Hills target which has multiple thick (>20m) anomalous (>0.2g/t Au) intersections, indicating carbonate alteration in gossanous ridges outlining the structure and highlighting the potential for sulphides. This area also has rock chip samples of >1g/t and this will be a priority area upon grant of the exploration licences.

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Review of operations

Scotia South Gold Project

The Scotia South Gold Project encompasses Exploration Licence Application ELA63/2037 and covers an area of 217km^2, at the southern end of the prolific Norseman-Wiluna greenstone belt in the Dundas Mineral Field. It is located approximately 200 kilometres south of the major regional centre of Kalgoorlie, and approximately 60 kilometres south of the mining town of Norseman.

The Project is strategically located on a 20 kilometre strike extension of the prospective stratigraphy magnetic signature that hosts Pantoro Limited's (ASX: PNR) Panda gold discovery at the Scotia Mining Centre, within the Norseman Gold Project (PNR, ASX announcement, 21 May 2020) – and also the very high-grade Eldridge's Find gold mine, immediately north of Aruma's Scotia South project area (Figure 5).

The Scotia South area has been drilled for nickel by previous explorers, who defined a strong, >100ppm, arsenic anomaly (in blue outline on Figure 5), but to date the area has been substantially under explored for gold (Minedex open file report A70631).

Aruma's initial assessment of Scotia South has identified three priority drill targets (circled in Figure 5), which will be the focus of the Company's first phase of exploration. It plans to test these initial targets with RAB drilling and follow-up RC drilling after the granting of the exploration licence, which is anticipated in the current calendar year.

Review of operations

Scotia South Gold Project (continued)

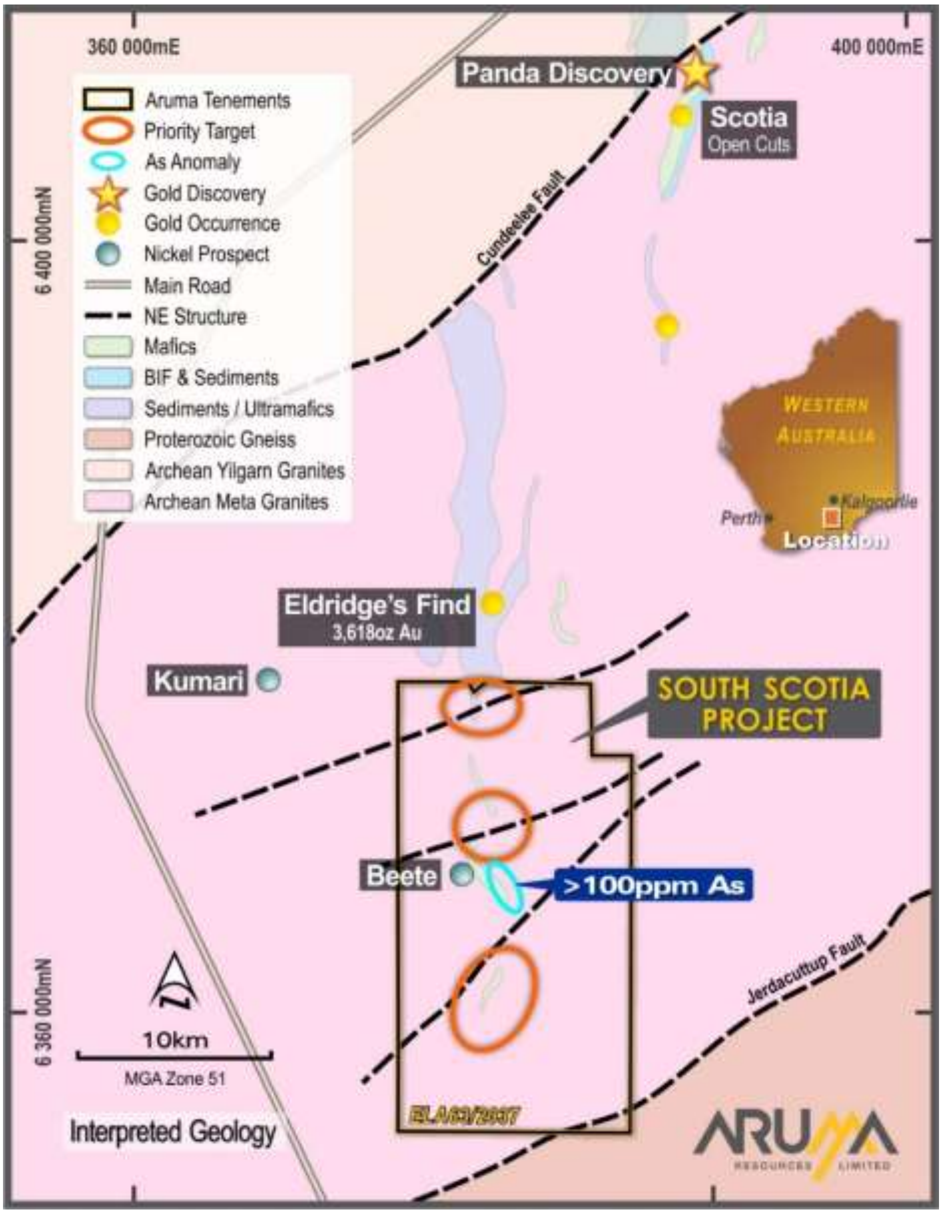

Figure 5: Aruma's Scotia South Project (ELA63/2037) on the interpreted bedrock geology showing gold occurrences with stratigraphy continuity hidden by cover (from GeoVIEW mapping).

Review of operations

Capital Gold Project, NSW

Aruma entered into an agreement to acquire the Capital Gold Project, in the Goulburn region of NSW (ASX announcement, 5 June 2020). The project area comprises three Exploration Licence Applications (ELA5955, ELA5956 and ELA5987) within the Lachlan Fold Belt.

It covers a possible extension of the stratigraphy and structure that hosts Sky Metals' (ASX: SKY) significant recent Hume gold discovery at its Cullarin Gold Project in the region (Figure 6). The thick, high-grade intersection at the Hume Prospect discovery was detailed in SKY's ASX announcement of 10 February 2020.

The Capital Project area also displays similar host stratigraphy and structures to Regis Resources' (ASX: RRL) major McPhillamys Gold Project in the Lachlan Fold Belt, in Central Western NSW.

The Capital Project has not been explored for gold to date. The mineralisation styles in the belt have thickness, grade and recent exploration success in the sediments of the Lachlan Fold Belt. This type of gold mineralisation style fits the Aruma sediment-hosted gold model.

Acquisition details

The Capital Project was acquired by the issue of 5 million new Aruma shares (at 0.4 cents per share) to the Project vendors and was approved by Aruma shareholders at a General Meeting held on 23 July 2020. The Project vendors agreed to the voluntary escrow of 2.5 million of the new shares for a period of 3 months from the date of issue. Further details are provided in ASX announcement of 5 June 2020.

Review of operations

Capital Gold Project, NSW (continued)

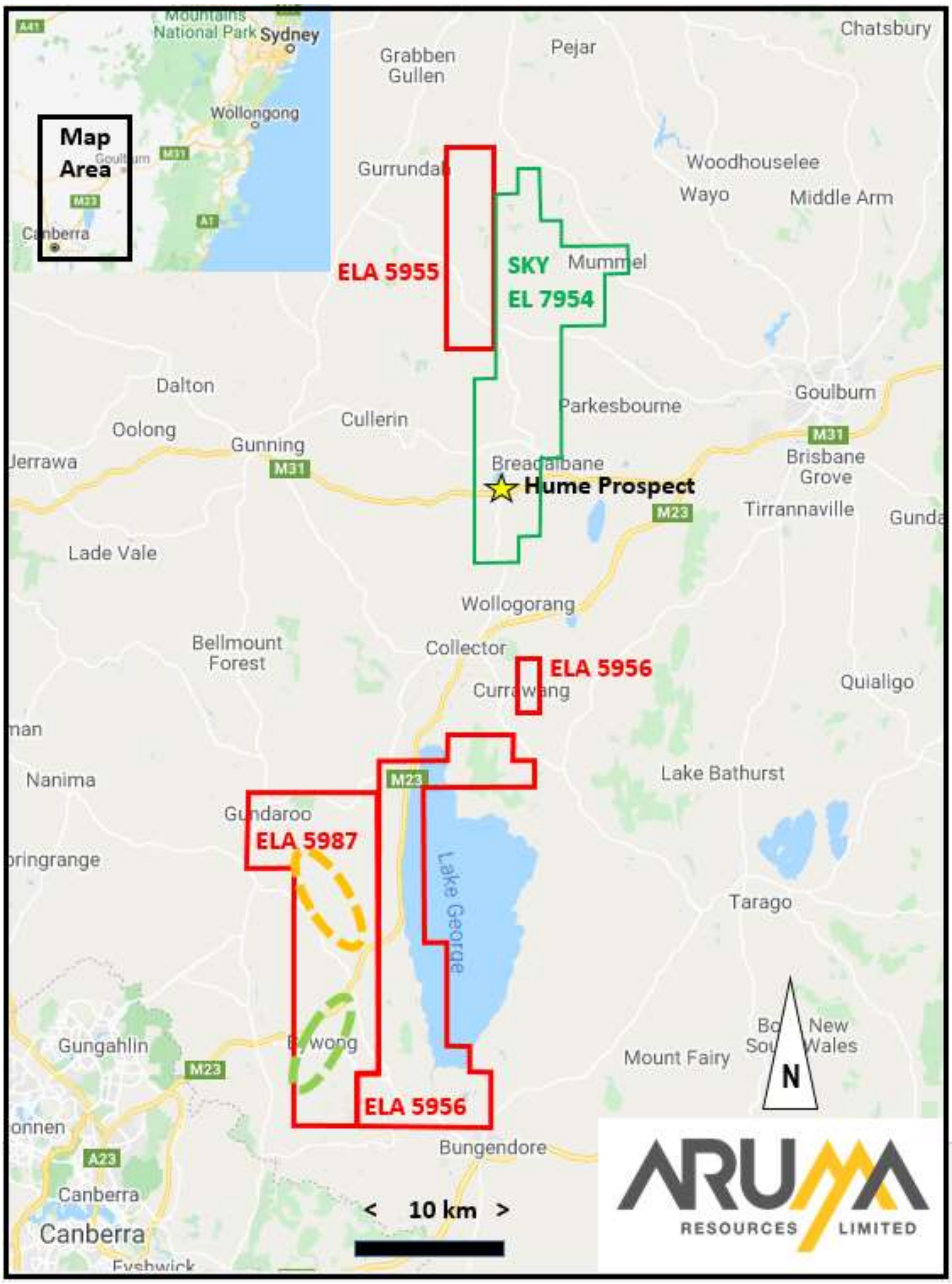

Figure 6: Aruma's Capital Project area (red outline) also showing Sky Metals' Cullarin Project area with old gold workings at the Shinglehouse Creek (tan ellipse) and Bywong-Macs Reef (green ellipse) areas.

Review of operations

Eastern Goldfields

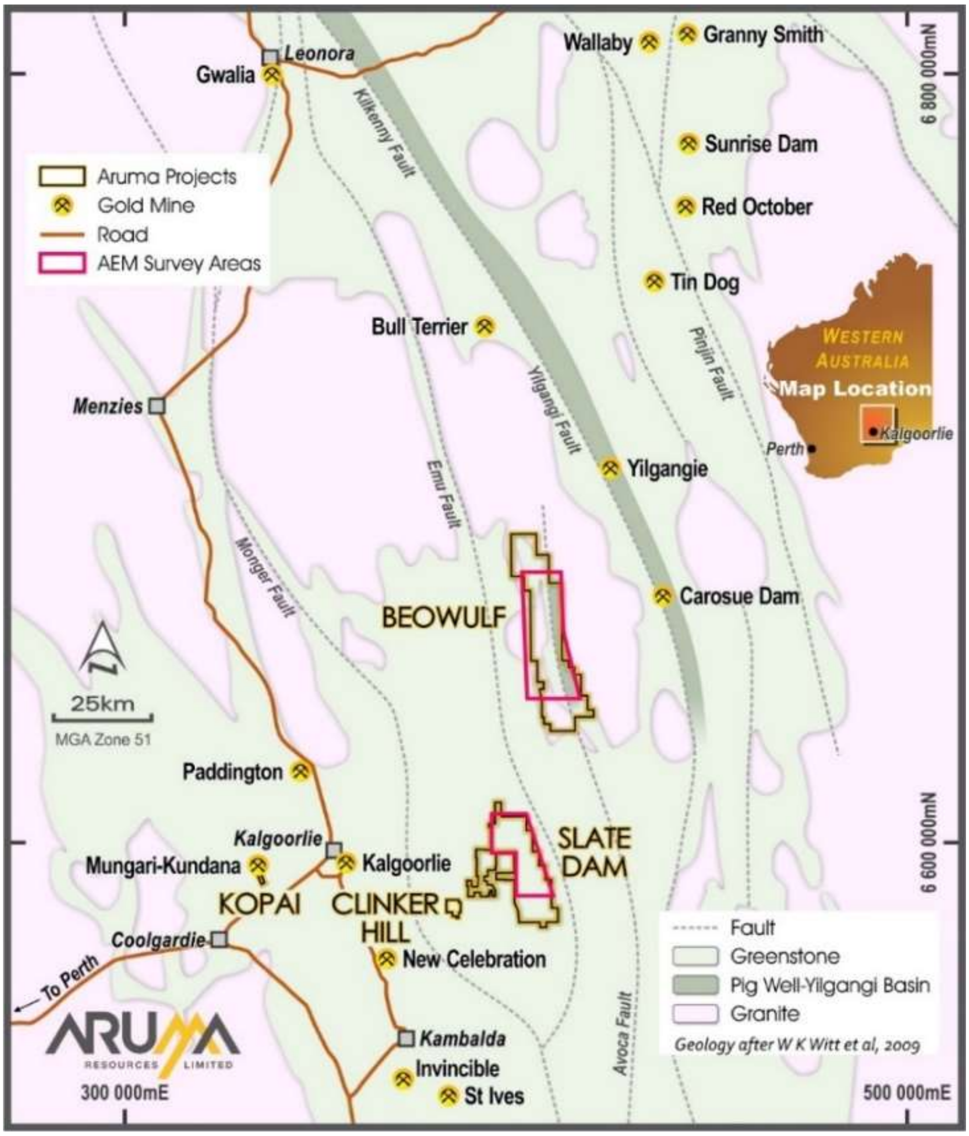

Figure 7: Regional Geological plan of Aruma Eastern Goldfields leases - AEM areas in red,

Eastern GoldFields AEM drilling completed

In late 2019 Aruma completed a 21-hole Reverse Circulation (RC) program (with drilling depths to around 100 metres) for a total of 2,090 metres at its 100%-owned Slate Dam, Beowulf and Clinker Hill gold projects (Figure 7).

This drilling was designed to test gold targets identified by the Company's airborne electromagnetic (AEM) survey, and soil sampling program completed earlier in 2019.

The drilling program consisted of; 8 holes at Slate Dam, 11 holes at Beowulf and 2 holes at a new target at Clinker Hill.

Drilling was successful in intersecting multiple zones of low-grade gold anomalism (>60ppb Au - which is 10 times background), in five holes at Slate Dam and two holes at Beowulf (see Table 2 for anomalous gold intersections from this drilling program).

Review of operations

Eastern GoldFields AEM drilling completed (continued)

Samples were composited over 4 metre intervals with analysis at ALS Ltd by gold fire assay + AAS finish. A total of five holes were also part analysed (alternate samples) with the handheld XRF. This program was conducted as part of the drilling for equity agreement with a Kalgoorlie contractor, Bluespec Drilling.

Project	Hole Number	Target	MGA E	MGA N	Angle/Azim	From	To	Sample	lithology	Au-AA25 ppm	Comments
BEOWULF	BWRC014	BW6	406850	6654052	-60° @ 90°	84	88	DRY	GRO	0.08	GRANITE
BEOWULF	BWRC020	BW3	408301	6641846	-60° @ 90°	36	40	DRY	GRO	0.06	SHEARED GRANITE
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	24	28	DRY	SLS	0.08	SILTSTONE
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	28	32	DRY	SLS	0.09	SILTSTONE
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	44	48	DRY	SLS	0.08	SILTSTONE
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	48	52	WET	SLS	0.18	SILTSTONE
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	88	92	WET	SLS	0.07	SILTSTONE
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	92	96	WET	SLS	0.14	SILTSTONE QTZ VEIN
SLATE DAM	SDRC099	SD1	394003	6604448	-60° @ 90°	96	100	WET	SLS	0.1	SILTSTONE QTZ VEIN
SLATE DAM	SDRC100	SD2	396455	6605497	-60° @ 90°	0	4	DRY	SLS	0.07	SILTSTONE
SLATE DAM	SDRC101	SD6	395554	6603554	-60° @ 90°	4	8	DRY	SLS	0.08	SILTSTONE
SLATE DAM	SDRC103	SD8	403200	6588301	-60° @ 90°	84	88	DRY	GRO	0.13	GRANITE
SLATE DAM	SDRC104	SD4	402650	6595152	-60° @ 90°	24	28	DRY	GRW	0.09	GREYWACKE

Table 2: Anomalous gold intersections from latest drilling program at Slate Dam, Beowulf and Clinker Hill Gold Projects - with all assays down hole.

Review of operations

Beowulf Project

RC drilling comprised 11 holes for 1,100m (BWRC10- BWRC20) targeted at various electromagnetic anomalies generated in an airborne survey flown in 2017 and interpreted in 2018. All holes intersected granite bedrock with between 1-10m of soil and or laterite/silcrete cover. Overall results were low with most samples below the 0.01ppm Au detection limit. BWRC20 showed some shearing within the granite which coincided with a result of 0.06 ppm Au from 36-40m. Despite being above background the intersection does not warrant follow up drilling.

Hole_ID	Grid	MGA_E	MGA_N	Target	Elevation	Total Depth	Azimuth	Incl	Tenement
BWRC010	MGA94_51	409548	6645897	T2	400	100	90	-60	E28/2707
BWRC011	MGA94_51	409348	6648006	T5	400	100	90	-60	E28/2707
BWRC012	MGA94_51	408902	6651051	T9	400	100	90	-60	E28/2707
BWRC013	MGA94_51	408548	6653051	T3	400	100	90	-60	E28/2707
BWRC014	MGA94_51	406850	6654052	T6	400	100	90	-60	E28/2706
BWRC015	MGA94_51	408701	6660801	T10	400	100	90	-60	E28/2706
BWRC016	MGA94_51	410005	6659999	T7	400	100	90	-60	E28/2706
BWRC017	MGA94_51	410600	6644000	T1	400	100	90	-60	E28/2707
BWRC018	MGA94_51	411652	6642549	T8	400	100	90	-60	E28/2707
BWRC019	MGA94_51	413598	6639003	?	400	100	90	-60	E28/2707
BWRC020	MGA94_51	408301	6641846	T4	400	100	90	-60	E28/1900

Table 3: Hole details of Beowulf Drilling.

Other exploration

During the year the Company received from Lithium Australia NL (ASX:LIT) reimbursement of costs of $30,746 plus GST associated with the grant of the Mt Deans agreement. It has also been issued 1.6M LIT shares as consideration.

The Company's expenditure commitments were significantly reduced with the relinquishment of a number of project areas and management reduced corporate overheads to a minimum during the year. Fees and salaries for all directors were reduced by up to a quarter and a number of contractors agreed to reduced and/or deferred fees.

Fees and salaries were resumed at the original levels in June 2020 in light of the increased workload driven by the recently acquired projects.

Review of operations

Resources

The Mineral Resource at the Trojan Gold Project (ML25/104), as at 30 June 2020, is set out in table 4 below. This Resource is changed from that reported in the 2019 Annual Report due to lease variation.

Classification	Tonnes	Grade	Ounces of gold
Indicated	1,399,835	1.78	79,886
Inferred	796,037	1.45	37,154
Combined	**2,195,872**	**1.66**	**117,040**

Table 4: Current JORC 2012 Resource Estimate at Trojan Gold Project using a 0.5g/t cut-off grade

Mineral Resource and Ore Reserve Governance and Internal Controls

Aruma Resources ensures that the Mineral Resource estimate quoted is subject to governance arrangements and internal controls activated at a site level and at the corporate level. Internal and external reviews of Mineral Resource estimation procedures and results are carried out through a technical review team which is comprised of highly competent and qualified professionals. These reviews have not identified any material issues. The Company has finalised its governance framework in relation to the Mineral Resource estimate in line with its business structure. Aruma Resources reports its Mineral Resource on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Competent Persons named by Nexus Minerals are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined in the JORC Code.

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 AIG and Australasian Institute of Mining and Metallurgy. Mr Schwann is Managing Director and a full time employee of the Company. Mr Schwann has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve'. Mr Schwann consents to the inclusion in the release of the matters based on his 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.arumaresurces.com.au . The Company confirms it is not aware of any new information that materially affects the information included in the original announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcements. The information in this report that relates to Mineral Resources at the Trojan Gold Project is based on information prepared by Metals X Limited as announced to the ASX on 18 August 2016 in its 2016 Annual Update of Mineral Resource and Ore Reserves.

Forward Looking Statement

Certain statements contained in this document constitute forward looking statements. Such forward-looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. These estimates and assumptions while considered reasonable by the Company are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Company to be materially different from the future results and achievements expressed or implied by such forward-looking statements. Forward looking statements include, but are not limited to, statements preceded by words such as "planned", "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "could", "nominal", "conceptual" and similar expressions. There can be no assurance that Aruma plans to develop exploration projects that will proceed with the current expectations. There can be no assurance that Aruma will be able to conform the presence of Mineral Resources or Ore Reserves, that any mineralisation will prove to be economic and will be successfully developed on any of Aruma's mineral properties. Investors are cautioned that forward looking information is no guarantee of future performance and accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

Review of operations

Corporate

The Company had a cash balance at 30 June 2020 of $1,057,493 (2019: $664,302).

The Company received an R&D tax incentive offset of $444,818 (2019: $503,810) before costs in the December quarter.

During the year the Company completed a placement of 52,000,000 shares at an issue price of 0.5 cents per share to raise $260,000 before issue costs. The funds raised were used for ongoing exploration of existing gold projects and general working capital.

During the year a further $448,000 before costs was raised through the placement of 112 million shares at an issue price of 0.4 cents per share to sophisticated investors. This was tranche 1 of a 2 tranche capital raising. Tranche 2 was completed subsequent to the reporting date. Refer to note "Events subsequent to the balance date" for further details. The funds raised were used for ongoing exploration of Aruma's existing gold projects including the newly secured Pilbara tenements, evaluation of the Capital Gold project, costs of raising capital and general working capital.

Subsequent to the reporting date the Company also issued 1 free attaching unlisted option for every 3 shares issued in the Placement.

Directors' report

Your directors present their report together with the financial statements of the Group consisting of Aruma Resources Limited ("the Company") and the entity it controlled (together the "Group") for the financial year ended 30 June 2020. 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:

Mr. Paul Boyatzis

B Bus, ASA, MSDIA, MAICD – Chairman

Appointed 5th January 2010

Mr Boyatzis has over 30 years' experience in the commercial, investment and equity markets, and has assisted many emerging growth companies within the resources and financial services sectors. He has served as Chairman and Director of a number of public and private companies.

During the past three years Mr Boyatzis has served as a Director of Transaction Solutions International Limited (February 2010 – June 2017), VRX Silica Limited (September 2010 – present) and Nexus Minerals Limited (October 2006 – present).

Mr Peter Schwann

Ass.App.Geology, FAusIMM, FAIG, MSEG – Managing Director

Appointed 11th February 2010

Mr Schwann is a highly experienced internationally recognised geologist and mining executive with broad experience across multiple commodities with extensive geological capability as well as significant operational management.

During the past three years Mr Schwann has served as a Director of Westgold Resources Limited (February 2017 - present).

Dr. Mark Elliott

Dip App Geol, PhD FAICD, FAusIMM (CPGeo), FAIG – Director

Appointed 1st July 2017

Dr Elliott is a chartered practising geologist with expertise in multiple mineral commodities and energy sectors. Dr Elliott has a proven track record in corporate management and growing successful businesses in the resource sector.

During the last three years Dr Elliott has been a director of Nexus Minerals Limited (October 2006 – present) and Mako Gold Limited (March 2017 – present). During the last 3 years he has also served as a director of HRL Holdings Limited (to 23 November 2017).

Directors' report

Mr. Phillip MacLeod

B Bus, ASA, FGIA, MAICD – Company secretary

Appointed 5th January 2010

Mr MacLeod has over 30 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 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 $281,384 (2019: $1,629,315). The Group had cash and term deposit balances at 30 June of $1,057,493 (2019: $664,302).

During the year the Company completed a placement of 52,000,000 shares at an issue price of 0.5 cents per share to raise $260,000 before issue costs. The funds raised were used for ongoing exploration of gold projects and general working capital.

During the year a further $448,000 before costs was raised through the placement of 112 million shares at an issue price of 0.4 cents per share to sophisticated investors. This was tranche 1 of a 2 tranche capital raising. Tranche 2 was completed subsequent to the balance date. Refer to note "Events subsequent to the balance date" for further details. The funds raised were used for ongoing exploration of Aruma's existing gold projects including the newly secured Pilbara tenements, evaluation of the Capital Gold project, costs of raising capital and general working capital.

Subsequent to the reporting date the Company also issued 1 free attaching unlisted option for every 3 shares issued in the Placement.

During the year the Company received $444,818 before costs under the 2019 Research and Development tax incentive programme for exploration activity carried out.

A review of operations is on pages 5 to 18.

3. DIRECTOR'S 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
Mark Elliott	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.

Directors' report

4. REMUNERATION REPORT *(AUDITED)*

4.1 Principles of compensation

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 of $30,000 per annum. The Chairman receives a fixed fee of $54,000 per annum plus 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)*

4.2 Remuneration of directors and senior management (audited)

Key management personnel remuneration for the years ended 30 June 2020 and 30 June 2019.

	Year	Short-term				Post-employment			Share-based Payments			
		Salary & Fees $	Cash Bonus $	Non-monetary Benefits $	Total $	Superannuation Benefits $	Other long term $	Termination Benefit $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration
Non-Executive Directors												
Mr P Boyatzis	2020	28,750	-	-	28,750	-	-	-	-	28,750	-	-
	2019	54,000	-	-	54,000	-	-	-	-	54,000	-	-
Dr Mark Elliott	2020	14,375	-	-	14,375	-	-	-	-	14,375	-	-
	2019	30,000	-	-	30,000	-	-	-	-	30,000	-	-
Executive Director												
Mr P Schwann	2020	95,833	-	-	95,833	9,104	-	-	-	104,937	-	-
	2019	200,000	-	-	200,000	19,000	-	-	-	219,000	-	-
Total	**2020**	**138,958**	**-**	**-**	**138,958**	**9,104**	**-**	**-**	**-**	**148,062**	**-**	**-**
	2019	284,000	-	-	284,000	19,000	-	-	-	303,000	-	-

Directors' report

4. REMUNERATION REPORT *(AUDITED)*

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

During the year there were no (2019: nil) options over unissued shares granted to key management personnel (KMP) as part of their remuneration. No options granted to KMP were exercised during the year. No options that were previously granted to KMP lapsed during the year. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

4.4 Service agreement

Managing Director, Mr Schwann's remuneration commencing 1 July 2018 consists of $200,000 per annum base salary plus statutory superannuation and provision of a laptop computer and mobile phone.

Mr Schwann is engaged with a one-month notice period for cessation to be given in writing by either party.

During the year the agreement was varied as Mr Schwann accepted a reduction to $100,000 per annum base salary plus superannuation. The agreement reverted to the original terms on 1 June 2020.

The Company has no other service agreements with any other key management personnel.

END OF REMUNERATION REPORT *(AUDITED)*

5. SHARE OPTIONS

Unissued shares under option

There are 8,000,000 options (2019 12,000,000) over unissued shares in Aruma.

Share options lapsed

4,000,000 options lapsed unexercised the year (2019: none).

Share options issued

There were no options over unissued shares in Aruma issued during the year as share-based compensation to directors (2019: none).

Shares issued on exercise of options

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

6. PRINCIPAL ACTIVITY

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

7. REVIEW OF OPERATIONS

The Group made a loss after tax for the year of $281,384 (2019: $1,629,315). The Group had cash and cash equivalent balances at 30 June 2020 of 1,057,493, an increase of $393,191 on the prior year.

Information on the operations of the Group and its business strategies are set out on pages 3 to 13 of the annual report.

Directors' report

8. DIVIDENDS

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

9. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date Aruma completed tranche 2 of a capital raising, through the issue of 88 million shares at an issue price of 0.4 cents per share raising a total $352,000 before issue costs. The shares were issued on 29 July and the funds raised will be used for ongoing exploration of Aruma's existing gold projects including the newly secured Pilbara tenements, evaluation of the Capital Gold project, costs of raising capital and general working capital. Details of tranche 1 of the capital raising are included in the Review of operations. The Company also issued 66,666,666 unlisted options attaching to the 2 tranche placement (1 option for every 3 shares). The options are exercisable at 1 cent expiring 31 July 2022.

Subsequent to the reporting date the Company also completed the Placement of 675 million shares at an issue price of 0.4 cents per share to raise $2.7 million before issue costs. The shares are accompanied by a one for three attaching option. The 225 million attaching options have an exercise price of 1 cent and an expiry date of 31 July 2022. The funds raised will be used for the accelerated exploration of the Company's strategically located portfolio of Australian gold projects, including its new flagship Pilbara projects – the granted Saltwater gold project and the Melrose project, the costs of issue and ongoing working capital.

At a general meeting held on 23 July shareholders approved the issue of 5 million shares to vendors to acquire the share capital of Augustus Mining Pty Ltd which owns the Capital gold project in the Goulburn region in New South Wales.

At a general meeting of the Company held on 29 September shareholders approved a resolution to issue 3 million shares and attaching options to related parties of a director of the Company in the last Placement on the same terms as all other parties. At the same meeting shareholders approved the issue of 29 million options to Directors. The options have an exercise price of 0.7 cents and an expiry date of 30 September 2023.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group to 30 June 2020, it is not practicable to estimate the potential impact , positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

10. 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.

Directors' report

11. 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:

Director	Ordinary shares	Options over ordinary shares
Mr. P Boyatzis	19,221,804	2,000,000
Mr. P Schwann	27,879,064	4,000,000
Dr. M Elliott	1,666,667	1,000,000

12. 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.

13. 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.

Directors' report

13. NON-AUDIT SERVICES

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

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Audit and review of financial reports	20,700	20,500
Taxation services	-	4,000
	20,700	24,500

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.

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 out on page 28.

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.

Peter Schwann
Managing Director
Perth, Western Australia
Dated 30th September 2020

ELDERTON

AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with governance of Aruma Resources Limited

As auditor for the audit of Aruma Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of 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.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth

30 September 2020

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Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Revenue	3	614,856	503,810
Exploration and evaluation expenditure expensed as incurred		(353,001)	(1,363,530)
Depreciation	4	(6,942)	(17,891)
Directors' remuneration	26	(148,062)	(303,000)
Employee benefits		(7,858)	(58,174)
Impairment of exploration assets	15	(120,000)	(36,380)
Legal and professional fees		(125,225)	(141,320)
Occupancy expenses		(21,600)	(21,631)
Other expenses		(113,980)	(193,435)
Loss from operating activities	4	(281,812)	(1,631,551)
Financial income		430	2,243
Financial expense		(2)	(7)
Net financing income	5	428	2,236
Loss before income tax expense		(281,384)	(1,629,315)
Income tax expense	8	-	-
Other comprehensive income			
Items that may not be classified to profit and loss			
Net change in the fair value of financial assets		(1,400)	-
Other comprehensive income for the year, net of tax		(1,400)	-
Total comprehensive loss for the year		(282,784)	(1,629,315)
Loss per share			
Basic and diluted loss per share (cents per share)	7	(0.04) cents	(0.29) cents

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	10	1,057,493	664,302
Trade and other receivables	11	61,723	32,603
Other financial assets	12	73,600	-
Other current assets	13	6,986	4,087
Total current assets		1,199,802	700,992
Non-current assets			
Plant and equipment	14	16,551	23,493
Capitalised exploration expenditure	15	305,000	425,000
Total non-current assets		321,551	448,493
Total assets		1,521,353	1,149,485
LIABILITIES			
Current liabilities			
Trade and other payables	16	97,076	95,614
Deposits	17	13,200	-
Provisions	18	25,930	27,241
Total current liabilities		136,206	122,855
Non-current liabilities			
Provisions	19	289,590	291,930
Total non-current liabilities		289,590	291,930
Total liabilities		425,796	414,785
Net assets		1,095,557	734,700
Equity			
Issued capital	20	13,437,525	12,793,884
Reserves	21	67,804	133,712
Accumulated losses	22	(12,409,772)	(12,192,896)
Total equity		1,095,557	734,700

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Cash flows from operating activities			
Receipts from exploration activities		32,796	503,810
Receipts from government grants		457,059	
Interest received		430	5,407
Interest paid		(2)	(7)
Exploration expenditure		(362,487)	(996,141)
Payments to suppliers and employees		(391,446)	(591,562)
Net cash used in operating activities	28(b)	(263,650)	(1,078,493)
Cash flows from investing activities			
Transfers to term deposit investment		-	409,580
Payment for exploration interests		-	(30,000)
Payments for purchase of plant and equipment		-	(1,458)
Net cash provided by investing activities		-	378,122
Cash flows from financing activities			
Proceeds from issue of securities		708,000	687,562
Proceeds pending issue of securities		13,200	
Cost of capital raising		(64,359)	(36,029)
Net cash provided by financing activities		656,841	651,533
Net increase/(decrease) in cash and cash equivalents		393,191	(48,838)
Cash and cash equivalents at beginning of the year		664,302	713,140
Cash and cash equivalents at end of the year	28(a)	1,057,493	664,302

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the Year Ended 30 June 2020

	Issued capital $	Accumulated losses $	Share-based payment reserve $	Fair value reserve $	Total equity $
Balance at 1 July 2018	11,962,351	(10,563,581)	133,712	-	1,532,482
Loss for the year	-	(1,629,315)	-	-	(1,629,315)
Total comprehensive loss for the year	-	(1,629,315)	-	-	(1,629,315)
Shares issued for cash	687,562	-	-	-	687,562
Share issue costs	(56,029)	-	-	-	(56,029)
Shares-issued to settle obligations	200,000	-	-	-	200,000
Balance at 30 June 2019	**12,793,884**	**(12,192,896)**	**133,712**	**-**	**734,700**
Balance at 1 July 2019	12,793,884	(12,192,896)	133,712	-	734,700
Loss for the year	-	(281,384)	-	-	(281,712)
Net change in value of financial assets	-	-	-	(1,400)	(1,400)
Total comprehensive loss for the year	-	(281,384)	-	(1,400)	(282,784)
Lapse of options	-	64,508	(64,508)	-	-
Shares issued for cash	708,000	-	-	-	708,000
Share issue costs	(64,359)	-	-	-	(64,359)
Balance at 30 June 2020	**13,437,525**	**(12,409,772)**	**69,204**	**(1,400)**	**1,095,557**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Aruma Resources Limited (the "Company") is a company domiciled in Australia. The financial report of the Company and its subsidiary (the "Group") is for the year ended 30th June 2020.

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 30h September 2020.

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. Going concern

The financial report is prepared the basis that the entity is a going concern, which contemplates the continuity of normal business activity.

The Directors consider the going concern basis of accounting to be appropriate based on forecast cash flows and capital raised subsequent to the reporting date.

d. 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 their operations and effective for the current year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

A lessee measures right-of-use assets similarly to other financial assets (such as property, plant and equipment) and lease liabilities similar to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and presents them in the statement of cash flows applying *AASB 107 Statement of Cash Flows*.

AASB 16 substantially carries forward the lessor accounting requirements in *AASB 117 Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases

The Group only has a short term office lease which, under the standard, can continue to be recognised on a straight line/systematic basis over the lease term.

Standards and interpretations in issue not yet adopted

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to Group accounting policies.

e. Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of Aruma Resources Limited ("Company" or "Parent") and its subsidiary 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 subsidiary 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

f. 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") tax incentive claims are recognised when the Company is notified that its R&D claim has been accepted.

Grant funding

Cash Boost, Jokkeeper and Exploration Incentive Scheme grants are recognised where there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

g. 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.

h. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

SIGNIFICANT ACCOUNTING POLICIES

i. 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.

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.

j. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

k. 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.

l. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

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

n. Goods and services and 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

o. 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.

p. 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.

q. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

r. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at:

— amortised cost;

— fair value through other comprehensive income; or

— fair value through profit or loss

On the basis of the two primary criteria:

— the contractual cash flow characteristics of the financial asset; and

— the business model for managing the financial assets

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

— the financial asset is managed solely to collect contractual cash flows; and

— the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

— the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and

— the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are subsequently measured at:

— amortised cost; or

— fair value through profit or loss

A financial liability is measured at fair value through profit and loss if the financial liability is:

— a contingent consideration of an acquirer in a business combination to which AASB 3 applies

— held for trading; or

— initially designated as at fair value through profit or loss

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

— incurred for the purpose of repurchasing or repaying in the near term;

— part of a portfolio where there is an actual pattern of short-term profit taking; or

— a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship)

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Ordinary shares

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

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:

— the right to receive cash flows from the asset has been expired or been transferred;

— all risk and rewards of ownership of the asset have been substantially transferred; and

— the entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

For trade receivables, material expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, an expected credit loss is calculated. This is calculated based on the expected cash flows arising from the subsidiary, and weighted for probability likelihood variations in cash flows.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

s. 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).

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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Equity settled transactions:

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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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

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 transaction:

The Group measures the cost of equity-settled transactions 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.

Mine closure and rehabilitation obligations

Provision is made for the anticipated costs of future closure and rehabilitation of mining areas. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations.

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.

Recovery of deferred tax assets

Significant management judgement has been effected to determine that no deferred tax assets be recognised.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. The consideration extends to the nature of the activities and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either nay significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the consolidated financial statements

For the year ended 30 June 2020

3. REVENUE

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Revenue		
Sale of interest in exploration lease*	125,000	-
R & D tax incentive	444,818	503,810
Government cashflow boost	12,241	-
Refunds	32,797	-
Total	614,856	503,810

*settled by dollar equivalent of shares issued/to be issued in Lithium Australia NL. Equivalent of $75,000 in shares received during the year. Equivalent of $50,000 in shares outstanding at 30 June 2020.

4. LOSS BEFORE INCOME TAX

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Loss before income tax		
Loss before income tax expense has been arrived at after charging the following item:		
Depreciation	6,942	17,891

5. FINANCING INCOME

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Financing Income		
Interest income	430	2,243
Interest expense	(2)	(7)
Total	428	2,236

Notes to the consolidated financial statements

For the year ended 30 June 2020

6. AUDITOR'S REMUNERATION

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
During the year the following fees were paid or payable for services provided by auditors of the Group, Elderton Audit Pty Ltd, their related practices and non-related audit firms		
Audit and review services:		
- Auditors of the Group	20,700	20,500
Other Professional services:		
- Tax services	-	4,000

7. LOSS PER SHARE

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.

	CONSOLIDATED 2020	CONSOLIDATED 2019
Loss per share		
Basic loss per share	0.04 cents	0.29 cents
a) Weighted average number of shares used in calculation of basic loss per share	686,293,204	554,711,475
b) Loss used in calculating basic loss per share	$281,384	$1,629,315

Notes to the consolidated financial statements

For the year ended 30 June 2020

8. INCOME TAX EXPENSE

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
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	-	-
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:		
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		
Loss before income tax expense from operations	(281,384)	(1,629,315)
Income tax expense calculated at 27.50% (2019: 27.50%)	(77,381)	(448,062)
Over provision of tax in prior year	345,066	382,193
Non-assessable income	(122,325)	(138,548)
Temporary differences not recognised	(43,353)	58,823
Non-deductible expenses	3,114	55,309
Share issue costs recognised directly in equity	(17,698)	(15,408)
Tax losses not recognised/(utilised)	(87,423)	105,693
Income tax expense/(benefit)	-	-

Notes to the consolidated financial statements

For the year ended 30 June 2020

8. INCOME TAX EXPENSE

The tax rate used in the following reconciliation is the corporate tax rate of 27.50% (2019: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
d. The following deferred tax assets and (liabilities) have not been brought to account as assets:		
Tax losses - revenue	2,047,135	2,146,053
Temporary differences	(22,725)	(49,364)
	2,024,410	1,944,434
e. Deferred tax assets not recognised in respect of the following items:		
Trade and other receivables	(1,921)	(1,124)
Trade and other payables	13,464	12,481
Exploration costs	(83,875)	(116,875)
Section 40-880 expenses	49,607	56,154
Tax losses carried forward	2,047,135	2,146,053
Income tax expense/(benefit) not recognised	2,024,410	2,096,689
f. Carry forward tax losses:		
Unused tax losses, for which no deferred tax asset has been recognised (as recovery is currently not probable)	7,444,128	7,803,829
At 27.50% (2019: 27.5%)	2,047,135	2,146,053

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 27.50% (2019: 27.50%) 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

For the year ended 30 June 2020

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 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 interest accrued on cash held with banks and GST credits receivable from the Australian Taxation Office.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Notes to the consolidated financial statements

For the year ended 30 June 2020

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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:

		CARRYING AMOUNT	
	NOTE	CONSOLIDATED 2019 $	CONSOLIDATED 2019 $
Cash and bank balances	10	1,057,493	664,302
Trade and other receivables	11	55,000	-

Impairment losses

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

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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

9. FINANCIAL INSTRUMENTS (CONTINUED)

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

Consolidated	Carrying amount ($)	Contractual cash flows ($)	6 months or less ($)	6 months or more ($)
30 June 2020				
Trade and other payables	97,076	(97,076)	(97,076)	-
	97,076	(97,076)	(97,076)	-
30 June 2019				
Trade and other payables	95,614	(95,614)	(95,614)	-
	95,614	(95,614)	(95,614)	-

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

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.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

9. FINANCIAL INSTRUMENTS (CONTINUED)

Profile

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

	CONSOLIDATED		CONSOLIDATED	
	2020 Carrying amount $	Interest rate %	2019 Carrying amount $	Interest rate %
Variable rate instruments				
Cash and bank balances	1,057,493	0.05	664,302	0.04

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 2020				
Variable rate instruments	10,575	(10,575)	10,575	(10,575)
30 June 2019				
Variable rate instruments	6,643	(6,643)	6,643	(6,643)

Fair value of financial instruments

The Group is disclosing the fair value of financial assets and financial liabilities by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the consolidated financial statements

For the year ended 30 June 2020

9. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2020 (No financial assets were held during the prior year).

Consolidated 30 June 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets	73,600	-	-	73,600

The fair value of financial instruments traded in active markets (such as equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the close price at reporting date. These instruments are included in level 1.

The Group currently has listed securities that are traded in an active market.

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.

10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Cash and cash equivalents		
Cash at hand	1	1
Cash at bank	1,057,492	664,301
	1,057,493	664,302
Weighted average interest rate	0.05%	0.04%

Notes to the consolidated financial statements

For the year ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Current		
GST receivables	6,723	32,548
Other receivables	55,000	55
	61,723	32,603

Trade and other receivables are non-interest bearing.

12. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Current		
Fair value at beginning of year	-	-
Listed shares received as consideration for sale of interest in exploration lease*	75,000	-
Revaluation of listed shares taken to reserve	(1,400)	-
Fair value at end of year	73,600	-

*Shares received during the year. Balance of equivalent to $50,000 in shares outstanding at 30 June 2020.

13. OTHER CURRENT ASSETS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Other current assets		
Prepayments	6,986	4,087

Notes to the consolidated financial statements

For the year ended 30 June 2020

14. PLANT & EQUIPMENT

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Office equipment at cost	12,225	12,225
Accumulated depreciation	(9,712)	(9,199)
Office equipment	2,513	3,027
Field equipment at cost	43,572	43,572
Accumulated depreciation	(43,207)	(43,081)
Field equipment	365	491
Computer equipment at cost	64,158	64,158
Accumulated depreciation	(50,485)	(44,182)
Computer equipment	13,673	19,975
Total carrying value	16,551	23,493

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

Consolidated: 30 June 2020	Office equipment $	Computer equipment $	Field equipment $	Total $
At 1 July 2019 net of accumulated depreciation	3,027	19,975	491	23,493
Additions	-	-	-	-
Depreciation charge for the year	(514)	(6,302)	(126)	(6,942)
At 30 June 2020 net of accumulated depreciation	2,513	13,673	365	16,551

Consolidated: 30 June 2019	Office equipment $	Computer equipment $	Field equipment $	Total $
At 1 July 2018 net of accumulated depreciation	3,655	28,300	7,971	39,926
Additions	-	1,094	364	1,458
Depreciation charge for the year	(628)	(9,419)	(7,844)	(17,891)
At 30 June 2019 net of accumulated depreciation	3,027	19,975	491	23,493

Notes to the consolidated financial statements

For the year ended 30 June 2020

15. CAPITALISED EXPLORATION EXPENDITURE

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Balance at beginning of the year	425,000	461,380
Acquisition of tenements	-	-
Impairment of tenements	(120,000)	(36,380)
Balance at end of the year	305,000	425,000

An impairment expense of $120,000 was recorded during the year (2019: $36,380) on the relinquishing of the Beowolf/Bronton leases.

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.

16. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Trade creditors and accruals	97,076	95,614
Balance at end of the year	97,076	95,614

All trade creditors and accruals are non-interest bearing.

17. DEPOSITS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Deposit pending issue of shares	13,200	-

Notes to the consolidated financial statements

For the year ended 30 June 2020

18. PROVISIONS - CURRENT

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Employee leave entitlements	25,930	27,241

19. PROVISIONS – NON CURRENT

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Employee leave entitlements	32,850	31,250
Mining rehabilitation fund	256,740	260,680
	289,590	291,930

Mining rehabilitation fund

A provision has been made in respect of the environmental rehabilitation on tenements based on the disturbance criteria determined by the Department of Mines and Petroleum. The levy for mining rehabilitation of $2,317 is included in trade and other payables (Note 16).

Notes to the consolidated financial statements

For the year ended 30 June 2020

20. SHARE CAPITAL

Ordinary shares	COMPANY 2020 $	COMPANY 2019 $
Ordinary shares 686,293,024 (2019: 657,413,903) fully paid ordinary shares	13,437,525	12,793,884

Movement during the year	2020 Number	2020 $	2019 Number	2019 $
Balance at beginning of year	657,413,903	12,793,884	514,820,317	11,962,351
Shares issued as collateral for controlled placement facility	-	-	-	-
Shares issued to acquire tenements	-	-	-	-
Shares issued for cash	164,000,000	708,000	114,593,586	687,562
Shares issued to settle obligations	-	-	28,000,000	200,000
Transaction costs arising on share issues		(64,359)		(56,029)
Balance at end of year	821,413,903	13,437,525	657,413,903	12,793,884

Options

The movement of the unlisted options on issue during the financial year is set out below:

Exercise price $	Expiry date	Balance at beginning of year	Issued	Exercised	Lapsed	Balance at end of year
0.019	30/11/20	8,000,000	-	-	-	8,000,000
0.040	2/3/20	4,000,000	-	-	(4,000,000)	-
		12,000,000	-	-	(4,000,000)	8,000,000

Notes to the consolidated financial statements

For the year ended 30 June 2020

21. **RESERVES**

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Fair value reserve	(1,400)	-
Share-based payment reserve	69,204	133,712
Movement during the year		
Fair value reserve		
Balance at beginning of year	-	-
Movement in fair value of available-for-sale financial assets	(1,400)	-
Balance at end of year	(1,400)	-
Share-based payment reserve		
Balance at beginning of year	133,712	133,712
Lapse of options during the year	(64,508)	-
Balance at end of year	69,204	133,712

Fair value reserve

This reserve used to record equity instruments which are measured at fair value with changes in fair value recognised in other comprehensive income (OCI). The gains and losses on equity instruments are recognised in OCI are not recycled on disposal of the asset and there is no separate impairment accounting. If the fair value of the equity instrument declines, this decrease is recorded through OCI.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

22. ACCUMULATED LOSSES

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Movement during the year		
Balance at beginning of year	(12,192,896)	(10,563,581)
Lapse of options during the year	64.508	-
Loss for the year	(281,384)	(1,629,315)
Balance at end of year	(12,409,772)	(12,192,896)

23. COMMITMENTS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Exploration expenditure commitments		
No later than 1 year	265,600	556,080
Later than 1 year but not later than 5 years	1,062,400	2,224,320
	1,328,000	2,780,400

There are no operating lease commitments at the date of this report.

24. 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

For the year ended 30 June 2020

25. SHARE-BASED PAYMENTS

During the year no options were granted as share-based compensation to directors and staff by Aruma (2019: none).

4,000,000 options lapsed unexercised during the year (2019: none).

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.5	8,000,000	30 Nov 2017	30 Nov 2020	0.019	69,204
Option series no.6	4,000,000	2 Mar 2018	2 Mar 2020	0.040	64,508

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

	2020		2019	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of the year	12,000,000	0.026	12,000,000	0.026
Issued during the year	-	-	-	-
Lapsed during the year	(4,000,000)	0.040	-	-
Outstanding at the end of the year	8,000,000	0.019	12,000,000	0.026
Exercisable at the end of the year	8,000,000	0.019	12,000,000	0.026

The outstanding balance as at 30 June 2020 is represented by 8,000,000 options over ordinary shares with an exercise price of 1.9 cents and an expiry date of 30 November 2020.

Notes to the consolidated financial statements

For the year ended 30 June 2020

26. 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

Dr. M Elliott

Key management personnel compensation

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

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Short-term employee benefits	138,958	284,000
Post-employment benefits	9,104	19,000
Total	148,062	303,000

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 executive's compensation disclosures as required by *Corporations Regulations* 2M.3.03 and 2M.6.04 is provided in the remuneration report section of the Directors' Report.

Notes to the consolidated financial statements

For the year ended 30 June 2020

27. RELATED PARTIES

	OWNERSHIP INTERESTS	
	2020	2019
Controlled entities		
Aruma Exploration Pty Ltd	100%	100%

Key management personnel

Disclosures relating to key management personnel are set out in note 26.

During the year Managing Director Peter Schwann, provided a motor vehicle and a caravan for hire to the Company charging a total of $3,408 plus GST (2019: $12,932 plus GST) plus service and maintenance costs of $235 plus GST (2019: $300 plus GST). There is $1,718 plus GST outstanding (2019: nil) included under trade payables at 30 June 2020.

During the year the Company paid $29,350 plus GST (2019: $14,675 plus GST) to VRX Sillica Limited (VRX) for month to month rental of office premises a car bay and storage. Chairman Paul Boyatzis is a director of VRX. There is an amount of $16,142 inc GST (2019: $nil) included under trade payables at 30 June 2020.

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

For the year ended 30 June 2020

28. NOTES TO STATEMENT OF CASH FLOWS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
a. Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at hand	1	1
Cash at bank	1,057,492	664,301
	1,057,493	664,302
b. Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities		
Loss for the year	(281,384)	(1,629,315)
Adjustments for:		
Depreciation	6,942	17,891
Share-based payment		-
Impairment of assets	120,000	36,380
Liability settled through issue of shares		180,000
Change in assets/liabilities:		
(Increase)/decrease in trade and other receivables	(29,120)	13,244
(Increase)/decrease in other current assets	(77,899)	6,881
Increase/(decrease) in trade and other payables	1,462	(1,687)
Increase/(decrease) in provisions	(3,651)	298,113
Net cash used in operating activities	(263,650)	(1,078,493)

29. 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.

Notes to the consolidated financial statements

For the year ended 30 June 2020

27. SEGMENT INFORMATION

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 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.

30. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date Aruma completed tranche 2 of a capital raising, through the issue of 88 million shares at an issue price of 0.4 cents per share raising a total $352,000 before issue costs. The shares were issued on 29 July and the funds raised will be used for ongoing exploration of Aruma's existing gold projects including the newly secured Pilbara tenements, evaluation of the Capital Gold project, costs of raising capital and general working capital. Details of tranche 1 of the capital raising are included in the Review of operations. The Company also issued 66,666,666 unlisted options attaching to the 2 tranche placement (1 option for every 3 shares). The options are exercisable at 1 cent expiring 31 July 2022.

Subsequent to the reporting date the Company also completed the Placement of 675 million shares at an issue price of 0.4 cents per share to raise $2.7 million before issue costs. The shares are accompanied by a one for three attaching option. The 225 million attaching options have an exercise price of 1 cent and an expiry date of 31 July 2022. The funds raised will be used for the accelerated exploration of the Company's strategically located portfolio of Australian gold projects, including its new flagship Pilbara projects – the granted Saltwater gold project and the Melrose project, the costs of issue and ongoing working capital.

At a general meeting held on 23 July shareholders approved the issue of 5 million shares to vendors to acquire the share capital of Augustus Mining Pty Ltd which owns the Capital gold project in the Goulburn region in New South Wales.

At a general meeting of the Company held on 29 September shareholders approved a resolution to issue 3 million shares and attaching options to related parties of a director of the Company in the last Placement on the same terms as all other parties. At the same meeting shareholders approved the issue of 29 million options to Directors. The options have an exercise price of 0.7 cents and an expiry date of 30 September 2023.

Notes to the consolidated financial statements

For the year ended 30 June 2020

30. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group to 30 June 2020, it is not practicable to estimate the potential impact , positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

31. DIVIDENDS

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

32. PARENT ENTITY INFORMATION

In the year ended 30 June 2020 the Parent company of the Group was Aruma Resources Limited.

	COMPANY 2020 $	COMPANY 2019 $
Financial performance of Parent entity for the year		
Loss for the year	(281,384)	(1,629,315)
Other comprehensive income	(1,400)	-
Total comprehensive expense for the year	(282,784)	(1,629,315)
Financial position of Parent entity at year end		
Current assets	1,199,802	700,992
Total assets	1,521,353	1,149,485
Current liabilities	136,206	122,855
Non-current liabilities	289,590	291,930
Total liabilities	425,796	414,785
Total equity of the Parent entity comprising:		
Share capital	13,437,525	12,793,884
Share-based payment reserve	67,804	133,712
Accumulated losses	(12,409,772)	(12,192,896)
Total equity	1,095,557	734,700

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Peter Schwann

Managing Director

Perth, Western Australia

Dated this 30th day of September 2020

ELDERTON
AUDIT PTY LTD

Independent Audit Report to the members of Aruma Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aruma Resources Limited ("the Company") and its controlled entities (collectively referred to as "the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be a key audit matter to be communicated in our report.

Capitalised Exploration Expenditure
Refer to Note 15, Capitalised Exploration Expenditure ($305,000) and accounting policy Notes 1(o).

Key Audit Matter	How our audit addressed the matter
The Group has a significant amount of capitalised exploration and evaluation costs. As the carrying value of exploration and evaluation assets represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances exist to suggest the carrying amount of this asset may exceed its recoverable amount.	Our audit work included, but was not restricted to, the following: • We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration by obtaining independent searches of a sample of the Group's tenement holdings. • We enquired with those charged with governance to assess whether substantive expenditure on further exploration for and evaluation of the mineral resources in the Group's areas of interest are planned. • We enquired with management, reviewed ASX announcements made and reviewed minutes of directors' meetings to ensure that the Group has not decided to discontinue activities in any of its areas of interest.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 21 - 23 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of the Group, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group 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.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth
30 September 2020

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 21 September 2020.

Distribution of equity security holders

	Quoted ordinary shares		Unquoted options Exercisable at $0.019 expiring 30 November 2020		Unquoted options Exercisable at $0.01 expiring 31 July 2022	
Category	**Number of holders**	**Number of Shares**	**Number of holders**	**Number of options**	**Number of holders**	**Number of options**
1 - 1,000	44	9,770	-	-	-	-
1,001 - 5,000	9	35,633	-	-	-	-
5,001 - 10,000	70	694,387	-	-	-	-
10,000 - 100,000	442	27,122,090	-	-	-	-
100,000 and over	819	1,111,552,023	4	8,000,000	22	66,666,666
Total	**1,384**	**1,139,413,903**	**2**	**8,000,000**	**22**	**66,666,666**

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

Substantial Shareholders

Substantial holder notices have been received from the following:

Substantial holder	Number of shares
Copulos Group	118,833,329

Restricted securities

The Company has 1,139,413,903 shares and 74,666,666 options on issue. 2,250,000 shares are subject to voluntary escrow.

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.

Unquoted securities

The names of security holders with more than 20% of an unlisted class of security are listed below:

ASX additional information

Options exercisable at $0.019 expiring 30 November 2020 Name	Number of options held	Percentage
D Schwann	4,000,000	50.00
P Boyatzis	2,000,000	25.00
Total	**6,000,000**	**75.00**

Twenty Largest Shareholders

Fully paid ordinary shares Name	Number of ordinary shares held	Percentage
Retzos Executive Pty Ltd	33,333,334	2.92
Jose Alcantara	32,000,000	2.81
Eyeon Investments Pty Ltd	29,666,660	2.60
Eyeon No2 Pty Ltd	27,666,667	2.43
Plasia Pty Ltd	27,644,689	2.43
Blue Spec Drilling Pty Ltd	26,000,000	2.28
Citywest Corp Pty Ltd	24,833,334	2.18
C & D Capital Investments Pty Ltd	21,319,334	1.87
Acuity Capital Investment Management Pty Ltd	20,000,000	1.76
Copulos Superannuation Pty Ltd	18,333,334	1.61
Spacetime Pty Ltd	18,333,334	1.61
ESM Limited	17,500,000	1.54
Lesuer Pty Ltd	17,000,000	1.49
Spiceme Capital Pty Ltd	15,000,000	1.32
James Moses	14,250,000	1.25
Jeffery Jamoo	12,400,000	1.09
Chrikim Pty Ltd	12,333,334	1.08
Nexus Minerals Limited	11,875,000	1.04
Adrian Gath	11,443,292	1.00
Bedel & Sowa Corp Pty Ltd	10,000,000	0.88
Total	**400,932,312**	**35.19**

Tenement listing as at 30 September 2020

Tenements	Location	Interest
	Clinker Hill (Gold)	
P25/2320 E25/568	**Eastern Goldfields Region Western Australia**	**100%**
	Slate Dam (Gold)	
M25/104 E25/526 E25/534 E25/553 E25/556 E25/558 E25/571 P25/2333	**Eastern Goldfields Region Western Australia**	**100%**
	Saltwater (Gold)	
E25/3816 E52/3818 E52/3825 E52/3830 E52/3846 E52/3852 (application) E52/3854 (application) E52/3857(application)	**Pilbara Region Western Australia**	**100%**
	Melrose (Gold)	
ELA08/3183 (application) ELA08/3184 (application) ELA08/3210 (application) ELA08/3188 (application) ELA47/4362 (application) ELA08/3219 (application) ELA47/4414 (application) ELA08/3244 (application)	**Pilbara Region Western Australia**	**100%**
	Mt Deans (Lithium)	
P63/2063	**Dundas Mineral Field Western Australia**	**50%**

Tenements	Location	Interest
	Scotia South (Gold)	
E63/2037 (application)	**Dundas Mineral Field Western Australia**	**100%**
	Capital (Gold)	
ELA5955 (application) ELA5956 (application) ELA5987 (application)	**Lachlan Fold Belt, New South Wales**	**100%**