ARUMA RESOURCES LIMITED

ABN 77 141 335 364

ANNUAL REPORT
30 JUNE 2012

CONTENTS TO ANNUAL REPORT

CORPORATE INFORMATION

This annual report covers the Group consisting of Aruma Resources Limited (**“Aruma”, “the Company”, ASX: “AAJ”)** and the entities it controlled during the year for the year ended 30 June 2012. The Group’s functional and presentation currency is Australian dollars ($).

A description of the Group’s operations and of its principal activities is included in the review of operations and activities in the Directors’ report on pages 6 to 27. The Directors’ report is not part of the financial report.

Directors

Paul Boyatzis (Chairman)

Peter Schwann (Managing Director)

Ki Keong Chong

Company Secretary

Phillip MacLeod

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Nedlands WA 6009
Australia

Principal place of business

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Share Register

Advanced Share Registry Services
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Nedlands WA 6009
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Auditors

Nexia Perth Audit Services Pty Ltd
Level 7, The Quadrant
1 William Street
Perth WA 6000
Australia

Solicitors

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe WA 6011
Australia

ASX Code:

Ordinary shares – AAJ

LETTER FROM THE CHAIRMAN TO SHAREHOLDERS

Dear Shareholder

Your Company, Aruma Resources Ltd (**"Aruma", "the Company", ASX: "AAJ"),** is a West Australian based gold exploration company focussed on the Eastern Goldfields of WA.

Aruma is committed to its strategy of efficient exploration to confirm or disprove potential targets, with a view to developing a gold production hub centred on its flagship Glandore project. The Glandore project is located 40k east of Kalgoorlie-Boulder and now consists of some 57 km^2 of contiguous ground. Aruma has also consolidated and reduced its global lease positions from 1600 km^2 to less than 650km^2 covering highly prospective belts of proven gold zones, mostly under thin cover in the Eastern Goldfields.

Aruma is positioned to continue exploration and evaluation of its leases and has used new cutting edge geophysical and geological methods to expedite all its lease evaluation. As exploration programmes are developed for the remaining prospective lease holdings, it is likely that funding will be required.

Projects

Aruma has seven prospective project areas within the Eastern Goldfields region of Western Australia, which is considered to be both highly prospective for gold as well as highly amenable for the development and exploitation of new deposits. Inclusive of several tenements which are still under application, Aruma's tenement package now totals some 650 km^2.

Previous exploration of the Glandore Project has identified a powerful mineralisation system. Aruma employed the successful CSIRO Fluid Flow modelling method to predict targets under cover. This method was used by Integra Mining in neighbouring terrain to predict mineralisation that has been subsequently proved by drilling. The final report has identified several potential zones that show similar features to the high grade Axial Planar and Supergene Zones.

The Glandore Hub Precinct has been reduced in size after thorough examination and further exploration will focus on shallow covered mafics similar to those that host the large Majestic and Salt Creek deposits. This group of prospects are within 60km of the proposed Production Hub based at Glandore and include the Gindalbie, Bulong and Pinnacles South leases which consists of some 250 km^2 of highly prospective ground amenable to satellite pits and trucking. The optioned Gindalbie East ground added to Aruma's Gindalbie Project and this project now has over 150km^2 in area. Included are the Lady Lauren Line of workings, which are undrilled and have chips up to 25g/t.

The optioned areas at Twin Hills were drilled for regional extensions in the year with results that were not encouraging. The large low grade potential resource will be drilled in the coming year to fully evaluate the project.

The Laverton East Project is located approximately 20 km east of Laverton. This area is covered by a thin hardpan and exploration by HyVista and last year's drilling identified a new covered gold zone over several hundreds of meters and produced an intersection of 2m at 4.28 g/t from 15m in the last hole of the section. Follow up drilling did not define extensions to this area abut similar HyVista anomalies are evident in the now granted Pauls Well lease to the North and this is to be explored this year.

The Jundee South Project is approximately 50 km to the east of Wiluna within the Yandal Greenstone belt. Exciting results from RAB drilling identified intersections of gold up to 18g/t. These will be followed up with new RAB drilling in the coming year.

The Darlot East Project is located 4 km east of Barrick's 4 million ounce Darlot Mine and contains a Granite-Greenstone contact considered prospective for gold with small workings obvious on the ground.

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

The coming year will see continued assessment of the Company's assets, which if appropriate will systematically be explored with the purpose of determining the full value of the tenements held. In addition, the Company will continue to review other resource opportunities that the Directors consider have the potential to add shareholder value.

At this time the Directors would like to thank all staff and contractors for their contribution to the continuing development of the Company. During the year Mr Danny Costick resigned as a Director and we would like to thank Danny for his efforts over the last two years.

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

Paul Boyatzis
Chairman

DIRECTORS' REPORT

The Directors of Aruma Resources Limited submit herewith the Annual Report of the Group consisting of Aruma Resources Limited ("the Company") and the entities it controlled for the financial year ended 30 June 2012 and the auditor's report theron. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

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

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

B Bus, ASA, MSDIA, MAICD

Mr Boyatzis has extensive experience in the investment and equity markets, particularly with emerging growth companies within the resources and financial services sectors. He is a member of the Australian Institute of Company Directors and the Securities and Derivatives Industry Association.

Mr Boyatzis has served as chairman and director of a number of public and private companies globally. He is a Director of Transaction Solutions International Limited, Ventnor Resources Limited and Hemisphere Resources Limited.

At the reporting date Mr Boyatzis is the holder of 1,739,079 ordinary shares.

Mr Peter Schwann – Managing Director, appointed 11 February 2010

Ass.App.Geology, FAusIMM (CP)

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

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

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

At the reporting date Mr Schwann is the holder of 1,581,667 ordinary shares.

DIRECTORS' REPORT (CONTINUED)

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

LLB (Hons)

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

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

At reporting date Mr Chong is the holder of 200,000 ordinary shares.

Danny Costick – Non-Executive Director, appointed 6 January 2010, resigned 27 March 2012

B.Eng. MSc.

Mr Costick has valuable and varied experience in the mining industry, and has been involved in the operation and management of mines throughout Australia and internationally.

Mr Costick is a graduate of the Western Australian School of Mines, where he completed a Master's Degree in Mineral Economics (1999).

During the past three years Mr Costick has served as a director of Hemisphere Resources Limited (October 2006 to March 2012).

The Board appreciated the contribution Danny made over the last 3 years an wishes him well in his future endeavours.

Phillip MacLeod – Company Secretary, appointed 5 January 2010

B Bus, ASA, MAICD

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

DIRECTORS' REPORT (CONTINUED)

2. DIRECTORS' MEETINGS

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

Director	Meetings held	Meetings attended
Paul Boyatzis	4	4
Peter Schwann	4	4
Ki Keong Chong	4	4
Danny Costick*	2	2

* resigned 27 March 2012

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.

3. REMUNERATION REPORT (*Audited*)

3.1 Principles of compensation (audited)

Remuneration is referred to as compensation throughout this report.

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

Remuneration levels for key management personnel and other staff of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives and take account of factors such as length of service, particular experience and expertise. Effective from 23 July 2010 non-executive directors receive a fixed fee of $40,000 per annum plus statutory superannuation or GST as applicable. The Chairman receives a fixed fee of $72,000 per annum plus statutory superannuation or GST as applicable. Currently key management personnel remuneration is not dependent on the satisfaction of any performance condition.

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

DIRECTORS' REPORT (CONTINUED)

3. REMUNERATION REPORT (*Audited*) (continued)

3.2 Remuneration of directors and senior management (audited)

		Short-term				Post-employment	Other long term		Share-based payments		Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		Salaries & fees	Cash bonus	Non-monetary benefits	Total	Superannuation benefits		Termination benefit	Options and rights	Total		
		$	$	$	$	$	$	$	$	$		
Non-executive Directors												
Mr P Boyatzis	2012	72,000	-	-	72,000	-	-	-	-	72,000	-	-
	2011	67,080	-	-	67,080	-	-	-	-	67,080	-	-
Mr K K Chong	2012	27,000	-	-	27,000	-	-	-	-	27,000	-	-
Appointed 1 February 2011	2011	10,000	-	-	10,000	-	-	-	-	10,000	-	-
Mr D Costick*	2012	50,000	-	-	50,000	1,800	-	-	-	51,800	-	-
Resigned 27 March 2012	2011	37,753	-	-	37,753	3,398	-	-	-	41,151	-	-
Executive Director												
Mr P Schwann	2012	246,028	-	-	246,028	22,143	-	-	-	268,171	-	-
	2011	183,333	-	-	183,333	16,500	-	-	-	199,833	-	-
Company Secretary												
Mr P MacLeod	2012	36,000	-	-	36,000	-	-	-	-	36,000	-	-
	2011	36,000	-	-	36,000	-	-	-	-	36,000	-	-
Total	**2012**	**431,028**			**431,028**	**23,943**			**-**	**454,971**	**-**	**-**
	2011	**334,166**	**-**	**-**	**334,166**	**19,898**	**-**	**-**	**-**	**354,064**	**-**	**-**

* Includes consulting fees of $20,383

DIRECTORS' REPORT (CONTINUED)

3. REMUNERATION REPORT (*Audited*) (continued)

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

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

3.4 Service agreement (audited)

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

Mr Schwann's remuneration consists of $250,000 (increased from $200,000 1 August 2012) per annum base salary plus statutory superannuation and provision of a laptop computer and mobile phone. Remuneration is reviewed every twelve months.

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

4. SHARE OPTIONS

Unissued shares under option

There are no options (2011: 4,000,000) over unissued shares in Aruma.

Share options lapsed

4,000,000 options expired during the year.

Share options issued

There were no options over unissued shares in Aruma issued during the year as share-based compensation to directors (2011: nil).

Shares issued on exercise of options

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

5. PRINCIPAL ACTIVITY

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

DIRECTORS' REPORT (CONTINUED)

6. FINANCIAL AND OPERATING REVIEW

Operating review

Highlights during the year:

- Completed Fluid Flow Studies define major new targets at Glandore
- Successful Drilling at Laverton East, Steeple Hill and Jundee South
- New Projects at Gindalbie and Darlot East show promising gold indications
- Glandore Heritage Surveys scheduled to allow drilling
- New Projects at Twin Hills and Gindalbie East optioned

Project Descriptions

The Company continues to manage and rationalise its landholding in the Eastern Goldfields and Murchison regions of Western Australia. To effectively manage its landholdings and to support this strategy, Aruma has further relinquished several Exploration Licences that have not given definite responses to exploration. These relinquished leases totalled approximately 900km^2, were relinquished within the financial year and were officially notified in early July 2012.

Table 1 Table of Project Locations and Descriptions

<table>
<tr><td rowspan="7">EASTERN GOLDFIELDS</td><td rowspan="3">Glandore Hub</td><td>Glandore Project - 40km east of Kalgoorlie-Boulder
Status - Ready to drill on Western Leases,
Eastern Leases Exploration in discussion with traditional owners</td></tr>
<tr><td>Gindalbie Project - 60km north-east of Kalgoorlie-Boulder
Status – Flown with HyVista and PoW approved ready to drill</td></tr>
<tr><td>Bulong Project - 30 km east of Kalgoorlie-Boulder
Status – Awaiting grant and data base assembled</td></tr>
<tr><td rowspan="4">Regional Projects</td><td>Twin Hills Project - The Twin Hills belt 25 km north of Menzies
Status – RC Drilling ready</td></tr>
<tr><td>Jundee South Project - 20km south of Jundee Mine
Status - First Pass RAB drilling hits 18 g/t Au over 1m</td></tr>
<tr><td>Darlot East Project - 20km east of Laverton
Status – Granted and drilling targets identified</td></tr>
<tr><td>Laverton East Project - 20km east of Laverton
Status - Paul Well (Northern) Lease has multiple HyVista Targets</td></tr>
</table>

Review of projects and operations

Aruma has seven prospective project areas within the Eastern Goldfields region of Western Australia. The region is both highly prospective for gold and amenable for the development and exploitation of new deposits. Inclusive of several tenements which are still under application, Aruma's tenement package now totals just under 650 km^2 which reflects the work done on 900km^2 leases that were relinquished during the financial year.

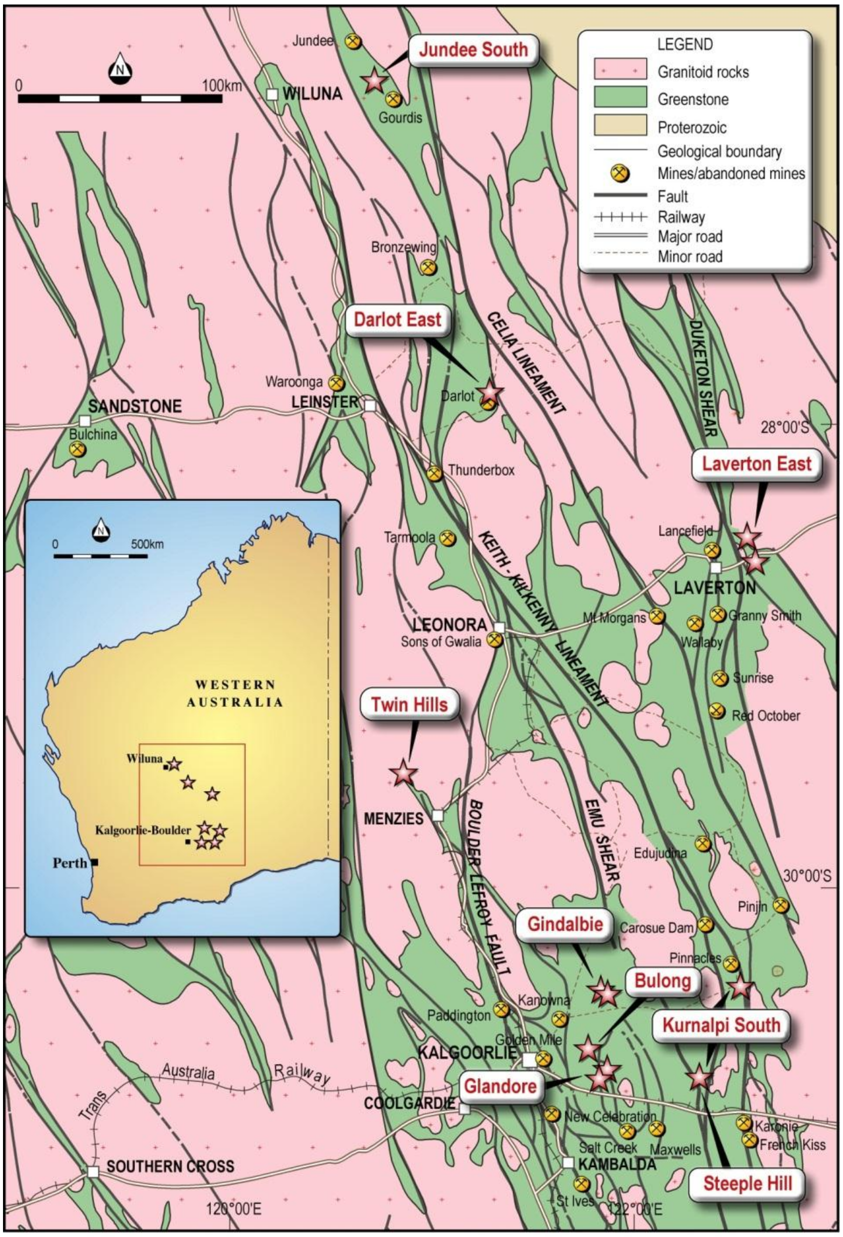

Figure 1 Aruma's Project Locations

DIRECTORS' REPORT (CONTINUED)

Glandore

The Company's flagship Glandore Project is located approximately 40km east of Kalgoorlie-Boulder, Western Australia. Previous exploration of the Glandore Project has identified a powerful mineralisation system suggesting the probability of large-scale mineralisation. Aruma has concentrated on carrying out the Fluid Flow modelling and has generated a new set of advanced targets based on all the information available and new interpretations of old data.

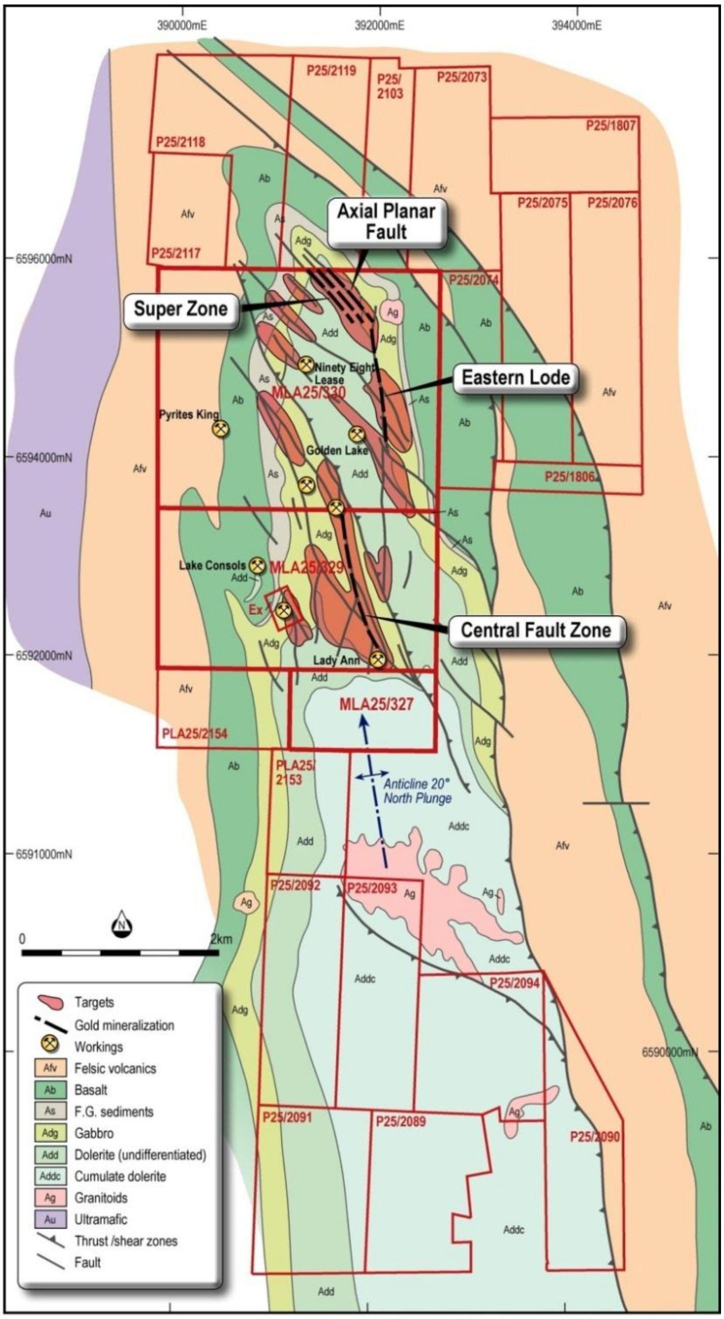

Figure 2 Aruma's Glandore Project

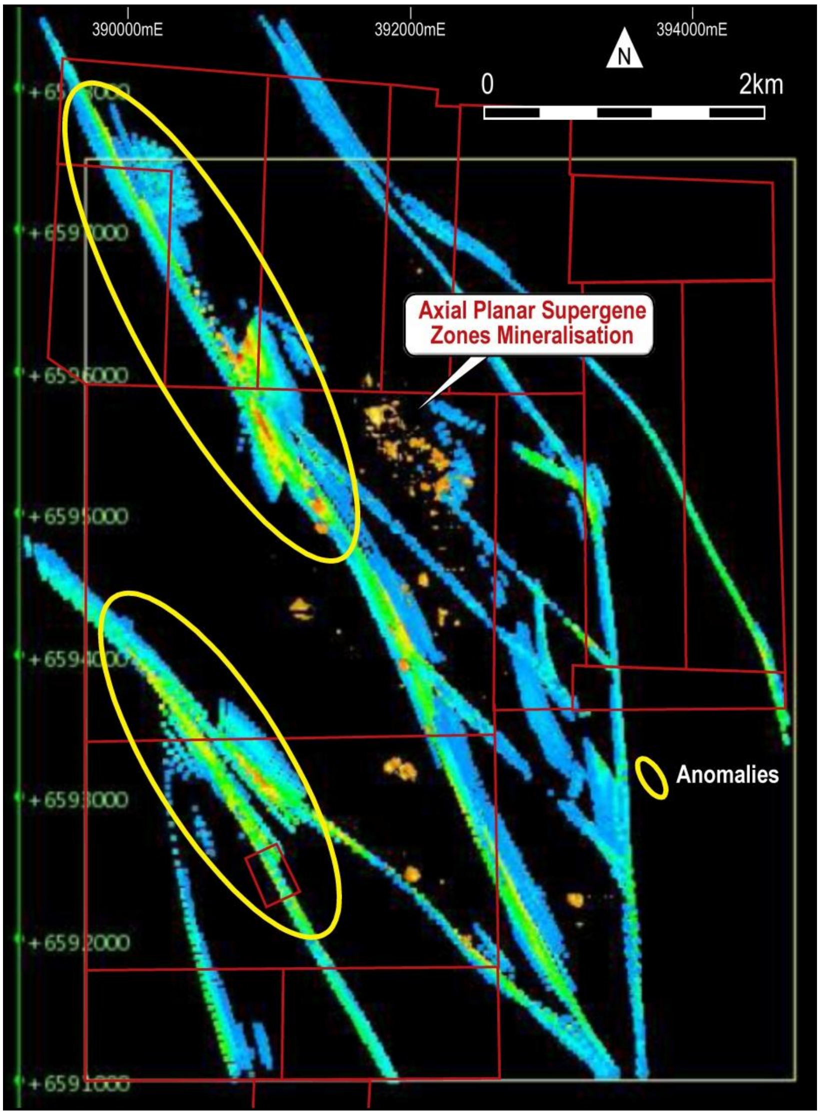

Figure 3 The Glandore Project with the new Fluid Flow Targets

Aruma has introduced the successful CSIRO Fluid Flow modelling method to predict targets under cover. This method was used by Integra Mining Limited in similar terrain to predict mineralisation that has been subsequently proved by drilling. The studies have defined several targets and these will be drilled in the coming year. The Glandore Leases are considered the area of best opportunity to define economic mineralisation, and will be the major focus of the coming year's activities.

DIRECTORS' REPORT (CONTINUED)

Glandore Hub Precinct

The Glandore Hub Precinct is located approximately 100 km to the east of Kalgoorlie-Boulder of Western Australia. The area has several prospects that are within a minimally explored area of greenstone belt that hosts several major mines.

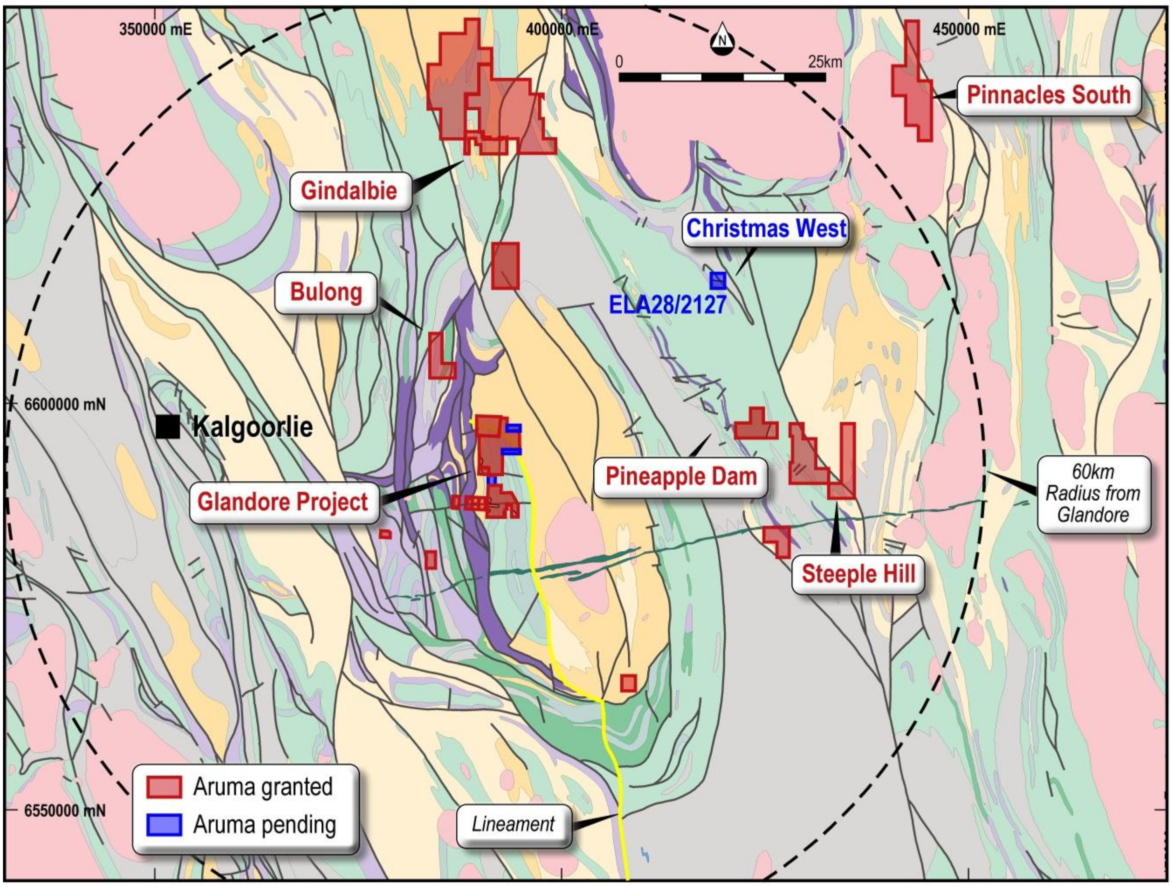

Figure 4 Aruma's Glandore Hub Locations

Initial exploration will focus on shallow covered greenstone sequences similar to those that host the large Majestic-Imperial and Salt Creek deposits. Good HyVista targets are seen at Gindalbie and these are backed up by high grade rock chips at the optioned new ground at Gindalbie.

The Glandore Hub prospects are within 60 km of the proposed Regional Production Hub based on Glandore and together with Bulong and Gindalbie consists of approximately 250 km^2 of highly prospective ground amenable to satellite pits and trucking. This ore sourcing model is being successfully used by Aruma's neighbours in the Eastern Kalgoorlie area.

Heritage Issues

Aruma is in discussions with the Central East group and the Goldfields Land and Sea Council with regards to the Lake Yindarlgooda Mythical Site claim which is lodged and has not been registered to date. This Claim covers 1100km of the areas east of Kalgoorlie and may be problematic to exploration in the eastern area of the Glandore Project.

DIRECTORS' REPORT (CONTINUED)

TWIN HILLS PROJECT

Aruma negotiated an option agreement over the Moriarty Shear which hosts the Twin Hills Mine as well as some 15 km of gold bearing greenstone belt. This previously unexplored belt contains thick zones of identified gold mineralisation and large geochemical anomalies that have not been drilled.

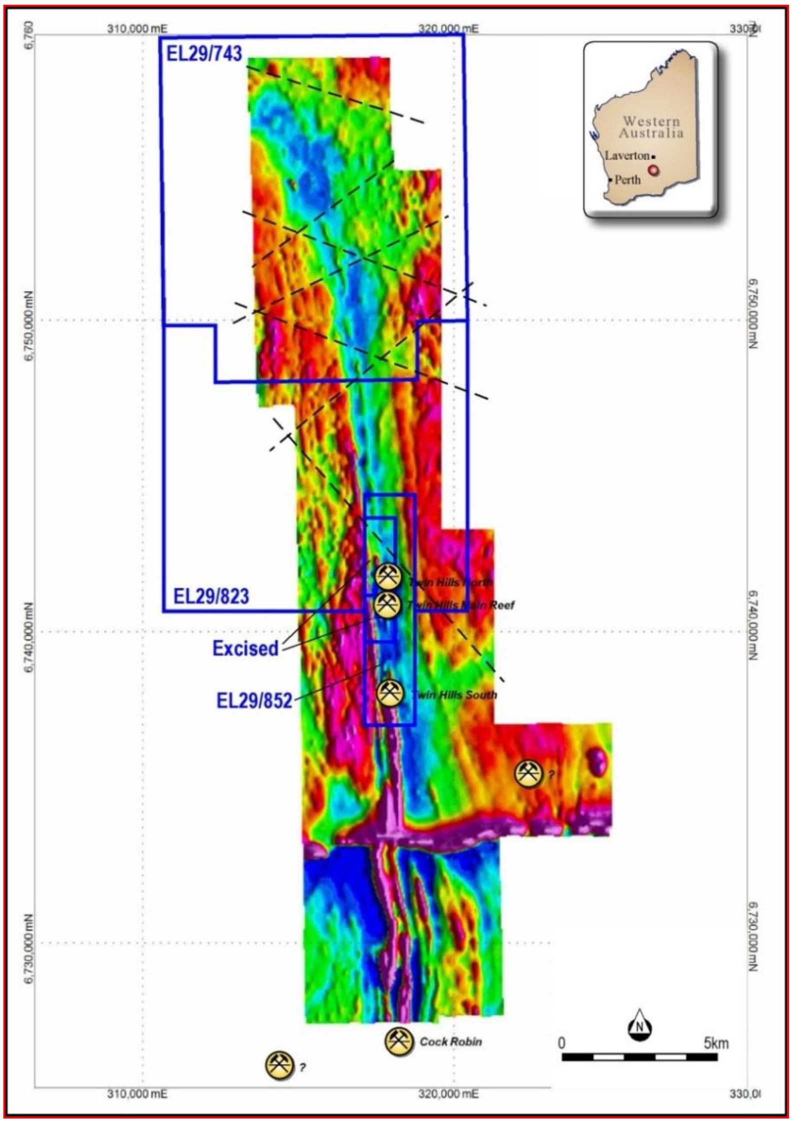

Figure 5 Aruma's Twin Hill Project on Magnetic Map

Geological Setting

The Twin Hills North Project area is mostly covered by moderate younger sediments consisting of soft sand with minor laterites. The magnetic image above clearly shows the buried greenstone belt running north-south between the two granites under cover.

The Twin Hills Greenstone sequence is a relatively narrow belt between two different granites and extends the full length of the leases over some 15 km. The greenstones are reported by previous workers to be ultramafic, mafic and sedimentary rocks, and are approximately 1.2 kms wide. The presence of ultramafic to BIF rocks intruded by granites on structures fits the exploration model used by Aruma for all its tenements.

Table 2 Table of historical intersections

Hole ID	MGA mN	MGA mE	From	To	Interval (m)	g/t Au	ppm Cu
THR 301	6755258	314685	25	47	22	1.04	NA
THR 288	6755208	314757	25	26	1	2.56	NA
THR 331	6755408	314792	50	70	20	0.54	NA
WRC01	6755252	314668	43	55	12	0.84	308
Including	6755252	314668	53	54	1	1.79	2360
WRC03	6755313	314670	32	60	28	0.86	182
WRC04	6755307	314648	24	48	24	0.51	113
WRC06	6755365	314655	24	48	24	0.39	99

The above table shows the thick low grade intersections previously encountered in the northern leases to be followed up in the near future. The Au Cu signature in WRC01 is similar to the intrusive hosted ore bodies identified recently at Integra Mining Limited's Majestic Discovery.

During the reporting period Aruma drilled 141 RAB holes with an average depth of 15m. A total of 2164m was completed and the results were not received in the reporting period. The program was delayed by record rains after the first 700m and only concluded in late May 2012. The drilling failed to intersect significant mineralisation with the best intersection being 7m at 0.19g/t from 8m in THRB123.

An RC program was scheduled and drilled in August 2012 and the Group is awaiting results.

DIRECTORS' REPORT (CONTINUED)

LAVERTON EAST

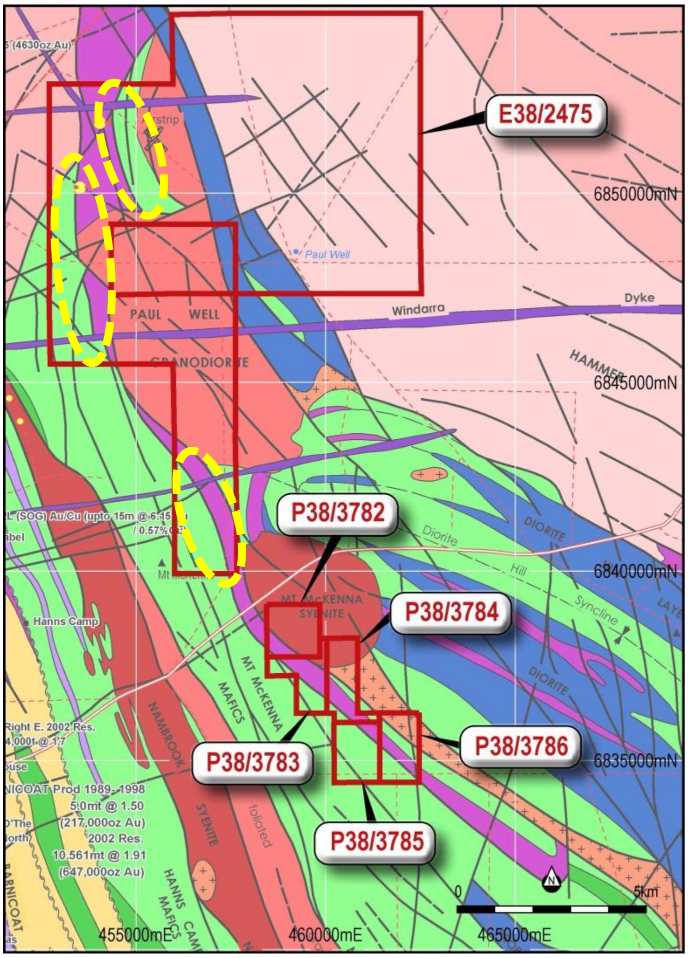

Figure 6 Aruma's Laverton East Project and yellow target areas

Aruma's Laverton East Gold Project in WA's eastern Goldfields returned an intersection of 2m at 4.28 g/t Au in drillhole LEAC 31. A total of 20 holes for 667m were completed before the program was halted due to rain. Of the twenty holes, one hole intersected >1g/t Au and 3 other holes hit anomalous (>0.05 g/t) Au values. This was followed by the second phase drilling at the Company's Laverton East Gold Project in WA's eastern Goldfields. A total of 40 holes were completed for 1,381m. The drill holes were sited to follow up the previously announced 2m at 4.28g/t Au in LEAC 31 as well as testing the more felsic zone to the east.

DIRECTORS' REPORT (CONTINUED)

Table 3 Significant (>0.1) Au assays in LEAC 31

Hole No	Easting	Northing	Angle	Azimuth
From	**To**	**Au g/t**	**Au(R) g/t**	**Rock Type**
7	8	0.33	0.33	Adamellite
15	16	1.22	-	Adamellite
16	17	7.33	8.07	Adamellite
22	23	0.16	0.2	Adamellite
LEAC 31	460776	6836876	-60	245°

The Paul Well EL to the north of this area was approved in the quarter and flown with Hyvista. There are large areas of anomalism similar to the successfully drilled area above and these are targets in the submitted PoW. Hyvista was interpreted during the year and the PoW was submitted and the drilling program awaits heritage clearance.

DIRECTORS' REPORT (CONTINUED)

STEEPLE HILL

The first phase of drilling at the Company's Steeple Hill Gold Project in WA's eastern Goldfields, was completed in the current financial year. A total of 61 holes were completed for 1,980m. The drill holes were sited to follow up the previously announced Hyvista, soil and gossan anomalies.

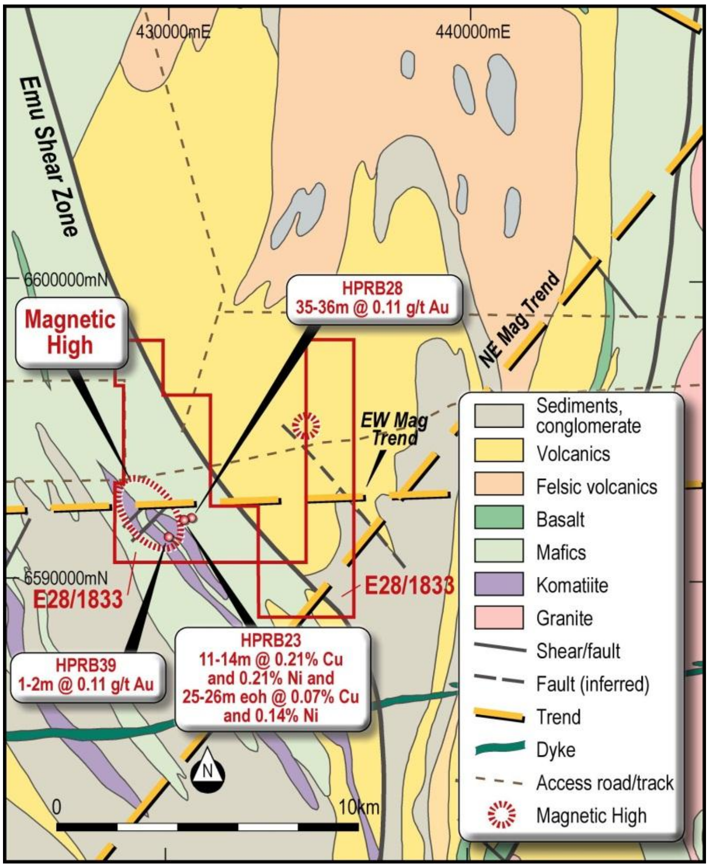

Figure 7 Steeple Hill Lease showing Geology and drilling results

The drilling has given low order gold responses but sulphide based Ni Cu anomalism in a mafic intrusive in the SW corner of the lease. These results were submitted for platinoids group metals (PGM) and the results suggest sulphide Ni Cu possibilities. Field inspection showed blebby sulphides in a diopside intrusive with good jarosite anomalies on the Hyvista. A new Program of Work (PoW) was submitted for deeper follow up drilling and will commence in the new year.

DIRECTORS' REPORT (CONTINUED)

JUNDEE SOUTH

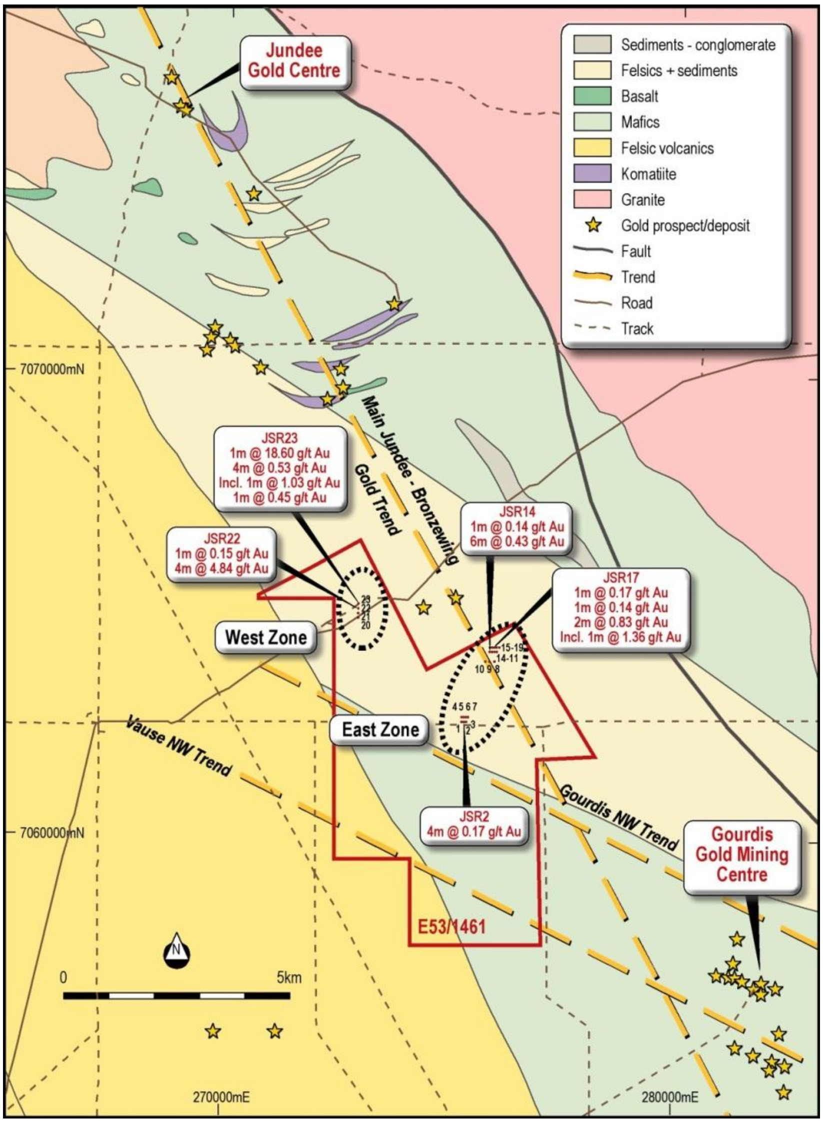

Figure 8 Aruma's Jundee South Project showing drill targets

The Jundee South Project is approximately 50 km to the east of Wiluna within the Yandal Greenstone belt. The nearby alluvial deposits are thought to have been derived from the structures and gold anomalies near or on the Aruma lease.

The initial assay results at the Jundee South Project are significant in both extent and tenor. This area was drilled to investigate low level soil anomalies with 0.1 to 0.4 g/t Au values and the results suggest that the western anomaly is a WNW stratigraphic zone; and the eastern, larger anomaly is on a major NNE lineament. Covering two areas, approximately 4 km apart, the results indicate that extensive mineralised zones defined by structure and alteration is completely covered by varying depths (5 to 25m) of tertiary cover. All the intersections showed carbonate (limonitic) alteration in mafics (with iron and silica). These results are the highest grade intersections in the area to date, including all the historical results.

DIRECTORS' REPORT (CONTINUED)

Table 4: Assays > 0.1 g/t Au

Hole	Easting	Northing	From	To	Interval	g/t Au	Zone
JSR14	275900	7064000	24	25	2	0.14	East
JSR14	275900	7064000	33	39	6	0.43	East
JSR17	276000	7064100	42	43	1	0.17	East
JSR17	276000	7064100	20	21	1	0.14	East
JSR17	276000	7064100	23	25	2	0.83	East
JSR17	276000	7064100			Including 1	1.36	East
JSR22	273000	7064900	26	25	1	0.15	West
JSR22	273000	7064900	21	25	4	4.84	West
JSR23	273000	7065000			Including 1	18.60	West
JSR23	273000	7065000	8	12	4	0.53	West
JSR23	273000	7065000			Including 1	1.03	West
JSR23	273000	7065000	14	20	6	0.45	West

Subsequent to the reporting date, the 16 hole RAB drilling program at Jundee South intersected anomalous gold in 9 of 16 holes , with 5 holes with intersections >1g/t over 4m or better. The best intersection was in JSR 34 with an intersection of 48m @1.47g/t from 4m including 4m @9.62g/t. The Gold Anomaly trends to the northwest for 1km and extension drilling is planned for Q4 2012. The details of the holes are shown below in Table 5. All the holes were vertical RAB and stopped either due to poor sample or hard RAB refusal. All the reported holes are in the Western Area.

Table 5 Intersections >1g/t at Jundee South, Western Area

Hole	Easting	Northing	From	To	Intercept	Au g/t	Comment
JSR32	273001	7065037	16	20	4	2.55	
JSR33	272960	7065040	8	12	4	1.24	
JSR33	272960	7065040	16	20	4	1.94	
JSR33	272960	7065040	20	24	4	1.03	
JSR33	272960	7065040	52	55	3	2.15	End Of Hole
JSR34	272958	7064978	4	8	4	9.62	
JSR34	272958	7064978	20	24	4	1.53	
JSR34	272958	7064978	32	36	4	1.02	
JSR34	272958	7064978	40	44	4	1.32	
JSR34	272958	7064978	48	50	2	1.13	End Of Hole
JSR35	272960	7064941	24	28	4	1.69	
JSR37	273000	7064940	4	8	4	1.03	

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DIRECTORS' REPORT (CONTINUED)

DARLOT EAST

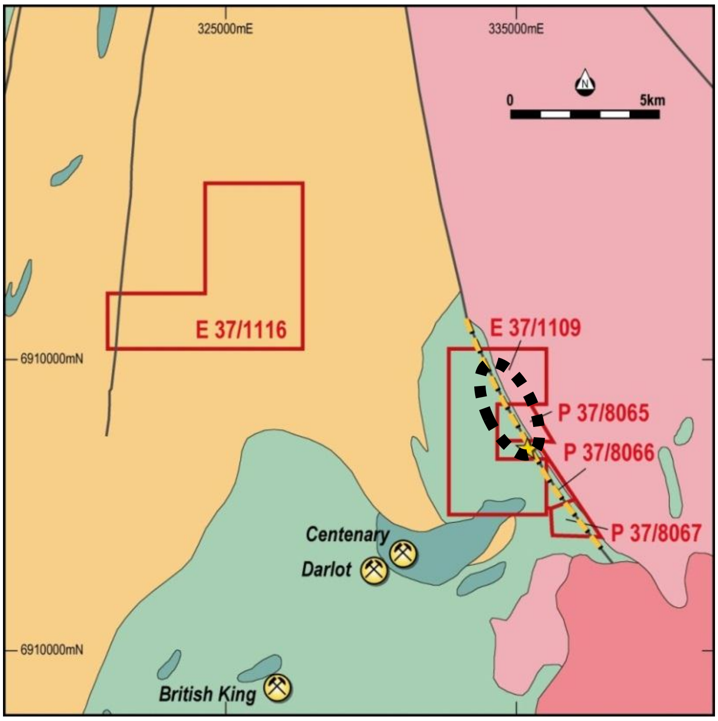

Figure 9 Aruma's Darlot East Project showing Gold Mines and Prospect

The Darlot East Project leases are located 4km east of Barrick's 4 million ounce Darlot Mine and contain a Granite-Greenstone contact considered prospective for gold with small workings obvious on the ground. This Project is located within a major lineament that is a splay off the regional Celia Lineament and will be evaluated in the coming year. The Figure 9 above shows the geology and leases with the Darlot East Limb prospect as a dashed yellow line and the paleochannel area in the black ellipse. Table 6 below details the historic RC drilling undertaken in 1989 and the area has been held by various owners of the Darlot Operation since then.

Table 6 Gold hits in 1989 RC holes ** above 4m stope with 1m @ 0.83g/t below

Hole	Intercept	Grade	From
RW1	1m	3.27g/t	18m**
RW2	4m	2.1g/t	18m
RW3	1m	0.75g/t	25m
RW4	2m	0.33g/t	25m
RW5	1m	10.2g/t	21m

DIRECTORS' REPORT (CONTINUED)

GINDALBIE

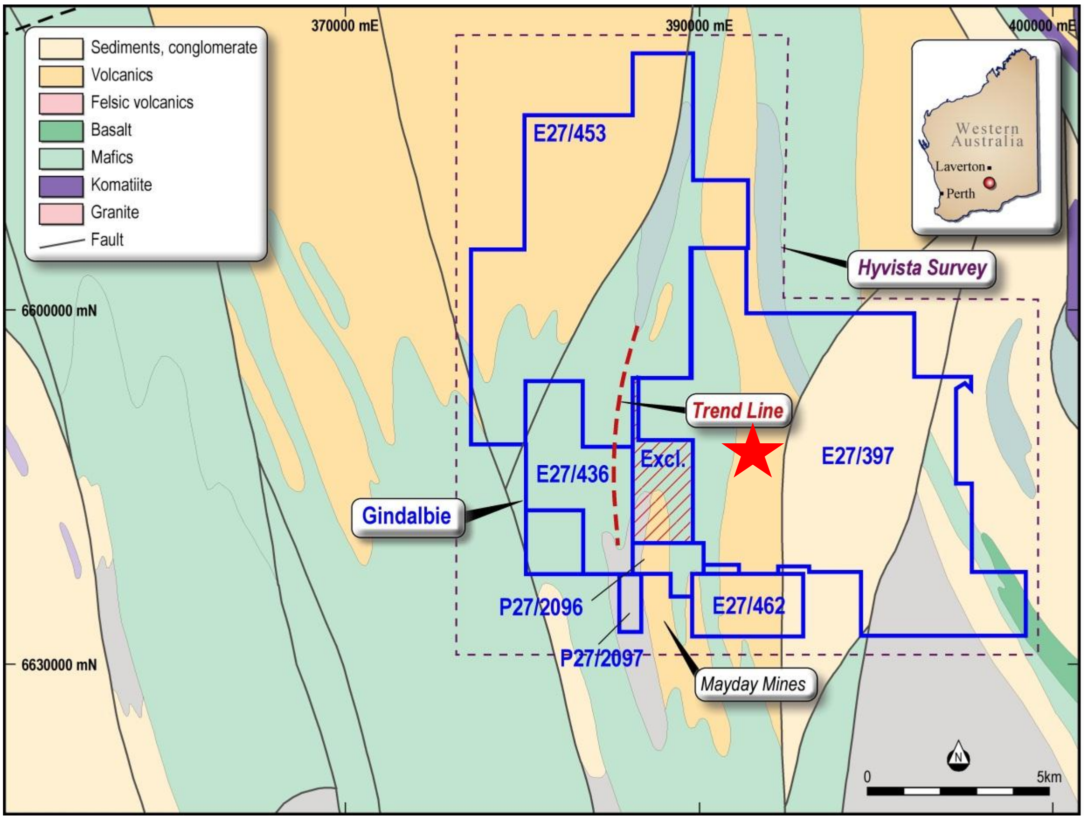

Figure 10 Aruma's Gindalbie Project showing trend of Structures and Geology

The Gindalbie Project now covers 150km^2 and has favourable lithologies and structures under shallow soil cover, as well as good stratigraphic attenuations, regional lineaments and splays considered favourable for gold mineralisation.

Nearby gold mining areas include the Mayday Mining Area, located 2km south of the Camel Dam Project, currently has a resource of 1,019,653t @ 1.89g/t for 62,048oz Au. The Kalpini gold deposit, located 2km east of the Camel Dam Project, currently has a resource of 2,700,000t @ 2.8g/t for 242,000oz Au.

Within the project area, the felsic and conglomerates are not the primary targets as these have been downgraded by previous explorers. Gold potential at the Camel Dam Project remains within the under-explored greenstone sequence in the western half of the project. The greenstone sequence is known to host gold mineralisation, as numerous historical gold workings have been located in the area; rock sampling from around an abandoned shaft (The Lady Lauren) in the northwest of the project returned a best assay of 25.81ppm Au. This is shown in Figure 10 above with a red star.

DIRECTORS' REPORT (CONTINUED)

Competent Person's Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Schwann who is a Fellow of the Australasian Institute of Mining and Metallurgy and Chartered Professional (Geology). Mr. Schwann is an employee of the Company.

Mr Schwann has sufficient relevant experience to qualify as a Competent Person as defined in the JORC Code (2004) and consents to the inclusion of this information in the form and context in which it appears.

Financial review

The Group made a loss for the year of $1,553,066 (2011: $1,475,559). The Group had cash and term deposit balances at 30 June of $2,329,897 (2011: $2,975,228).

The Company completed a capital raising in late 2011 with a total of $838,500 being raised before issue costs. This involved a placement to sophisticated investors, raising $630,000 before costs; a Share Purchase Plan raised an additional $151,000. Following shareholders' approval after the AGM, entities associated with directors invested a further $157,500 on the same terms as the original placement.

The Company also received just under $300,000 after costs from a Tax Rebate on Research and Development carried out on the Glandore Project.

These funds are to be used for future development of the Groups' projects.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date, the 16 hole RAB drilling program at Jundee South intersected anomalous gold in 9 of 16 holes , with 5 holes with intersections >1g/t over 4m or better. The best intersection was in JSR 34 with an intersection of 48m @1.47g/t from 4m including 4m @9.62g/t. The Gold Anomaly trends to the northwest for 1km and extension drilling is planned for the December quarter. The details of the holes are in table 7 below. All the holes were vertical RAB and stopped either due to poor sample or hard RAB refusal. All the reported holes are in the Western Area.

DIRECTORS' REPORT (CONTINUED)

8. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

Table 7 Intersections >1g/t at Jundee South, Western Area

Hole	Easting	Northing	From	To	Intercept	Au g/t	Comment
JSR32	273001	7065037	16	20	4	2.55	
JSR33	272960	7065040	8	12	4	1.24	
JSR33	272960	7065040	16	20	4	1.94	
JSR33	272960	7065040	20	24	4	1.03	
JSR33	272960	7065040	52	55	3	2.15	End Of Hole
JSR34	272958	7064978	4	8	4	9.62	
JSR34	272958	7064978	20	24	4	1.53	
JSR34	272958	7064978	32	36	4	1.02	
JSR34	272958	7064978	40	44	4	1.32	
JSR34	272958	7064978	48	50	2	1.13	End Of Hole
JSR35	272960	7064941	24	28	4	1.69	
JSR37	273000	7064940	4	8	4	1.03	

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

9. LIKELY DEVELOPMENTS

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

10. DIRECTORS' INTERESTS

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

Directors' Interests

Directors	Ordinary shares
Mr P Boyatzis	1,739,079
Mr P Schwann	1,581,667
Mr K K Chong	200,000

DIRECTORS' REPORT (CONTINUED)

11. ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration 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.

12. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

13. NON-AUDIT SERVICES

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

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

DIRECTORS' REPORT (CONTINUED)

13. NON-AUDIT SERVICES (CONTINUED)

	CONSOLIDATED	
	2012	**2011**
	$	**$**
Audit and review of financial reports	30,515	20,958
Taxation services	3,400	-
	33,915	20,958

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

The auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set on page 29.

15. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

This report is made with a resolution of the directors:

P Schwann
Managing Director
Perth

Dated 25th September 2012

nexia
australia

the next solution

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

To the directors of Aruma Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

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

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

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

AMAR NATHWANI CA B. ENG
Director

25 September 2012
Perth

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audit@nexiaperth.com.au, www.nexia.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
Other income	3	366,008	34,006
Exploration expenditure expensed as incurred		(1,102,978)	(1,011,605)
Depreciation	4	(5,253)	(3,329)
Directors' fees		(434,588)	(318,065)
Employee benefits		(95,078)	(71,303)
Legal and professional fees		(84,865)	(68,812)
Occupancy expenses		(34,947)	(31,622)
Travel expenses		(27,801)	(26,837)
Other expenses		(298,617)	(172,851)
Loss from operating activities	4	(1,718,119)	(1,670,418)
Financial income		165,597	195,706
Financial expense		(544)	(847)
Net financing income	5	165,053	194,859
Loss before income tax		(1,553,066)	(1,475,559)
Income tax expense	8	-	-
Total comprehensive loss for the year		(1,553,066)	(1,475,559)
Loss per share			
Basic and diluted loss per share	7	(2.06 cents)	(2.31 cents)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Note	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
Current Assets			
Cash and cash equivalents	10	2,329,897	2,975,228
Trade and other receivables	11	63,837	145,830
Other current assets	12	8,735	13,338
Total current assets		2,402,469	3,134,396
Non current assets			
Plant and equipment	13	19,712	14,401
Capitalised exploration expenditure	14	538,919	348,919
Total non current assets		558,631	363,320
Total assets		2,961,100	3,497,716
Current liabilities			
Trade and other payables	15	139,647	135,093
Provisions	16	35,962	20,634
Total current liabilities		175,609	155,727
Total liabilities		175,609	155,727
Net assets		2,785,491	3,341,989
Equity			
Issued capital	17	5,837,879	4,841,311
Reserves	18	-	373,066
Accumulated losses	19	(3,052,388)	(1,872,388)
Total equity		2,785,491	3,341,989

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED 2012	CONSOLIDATED 2011
Cash flows from operating activities		**$**	**$**
Receipts from customers		366,008	1,000
Interest received		215,092	125,322
Interest paid		(544)	(847)
Exploration expenditure		(1,046,388)	(985,043)
Payments to suppliers and employees		(975,503)	(614,202)
Net cash used in operating activities	25(b)	(1,441,335)	(1,473,770)
Cash flows from investing activities			
Payment for tenement		-	(50,224)
Payment for option to acquire tenements		(100,000)	-
Payments for purchase of plant and equipment		(10,564)	(12,660)
Net cash used in investing activities		(110,564)	(62,884)
Cash flows from financing activities			
Proceeds from loan from parent entity		-	2,374
Repayment of loan to parent entity		-	(213,531)
Proceeds from issue of securities		948,500	1,722,200
Costs of capital raising		(41,932)	(309,744)
Net cash provided by financing activities		906,568	1,201,299
Net decrease in cash and cash equivalents		(645,331)	(335,355)
Cash and cash equivalents at beginning of year		2,975,228	3,310,583
Cash and cash equivalents at 30 June	25(a)	2,329,897	2,975,228

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Issued capital	Accumulated losses	Share-based payment reserve	Total equity
	$	$	$	$
Balance at 1 July 2010	45,805	(396,829)	373,066	22,042
Comprehensive loss for the year	-	(1,475,559)	-	(1,475,559)
Total comprehensive loss for the year	-	(1,475,559)	-	(1,475,559)
Shares issued for cash	5,031,500	-	-	5,031,500
Shares issued on acquisition of exploration assets	73,750	-	-	73,750
Share issue costs	(309,744)	-	-	(309,744)
Balance at 30 June 2011	4,841,311	(1,872,388)	373,066	3,341,989
Balance at 1July 2011	4,841,311	(1,872,388)	373,066	3,341,989
Loss for the year	-	(1,553,066)	-	(1,553,066)
Expiry of options	-	373,066	(373,066)	-
Total comprehensive loss for the year	-	(1,180,000)	(373,066)	(1,553,066)
Share issued for cash	948,500	-	-	948,500
Shares issued for option to acquire exploration asset	90,000	-	-	90,000
Share issue costs	(41,932)	-	-	(41,932)
Balance at 30 June 2012	5,837,879	(3,052,388)	-	2,785,491

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Aruma Resources Limited (the "Company") is a company domiciled in Australia. The Company is a subsidiary of Hemisphere Resources Limited. The financial report of the Company and its subsidiaries (the "Group") is for the year ended 30 June 2012.

(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 Interpretations issued by the Australian Accounting Standards Board 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 25th September 2012.

(b) Basis of preparation

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

(c) Adoption of new and revised standards

In the year ended 30 June 2012, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

The Company has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to company accounting policies. Amendments have been made to certain accounting standards and interpretations and new standards and interpretations have been issued during the financial year.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	These amendments make a number of changes to the presentation of other comprehensive income including presenting separately those items that would be reclassified to profit or loss in future and those that would never be reclassified to profit or loss and the impact of tax on those items.
AASB 9	Financial Instruments (December 2010) (Includes financial assets and financial liability requirements)	1 January 2013	In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9. AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The guidance in AASB 139 on impairment of financial asset and on hedge accounting continues to apply. The IASB has deferred the application date of IFRS 9 until 1 January 2015, however the AASB has yet to issue a corresponding amendment to AASB 9(2010) and AASB 9 (2009).
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)		
AASB 9	Financial Instruments (December 2009) (Financial asset requirements only)		
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9		

Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
AASB 10	Consolidated Financial Statements	1 January 2013	AASB 10 introduces a new approach to determining which investee should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
AASB 127	Separate Financial Statements (2011)	1 January 2013	AASB 127 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements with some minor clarifications.
AASB 11	Joint Arrangements	1 January 2013	If the parties have rights to and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise the joint arrangement is considered a joint venture and they must use the equity method to account for their interest.
AASB 128	Investment in Associates and Joint Ventures (2011)	1 January 2013	Limited amendments have been made to AASB 128 including the application of AASB 5 *Non-current Assets held for Sale and Discontinued Operations* to interests in associates and joint ventures and how to account for changes in interests in joint ventures and associates.
AASB 12	Disclosures of Interests in Other Entities	1 January 2013	AASB 12 contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013	This standard gives effect to many consequential changes to a number of standards arising from the issuance of the new consolidation and joint arrangements standard.
AASB 13	Fair value Measurement	1 January 2013	AASB 13 explains how to measure fair value when required to by other AASBs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions
AASB 2011-8	Amendments to Australian Accounting		

Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
	Standards arising from AASB 13		to fair value that currently exists in certain standards.
AASB Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine (November 2011)	1 January 2013	This interpretation clarifies that surface mining companies will capitalise production stripping costs that benefit future periods if certain criteria are met.
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle	1 January 2013	A collection of non-current but necessary improvements to the following accounting standards: AASB 1, AASB 101, AASB 116, AASB 132, AASB 134 and AASB Interpretation 2.
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (June 2012)	1 January 2013	AASB 7 is amended to increase the disclosures about offset positions, including the gross position and the nature of the arrangements.
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key management Personnel Disclosure Requirements	1 July 2013	Removes the requirements to include individual key management personnel disclosures in the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under section 300A of the *Corporations Act 2001.*
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (June 2012)	1 January 2014	The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet.
IFRSs & IFRICs		**Mandatory Application Date**	**Possible Impact**
Change in mandatory effective date for IFRS 9		1 January 2015	The IASB has deferred the mandatory effective date of IFRS 9 from 1 January 2013 to 1 January 2015. IFRS 9 is still available for early adoption.

Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
Transition Guidance for IFRS 10, IFRS 11 and IFRS 12		1 January 2013	The IASB have issued these amendments to IFRS 10 and IFRS 11 to simplify transition and provide relief from the disclosures in respect of unconsolidated structured entities on transition to the suite of consolidation standards.

(d) Basis of Consolidation

The consolidated financial statements comprise the consolidated financial statements of Aruma Resources Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of Consolidation (continued)

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

(e) Revenue recognition

Interest revenue

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

Research & Development

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

(f) Plant & equipment

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

Depreciation is charged to the statement of comprehensive income on a straight-line 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Impairment

Non-financial assets

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

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

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

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

(i) Issued capital

Ordinary shares

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

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

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

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

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

(k) Income tax

Income tax on the consolidated statement of comprehensive income for the periods presented comprises current payable and deferred tax. Income tax is recognised in the consolidated statement of 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 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 balance sheet 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 substantively enacted at the balance 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 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

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

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

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

A provision is recognised in the 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.

(m) Goods and services tax

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Exploration and evaluation

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

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

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

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

(o) Earnings per share

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

(p) Segment reporting

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

(q) Financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial assets (continued)

i) *Effective interest method*

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

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

ii) *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial assets (continued)

(iii) AFS financial assets

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

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

(iv) *Loans and receivables*

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

(v) *Impairment of financial assets*

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial assets (continued)

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

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

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

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

(r) Share-based payment transactions

(i) Equity settled transactions:

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

The cost of these equity-settled transactions with directors and executives 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 conditions linked to the price of the shares of Aruma (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 income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payment transactions (continued)

(i) Equity settled transactions: (continued)

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

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

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

(s) Trade and other payables

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

(t) Leases

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Going concern basis of preparation

The financial report for the year ended 30 June 2012 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2012 the Group recorded a net loss of $1,553,066 (2011: $1,475,559) and had a net working capital surplus of $2,226,860 (30 June 2011: $2,978,669).

The Group will likely require further funding during the 2013 financial year in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Group's cash flow forecast, the Board of Directors is aware of the Group's need to access additional working capital funds in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

The Directors are confident that, based on the previous successful capital raising, the Group will be successful in raising additional funds through the issue of new equity. Additionally the Group can also pursue potential farm-out activities on the Group's exploration assets. The Directors are also aware that the Group has the option, if necessary, to relinquish certain projects in order to maintain its cash funds at appropriate levels.

Based on above, the Directors consider the going concern basis of preparation to be appropriate for this financial report.

In the event that the Group is not successful in raising funds from the issue of new equity, there exists material uncertainty that may cast doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with directors and executives by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, using the assumptions detailed in Note 22.

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, based on the expectation that the Group will not make any taxable profits over the next two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2012	**2011**
		$	**$**
3.	**REVENUE**		
	R & D tax concession	353,165	-
	Refunds	12,843	-
	On-charge of office costs	-	-
		366,008	34,006
4.	**LOSS BEFORE INCOME TAX**		
	Loss before income tax expense has been arrived at after charging the following items:		
	Depreciation	5,253	3,329
5.	**FINANCING INCOME**		
	Interest income	165,597	195,706
	Interest expense	(544)	(847)
		165,053	194,859
6.	**AUDITORS' REMUNERATION**		
	During the year the following fees were paid or payable for services provided by the auditor of the Group, their related practices and non-related audit firms:		
	Auditors' remuneration:		
	Audit and review services:		
	- Auditors of the Group	30,515	20,958
	Professional services:		
	- Auditors of the Group	3,400	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2012	2011
		$	$
7.	**LOSS PER SHARE**		
	Loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date	2.06 cents	2.31 cents
(a)	Weighted average number of shares used in calculation of basic loss per share	**No. shares**	**No. shares**
	Share on issue at beginning of year	65,657,500	40,000,000
	Effect of 9,413,333 shares issued on 19 September 2011	7,355,774	-
	Effect of 1,133,334 shares issued on 11 October 2011	817,487	-
	Effect of 1,000,000 shares issued on 7 December 2011	565,574	-
	Effect of 2,100,000 shares issued on 21 December 2011	1,107,377	-
	Effect of 25,282,500 shares issued on 23 July 2010	-	23,758,624
	Effect of 250,000 shares issued on 26 November 2010	-	148,630
	Effect of 125,000 shares issued on 15 June 2011	-	5,479
	Weighted average number of ordinary shares at 30 June	75,503,712	63,912,733
(b)	Loss used in calculating basic loss per share	$1,553,066	$1,475,559

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2012	2011
	$	$
8. INCOME TAXES		
Recognised in the statement of 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	-	-
Amounts charged or credited directly to equity	-	-
Deferred income tax related to items (credited) directly to equity	-	-
Income tax expense/(benefit) reported in equity	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INCOME TAXES (CONTINUED)

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

	CONSOLIDATED	
	2012	**2011**
	$	**$**
Numerical reconciliation between aggregate income tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Profit/(loss) before income tax expense from operations	(1,553,066)	(1,475,559)
Income tax expense/(benefit) calculated at 30%	(465,920)	(442,668)
Section 40-880 expenses	(31,849)	(29,333)
Non-deductible expenses	132	486
Tax losses unrecognised	497,637	471,515
Income tax expense/(benefit)	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INCOME TAXES (CONTINUED)

Unrecognised deferred tax assets/(liabilities)

	2012	2011
	$	$
The following deferred tax assets and (liabilities) have not been brought to account as assets:		
Tax losses - revenue	504,921	471,515
Temporary differences	(46,991)	-
	457,930	471,515
Deferred tax asset not recognised in respect of the following items:		
Trade and other receivables	(21,655)	-
Trade and other payables	13,797	-
Section 40-880 expenses	(31,849)	-
Tax losses carried forward	497,637	471,515
	457,930	471,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit risk

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

Cash

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

Trade and other receivables

As the Group operates in the mining explorer sector it does not have trade receivables and is therefore not exposed to credit risk in relation to trade receivables. Other receivables relate to an amount due from its parent entity and interest accrued on cash held with banks.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk

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

	Note	CARRYING AMOUNT	
		CONSOLIDATED	
		2012	2011
		$	$
Trade and other receivables	11	28,562	145,830
Cash and bank balances	10	2,329,897	2,975,228

Impairment losses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

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

The Group anticipates raising additional capital within the next 12 months to fund further exploration activity.

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

	Carrying amount	Contractual cash flows	6 months or less	6 months or more
Consolidated	$	$	$	$
30 June 2012				
Trade and other payables	139,647	(139,647)	139,647	-
	139,647	(139,647)	139,647	-
30 June 2011				
Trade and other payables	135,093	(135,093)	135,093	-
	135,093	(135,093)	135,093	-

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.

ARUMA RESOURCES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

The Group has no borrowings.

Profile

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

	CONSOLIDATED			
	2012		2011	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	$	%	$	%
Variable rate instruments				
Cash and bank balances	829,797	2.67	275,677	2.92
Fixed rate instruments				
Cash and bank balances	1,500,000	5.75	-	-

Cash flow sensitivity analysis for fixed 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 2012				
Variable rate instruments	15,000	(15,000)	15,000	(15,000)
30 June 2011				
Variable rate instruments	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

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 2012				
Variable rate instruments	8,288	(8,288)	8,288	(8,288)
30 June 2011				
Variable rate instruments	2,757	(2,757)	2,757	(2,757)

Fair value of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

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.

The Board monitors the return on capital and seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines return on capital as net operating income divided by total shareholder's equity.

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

	CONSOLIDATED	
	2012	**2011**
	$	**$**
10. CASH AND CASH EQUIVALENTS		
Cash at hand	1	1
Cash at bank	829,896	275,677
Short term deposits	1,500,000	2,699,550
	2,329,897	2,975,228

	%	%
Weighted average interest rate.	4.66	5.53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2012	2011
		$	$
11.	**TRADE AND OTHER RECEIVABLES**		
	Current		
	GST receivable	35,275	31,211
	Receivable – parent entity	-	36,307
	Other receivables	28,562	78,312
		63,837	145,830

Trade and other receivables are non-interest bearing.

12.	**OTHER CURRENT ASSETS**		
	Prepayments	1,271	4,436
	Deposits	5,384	-
	Other current assets	2,080	8,902
		8,735	13,338

13.	**PLANT AND EQUIPMENT**		
	Office equipment at cost	10,895	5,270
	Accumulated depreciation	(2,053)	(428)
	Office equipment	8,842	4,842
	Field equipment at cost	1,889	1,889
	Accumulated depreciation	(669)	(291)
	Field equipment	1,220	1,598
	Computer equipment at cost	15,677	10,738
	Accumulated depreciation	(6,027)	(2,777)
	Computer equipment	9,650	7,961
	Total carrying value	19,712	14,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. PLANT AND EQUIPMENT (CONTINUED)

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

	Office equipment	**Computer equipment**	**Field equipment**	**Total**
Consolidated: 30 June 2012	$	$	$	$
At 1 July 2011 net of accumulated depreciation	4,842	7,961	1,598	14,401
Additions	5,625	4,939	-	10,564
Depreciation charge for the year	(1,625)	(3,250)	(378)	(5,253)
At 30 June 2012 net of accumulated depreciation	8,842	9,650	1,220	19,712

	Office equipment	**Computer equipment**	**Field equipment**	**Total**
Consolidated: 30 June 2011	$	$	$	$
At 1 July 2010 net of accumulated depreciation	-	5,071	-	5,071
Additions	5,270	5,500	1,889	12,659
Depreciation charge for the year	(428)	(2,610)	(291)	(3,329)
At 30 June 2011 net of accumulated depreciation	4,842	7,961	1,598	14,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2012	2011
		$	$
14.	**CAPITALISED EXPLORATION EXPENDITURE**		
	Balance at beginning of the year	348,919	224,945
	Acquisition of tenements by issue of shares	90,000	73,750
	Acquisition of tenements by cash	100,000	50,224
	Balance at end of the year	538,919	348,919

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

		CONSOLIDATED	
		2012	2011
		$	$
15.	**TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals (i)	136,503	135,093
	Payable to parent entity (ii)	3,144	-
		139,647	135,093

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

(ii) At 30 June 2012 a balance of $3,144 was payable by the Company to its parent entity, Hemisphere Resources Limited, in relation to shared office costs. The amount due is charged on normal commercial terms and is non-interest bearing

		CONSOLIDATED	
		2012	2011
		$	$
16.	**PROVISIONS**		
	Employee leave entitlements	35,962	20,634
		35,962	20,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. SHARE CAPITAL

	COMPANY 2012 $	COMPANY 2011 $
Ordinary shares		
79,304,167 (2011: 65,657,500) fully paid ordinary shares	5,837,879	4,841,311

Movements during the year	2012 Number	2012 $	2011 Number	2011 $
Balance at beginning of year	65,657,500	4,841,311	40,000,000	45,805
Shares issued for cash	12,646,667	948,500	25,157,500	5,031,500
Shares issued on acquisition of exploration assets	1,000,000	90,000	500,000	73,750
Transaction costs arising on share issues		(41,932)		(309,744)
Balance at end of year	79,304,167	5,837,879	65,657,500	4,841,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2012	2011
		$	$
18.	**RESERVES**		
	Share-based payment reserve	-	373,066
	Movement		
	Balance at beginning of year	373,066	373,066
	Expiry of options	(373,066)	-
	Balance at end of year	-	373,066

Share-based payment reserve

The share-based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration.

		CONSOLIDATED	
		2012	2011
		$	$
19.	**ACCUMULATED LOSSES**		
	Movement		
	Balance at beginning of year	(1,872,388)	(396,829)
	Expiry of options	373,066	-
	Loss for the year	(1,553,066)	(1,475,559)
	Balance at end of year	(3,052,388)	(1,872,388)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2012	2011
		$	$
20.	**COMMITMENTS**		
	Exploration Expenditure Commitments		
	not later than 1 year	633,794	328,600
	Later than 1 year but not later than 5 years	2,535,176	1,314,400
		3,168,970	1,643,000
	Operating lease Commitments		
	not later than 1 year	33,276	18,000
	Later than 1 year but not later than 5 years	8,400	-
		41,676	18,000

21. CONTINGENT LIABILITIES

Under the Glandore project mineral rights agreement Hemisphere Resources Limited has provided a covenant to pay the sum of $50,000 to AngloGold Ashanti Australia Pty Ltd and Marie Epis upon submitting a notice of intent to mine in respect of the tenements. At the date of this report the Company has no immediate intentions to submit such a notice. The Company, a subsidiary of Hemisphere, has covenanted to reimburse up to $50,000 that it is obliged to pay.

In the opinion of the directors, other than the matter disclosed above, there were no contingent liabilities at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENTS

Aruma does not have a share option payment plan. During the year there were no options granted as share-based compensation by Aruma.

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

	2012 No.	2012 Weighted average exercise price $	2011 No.	2011 Weighted average exercise price $
Outstanding at the beginning of the year	4,000,000	0.27	4,000,000	0.27
Expired during the year	(4,000,000)	0.27	-	-
Outstanding at the end of the year	-	-	4,000,000	0.27
Exercisable at the end of the year	-	-	4,000,000	0.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. KEY MANAGEMENT PERSONNEL

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

Executive director

Mr P Schwann, Managing Director

Non-executive directors

Mr P Boyatzis, Chairman

Mr K K Chong

Mr D Costick, resigned 27 March 2012

(a) Key management personnel compensation

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

	CONSOLIDATED	
	2012	**2011**
	$	$
Short-term employee benefits	431,028	334,166
Post-employment benefits	23,943	19,898
	454,971	354,064

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Equity instruments: disclosure relating to key management personnel

Equity holdings and transactions

Movements in shares

The movement during the reporting period in the number of ordinary shares in Aruma held, directly, indirectly or beneficially, by each key management person, including their personally-related entities, is as follows:

	Held 1 July 2011	Granted as compensation	Received on exercise of options	Purchases	Sales/at resignation	Held at 30 June 2012
Directors						
Mr P Boyatzis	354,117	-	-	1,384,962	-	1,739,079
Mr P Schwann	765,500	-	-	816,167	-	1,581,667
Mr D Costick*	-	-	-	133,333	(133,333)	-
My K K Chong	-	-	-	200,000	-	200,000
Executive						
Mr P MacLeod	35,000	-	-	-	-	35,000

	Held 1 July 2010	Granted as compensation	Received on exercise of options	Purchases	Sales/at resignation	Held at 30 June 2011
Directors						
Mr P Boyatzis	-	-	-	354,117	-	354,117
Mr P Schwann	-	-	-	765,500	-	765,500
Mr D Costick*	-	-	-	100,000	(100,000)	-
My K K Chong	-	-	-	-	-	-
Executive						
Mr P MacLeod	-	-	-	35,000	-	35,000

** resigned 27 March 2012*

No shares were issued as compensation to key management personnel during the year as compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Equity instruments: disclosure relating to key management personnel (Continued)

Equity holdings and transactions (Continued)

Options and rights over equity instruments

The movement during the year in the number of options over ordinary shares in Aruma held, directly, indirectly or beneficially, by each key management person, including their personally-related entities, is as follows:

2012	Held at 1 July 2011	Granted as compen-sation	Options exercised	Expired during the year	Held at 30 June 2012	Vested during the year	Vested and unexercisable at 30 June 2012
Directors							
Mr P Boyatzis	1,000,000	-	-	(1,000,000)	-	-	-
Mr P Schwann	2,000,000	-	-	(2,000,000)	-	-	-
Mr D Costick*	1,000,000	-	-	(1,000,000)	-	-	-
Mr K K Chong	-	-	-	-	-	-	-
Executive							
Mr P MacLeod	-	-	-	-	-	-	-

2011	Held at 1 July 2010	Granted as compen-sation	Options exercised	Expired during the year	Held at 30 June 2010	Vested during the year	Vested and unexercisable at 30 June 2011
Directors							
Mr P Boyatzis	1,000,000	-	-	-	1,000,000	-	1,000,000
Mr P Schwann	2,000,000	-	-	-	2,000,000	-	2,000,000
Mr D Costick*	1,000,000	-	-	-	1,000,000	-	1,000,000
Mr K K Chong	-	-	-	-	-	-	-
Executive							
Mr P MacLeod	-	-	-	-	-	-	-

**Resigned 27 March 2012*

All options which expired 31 March 2012 were held in escrow until 23 July 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. RELATED PARTIES

Name of entity

Parent entity

Hemisphere Resources Limited

	Ownership interest	
	2012	**2011**
Controlled entities		
Aruma Exploration Pty Ltd	100%	100%

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 23

During the year GAP Corporate Services provided Company Secretarial services to Aruma. For the year ended 30 June 2012 Aruma was charged a total of $36,000 plus GST (2011: $36,000 plus GST) for those services. The amount outstanding of $13,200 inc GST is included under other payables at 30 June 2012.

(b) Transactions with Hemisphere Resources Limited

(i) During the year Hemisphere utilised the services of administration staff employed by Aruma. For the financial year ended 30 June 2012 Aruma charged Hemisphere $nil (2011: $34,006 plus GST) for those services. The amount outstanding of $36,307 is included under other receivables at 30 June 2011.

(ii) From 1 July 2011 to 31 October 2011, Aruma shared office space leased by Hemisphere. Aruma was charged a total of $10,858 plus GST for the space and associated costs (2011: $23,651 plus GST). A balance of $3,144 is outstanding at 30 June 2012, refer Note 15.

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 (CONTINUED)

25. NOTES TO STATEMENT OF CASH FLOWS

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
a) Reconciliation of cash and bank balances		
For the purposes of the statement of cash flows, cash and bank balances comprise the following at 30 June		
Cash at hand	1	1
Cash at bank	829,896	275,677
Short term deposits	1,500,000	2,699,550
	2,329,897	2,975,228

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities:		
Loss for the year	(1,553,066)	(1,475,559)
Adjustments for:		
Depreciation	5,253	3,329
Add/(less):		
(Increase)/decrease in trade and other receivables	81,993	(122,990)
(Increase)/decrease in other current assets	4,603	(13,338)
Increase/(decrease) in trade and other payables	4,554	114,154
Increase/(decrease) in provisions	15,328	20,634
Net cash used in operating activities	(1,441,335)	(1,473,770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION

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

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

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

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

The revenues and results of this segment are those of the Group as a whole and are set out in the statement of 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.

27. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date, the 16 hole RAB drilling program at Jundee South intersected anomalous gold in 9 of 16 holes , with 5 holes with intersections >1g/t over 4m or better. The best intersection was in JSR 34 with an intersection of 48m @1.47g/t from 4m including 4m @9.62g/t. The Gold Anomaly trends to the northwest for 1km and extension drilling is planned for the December quarter. The details of the holes are in table 7 below. All the holes were vertical RAB and stopped either due to poor sample or hard RAB refusal. All the reported holes are in the Western Area.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

Table 7 Intersections >1g/t at Jundee South, Western Area

Hole	Easting	Northing	From	To	Intercept	Au g/t	Comment
JSR32	273001	7065037	16	20	4	2.55	
JSR33	272960	7065040	8	12	4	1.24	
JSR33	272960	7065040	16	20	4	1.94	
JSR33	272960	7065040	20	24	4	1.03	
JSR33	272960	7065040	52	55	3	2.15	End Of Hole
JSR34	272958	7064978	4	8	4	9.62	
JSR34	272958	7064978	20	24	4	1.53	
JSR34	272958	7064978	32	36	4	1.02	
JSR34	272958	7064978	40	44	4	1.32	
JSR34	272958	7064978	48	50	2	1.13	End Of Hole
JSR35	272960	7064941	24	28	4	1.69	
JSR37	273000	7064940	4	8	4	1.03	

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

28. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. PARENT ENTITY INFORMATION

In the year ended 30 June 2012 the Parent company of the Group was Aruma Resources Limited.

	COMPANY	
	2012	**2011**
	$	$
Financial performance of Parent entity at year end		
Loss for the year	(1,553,066)	(1,475,559)
Other comprehensive income	-	-
Total comprehensive expense for the year	(1,553,066)	(1,475,559)
Financial position of Parent entity at year end		
Current assets	2,402,469	3,134,396
Total assets	2,961,100	3,497,716
Current liabilities	175,609	155,727
Total liabilities	175,609	155,727
Total equity of the Parent entity comprising:		
Share capital	5,837,879	4,841,311
Share-based payment reserve	-	373,066
Accumulated losses	(3,052,388)	(1,872,388)
Total equity	2,785,491	3,341,989

Under the Glandore project mineral rights agreement Hemisphere Resources Limited has provided a covenant to pay the sum of $50,000 to AngloGold Ashanti Australia Pty Ltd and Marie Epis upon submitting a notice of intent to mine in respect of the tenements. At the date of this report the Company has no immediate intentions to submit such a notice. The Company, a subsidiary of Hemisphere, has covenanted to reimburse up to $50,000 that it is obliged to pay.

DIRECTORS' DECLARATION

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

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

   i. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year then ended; and

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

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

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

d. the remuneration disclosures included in Section 3 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the Corporations Act 2001.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2012.

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

P. Schwann

Director

Perth

Dated this 25th day of September 2012

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

Report on the financial report

We have audited the accompanying financial report of Aruma Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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nexia australia

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(u) to the Financial Report, which indicated that the Group incurred a net loss after tax of $1,553,066 and, based on a cash flow forecast, will need to raise additional capital in the next 12 months. These conditions, along with other matters as set forth in Note 1(u), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Aruma Resources Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

AMAR NATHWANI CA B. ENG
Director

25 September 2012
Perth

CORPORATE GOVERNANCE

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

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

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

Corporate Governance Compliance

A description of the Company's main corporate governance practices are set out below. All these practices, unless otherwise stated, have been in place for financial year ended 30 June 2012. The Company has considered the ASX Corporate Governance Principles and the corresponding Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices

Summary Statement

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

<u>Disclosure – Principles & Recommendations - financial year 2011/2012</u>

Principle 1 – Lay solid foundations for management and oversight

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

Recommendation 1.1:

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

Disclosure:

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

The Board has sole responsibility for the following:

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

Recommendation 1.2:

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

Disclosure:

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

There was no formal performance evaluation of the senior executives during the financial year.

Principle 2 – Structure the board to add value

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

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Company does not have a majority of independent directors.

The Board takes the view that Mr Boyatzis (Non- Executive Chairman) and Mr Schwann (Managing Director) are not independent in terms of the ASX Corporate Governance Council's discussion of independent status. Mr Boyatzis is a director of Hemisphere Resources Limited. Hemisphere Resources Limited holds 50% of the Shares in the Company. Mr Schwann as Managing Director is an executive of the Company. Despite these relationships, the Board believes that the Directors are able, and do make, quality and independent judgement in the best interests of the Company on all relevant issues before the Board. Mr Chong (Non-Executive Director) is an independent director.

The Board's policy is that the majority of directors should be independent, non-executive directors. The composition of the Board does not currently conform to this policy. It is the Board’s intention to comply with its policy at a time when the size of the Company and its activities warrants such a structure.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

Mr Boyatzis is Non-Executive Chair of the Board is not considered independent. It is the Board’s intention to comply with its policy at a time when the size of the Company and its activities warrants such a structure.

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 2.3:

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

Disclosure:

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

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

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

A nomination committee has not been established.

The role of the Nomination Committee has been assumed by the full Board.

Recommendation 2.5:

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

Disclosure:

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

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

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

Recommendation 2.6:

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

Disclosure:

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

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

Identification of Independent Directors

Mr Chong is an independent director of the Company in terms of the ASX Corporate Governance Council's discussion of independent status.

Statement concerning availability of Independent Professional Advice

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

Principle 3 – Promote ethical and responsible decision-making

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

Recommendation 3.1:

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

Disclosure:

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

Recommendation 3.2:

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

Disclosure:

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

Recommendation 3.3:

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

Disclosure:

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

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 3.4:

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

Disclosure:

	Number
Women employees in the Group:	1 of 4
Women in senior executive positions:	0 of 1
Women on the Board:	0 of 3

Principle 4 – Safeguard integrity in financial reporting

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

Recommendation 4.1

The Board should establish an Audit Committee.

Disclosure:

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

Recommendation 4.2:

The Audit Committee should be structured so that it:

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

Disclosure:

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

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

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

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 4.4:

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

Disclosure:

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

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

Principle 5 – Make timely and balanced disclosure

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

Recommendation 5.1:

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

Disclosure:

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

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

Principle 6 – Respect the rights of shareholders

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

Recommendation 6.1:

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

Disclosure:

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

CORPORATE GOVERNANCE (CONTINUED)

Principle 7 – Recognise and manage risk

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

Recommendation 7.1:

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

Disclosure:

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

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

Recommendation 7.2:

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

CORPORATE GOVERNANCE (CONTINUED)

Disclosure:

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

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

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

Recommendation 7.3:

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

Disclosure:

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

Principle 8 – Remunerate fairly and responsibly

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

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

A Remuneration Committee has not been established and the role of the Remuneration Committee has been assumed by the full Board. The Board considers that the Company is not of a size to justify the formation of a remuneration committee.

Recommendation 8.2:

The Remuneration Committee should be structure so that it:

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

Disclosure:

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

Recommendation 8.3:

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

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation).

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

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number
Hemisphere Resources Limited	40,000,000
Ultimate Victory Holding Limited	5,000,000

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

Location of Share Registry

Advanced Share Registry Services

150 Stirling Highway

NEDLANDS WA 6009

Tel: (08) 9389 8033

Use of Funds

The Company has used the cash and assets readily convertible to cash, that it had at the time of admission to listing on ASX in a way consistent with its business objectives.

ASX ADDITIONAL INFORMATION (CONTINUED)

Distribution of equity security holders

	NUMBER OF EQUITY SECURITY HOLDERS	
Category	**Ordinary shares**	**Options**
1 - 1,000	6	37
1,001 - 5,000	7	26,790
5,001 - 10,000	134	1,334,287
10,000 - 100,000	161	7,198,372
100,000 and over	76	70,744,681
	384	79,304,167

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

Restricted Securities

The Company has 79,304,167 shares on issue. The Company does not have any shares on issue subject to escrow.

ASX ADDITIONAL INFORMATION (CONTINUED)

Twenty Largest Shareholders

Name	Number of ordinary shares held	Percentage of capital held
Hemisphere Resources Limited	40,000,000	50.44
Ultimate Victory Holding Limited	5,000,000	6.30
Graeme & Christine Schuhkraft	1,817,568	2.29
Westedge Investments Pty Ltd	1,184,962	1.49
Peter Schwann	1,134,667	1.43
Parmelia Pty Ltd	1,049,624	1.32
Ross Arancini	1,000,000	1.26
Gary B Branch Pty Ltd	1,000,000	1.26
Goldbondsuper Pty Ltd	850,000	1.07
Pillage Investments Pty Ltd	750,000	0.95
P R Perry Nominees Pty Ltd	750,000	0.95
Jennifer & Graham Bergersen	558,317	0.70
Lesuer Pty Ltd	554,117	0.70
Michael Parish	533,333	0.67
Craig & Joy Hawley	524,812	0.66
Darlinghurst Pty Ltd	500,000	0.63
Colbern Fiduciary Nominees Pty Ltd	500,000	0.63
Commco Super Pty Ltd	500,000	0.63
Kirk Group Holdings Pty Ltd	450,000	0.57
Heluss Nominees Pty Ltd	450,000	0.57
	59,107,400	74.52

ARUMA RESOURCES

SUMMARY OF ARUMA RESOURCES LIMITED TENEMENTS: (all 100% Aruma)

Gold Projects – Glandore	
M25/327 M25/329 M25/330 P25/2073 P25/2074 P25/2075 P25/2076 P25/2089 P25/2090 P25/2091 P25/2092 P25/2093 P25/2094 P25/2103 P25/2117 P25/2118 P25/2119 P25/2153 P25/2154 P25/2199 P25/2201 P25/2202 P25/2203 P25/2204 E27/472	Glandore
E29/852	Twin Hills
E25/463	Mt Monger

Gold Projects – Glandore Hub	
E25/469	Bulong
E27/436 E27/453 E27/462 P27/2096 P27/2097	Gindalbie
E25/465 E28/1833 E28/1849	Kurnalpi South

Gold Projects – Regional	
P 38/3782 P 38/3783 P 38/3784 P 38/3785 P 38/3786 E 38/2475	Laverton East
E37/1109 E37/1116 P37/8065 P37/8066 P37/8067	Darlot
E 53/1461	Jundee South