ARUMA RESOURCES LIMITED

ABN 77 141 335 364

ANNUAL REPORT
30 JUNE 2013

ARUMA RESOURCES

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 2013. 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 34. 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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Share Register

Advanced Share Registry Services

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Telephone: +61 8 9389 8033

Auditors

Nexia Perth Audit Services Pty Ltd

Level 3

88 William Street

Perth WA 6000

Australia

Solicitors

Fairweather Corporate Lawyers

595 Stirling Highway

Cottesloe WA 6011

Australia

ASX Code:

Ordinary shares – AAJ

LETTER FROM THE CHAIRMAN TO SHAREHOLDERS

Dear Shareholder

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

The last six months has been a difficult period for the resources industry and in particular for exploration companies due to the equity markets current aversion to risk. Aruma raised $2.5M just before the market faltered and is in the fortunate position of being well funded for the coming year.

In the last year Aruma has defined new gold mineralisation at its flagship Glandore Project utilising new technology in Fluid Flow modelling and HyMap imaging. The Glandore Project is located 40km east of Kalgoorlie-Boulder and covers almost 60km^2 of prospective ground. Aruma has also consolidated and reduced its total lease position in this region to under 535km^2 covering the prospective belts of proven gold zones, mostly under thin cover.

Projects

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

Ongoing exploration of the Glandore Project has identified a powerful mineralising system that is present on the lease area. Previous exploration has tested the exposed and near surface anomalies and currently Aruma is using the successful CSIRO Fluid Flow modelling method to predict targets under cover. Drilling and sampling has commenced on targets and results to date have identified several new gold zones that indicate similar features to the high grade Axial Planar and Supergene Zones. The results include 5m at 4.3g/t Au at the Steves prospect which has intersected gold over 350m of strike.

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 and Bulong leases which consists of some 212km^2 of highly prospective ground amenable to satellite pits and trucking.

The Gindalbie Project consists of several granted leases covering 151km^2 in a gold endowed greenstone setting which hosts the Kalpini and Mayday deposits. Within the Gindalbie project, the Lady Lauren line of workings were RC drilled to follow up rock chips with visible gold and assays up to 25g/t Au. Extensive gold anomalism was encountered and will be followed up in the coming year.

The Jundee South Project is approximately 50km to the east of Wiluna within the Yandal Greenstone belt. Exciting results from RAB drilling identified intersections of gold up to 18g/t. These were followed up with further RAB drilling to define a high grade and thick zone at Marks Prospect that was confirmed by RC drilling in the new financial year.

The Laverton East Project is located approximately 20km east of Laverton. This area is covered by a thin hardpan and exploration by HyVista and previous drilling identified new mineralisation over several hundreds of meters and produced an intersection of 2m at 4.28 g/t Au from 15m in LEAC 31.

Similar HyVista anomalies were evident in the Pauls Well lease to the north and these were soil sampled with no anomalous results. These will be examined and probably relinquished in the coming year.
All of the project areas can be readily accessed from the regional towns of Kalgoorlie-Boulder, Laverton or Wiluna.

The coming year will see continuing active exploration of the Company's projects, with the use of reverse circulation and air core drilling on the anomalies at Glandore, and the evaluation beyond the current northern section of the project. The Company will always continue to seek other resource opportunities that the Directors consider have the potential to add shareholder value.

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

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

Paul Boyatzis
Chairman

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 2013 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. INFORMATION ABOUT THE OFFICERS OF THE COMPANY

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

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

B Bus, ASA, MSDIA, MAICD

Mr Boyatzis has 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 Nexus Minerals Limited.

At the reporting date Mr Boyatzis is the holder of 3,739,079 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 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 4,602,167 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 arrangement and compromise and exchange control regulations in both Singapore and Malaysia. He brings to the Board a wealth of international corporate experience and contacts to investors in the Singapore/Malaysia region.

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

At reporting date Mr Chong is the holder of 300,000 ordinary shares.

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.

ARUMA RESOURCES

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	3	3
Peter Schwann	3	3
Ki Keong Chong	3	3

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 up to $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			
		Salaries & fees $	Cash bonus $	Non-monetary benefits $	Total $	Superannuation benefits $	$	Termination benefit $	Options and rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-executive Directors												
Mr P Boyatzis	2013	72,000	-	-	72,000	-	-	-	12,917	84,917	-	15.21
	2012	72,000	-	-	72,000	-	-	-	-	72,000	-	-
Mr K K Chong	2013	30,000	-	-	30,000	-	-	-	6,459	36,459	-	17.71
	2012	27,000	-	-	27,000	-	-	-	-	27,000	-	-
Mr D Costick* Resigned 27 March 2012	2012	50,000	-	-	50,000	1,800	-	-	-	51,800	-	-
Executive Director												
Mr P Schwann	2013	250,000	-	-	250,000	22,500	-	-	25,835	298,335	-	8.65
	2012	246,028	-	-	246,028	22,143	-	-	-	268,171	-	-
Total	**2013**	**352,000**	**-**	**-**	**352,000**	**22,500**	**-**	**-**	**45,211**	**419,711**	**-**	**10.77**
	2012	**395,028**	**-**	**-**	**395,028**	**23,943**	**-**	**-**	**-**	**418,971**	**-**	**-**

* 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 3,500,000 options over unissued shares granted to directors or key management personnel as part of their remuneration during the year. The options were granted on 17 April 2013 and have an expiry date of 17 March 2016. The exercise price of the options is 8.20 cents and the fair value at grant date was 1.29 cents per option.

The inputs to the options valuation were the following:

Dividend yield (%)	n/a
Expected volatility (%)	83.20
Risk-free interest rate (%)	2.76
Expected life of option (years)	1.50
Exercise price (cents)	8.20
Grant date share price (cents)	5.00

The expected volatility reflects the assumption that the historical volatility of the Company is indicative of future trends, which may also not necessarily be the actual outcome.

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 from 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 6,400,000 options (2012: nil) over unissued shares in Aruma.

Share options lapsed

No options expired during the year (2012: 4,000,000).

DIRECTORS' REPORT (CONTINUED)

4. SHARE OPTIONS (CONTINUED)

Share options issued

There were 3,500,000 options over unissued shares in Aruma issued during the year as share-based compensation to directors (2012: nil).

There were 2,500,000 options over unissued shares in Aruma issued during the year to sponsoring brokers in consideration for share issue costs (2012: 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

Corporate

- Nexus Minerals Limited (formerly Hemisphere Resources Limited) shareholding in Aruma reduced to <5% during the period
- $2.5M raised through corporate clients of BBY Limited and Aruma directors

Exploration highlights during the year:

- Drilling of Fluid Flow targets confirms new gold trends at Glandore
- Successful drilling at Glandore, Gindalbie and Jundee South
- All drilling intersects gold mineralisation
- Leases rationalised to 535km^2

Project Descriptions

The Group continues to manage and rationalise its landholding in the Eastern Goldfields 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 350km^2, were relinquished within the financial year and were officially notified in early July 2013.

EASTERN GOLDFIELDS	Glandore Hub	**Glandore Project** – 40km east of Kalgoorlie-Boulder Status – Ready to drill to follow up gold intersections at Steves Prospect Northern and eastern leases air core drilling planned on Lake area
		Gindalbie Project - 60km north-east of Kalgoorlie-Boulder Status – First pass drilling on visible gold at Lady Lauren scheduled
		Bulong Project – 30km east of Kalgoorlie-Boulder Status – data base assembled and RAB drilling scheduled
		Clinker Hill Project – 15km south of Glandore Status – Follow up RAB drilling of anomalies and mining activity
	Regional Projects	**Twin Hills Project** – The Twin Hills belt 25km north of Menzies Status – on hold after RC drilling failed to identify major mineralisation
		Jundee South Project – 20km south of Jundee Mine Status – First Pass RAB drilling hits 18 g/t Au over 1m RC drilling scheduled at Marks prospect
		Laverton East Project – 20km east of Laverton Status – Paul Well (Northern) Lease has multiple HyVista Targets

Table 1 Table of Project Locations and Descriptions

DIRECTORS' REPORT (CONTINUED)

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 two tenements which are still under application, Aruma's tenement package now totals just under 535km^2 which reflects the work done on 176km^2 leases that were relinquished during the financial year.

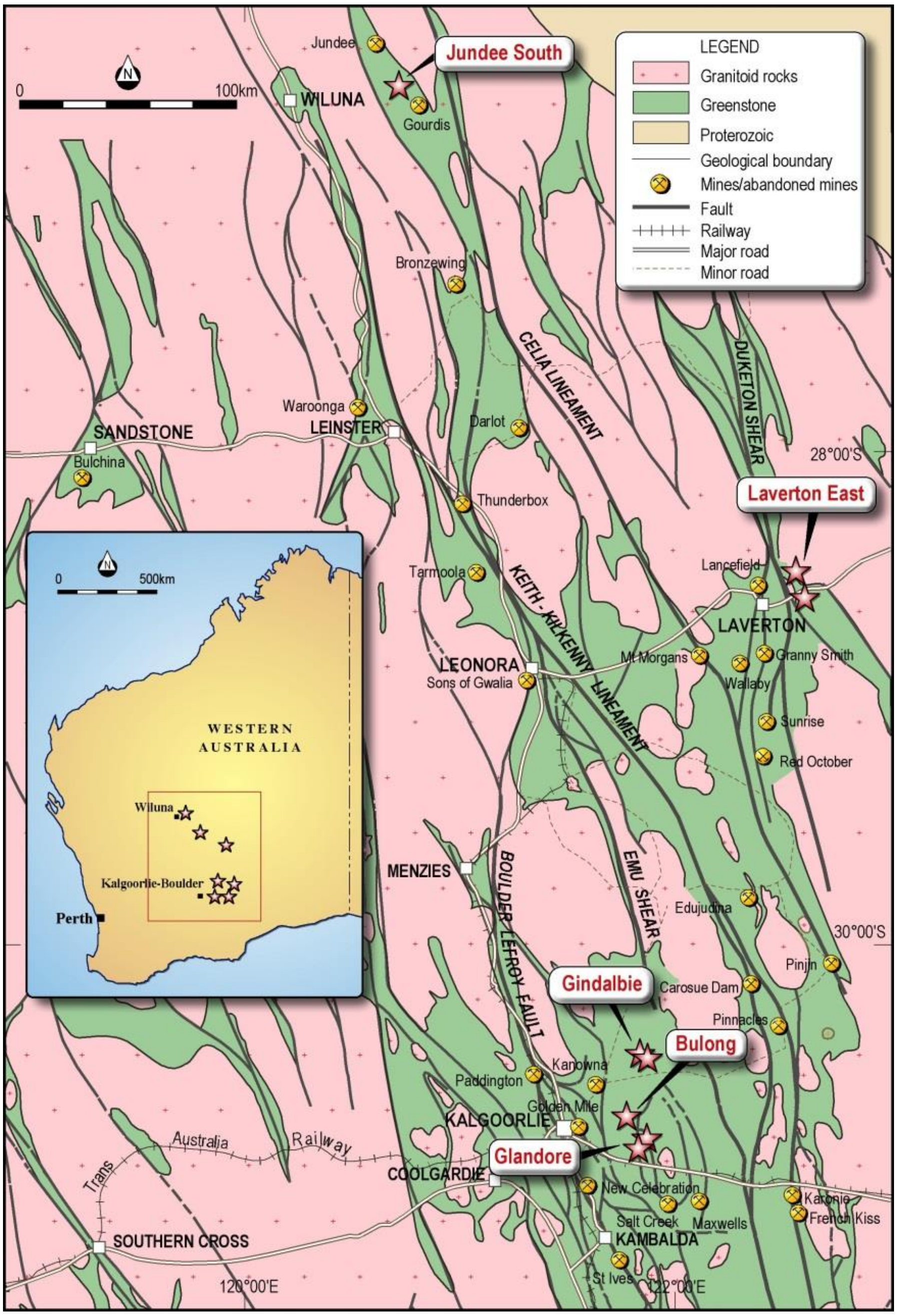

Figure 1 Aruma's Project Locations

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.

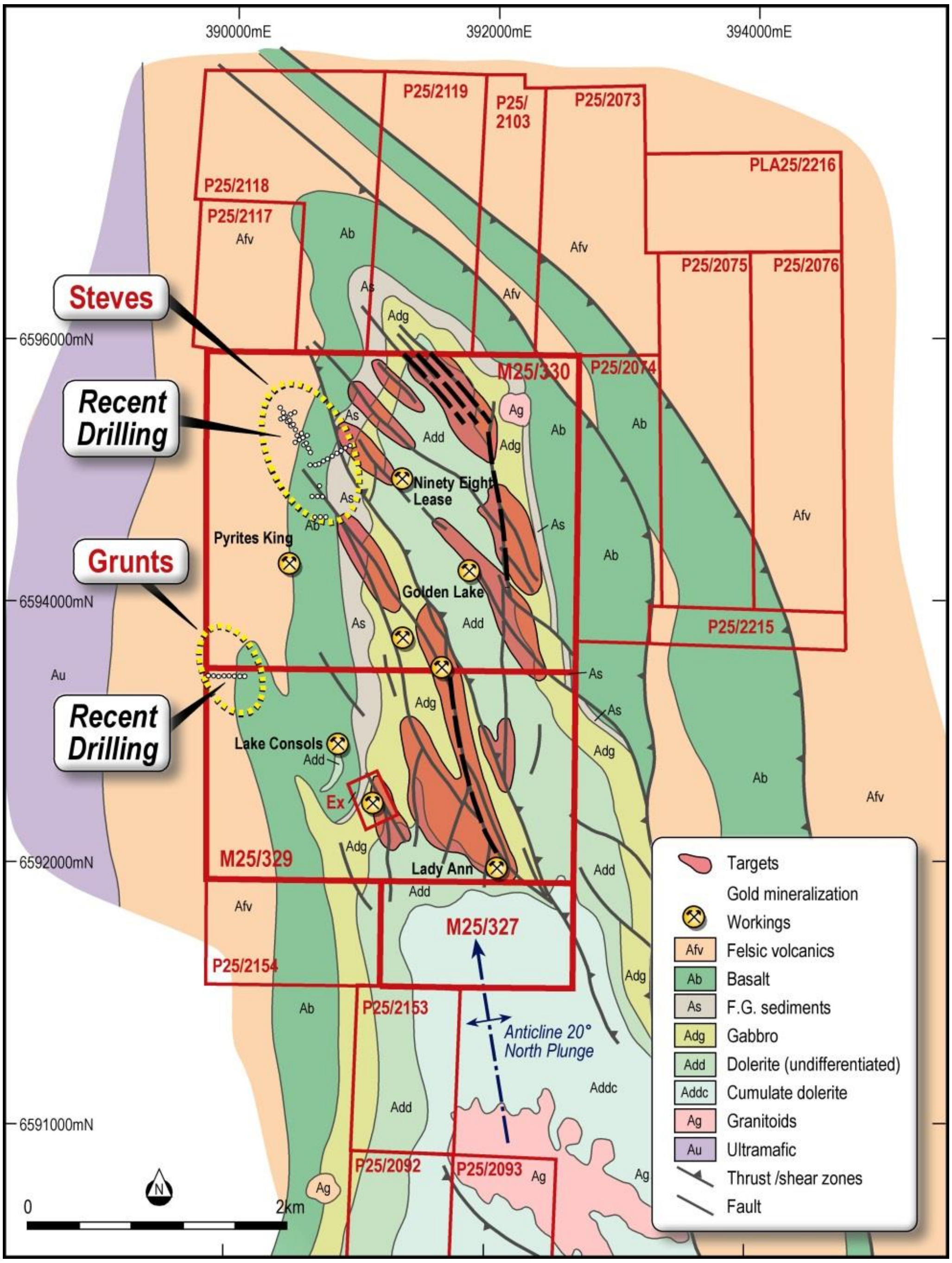

Figure 2 Aruma's Glandore Project

DIRECTORS' REPORT (CONTINUED)

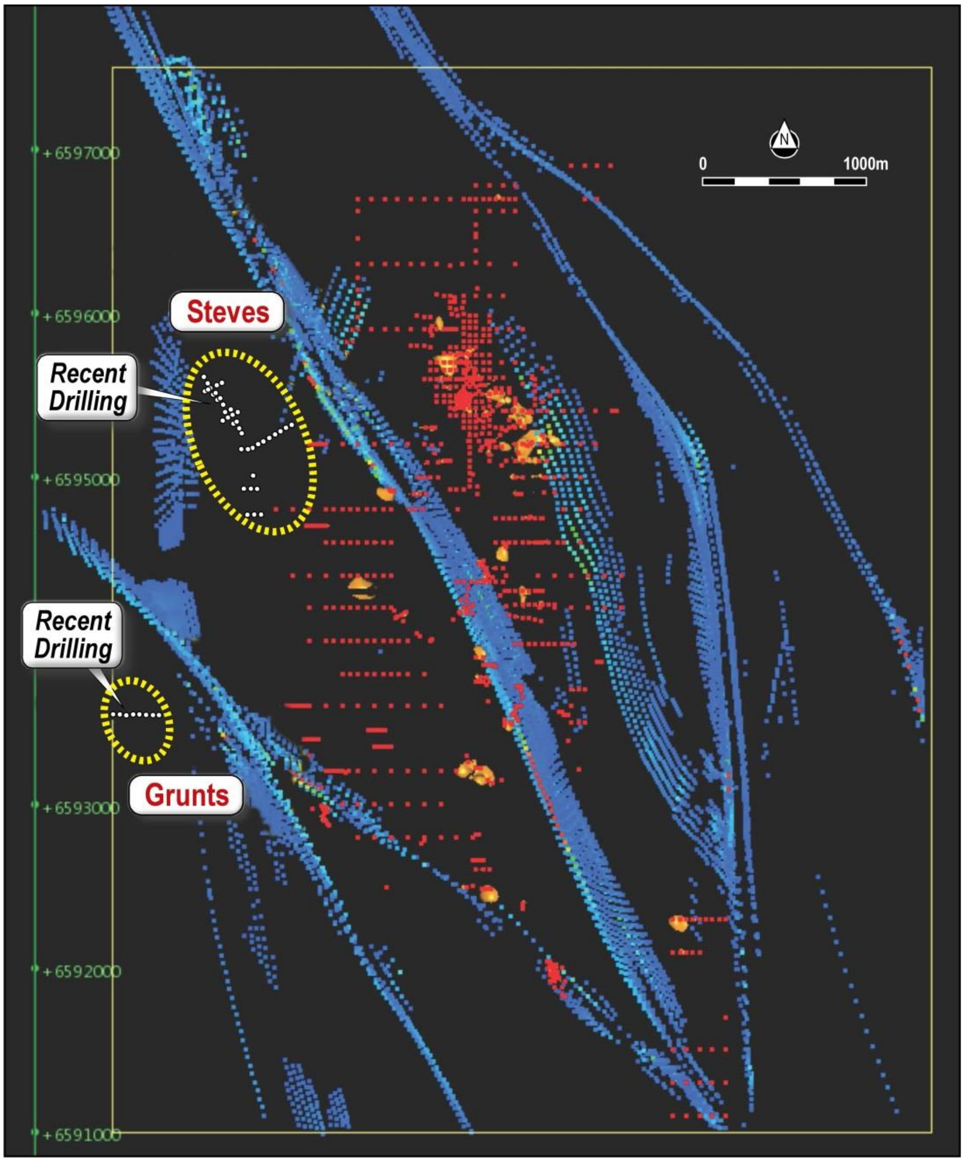

Figure 3 The Glandore Project with the new Fluid Flow Targets

During the year Aruma completed two phases of reverse circulation (RC) drilling at Glandore had been completed. Total metres drilled were 4,556m in 47 holes (GRC75 to GRC121) at an average depth of 96m.

Results at Glandore

The initial geochemical survey at **Steves Prospect** defined the mineralisation as 350m long and up to 23m thick. The highly anomalous surface sampling contained values up to 20g/t Au and visible gold in hand specimens.

The initial RC drilling at Glandore was done to follow up the 5m at 4.3g/t Au in GRC103 at Steves Prospect. With all holes now assayed, the values of the intersections are shown below. The RC sample assays included 5m at 4.3g/t Au from 60m in GRC103 are in Table 2 below. These are on a quartz vein system with associated carbonate lode style alteration. This intersection was underneath a surface geochemical sample of 1.01g/t Au. The intersections in GRC100 are under the initial surface assays including 4.54g/t Au and 20.4g/t Au from chip samples.

RC Drillhole	Dip/Az Degrees	GDA94 Easting	GDA94 Northing	Depth From	Depth To	Au (g/t) FA 30g	Intercept m	Average Au g/t
GRC094	-60/270	390900	6595310	68	69	**3.25**	1	**3.25**
				70	71	**1.32**	1	**1.35**
GRC100	-60/60	390548	6595374	22	23	**1.38**	1	**1.38**
GRC103	-60/240	390472	6595573	60	61	**4.08**	5	**4.31**
				61	62	**5.00**		
				62	63	**7.80**		
				63	64	**3.23**		
				64	65	**1.43**		

Table 2 First phase drill hole intersections >1.0 g/t Au from RC drilling

The later intersections are to the north and south of the previous intersections, and the mineralisation can be traced over 450m and is open to the north and south.

RC Drillhole	Dip/Az Degrees	GDA94 Easting	GDA94 Northing	Depth From	Depth To	Au (g/t) FA 30g	Intercept m	Average Au g/t
GRC105	-60/220	390432	6595641	62	63	**4.13***	2	**3.60**
				63	65	**3.07**		
GRC106	-60/240	390457	6595602	64	65	**2.83**	2	**2.55**
				65	66	**2.28**		
GRC117	-60/270	390648	6595328	19	20	**1.44***	2	**1.21**
				20	21	**0.98**		
GRC119	-60/270	390661	6595201	16	17	**2.83**	1	**2.55**

Table 3 Second phase drill hole intersections >1.0 g/t Au from RC drilling at Steves Prospect. NB * value is average of repeats

DIRECTORS' REPORT (CONTINUED)

The mineralisation in the new holes continues the mineralisation to the north and south and it is still open in both directions. Although the "economic intersections" (>1g/t Au) are not thick, the "mineralised zones" (>0.1g/t Au) are between 4 and 10m thick, with an average of over 7m and is listed below in Table 4.

RC Drillhole	Dip/Az Degrees	GDA94 Easting	GDA94 Northing	Depth From	Depth To	Au (g/t) FA 30g	Intercept m
GRC094	-60/270	390900	6595310	68	72	**1.35**	4
GRC100	-60/60	390548	6595374	22	28	**0.50**	6
GRC103	-60/240	390472	6595573	59	69	**2.31**	10
GRC105	-60/220	390432	6595641	57	66	**1.01**	9
GRC106	-60/240	390457	6595602	63	73	**0.82**	10
GRC117	-60/270	390648	6595328	17	24	**0.56**	7
GRC119	-60/270	390661	6595201	14	21	**0.45**	7

Table 4 Significant mineralised intersections that include >1.0g/t Au at Steves Prospect.

The above mineralisation is mainly in the Western area of Steves Prospect, with GRC94 being located 350m east of the main line. The next quarter will see a complete appraisal of the total lease package at Glandore, with emphasis on the data from the last 6 months of intensive drilling and associated studies. By using the PIMA scanning of chips, Fluid Flow Modelling data and the HyMap information a better understanding of the Glandore project and surrounding leases will gained.

The definition of several lines of mineralisation at Steves Prospect is now apparent, and with the Grunts Prospect line still to be followed up, the potential of the Glandore discoveries keeps increasing. The Figure 4 below shows the Fluid Flow trends as unbroken red lines with the drill defined mineralisation trends as the dashed red lines.

DIRECTORS' REPORT (CONTINUED)

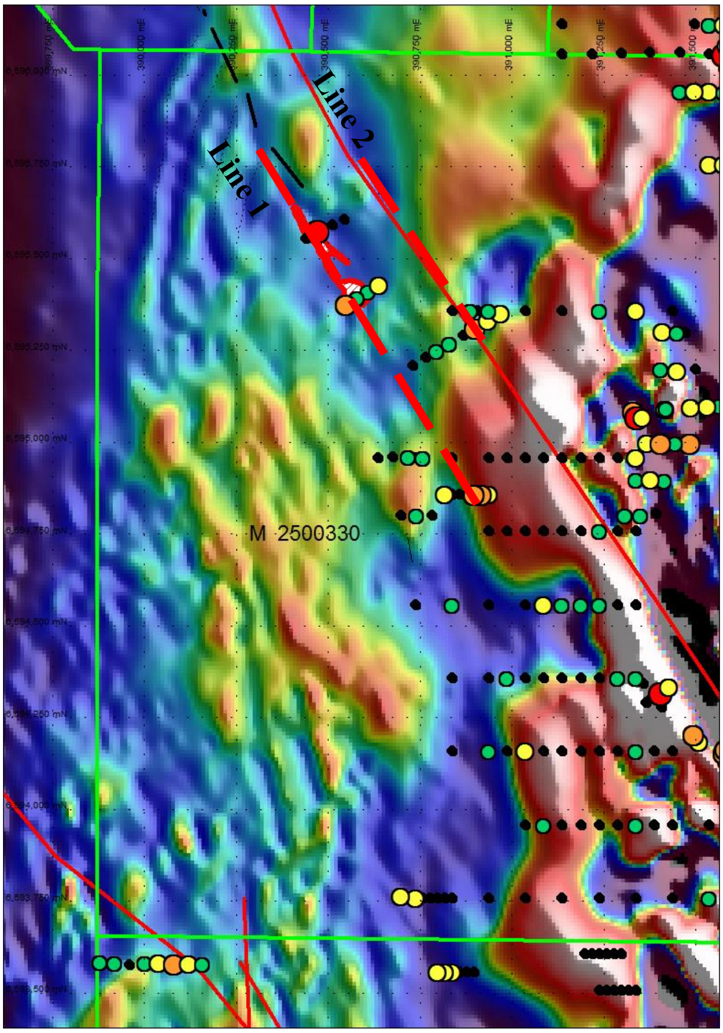

Figure 4 **Aruma Resources' Steves Prospect showing magnetics with drill results (Dots) and anomaly trendlines (Lines 1 and 2, West and East respectively) (Au in holes = Red >5g/t, Orange >1g/t, Yellow >0.5g/t Au, Green>0.1g/t)**

The understanding of the local controls on mineralisation will be enhanced by the compilation of all the data, and re-interpretation of the models from all data sources. The timing of this activity will also be effective in controlling expenditure in the current equity market conditions.

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 50km 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.

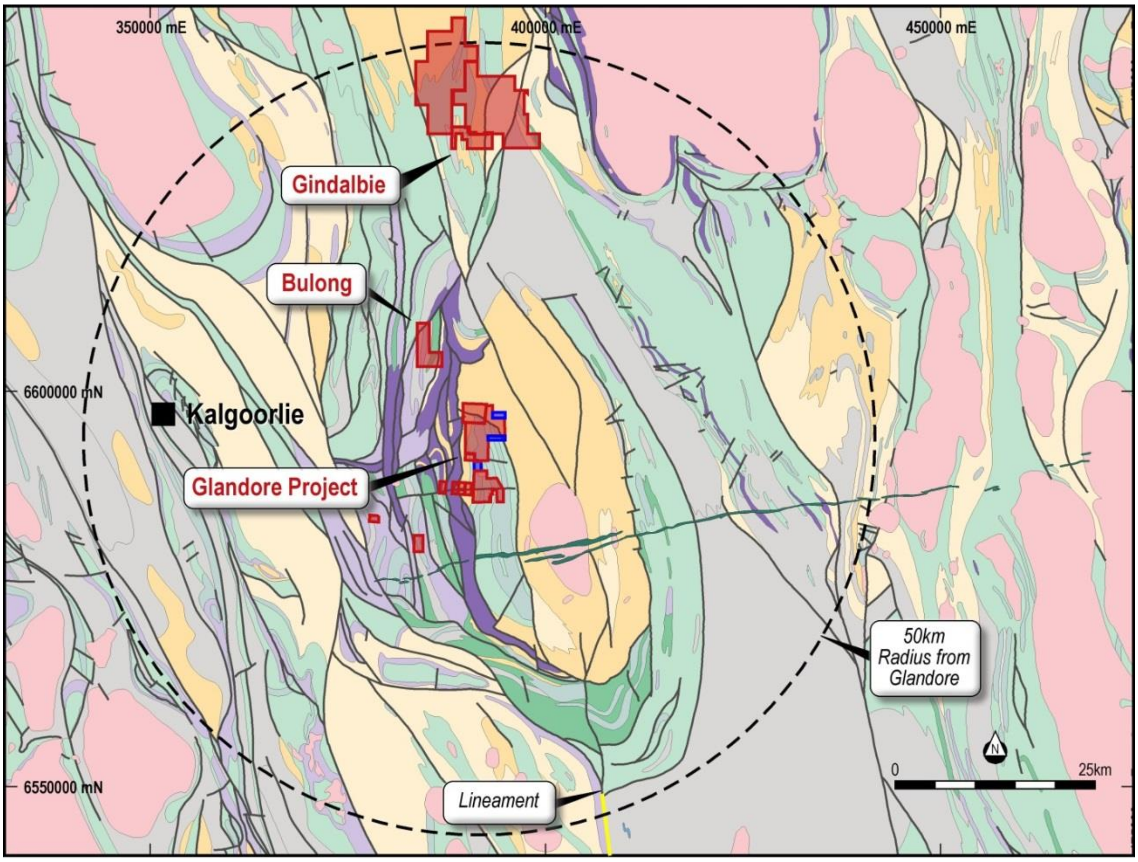

Figure 5 Aruma's Glandore Hub Locations

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 60km of the proposed Regional Production Hub based on Glandore and together with Bulong and Gindalbie consists of approximately 212km^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 still 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 matter is again before the NNTT and in the ensuing break in proceedings Aruma is continuing exploration in accordance with guidance from government departments (the GSWA, DMP and DIA). This unresolved claim covers 1100km^2 of the areas east of Kalgoorlie and has been problematic to exploration in the eastern area of the Glandore Project.

TWIN HILLS PROJECT

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

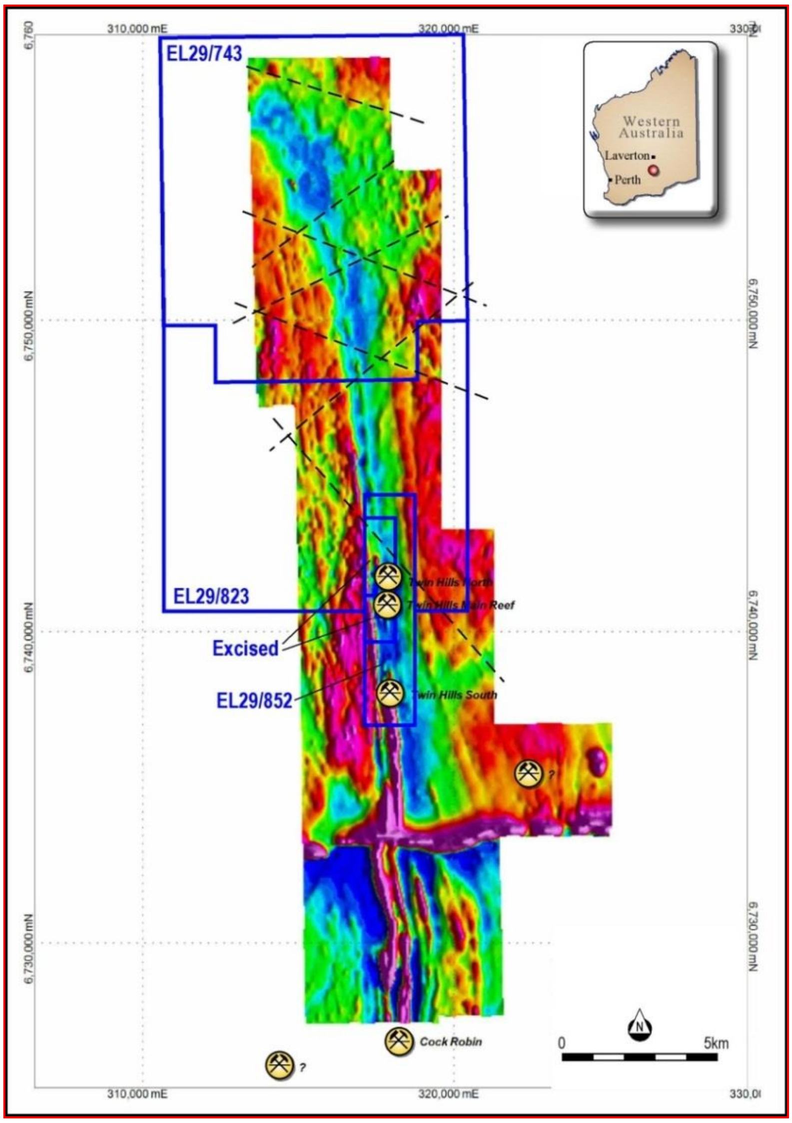

Figure 6 Aruma's Twin Hill Project on Magnetic Map

Geological Setting

The Twin Hills Project area is mostly covered by recent 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 15km. The greenstones are reported by previous workers to be ultramafic, mafic and sedimentary rocks, and are approximately 1.2km wide. The presence of ultramafic to BIF rocks intruded by granites on structures fits the exploration model used by Aruma for all its tenements.

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

Table 5 Table of historical intersections

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 at Silver Lake Resources Limited's Majestic Discovery.

During the previous financial (2011-2012) year 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 drilling failed to intersect significant mineralisation with the best intersection being 7m at 0.19g/t Au from 8m in THRB123.

Hole No	Easting	Northing	Dip	Azimuth	From	To	Intercept	Au Assay FA30
THRC1	314705	6755401	-60	270	86	88	2	1.01 g/t
THRC2	314618	6755406	-60	90	69	70	1	2.87 g/t
THRC2	314618	6755406	-60	90	87	88	1	1.35 g/t
THRC3	314627	6755360	-60	90	38	39	1	2.34 g/t
THRC3	314627	6755360	-60	90	42	43	1	1.18 g/t
THRC3	314627	6755360	-60	90	49	53	4	1.60 g/t
THRC4	314705	6755401	-60	270	37	40	3	1.11 g/t
THRC4	314705	6755401	-60	270	68	69	1	2.24 g/t
THRC4	314705	6755401	-60	270	73	78	5	1.14 g/t
THRC4	314705	6755401		Including	73	75	2	1.84 g/t
THRC5	314705	6755401	-60	270	50	51	1	7.41 g/t
THRC5	314705	6755401	-60	270	61	62	1	1.48 g/t
THRC6	314705	6755401	-60	270	30	31	1	1.02 g/t

Table 6 Twin Hills RC drilling results >1.00 g/t Au

Aruma completed the deeper drilling campaign with 773m of RC completed in 7 holes in August 2012. These were drilled to test depth extensions of the previously reported RC holes. The results from the drilling have shown thick of mineralisation (>0.1g/t Au), however the grades achieved are at depth. The best intersection was 1m at 7.41g/t Au and the longest was 5m at 1.14g/t Au. The possibility of large tonnage low grade deposits was not confirmed in this program. The mineralised greenstone was seen to be cut off at depth by the granite, which restricts the potential for deeper zones.

The leases are on hold for the current term of the licences and Aruma is finalising the probable transfer back to the JV partners of all leases.

DIRECTORS' REPORT (CONTINUED)

LAVERTON EAST

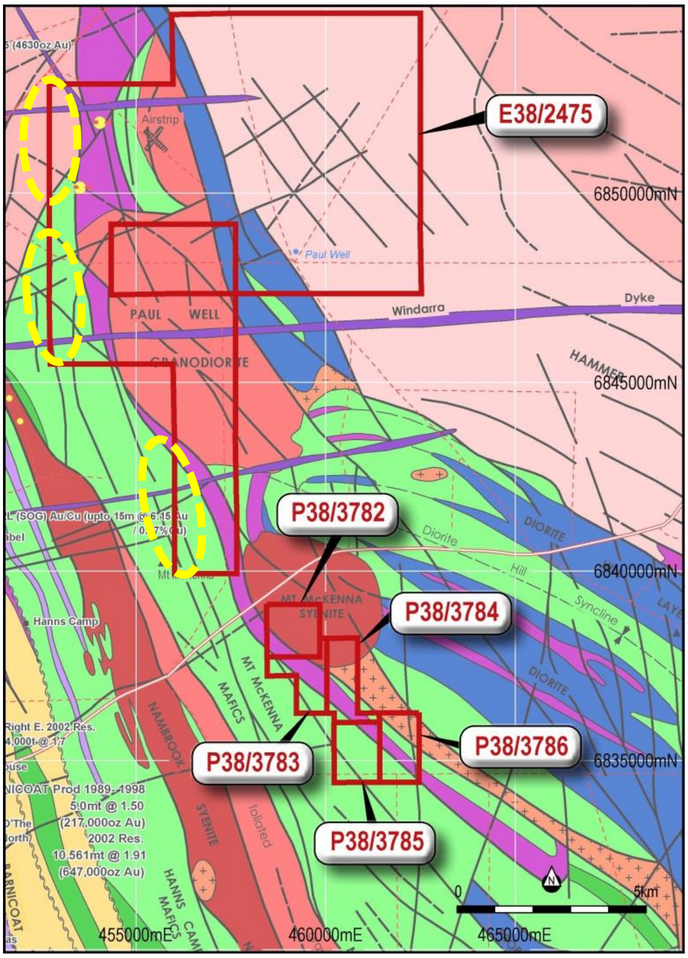

Figure 7 Aruma's Laverton East Project and yellow target areas

Aruma's Laverton East Gold Project in WA's eastern Goldfields returned an intersection of 2m at 4.28g/t Au in drillhole LEAC 31.

The Paul Well EL to the north of this area was granted at the start of the year 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 initial soil and rock sampling did not produce any drill targets. The leases are on hold for the present time.

DIRECTORS' REPORT (CONTINUED)

JUNDEE SOUTH PROJECT

The Jundee South Project (E52/1461) is located 60km east of Wiluna and 25km south of the Jundee Mine. The 2011-2012 RAB programs consisted of 2,562 m of RAB in 75 vertical drill holes following up previously identified soil anomalies that had not been drilled. One soil sample result produced a 16.5g/t Au value in the area near the current Western Area of mineralisation (Normandy Mining Limited, 1992).

The West North West trending lineaments can be seen in Figure 5 and reflect the structures that control the mineralisation at the nearby Gourdis and Vause Deposits. The complete tenement area has been evaluated again using geochemistry, structure and the HyMap/Magnetics in light of this discovery. The focus in the short term will be to investigate bedrock mineralisation at the Western Area to evaluate the thick and high grade mineralisation reported previously.

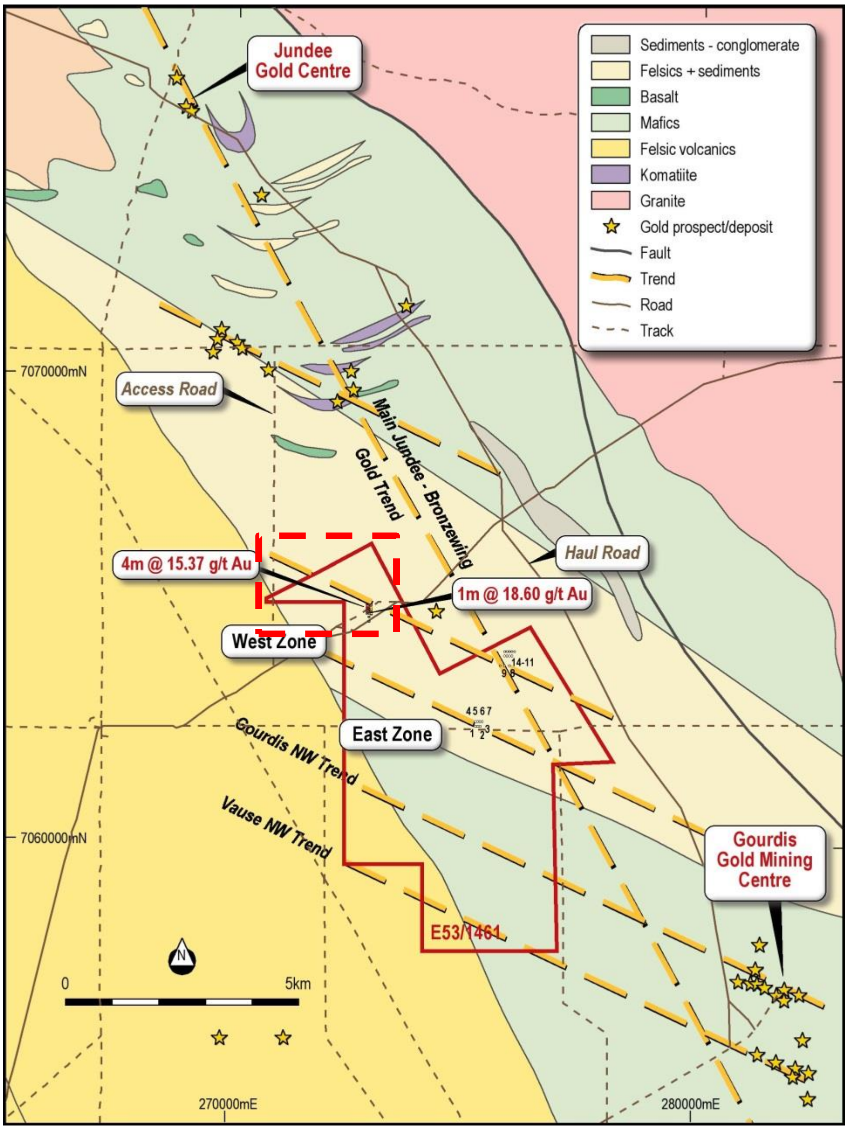

Figure 8 **Drilling plan on geology with Figure 9 area (enlargement below) shown in red rectangle**

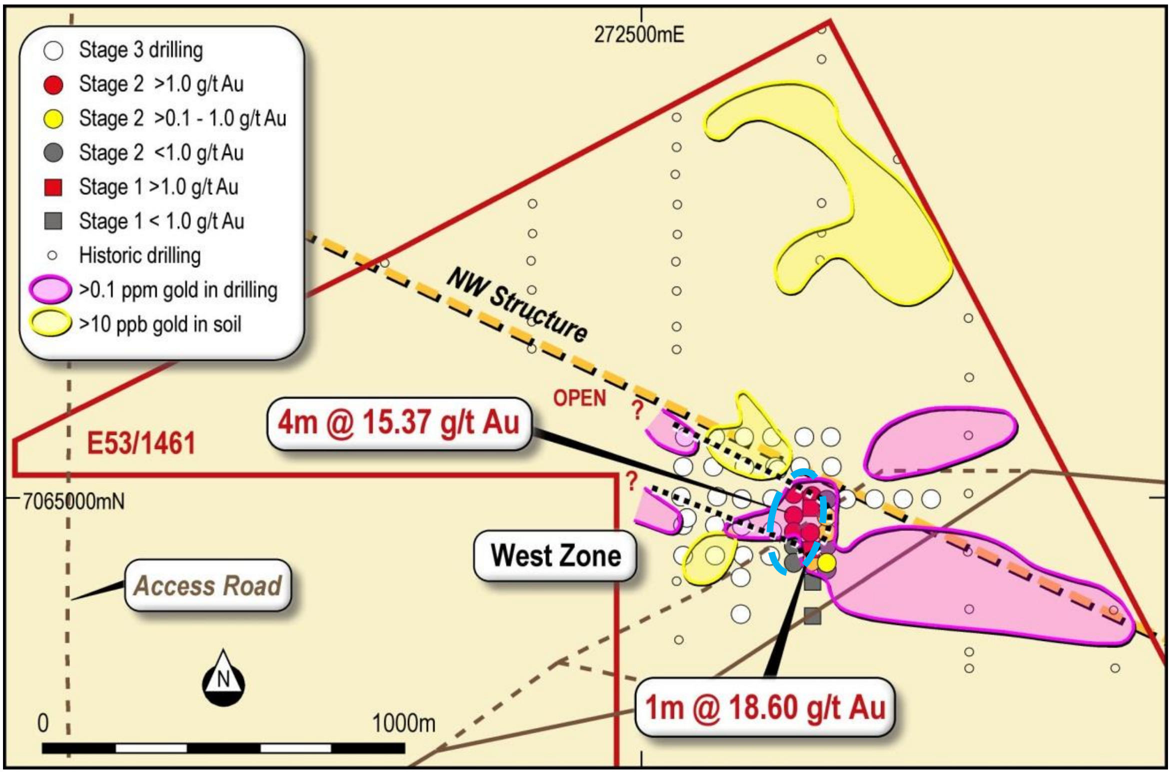

Figure 9 **Drilling location plan with geochem and drilling anomalies and the RC target area as a blue ellipse**

The previously announced resplits have extended the mineralised Western Area at Jundee south to a defined 400 by 100m area, and this was RC drilled in July 2013. They have also confirmed the thick nature of the mineralisation, and this together with the high grades encountered are considered encouraging.

This highly mineralised area seen in Figure 9 above is now some 400m by 100m (Blue Ellipse) within a 1500m long trend ready to be RC drilled now that the Programme of Work (PoW) has been approved.

The mineralisation is in weathered Mafic/ultramafic with minor quartz veins and sediments, and consists of clays and limonite/goethite and is very soft down to 50 metres depth.

The significance of the October drill results were that the mineralisation is now defined over a 400m by 100m zone and the high grade thick zones are located in a 40m wide by 100m long initial target. This is shown in Table 7 below.

(See also note "28.EVENTS SUBSEQUENT TO REPORTING DATE." below)

Hole	Easting	Northing	Total Interval (m)	Average g/t Au
JSR033	272960	7065040	17	**1.87**
JSR034	272958	7064978	12	**6.58**
JSR035	272960	7064941	10	**1.53**
JSR037	273000	7064940	3	**1.43**

Note: All holes vertical and assays by Fire Assay 50g charge

Table 7 Thick and high grade mineralisation in the RAB area

The figure below is the HyMap interpretation which shows a definite bend in the WNW regional trend which hosts the RAB mineralisation (yellow ellipse). The colours are defining the Goethite after Pyrite as RED with the Mica as GREEN and the alteration of Chlorite to Phengite by the Gold mineralising solution as BLUE.

The Lease area in the northern part of E53/1461 is shown in yellow and the anomalies generated are easily seen to reflect mineralisation and structure.

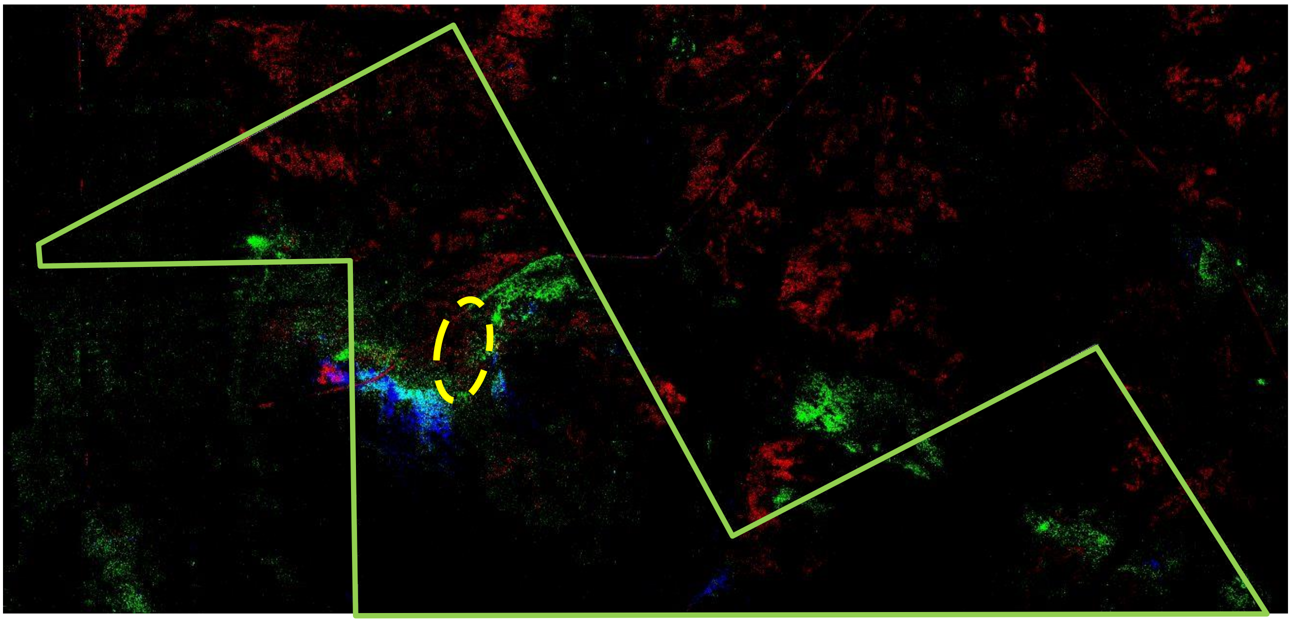

Figure 10 HyMap Figure showing the northern area of E53/1461 and the Marks Prospect in yellow ellipse

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

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

DIRECTORS' REPORT (CONTINUED)

DARLOT EAST

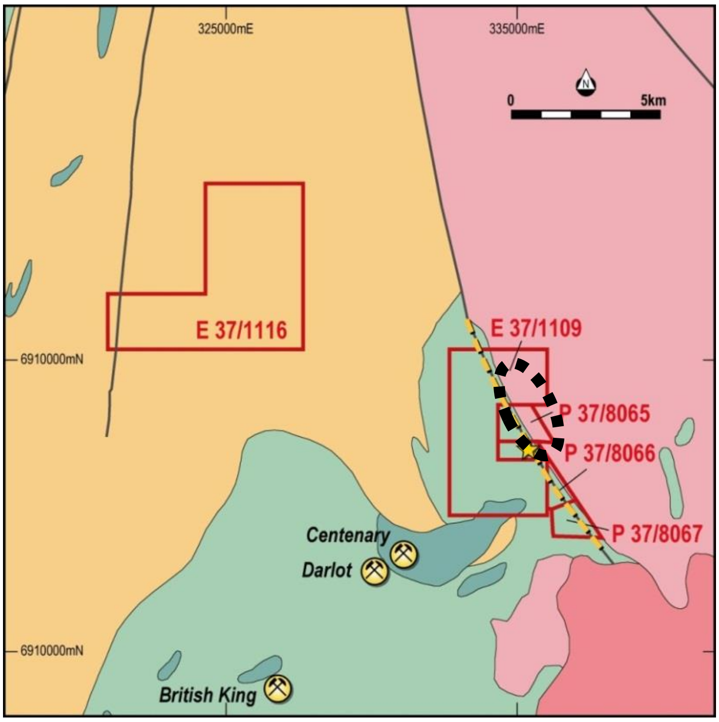

Figure 11 Aruma's Darlot East Project showing gold mines and Prospect

The Darlot East Project leases were 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 was located within a major lineament that is a splay off the regional Celia Lineament and will be evaluated in the coming year. The Figure 11 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. The drilling in early August found no anomalous mineralisation despite a deep weathering valley on the structure. The leases were surrendered in good standing.

ARUMA RESOURCES

DIRECTORS' REPORT (CONTINUED)

GINDALBIE

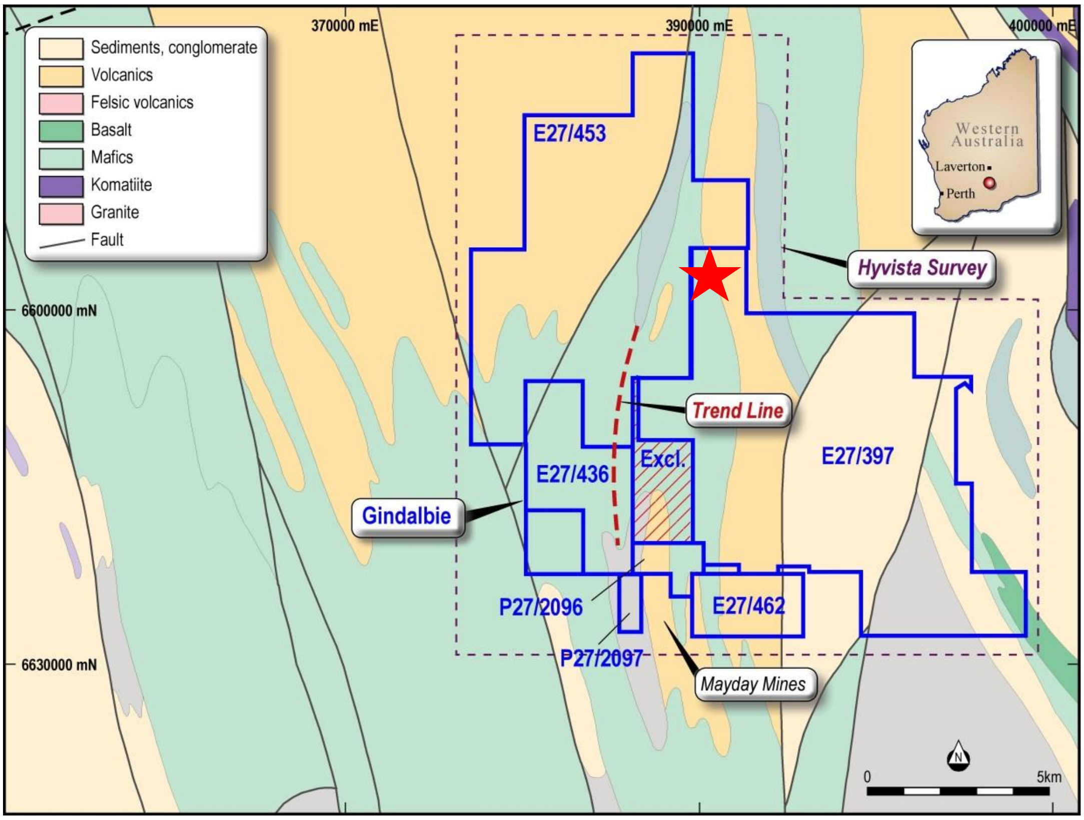

Figure 12 Aruma's Gindalbie Project showing trend of structures and geology

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 12 above with a red star.

DIRECTORS' REPORT (CONTINUED)

Results from Gindalbie

The initial drilling at **Gindalbie** was completed in following up 25.84g/t Au assay results and visible gold being found at location. The drilling consisted of 12 RC holes for 1,020m and the results show a large number of anomalous gold mineralisation around the Lady Lauren quartz veins. The anomalous intersections are listed in the table below and include 4 greater than 1g/t Au.

RC Drillhole	Dip/Az Degrees	GDA94 Easting	GDA94 Northing	Depth From	Depth To	Au (g/t) FA 30g
LLRC01	60/180	389881	6640518	13	14	**0.26**
				14	15	**1.21**
				15	16	**0.41**
				22	23	**0.25**
				75	76	**0.3**
				97	98	**0.47**
LLRC02	60/180	389878	6640539	48	49	**0.2**
				61	62	**0.21**
				68	69	**1.75**
LLRC03	60/180	389901	6640520	2	3	**0.21**
				35	36	**0.21**
LLRC04	60/180	389901	6640539	19	20	**0.35**
				20	21	**1.24**
				21	22	**0.22**
				24	25	**0.9**
				25	26	**1.6**
				26	27	**0.72**
				27	28	**0.36**
				42	43	**0.4**
				62	63	**0.66**
				80	81	**0.36**
LLRC05	60/180	389920	6640520	26	27	**0.46**
				54	55	**0.36**
LLRC06	60/180	389921	6640540	27	28	**0.3**
				29	30	**0.27**
				56	57	**0.53**
				57	58	**0.36**
LLRC08	60/180	389940	6640539	70	71	**0.37**
LLRC12	60/180	389818	6640461	38	39	**0.3**

Table 8 Anomalous (>0.2g/t Au) gold intersections at Lady Lauren

DIRECTORS' REPORT (CONTINUED)

These results are to be followed up by soil sampling and potential further drilling in order to further map the extent of the gold anomalies found at the Lady Lauren quartz veins.

Future work will involve a more regional soil sampling approach to investigate some broad geochemical and HyMap anomalies. Up to five areas have been identified for appraisal in the coming quarter.

Rehabilitation

The drilling disturbances at Glandore, Steeple Hill, Laverton East, Twin Hills and Jundee were rehabilitated during the year to comply with the DMP guidelines.

Proposed Exploration Activities for the next year:

GLANDORE

- Aircore scout drilling over the lake areas in the north of the leases
- Appraisal of the southern lease area

GINDALBIE PROJECT

- Mapping and sampling of HyMap and soil anomalies
- RAB drilling of anomalies on mineralisation

JUNDEE SOUTH PROJECT

- Completion of RC drilling
- HyMap and soil anomalies resampling
- RAB scout drilling on anomalies generated

LAVERTON EAST

- Further geochemistry over Paul Well HyMap anomalies

BULONG AND CLINKER HILL (GLANDORE HUB)

- Field inspection of anomalous areas in database
- RAB follow up drilling

Other Projects

In addition to its current projects in Western Australia, Aruma continues to evaluate potential project opportunities overseas as they present themselves.

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 a full time employee of the Company. Mr Schwann is also a shareholder in 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.

DIRECTORS' REPORT (CONTINUED)

Financial review

The Group made a loss for the year of $1,832,197 (2012: $1,553,066). The Group had cash and term deposit balances at 30 June of $3,202,347 (2012: $2,329,897).

The Company completed a capital raising in March/April 2013 with a total of $2,500,000 being raised before issue costs. This involved a placement to professional and sophisticated investors, raising $2,245,000 before costs. Following shareholders' approval at a meeting held 17 April 2013 entities associated with directors invested a further $255,000 on the same terms as the original placement.

The Company also received $376,507 before 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 Group's 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 13 hole RAB drilling program at Jundee South Marks prospect intersected anomalous gold in 10 of 13 holes, with high grade intersections of 12 metres @ 1.85g/t Au from 47m including 6m @ 3.44g/t Au and 16m @ 1.22g/t Au from 14m including 3m @ 3.15g/t Au.

RC Drill hole	Dip/Az degrees	GDA 94 Easting	GDA 94 Northing	Depth from	Depth to	Average Au g/t*	Intercept m
MRC08	-60/090	272982	7064899	33	37	1.81	4
MRC10	-60/095	272947	7064947	11	12	1.60	1
				47	59	1.85	12
			inc	52	58	3.44	6
			inc	52	53	15.3	1
MRC11	-60/330	272980	7064977	14	30	1.22	16
			inc	16	19	3.15	3
MRC12	-60/330	272949	7064955	38	40	1.40	2
MRC13	-60/330	272915	7064931	49	50	1.09	1

Table 9 Intersections >1g/t Au at Jundee South, Marks Prospect

*all assays are 30gm Fire assay

ARUMA RESOURCES

DIRECTORS’ REPORT (CONTINUED)

9. LIKELY DEVELOPMENTS

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

10. DIRECTORS’ INTERESTS

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

Directors' Interests

Directors	Ordinary shares	Options over ordinary shares
Mr P Boyatzis	3,739,079	1,000,000
Mr P Schwann	4,602,167	2,000,000
Mr K K Chong	300,000	500,000

11. ENVIRONMENTAL REGULATIONS

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

DIRECTORS' REPORT (CONTINUED)

12. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

13. NON-AUDIT SERVICES

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

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

	CONSOLIDATED	
	2013	**2012**
	$	**$**
Audit and review of financial reports	24,375	30,515
Taxation services	7,700	3,400
	32,075	33,915

DIRECTORS' REPORT (CONTINUED)

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 35.

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 27th September 2013

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 2013 there have been:

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

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

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

27 September 2013
Perth

Nexia Perth Audit Services Pty Ltd
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Level 3, 88 William Street, Perth WA 6000
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audit@nexiaperth.com.au, www.nexia.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Refund for exploration expenditure	3	422,373	366,008
Exploration expenditure expensed as incurred		(1,306,640)	(1,102,978)
Depreciation	4	(4,788)	(5,253)
Directors' fees		(374,500)	(398,588)
Employee benefits		(104,232)	(95,078)
Impairment expense		(112,472)	-
Legal and professional fees		(102,291)	(120,865)
Occupancy expenses		(36,763)	(34,947)
Share-based payment		(63,096)	-
Other expenses		(227,651)	(326,418)
Loss from operating activities	4	(1,910,060)	(1,718,119)
Financial income		77,904	165,597
Financial expense		(41)	(544)
Net financing income	5	77,863	165,053
Loss before income tax		(1,832,197)	(1,553,066)
Income tax expense	8	-	-
Total comprehensive loss for the year		(1,832,197)	(1,553,066)
Loss per share			
Basic and diluted loss per share	7	(2.02 cents)	(2.06 cents)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Note	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Current Assets			
Cash and cash equivalents	10	1,702,347	2,329,897
Trade and other receivables	11	110,524	63,837
Term deposit investments	12	1,500,000	-
Other current assets	13	10,246	8,735
Total current assets		3,323,117	2,402,469
Non current assets			
Plant and equipment	14	15,122	19,712
Capitalised exploration expenditure	15	446,447	538,919
Total non current assets		461,569	558,631
Total assets		3,784,686	2,961,100
Current liabilities			
Trade and other payables	16	344,939	139,647
Provisions	17	53,432	35,962
Total current liabilities		398,371	175,609
Total liabilities		398,371	175,609
Net assets		3,386,315	2,785,491
Equity			
Issued capital	18	8,175,511	5,837,879
Reserves	19	95,389	-
Accumulated losses	20	(4,884,585)	(3,052,388)
Total equity		3,386,315	2,785,491

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED 2013	CONSOLIDATED 2012
Cash flows from operating activities		**$**	**$**
Refund for exploration expenditure		422,372	366,008
Interest received		79,592	215,092
Interest paid		(41)	(544)
Exploration expenditure		(1,149,624)	(1,046,388)
Payments to suppliers and employees		(829,579)	(975,503)
Net cash used in operating activities	26(b)	(1,477,280)	(1,441,335)
Cash flows from investing activities			
Transfer to term deposit investment		(1,500,000)	-
Payment for settlement of tenement liability		(20,000)	-
Payment for option to acquire tenements		-	(100,000)
Payments for purchase of plant and equipment		(198)	(10,564)
Net cash used in investing activities		(1,520,198)	(110,564)
Cash flows from financing activities			
Proceeds from issue of securities		2,500,000	948,500
Costs of capital raising		(130,072)	(41,932)
Net cash provided by financing activities		2,369,928	906,568
Net decrease in cash and cash equivalents		(627,550)	(645,331)
Cash and cash equivalents at beginning of year		2,329,897	2,975,228
Cash and cash equivalents at 30 June	26(a)	1,702,347	2,329,897

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 2013

	Issued capital	Accumulated losses	Share-based payment reserve	Total equity
	$	$	$	$
Balance at 1 July 2011	4,841,311	(1,872,388)	373,066	3,341,989
Loss for the year	-	(1,553,066)	-	(1,553,066)
Total comprehensive loss for the year	-	(1,553,066)	-	(1,553,066)
Shares issued for cash	948,500	-	-	948,500
Shares issued for option to acquire exploration assets	90,000	-	-	90,000
Share issue costs	(41,932)	-	-	(41,932)
Expiry of options		373,066	(373,066)	-
Balance at 30 June 2012	5,837,879	(3,052,388)	-	2,785,491
Balance at 1 July 2012	5,837,879	(3,052,388)	-	2,785,491
Loss for the year	-	(1,832,197)	-	(1,832,197)
Total comprehensive loss for the year	-	(1,832,197)	-	(1,832,197)
Share issued for cash	2,500,000	-	-	2,500,000
Share issue costs	(162,368)	-	-	(162,368)
Share-based payments	-	-	95,389	95,389
Balance at 30 June 2013	8,175,511	(4,884,585)	95,389	3,386,315

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Aruma Resources Limited (the "Company") is a company domiciled in Australia. The financial report of the Company and its subsidiaries (the "Group") is for the year ended 30 June 2013.

(a) Statement of compliance

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

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

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

The financial statements were authorised for issue by the directors on 27th September 2013.

(b) Basis of preparation

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

(c) Adoption of new and revised standards

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

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

Amendments to AASB 1, 5, 7, 101, 112, 121, 132, 133 and 134 as a consequence of AASB 2011-9 "Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income". The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior years. However the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its financial statements. AASB 2011-9 introduces new terminology for the statement of comprehensive and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section, (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income

(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 profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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

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 asset's net carrying amount on initial recognition.

Research & Development

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

(f) Plant & equipment

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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 consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(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 carried forward only if the rights to tenure of the area of interest are current and either:

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

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

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

(o) Earnings per share

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

(p) Segment reporting

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

(q) Financial assets

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

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

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 amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

ii) *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

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

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

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

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 consolidated statement of profit or loss and other 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 and to sponsoring brokers in the form of share-based payments, whereby directors, executives and brokers render services in exchange for shares or rights over shares (equity-settled transactions).

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

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

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

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

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 consolidated statement of financial position as a finance lease obligation.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial position

The financial report for the year ended 30 June 2013 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 2013 the Group recorded a net loss of $1,832,197 (2012: $1,553,066) and had a net working capital surplus of $2,924,746 (30 June 2012: $2,226,860).

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 23.

Exploration and evaluation costs carried forward

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

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	
		2013	2012
		$	$
3.	**REVENUE**		
	R & D tax concession	376,507	353,165
	Refunds	45,866	12,843
		422,373	366,008
4.	**LOSS BEFORE INCOME TAX**		
	Loss before income tax expense has been arrived at after charging the following items:		
	Depreciation	4,788	5,253
5.	**FINANCING INCOME**		
	Interest income	77,904	165,597
	Interest expense	(41)	(544)
		77,863	165,053
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	24,375	30,515
	Professional services:		
	- Auditors of the Group	7,700	3,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2013	**2012**
		$	**$**
7.	**LOSS PER SHARE**		
	Loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date	2.02 cents	2.06 cents
(a)	Weighted average number of shares used in calculation of basic loss per share	**No. shares**	**No. shares**
	Shares on issue at beginning of year	79,304,167	65,657,500
	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 19,668,000 shares issued on 11 March 2013	6,035,112	-
	Effect of 30,332,000 shares issued on 26 April 2013	5,484,690	-
	Weighted average number of ordinary shares at 30 June	90,823,969	75,503,712
(b)	Loss used in calculating basic loss per share	$1,832,197	$1,553,066

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	
	2013	2012
	$	$
8. INCOME TAXES		
a) Recognised in the statement of profit or loss and other comprehensive income		
The major components of the tax expense/(income) are:		
Current tax expense	-	-
Deferred tax income relating to the origination and reversal of temporary timing differences	-	-
Total tax income attributable to continuing operations	-	-
b) Amounts charged or credited directly to equity	-	-
Deferred income tax related to items (credited) directly to equity	-	-
Income tax expense/(benefit) reported in equity	-	-

ARUMA

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	
	2013	2012
	$	$
c) Numerical reconciliation between aggregate income tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate		
Profit/(loss) before income tax expense from operations	(1,832,197)	(1,553,066)
Income tax expense/(benefit) calculated at 30%	(549,660)	(465,920)
Non-assessable income	(112,952)	-
Temporary differences not recognised	60,741	(31,849)
Non-deductible expenses	19,019	132
Tax losses not recognised	582,852	497,637
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)

	CONSOLIDATED	
	2013	2012
	$	$
d) Deferred tax assets not recognised in respect of the following items:		
Trade and other receivables	(6,627)	(21,655)
Trade and other payables	94,664	13,797
Exploration costs	30,787	-
Section 40-880 expenses	(42,200)	(31,849)
Tax losses carried forward	1,145,701	813,853
	1,222,325	774,146
e) Carry forward tax losses:		
Unused tax losses, for which no deferred tax asset has been recognised (as recovery is currently not probable)	3,819,002	2,712,843
Unused capital losses, for which no deferred tax asset has been recognised (as recovery is currently not probable)	-	-
At 30%	1,145,701	813,853

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

i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii) the company continues to comply with the conditions for deductibility imposed by the tax legislation; and

iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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 exploration sector it does not have trade receivables and is therefore not exposed to credit risk in relation to trade receivables. Other receivables relate to GST input credits and interest accrued on cash held with banks.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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	
		2013	2012
		$	$
Cash and bank balances	10	1,702,347	2,329,897
Trade and other receivables	11	20,997	28,562
Term deposit investments	12	1,500,000	-

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.

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 2013				
Trade and other payables	344,939	(334,939)	334,939	-
	344,939	(334,939)	334,939	-
30 June 2012				
Trade and other payables	139,647	(139,647)	139,647	-
	139,647	(139,647)	139,647	-

Market risk

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

Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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			
	2013		2012	
	Carrying amount	Interest rate	Carrying amount	Interest rate
	$	%	$	%
Variable rate instruments				
Cash and bank balances	702,347	0.12	829,797	2.67
Fixed rate instruments				
Cash and bank balances	1,000,000	4.10	1,500,000	5.75
Term deposit investments	1,500,000	4.30	-	-

Cash flow sensitivity analysis for variable rate instruments

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

	Equity		Profit and loss	
	100bp	**100bp**	**100bp**	**100bp**
	increase	decrease	increase	decrease
30 June 2013				
Variable rate instruments	7,023	(7,023)	7,023	(7,023)
30 June 2012				
Variable rate instruments	8,288	(8,288)	8,288	(8,288)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

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

Capital management

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

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

	CONSOLIDATED	
	2013	**2012**
	$	**$**
10. CASH AND CASH EQUIVALENTS		
Cash at hand	1	1
Cash at bank	702,346	829,896
Short term deposits	1,000,000	1,500,000
	1,702,347	2,329,897
	%	%
Weighted average interest rate.	2.46	4.66

	CONSOLIDATED	
	2013	**2012**
	$	**$**
11. TRADE AND OTHER RECEIVABLES		
Current		
GST receivable	89,527	35,275
Other receivables	20,997	28,562
	110,524	63,837

Trade and other receivables are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013	2012
	$	$
12. TERM DEPOSIT INVESTMENTS		
6 month term deposit	1,500,000	-

Term deposit investments are interest bearing attracting a fixed rate of 4.30%

13. OTHER CURRENT ASSETS		
Prepayments	4,862	1,271
Deposits	5,384	5,384
Other current assets	-	2,080
	10,246	8,735

14. PLANT & EQUIPMENT

	CONSOLIDATED	
	2013	2012
	$	$
Office equipment at cost	11,093	10,895
Accumulated depreciation	(3,691)	(2,053)
Office equipment	7,402	8,842
Field equipment at cost	1,889	1,889
Accumulated depreciation	(1,045)	(669)
Field equipment	844	1,220
Computer equipment at cost	15,677	15,677
Accumulated depreciation	(8,801)	(6,027)
Computer equipment	6,876	9,650
Total carrying value	15,122	19,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. PLANT & EQUIPMENT (CONTINUED)

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

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

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2013	2012
		$	$
15.	**CAPITALISED EXPLORATION EXPENDITURE**		
	Balance at beginning of the year	538,919	348,919
	Settlement of contingent liability	20,000	-
	Impairment of tenements	(112,472)	-
	Acquisition of tenements by issue of shares	-	90,000
	Acquisition of tenements by cash	-	100,000
	Balance at end of the year	446,447	538,919

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	
		2013	2012
		$	$
16.	**TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals (i)	344,939	136,503
	Payable to parent entity (ii)	-	3,144
		344,939	139,647

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

(ii) At 30 June 2012, when Aruma was controlled by Nexus Minerals Limited (formerly Hemisphere Resources Limited), a balance of $3,144 was payable by the Company to Nexus in relation to shared office costs. The amount due was charged on normal commercial terms and was non-interest bearing. As of 19 December 2012 Aruma is no longer controlled by Nexus Minerals Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013	2012
	$	$
17. PROVISIONS		
Employee leave entitlements	53,432	35,962
	53,432	35,962

18. SHARE CAPITAL

	COMPANY	COMPANY
	2013	2012
	$	$
Ordinary shares		
129,304,167 (2012: 79,304,167) fully paid ordinary shares	8,175,511	5,837,879

	2013	2013	2012	2012
Movements during the year	Number	$	Number	$
Balance at beginning of year	79,304,167	5,837,879	65,657,500	4,841,311
Shares issued for cash	50,000,000	2,500,000	12,646,667	948,500
Shares issued on acquisition of exploration assets	-	-	1,000,000	90,000
Transaction costs arising on share issues		(162,368)		(41,932)
Balance at end of year	129,304,167	8,175,511	79,304,167	5,837,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		2013	2012
		$	$
19.	**RESERVES**		
	Share-based payment reserve	95,389	-
	Movement		
	Balance at beginning of year	-	373,066
	Expiry of options		(373,066)
	Share-based payments	95,389	-
	Balance at end of year	95,389	-

Share-based payment reserve

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

		CONSOLIDATED	
		2013	2012
		$	$
20.	**ACCUMULATED LOSSES**		
	Movement		
	Balance at beginning of year	(3,052,388)	(1,872,388)
	Expiry of options	-	373,066
	Loss for the year	(1,832,197)	(1,553,066)
	Balance at end of year	(4,884,585)	(3,052,388)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013	2012
	$	$
21. COMMITMENTS		
Exploration Expenditure Commitments		
not later than 1 year	531,060	633,794
Later than 1 year but not later than 5 years	2,124,240	2,535,176
	2,655,300	3,168,970
Operating lease Commitments		
not later than 1 year	33,589	33,276
Later than 1 year but not later than 5 years	8,397	8,400
	41,986	41,676

22. CONTINGENT LIABILITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. SHARE-BASED PAYMENTS

Aruma does not have a share option payment plan. During the year 6,400,000 options were granted as share-based compensation by Aruma (2012: nil).

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

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

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

	2013 No.	2013 Weighted average exercise price $	2012 No.	2012 Weighted average exercise price $
Outstanding at the beginning of the year	-	-	4,000,000	0.27
Issued during the year	6,400,000	0.08	-	-
Expired during the year	-	-	(4,000,000)	0.27
Outstanding at the end of the year	6,400,000	0.08	-	-
Exercisable at the end of the year	6,400,000	0.08	-	-

The outstanding balance as at 30 June 2013 is represented by 6,400,000 options over ordinary shares with an exercise price of between $0.082 and $0.093 each, exercisable up to dates of between 14 August 2014 and until 17 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. SHARE-BASED PAYMENTS (CONTINUED)

The inputs to the options valuation were:

	Series No. 1	Series No.2
Dividend yield (%)	n/a	n/a
Expected volatility (%)	140	83
Risk-free interest rate (%)	2.94	2.76
Expected life of option (years)	2.0	1.50
Exercise price (cents)	9.30	8.20
Grant date share price (cents)	7.00	5.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of the Company is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. KEY MANAGEMENT PERSONNEL

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

Executive director

Mr P Schwann, Managing Director

Non-executive directors

Mr P Boyatzis, Chairman

Mr K K Chong

(a) Key management personnel compensation

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

	CONSOLIDATED	
	2013	**2012**
	$	$
Short-term employee benefits	352,000	395,028
Share-based payments	45,211	-
Post-employment benefits	22,500	23,943
	419,711	418,971

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)

24. 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 2012	Granted as compensation	Received on exercise of options	Purchases	Sales/at resignation	Held at 30 June 2013
Directors						
Mr P Boyatzis	1,739,079	-	-	2,000,000	-	3,739,079
Mr P Schwann	1,602,167	-	-	3,000,000	-	4,602,167
Mr K K Chong	200,000	-	-	100,000	-	300,000

	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	-	-	836,667	-	1,602,167
Mr D Costick*	-	-	-	133,333	(133,333)	-
Mr K K Chong	-	-	-	200,000	-	200,000

* *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)

24. 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:

2013	Held at 1 July 2012	Granted as compen-sation	Options exercised	Expired during the year	Held at 30 June 2013	Vested during the year	Vested and unexercisable at 30 June 2013
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 K K Chong	-	500,000	-	-	500,000	500,000	-

2012	Held at 1 July 2011	Granted as compen-sation	Options exercised	Expired during the year	Held at 30 June 2011	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	-	-	-	-	-	-	-

**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)

25. RELATED PARTIES

In the period to 19 December 2012 Aruma was a subsidiary of Nexus Minerals Limited (formerly Hemisphere Resources Limited). Nexus held an equity holding of 50.44% in Aruma. On 19 December 2012 Nexus sold 35 million of its 40 million shareholding relinquishing control of Aruma.

	Ownership interest	
	2013	**2012**
Controlled entities		
Aruma Exploration Pty Ltd	100%	100%

(a) Key management personnel

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

During the year Schwann Consulting Pty Ltd, an entity related to Managing Director Peter Schwann, provided a motor vehicle, caravan and equipment for hire to the Company charging a total of $31,395 plus GST. The amount outstanding of $2,837.76 plus GST is included under trade payables at 30 June 2013.

(b) Transactions with Nexus Minerals Limited (formerly Hemisphere Resources Limited)

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 A balance of $3,144 was outstanding at 30 June 2012, refer note 16.

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.

		CONSOLIDATED	
		2013	2012
		$	$
26.	**NOTES TO STATEMENT OF CASH FLOWS**		
	a) Reconciliation of cash and bank balances		
	For the purposes of the statement of cash flows, cash and bank balances comprise the following at 30 June		
	Cash at hand	1	1
	Cash at bank	702,346	829,896
	Short term deposits	1,000,000	1,500,000
		1,702,347	2,329,897
	b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities:		
	Loss for the year	(1,832,197)	(1,553,066)
	Adjustments for:		
	Depreciation	4,788	5,253
	Share-based payments	63,096	-
	Impairment of assets	112,472	-
	Add/(less):		
	(Increase)/decrease in trade and other receivables	(46,690)	81,993
	(Increase)/decrease in other current assets	(1,512)	4,603
	Increase/(decrease) in trade and other payables	205,292	4,554
	Increase/(decrease) in provisions	17,471	15,328
	Net cash used in operating activities	(1,477,280)	(1,441,335)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. SEGMENT INFORMATION

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

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

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

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

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

28. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date, the 13 hole RAB drilling program at Jundee South Marks prospect intersected anomalous gold in 10 of 13 holes, with high grade intersections of 12 metres @ 1.85g/t Au from 47m including 6m @ 3.44g/t Au and 16m @ 1.22g/t Au from 14m including 3m @ 3.15g/t Au

RC Drill hole	Dip/Az degrees	GDA 94 Easting	GDA 94 Northing	Depth from	Depth to	Average Au g/t*	Intercept m
MRC08	-60/090	272982	7064899	33	37	1.81	4
MRC10	-60/095	272947	7064947	11	12	1.60	1
				47	59	1.85	12
			inc	52	58	3.44	6
			inc	52	53	15.3	1
JMRC11	-60/330	272980	7064977	14	30	1.22	16
			inc	16	19	3.15	3
MRC12	-60/330	272949	7064955	38	40	1.40	2
MRC13	-60/330	272915	7064931	49	50	1.09	1

Table 10 Intersections >1g/t Au at Jundee South, Marks prospect

* all assays are 30g Fire Assay

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

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

29. DIVIDENDS

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

30. PARENT ENTITY INFORMATION

In the year ended 30 June 2013 the Parent company of the Group was Aruma Resources Limited.

	COMPANY	
	2013	2012
	$	$
Financial performance of Parent entity at year end		
Loss for the year	(1,832,197)	(1,553,066)
Other comprehensive income	-	-
Total comprehensive expense for the year	(1,832,197)	(1,553,066)
Financial position of Parent entity at year end		
Current assets	3,323,117	2,402,469
Total assets	3,784,686	2,961,100
Current liabilities	398,371	175,609
Total liabilities	398,371	175,609
Total equity of the Parent entity comprising:		
Share capital	8,175,511	5,837,879
Share-based payment reserve	95,389	-
Accumulated losses	(4,884,585)	(3,052,388)
Total equity	3,386,315	2,785,491

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 2013 and of its performance for the year then ended; and

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

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

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

d. the remuneration disclosures included in Section 3 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2013, 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 2013.

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

P. Schwann

Director

Perth

Dated this 27th day of September 2013

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

Report on the financial report

We have audited the accompanying financial report of Aruma Resources Limited which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

Independence

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

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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 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

27 September 2013
Perth

ARUMA

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 2013. The Company has considered the ASX Corporate Governance Principles and the corresponding Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices

Summary Statement

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

CORPORATE GOVERNANCE (CONTINUED)

<u>Disclosure – Principles & Recommendations - financial year 2012/2013</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 did not have a majority of independent directors for the entire year. Nexus Minerals Limited was a substantial shareholder of Aruma until 26 April 2013. Mr Boyatzis is a director of Nexus Minerals Limited and consequently was not considered to be an independent director in terms of the ASX Corporate Governance Council's discussion of independent status prior to that date.

From 27 April 2013 the Board has had a majority of independent directors being Mr Boyatzis (Non- Executive Chairman) and Mr Chong (Non-Executive Director).

Regardless of relationships with or roles within the Company, the Board believes that the Directors are able, and do make, quality and independent judgements in the best interests of the Company on all relevant issues before the Board.

The Board's policy is that the majority of directors should be independent, non-executive directors. The Board now conforms to this policy.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

Mr Boyatzis is Non-Executive Chair of the Board. As noted above, prior to 26 April 2013 Mr Boyatzis was not considered an independent director. The Board now complies with this policy.

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 2.3:

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

Disclosure:

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

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

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

A nomination committee has not been established.

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

Recommendation 2.5:

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

Disclosure:

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

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

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

Recommendation 2.6:

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

Disclosure:

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

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

Identification of Independent Directors

Mr Chong was an independent director of the Company for the financial year. Mr Boyatzis became an independent director in terms of the ASX Corporate Governance Council's discussion of independent status from 27 April 2013.

Statement concerning availability of Independent Professional Advice

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

Principle 3 – Promote ethical and responsible decision-making

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

Recommendation 3.1:

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

Disclosure:

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

Recommendation 3.2:

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

Disclosure:

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

Recommendation 3.3:

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

Disclosure:

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

CORPORATE GOVERNANCE (CONTINUED)

Recommendation 3.4:

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

Disclosure:

	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 and the Board of a sufficient size, 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.

Principle 7 – Recognise and manage risk (continued)

Disclosure:

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

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

Recommendation 7.2:

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

CORPORATE GOVERNANCE (CONTINUED)

Disclosure:

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

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

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

Recommendation 7.3:

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

Disclosure:

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

Principle 8 – Remunerate fairly and responsibly

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

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

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

Recommendation 8.2:

The Remuneration Committee should be structured so that it:

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

CORPORATE GOVERNANCE (CONTINUED)

Disclosure:

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

Recommendation 8.3:

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

Disclosure:

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

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

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 23 September 2013.

Substantial shareholders

The Company has not received any current substantial shareholder notices as at 23 September 2013.

Voting rights

Ordinary shares

One vote for each ordinary fully paid share.

Options

There are no voting rights attached to options.

On-market buy-back

There is no current on-market buy-back

Distribution of equity security holders

Quoted ordinary shares

Category	Number of holders	Number of shares
1 - 1,000	9	164
1,001 - 5,000	6	23,085
5,001 - 10,000	113	1,124,748
10,000 - 100,000	167	8,194,110
100,000 and over	153	119,962,060
	448	129,304,167

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

Unquoted options

	Exercisable at 9.3 cents expiring 14 August 2014		Exercisable at 8.2 cents expiring 17 March 2016	
Category	Number of holders	Number of options	Number of holders	Number of options
1 - 1,000	-	-	-	-
1,001 - 5,000	-	-	-	-
5,001 - 10,000	-	-	-	-
10,000 - 100,000	-	-	-	-
100,000 and over	2	400,000	4	6,000,000
	2	400,000	4	6,000,000

ASX ADDITIONAL INFORMATION (CONTINUED)

Restricted Securities

The Company has 129,304,167 shares and 6,400,000 options on issue. The Company does not have any securities on issue subject to escrow.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
National Nominees Limited	18,848,500	14.58
BBY Nominees Limited	7,050,000	5.42
JP Morgan Nominees Australia Limited	5,487,561	4.24
Ironside Pty Ltd	5,200,000	4.02
K R Don Pty Ltd	5,200,000	4.02
Nexus Minerals Limited	5,000,000	3.87
Peter Schwann	4,134,667	3.20
UBS Wealth Management Australia Nominees Pty Ltd	3,616,000	2.80
Lesuer Pty Ltd	2,554,117	1.98
Lemuel Investments Limited	2,222,222	1.72
Hipete Pty Ltd	2,122,805	1.64
Hawthorne Park Investments Pty Ltd	1,943,083	1.50
GR & CA Schuhkraft	1,817,568	1.41
Buckingham Investment Financial Services Pty Ltd	1,654,481	1.28
Papua Coal Pty Ltd	1,555,555	1.20
Mark Joffe	1,444,444	1.12
WB & RM Willis	1,400,000	1.08
JP Morgan Nominees Australia Limited	1,348,705	1.04
Westedge Investments Pty Ltd	1,184,962	0.92
Pillage Investments Pty Ltd	1,000,000	0.77
	74,784,670	57.81

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

Gold Projects – Glandore	
M25/327	Glandore
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	
P25/2202	
P25/2203	
P25/2204	

Gold Projects – Glandore Hub	
E25/469	Bulong
E27/397 *	Gindalbie
E27/436	
E27/453	
E27/462	
P27/2096	
P27/2097	
P25/2201	Clinker Hill

Gold Projects – Regional	
P38/3782	Laverton East
P38/3783	
P38/3784	
P38/3785	
P38/3786	
E38/2475	
E53/1461	Jundee South
E29/743 *	Twin Hills
E29/823 *	
E29/852	

* Under Option from LSA Exploration Pty Ltd