ARUMA RESOURCES LIMITED

(ABN 77 141 335 364)

Annual Report
30 June 2019

Contents

Corporate information

Directors

Paul Boyatzis (Chairman)

Peter Schwann (Managing director)

Mark Elliott

Company secretary

Phillip MacLeod

Registered office

108 Forrest Street

Cottesloe, Western Australia, 6011

Principal place of business

Level 1, 6 Thelma Street

West Perth, Western Australia, 6005

T: +61 8 6389 1799

F: +61 8 9226 3764

Postal address

PO Box 152,

West Perth, Western Australia 6872

www.arumaresources.com

Share registry

Advanced Share Registry Services

110 Stirling Highway

Nedlands, Western Australia, 6009

T: +61 8 9389 8033

Solicitors

Fairweather Corporate Lawyers

595 Stirling Highway

Cottesloe, Western Australia, 6011

Auditors

Greenwich & Co Audit Pty Ltd

Level 2, 267 St George's Terrace

Perth, Western Australia, 6000

Securities exchange listing

ASX Limited

ASX Code: AAJ

Letter from the Chairman to Shareholders

Dear Shareholder

Your company, Aruma Resources Ltd ("Aruma" or "The Company"), is an active gold exploration company in the Kalgoorlie region of Western Australia with a focus in the very productive Eastern Goldfields.

The past twelve months has again been a very busy period for the Company as it continued to advance exploration of its land holding in the tightly held Eastern Goldfields region of Western Australia. The previous years' exploration focus on the high tenor (>200ppb Au) gold anomaly at Slate Dam proved the company's exploration model and a new gold centre was defined by several reported gold intersections.

During the year Aruma continued its aggressive exploration program commenced the previous year. With $687,562 in capital raised before issue costs together with a $503,810 R&D tax offset before costs Aruma was able to explore and advance its projects by evaluating the large Slate Dam and Beowulf projects with AEM and geochemistry. An estimated R&D tax offset of approximately $350,000 is expected in the second quarter of 2019-20.

During the year the final tranche expenditure of the Southern Gold Limited (ASX: SAU) joint venture at Glandore was completed with over $1.2m expended on exploration in the three years to earn 90% of the project with Aruma electing to exercise its 1.25% net smelter royalty.

This allowed Aruma to focus its gold exploration on its 100% owned areas by drilling smaller targets such as Kopai and fully evaluating the large and prospective Slate Dam and Beowulf projects to generate high priority targets. These will be drilled utilising the drilling for equity negotiated in the last raising.

The Mt Deans lithium pegmatite lease is currently in the final process of being granted after lengthy negotiations with the DBCA and DMIRS involving full Environmental Impact Studies.

The coming year will see targeted RC drilling exploration on the Company's projects, with the focus on full evaluation of the strong AEM-Soil targets at Slate Dam and Beowulf. This was made possible by geochemical, magnetic and AEM mapping verified by field mapping and reviewed by an independent consultant group. This also involved the heritage and native title permitting and Ministerial Approvals as well as Environmental Impact Statements required by the DMIRS under ever increasing statutory requirements.

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

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

Paul Boyatzis

Chairman

Review of operations

Exploration

Eastern Goldfields explorer, Aruma Resources Limited ("Aruma", "the Company") (ASX: AAJ) has several advanced gold projects in the Kalgoorlie region which cover over 780km² of which 760km² are wholly operated by Aruma.

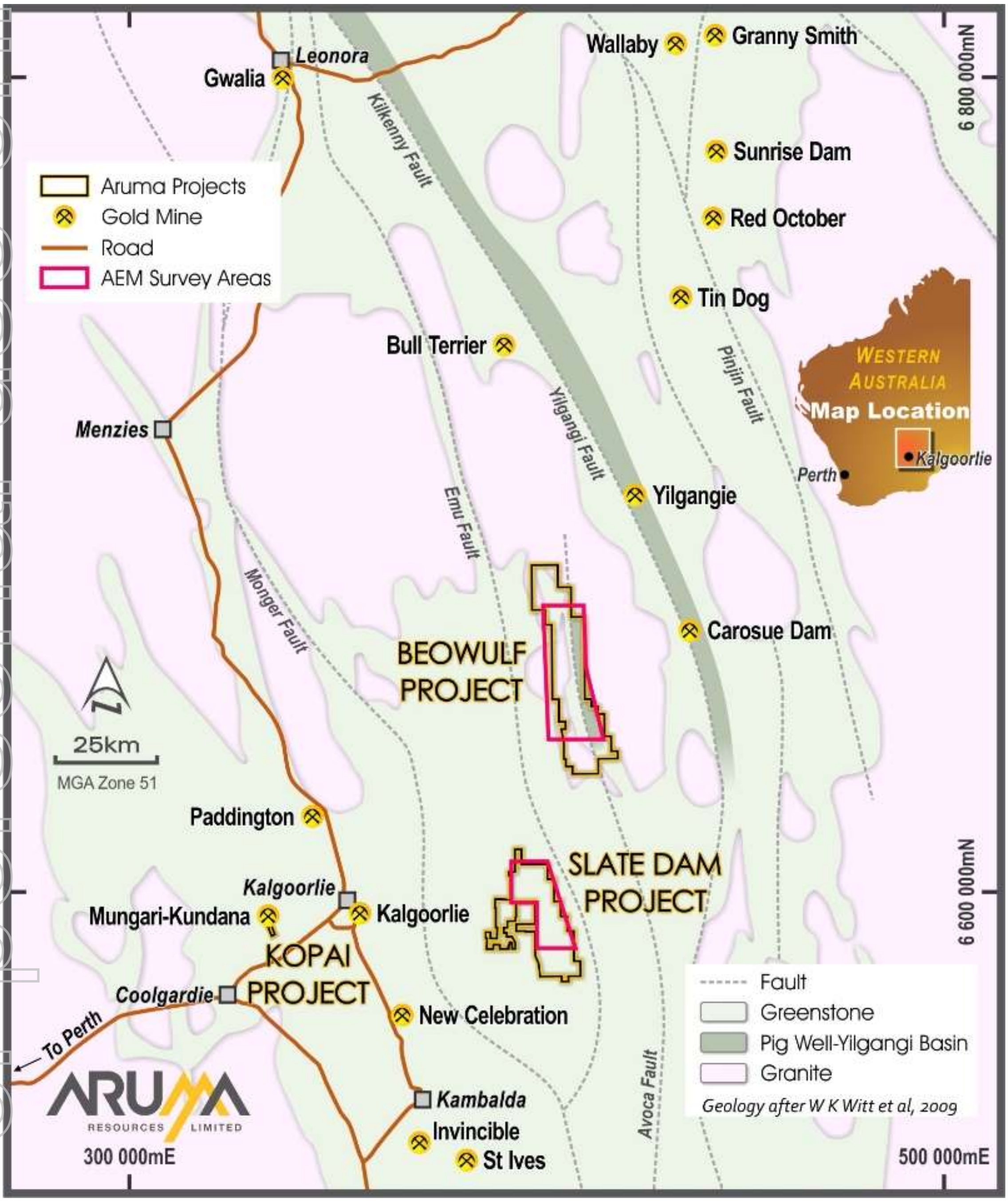


Figure 1: Aruma's gold projects of the Kalgoorlie district showing AEM survey areas

Review of operations

Highlights

- Slate Dam 3 Phase drill program completed for a total Slate Dam drilling of 10,500m
- Multiple intersections confirm model and gold system
- Kopai project leases granted, PoW approved and 1,947m RC completed
- Beowulf and Slate Dam Airborne Electromagnetic (AEM) survey completed
- 19 Tier one targets identified and PoWs submitted and EIS Surveys started
- Beowulf soil sampling completed
- Data-base construction completed

Kalgoorlie Projects

The Company continued to advance its 100% owned Kalgoorlie gold projects (Figure 1) during the year by completing or receiving the following;

- The Phase 3 RC drilling at Slate Dam project
- The AEM program totaling 411km^2 over the Slate Dam and Beowulf project areas in December
- A Section 18 Ministerial approval granted over the Slate Dam leases affected by a registered aboriginal heritage site
- Approval of a Program of Works (PoW) at the Kopai project with drilling completed.
- Approval of a PoW at Slate Dam and Beowulf projects for drilling

Regional Exploration

Aruma's data-base over all the Company's Kalgoorlie gold projects has combined all the historic and Aruma databases. This has allowed Aruma to progress the evaluation over the entirety of its leases with full 3D modelling to define trends and data gaps.

Aruma also completed an extensive AEM survey over the majority of the Slate Dam and Beowulf project areas. Experienced geoscientists from Terra Resources evaluated the various available AEM systems and recommended the NRG Xcite helicopter system. The helicopter-borne survey was used to acquire high resolution data considered important for the high precision required to identify the target types in tight structures. The system also acquired high resolution aeromagnetic data for analysis.

Airborne Electromagnetic Survey

Processing and interpretation of the AEM survey totalling 411km^2 of airborne electromagnetic (AEM/Xcite) and magnetic data was completed with the objective of defining EM conductors potentially representing semi-massive to massive sulphides associated with gold mineralisation. The AEM survey targeted areas with high prospectivity for stratabound (Invincible-type) and pressure shadow (Kanowna Belle-type) sediment-hosted gold targets - which are both sulphide rich.

Aruma's exploration at Slate Dam and Beowulf is targeting interpreted new greenstone belts defined by the Company, which have proven gold endowment and mineralised structure in rocks that host very large Tier 1 gold deposits in surrounding areas.

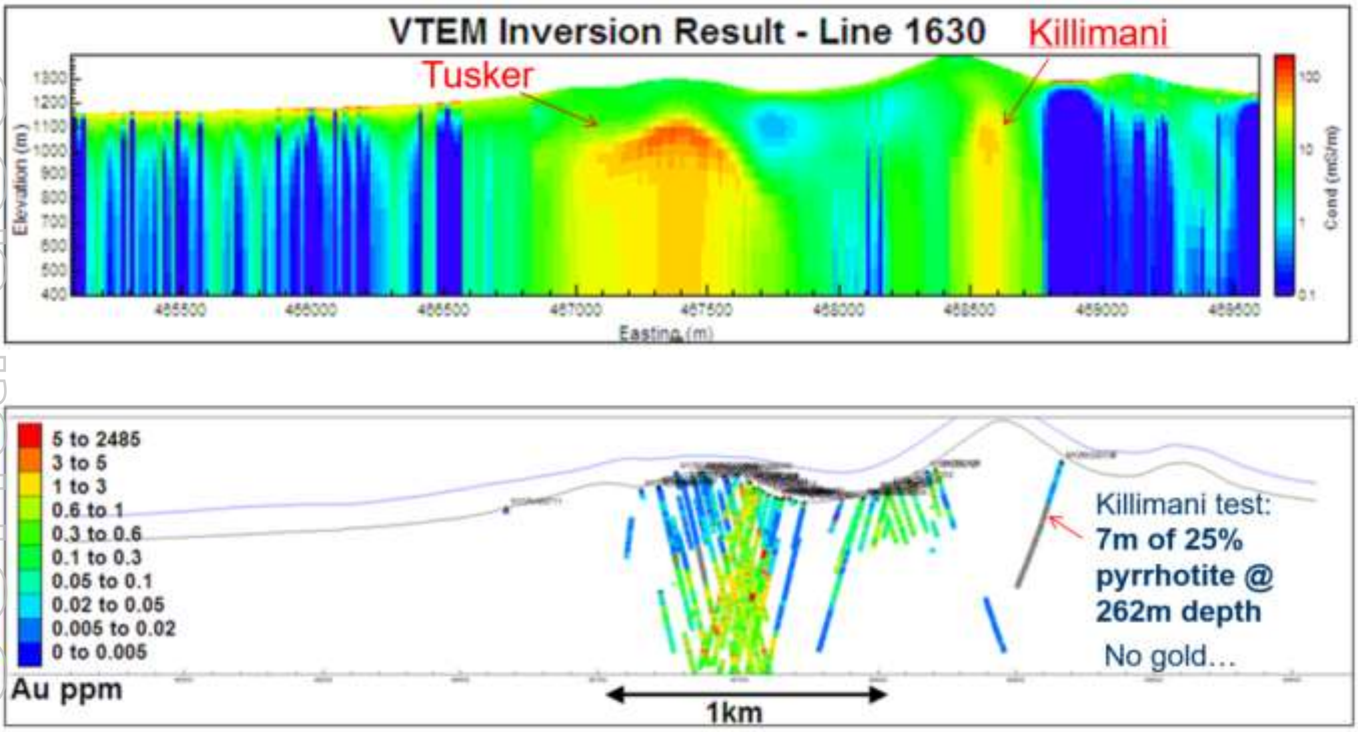
What is Airborne Electromagnetics?

First applied in the 1950's, airborne electromagnetics is a geophysical technology that is used to map groundwater resources throughout the world. It measures variations in the electrical conductivity of the ground. Electrical conductivity of rocks and soils is a property that depends on composition and water content. AEM detects geological changes and moisture variations beneath the earth's surface.

Review of operations

How does it work?

Electrical conductivity is measured using a helicopter carrying a suspended large wire loop that houses a sensor and instrument package. The sensor is flown about 100 feet (35 m) above the ground surface. The system transmits weak low-frequency radio waves into the ground to more than 1000 feet (300 m) deep and measures the response that returns from the ground. The surveys are conducted along pre-planned flight paths that follow a “lawn mowing” pattern in order to cover an area as completely as possible. The data collected are processed into slices and 3D images that give scientists a compositional model of the Earth’s subsurface and generate targets that represent conductors of gold bearing sulphides.



(After Bourne and Pittard)

Figure 2 An example of AEM showing conductors that were drilled for the 5M oz Tusker deposit*

VTEM data show a conductive anomaly coincident with the 5M oz. Tusker deposit. VTEM data also effectively identified the presence of massive sulphides (7m @ 25% pyrrhotite) adjacent to mineralisation at the Killimani prospect.

*From the Barrick Gold presentation "The Geophysical Response of the Tusker Gold Deposit, Lake Victoria Goldfields, Tanzania" by Karen Pittard and Barry Bourne, February 2009.

Review of operations

Figure 3: AEM Survey Helicopter in action

Details of the AEM Surveys

- Employed the high resolution Xcite time domain, helicopter borne EM system from NRG New Resolution Geophysics Australia (Fig. 3).
- The survey covered 1,944 line km with a line spacing of 200m and east-west orientation, with a total area of 411km².
- Average EM loop terrain clearance was 33m.
- Interpretation and targeting undertaken by independent geophysical consultants Terra Resources of Perth in conjunction with Aruma personnel.
- Fifteen (15) very high and high class AEM targets were identified for follow up work.

Review of operations

AEM - Magnetic Survey Results

- Interpretation and targeting undertaken by independent geophysical consultants Terra Resources of Perth in conjunction with Aruma personnel.
- Eighteen medium-high to very high class AEM targets and one structural-stratigraphic and geochemical target have been identified for follow up work.
- These targets potentially represent sulphides associated with gold mineralisation (Table 1).

Targets	Class	Slate Dam	Beowulf
7	very high	4	3
8	high	4	4
3	medium-high	1	2
1	Additional		1
19		**9**	**10**

Table 1: Target Distributions

Targets were ranked using EM conductors, alteration, structure, stratigraphy and intrusive relationships along with new gold soil geochemistry and are shown in Figure 4. This process involved using data from the high resolution AEM survey, new magnetics as well as the new geochemistry at Beowulf, and regional databases at Slate Dam. In addition, public domain gravity data was used to confirm stratigraphy.

The ranking of the AEM-Magnetic anomalies was assisted by the results of Aruma's major soil sampling program for gold conducted in late 2018 and early 2019. The results of the soil sampling showed a maximum value of 29.5ppb Au with some 92 samples above 5ppb Au. This is considered an outstanding result in an area that has thick soil cover as well as a paleochannel that can be seen in the AEM results. The AEM survey initially identified 27 targets (12 at Slate Dam and 15 at Beowulf) considered to potentially represent sulphides associated with gold mineralisation and these have been filtered so that the very high to medium-high are now prepared for drilling. Also, a non AEM but structural-stratigraphic and geochemical target will be drilled at Beowulf.

The results were highly encouraging and have helped the Company to identify and define a total of 19 priority drill targets, which it plans to systematically drill in the coming first half year.

Review of operations

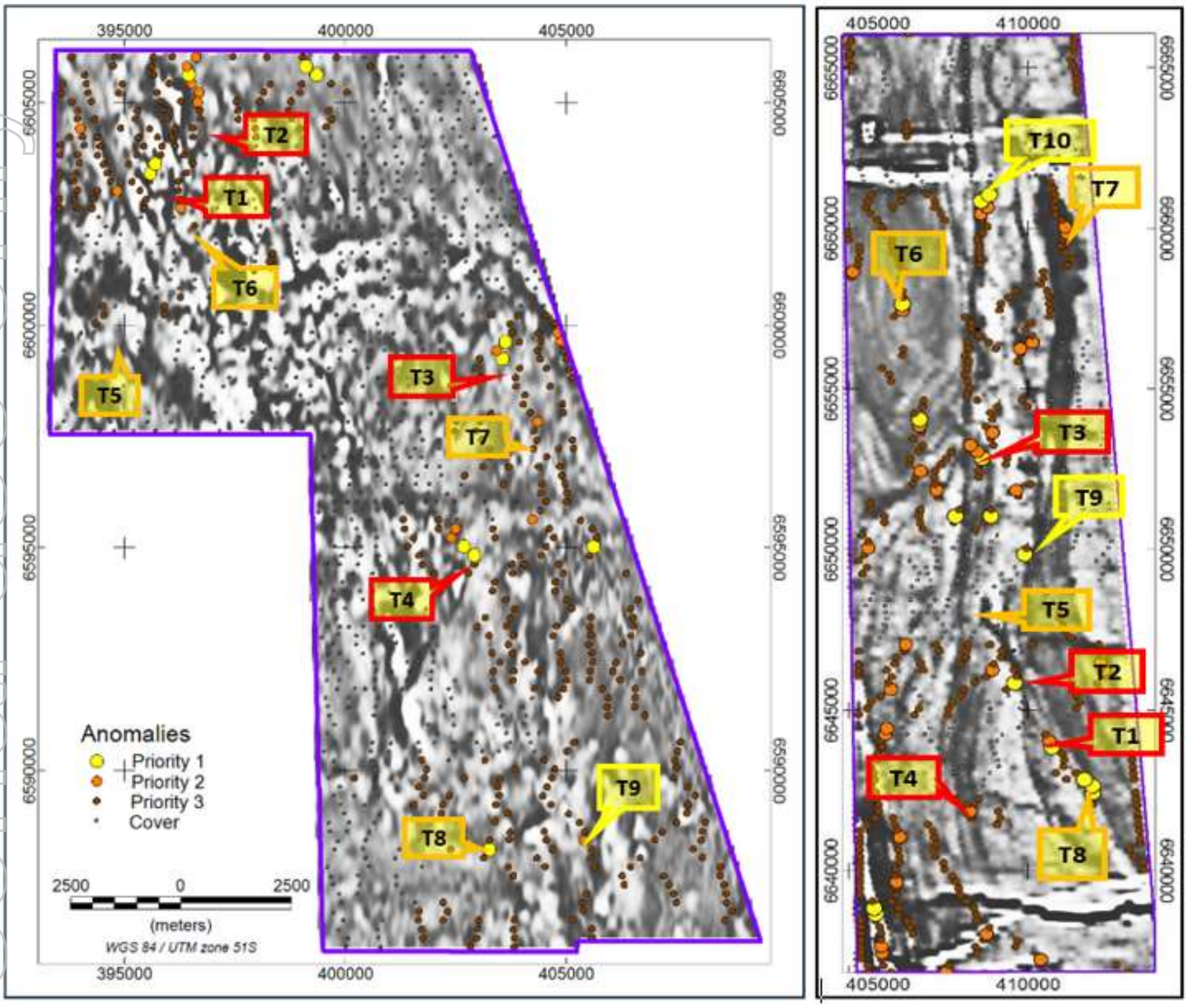


Figure 4: Ranked anomalies shown on 1VD RTP Magnetics - Slate Dam (left) and Beowulf (right). Target 5 at Beowulf is a strong structural -soil anomaly on the target 8-1-2 trend.

Drilling at Beowulf and Slate Dam Gold Projects

Aruma has commenced plans and preparations for the next phase of drilling at its core eastern goldfields assets, the Slate Dam and Beowulf Gold Projects.

Environmental studies have been completed and PoWs for drilling at Slate Dam and Beowulf have been approved by the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS). Site clearance and preparation was completed in August 2019 with drilling to commence on rig availability.

The initial phase drilling program is planned to consist of a total of approximately 20 reverse circulation (RC) holes across both projects, with drilling depths to around 100 metres. Drilling is designed to test high priority gold targets identified by the Company's AEM survey and soil sampling program undertaken earlier in the year.

Review of operations

Slate Dam Gold Project

Drilling Programs

Assays were received for the final nineteen holes for 2,088m (holes SDRC80 to 98) of the 3,748m Phase 3 program which was completed in August 2018.

The assays from the Phase 3 program have continued to deliver results consistent with the model in the Slate Dam anomaly area in the northern part of the project and have further strengthened the Company's geological model for the Slate Dam project to host significant sediment-hosted gold deposits. The best results are as follows (previously reported in ASX announcement 6 July 2018);

- **6m @ 1.06g/t Au** from 91m in hole SDRC80
- **5m @ 1.25g/t Au** from 110m in hole SDRC91
- **5m @ 1.24g/t Au** from 88m in hole SDRC98; and
- **6m @ 2.43g/t Au** from 15m; within a broader zone of
- **15m @ 1.1g/t Au** from 6m in hole SDRC68

Observations from Phase 3 drilling results

Drilling intersected widespread gold mineralisation, with fifteen out of the nineteen holes drilled having intersected anomalous gold (>0.1g/t Au).

Aruma completed 98 RC drill holes in three phases of drilling for 10,500m over the past 18 months, and 63 out of the 98 holes have intersected anomalous gold mineralisation.

The thick and multiple highly anomalous zones previously reported repeat the trend established in previous drilling.

SLATE DAM >1g/t INTERSECTIONS										
Hole ID	**Easting**	**Northing**	**RL**	**Dip**	**Azi**	**Hole Depth**	**From**	**To**	**Interval (m)**	**Average Au (g/t)**
SDRC80	396297	6602451	340	-60	60	120	91	97	6	1.06
SDRC82	396338	6602490	340	-60	60	120	26	27	1	1.35
SDRC82	396338	6602490	340	-60	60	120	49	50	1	1.13
SDRC83	396554	6602726	340	-60	60	120	71	72	1	1.28
SDRC85	396610	6602705	340	-60	60	120	24	25	1	1.30
SDRC85	396610	6602705	340	-60	60	120	40	41	1	1.57
SDRC86	396586	6602692	340	-60	60	120	15	16	1	1.12
SDRC86	396586	6602692	340	-60	60	120	99	101	2	1.05
SDRC91	395871	6602739	340	-60	60	126	110	115	5	1.25
SDRC98	395875	6603074	340	-60	60	120	64	67	3	1.09
SDRC98	395875	6603074	340	-60	60	120	88	93	5	1.24
SDRC98	395875	6603074	340	-60	60	120	117	119	2	1.32

Table 2: Phase 3 significant results (Au > 1.0 g/t) with all measurements down hole previously reported in ASX announcement 3 October 2018

Review of operations

Kopai Gold Project

Aruma completed a 14-hole RC drilling program at the Kopai Gold Project, located 20km west of Kalgoorlie, for a total of 1,947 metres (with drilling depths to around 150 metres). The program targeted a 2.8km strike length on the Strzelecki Trend, along strike of Evolution Mining's (ASX: EVN) White Foil gold mine. Drilling was designed to test for gold and tungsten anomalism in historic auger holes at the Project.

Anomalous gold intersections were made in three holes and appear to be related to the tungsten anomalies within the target area (as shown in Figure 5). This was highlighted by the intersection in hole KRC14, which targeted the eastern tungsten anomaly, and intersected 1m at 0.66g/t gold (Au) within a broader zone of 3m of 0.4g/t Au from a depth of 51 metres (Table 1) (ASX announcement 3 June 2019).

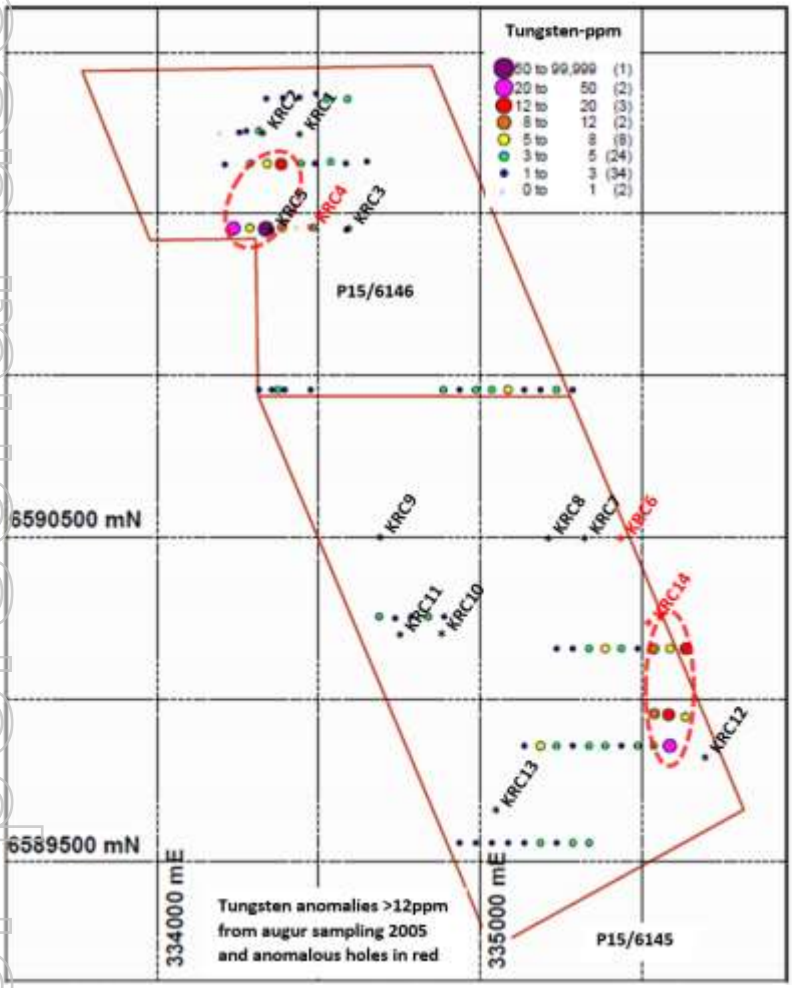


Figure 5: The location of completed drilling with tungsten geochemistry

Review of operations

Hole	UTM E	UTM N	From	To	Au g/t	Sample No
KRC04	334650	6591450	23	24	0.131	BG25544
KRC06	335300	6590500	35	36	0.143	BG25736
KRC06	335300	6590500	137	138	0.353	BG25838
KRC14	335325	6590250	51	52	0.477	BG26412
KRC14	335325	6590250	52	53	0.664	BG26413
KRC14	335325	6590250	53	54	0.101	BG26414

Table 3: Anomalous Kopai drill results (Au >0.1g/t)

Although the Kopai drill program produced anomalous results, at this stage the Company's prime focus is on advancing the exploration of its core Slate Dam and Beowulf Gold Projects, and no further exploration is currently planned at the Kopai Project.

Corporate

The Company had a cash balance at 30 June 2019 of $664,302.

The Company received an R&D tax incentive offset of $503,810 before costs in the December quarter.

During the year the Company completed a placement of 89,343,592 shares at an issue price of 0.6 cents per share to raise $536,062 before issue costs. The Company also offered existing eligible shareholders the opportunity to participate in a share purchase plan on the same terms as the placement raising $151,500. The funds raised were used for targeted drilling at the Kopai gold project as well as continued exploration at Aruma's other advanced gold projects and general working capital.

During the year the Company also settled payment of drilling costs of $180,000 through the issue of 26,000,000 shares and a $20,000 controlled placement facility fee through the issue of 2,000,000 shares.

Review of operations

Resources

The Mineral Resource at the Trojan Gold Project (ML25/104), as at 30 June 2019, is set out in table 4 below. This Resource is unchanged from that reported in the 2018 Annual Report.

Classification	Tonnes	Grade	Ounces of gold
Indicated	1,679,908	1.72	93,117
Inferred	1,114,431	1.44	51,696
Combined	**2,794,339**	**1.61**	**144,814**

Table 4: Current JORC 2012 Resource Estimate at Trojan Gold Project

Mineral Resource and Ore Reserve Governance and Internal Controls

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

Competent Person's Statement

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

Forward Looking Statement

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

Directors' report

Your directors present their report together with the financial statements of the Group consisting of Aruma Resources Limited ("the Company") and the entity it controlled (together the "Group") for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. INFORMATION ABOUT THE OFFICERS OF THE COMPANY

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

Mr. Paul Boyatzis

B Bus, ASA, MSDIA, MAICD – Chairman

Appointed 5th January 2010

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

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

Mr Peter Schwann

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

Appointed 11th February 2010

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

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

Dr. Mark Elliott

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

Appointed 1st July 2017

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

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

Directors' report

Mr. Phillip MacLeod

B Bus, ASA, FGIA, MAICD – Company secretary

Appointed 5th January 2010

Mr MacLeod has over 30 years' commercial experience and has held the position of company secretary with listed public companies since 1995. Mr MacLeod has provided corporate, management and accounting advice to public and private companies involved in the resource, technology, property and healthcare industries.

2. FINANCIAL AND OPERATING REVIEW

The Group made a loss for the year of $1,629,315 (2018: $1,885,820). The Group had cash and term deposit balances at 30 June of $664,302 (2018: $1,122,720).

During the year the Company completed a placement of 89,343,592 shares at an issue price of 0.6 cents per share to raise $536,062 before issue costs. The Company also offered existing eligible shareholders the opportunity to participate in a share purchase plan on the same terms as the placement raising $151,500. The funds raised were used for targeted drilling at the Kopai gold project as well as continued exploration at Aruma's other advanced gold projects and general working capital.

The Company also issued 26 million shares in lieu of exploration drilling costs of $180,000.

2 million shares were issued in consideration for a $20,000 establishment fee for the Company's controlled placement agreement facility.

During the year the Company received $503,810 before costs under the 2018 Research and Development tax incentive programme for exploration activity carried out.

A review of operations is on pages 5-14.

3. DIRECTOR'S MEETINGS

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

Director	Meetings Held	Meetings Attended
Paul Boyatzis	5	5
Peter Schwann	5	5
Mark Elliott	5	5

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

Directors' report

4. REMUNERATION REPORT *(AUDITED)*

4.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

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

Remuneration levels for key management personnel and other staff of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives and take account of factors such as length of service, particular experience and expertise. The non-executive director receives a fixed fee of $30,000 per annum. The Chairman receives a fixed fee of $54,000 per annum plus superannuation or GST as applicable. Currently key management personnel remuneration is not dependent on the satisfaction of any performance condition.

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

Directors' report

4. REMUNERATION REPORT *(AUDITED)*

4.2 Remuneration of directors and senior management (audited)

Key management personnel remuneration for the years ended 30 June 2019 and 30 June 2018.

	Year	Short-term Salary & Fees $	Short-term Cash Bonus $	Short-term Non-monetary Benefits $	Total $	Post-employment Superannuation Benefits $	Other long term $	Termination Benefit $	Share-based Payments Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration
Non-Executive Directors												
Mr P Boyatzis	2019	54,000	-	-	54,000	-	-	-	-	54,000	-	-
	2018	54,000	-	-	54,000	-	-	-	17,301	71,301	-	24.26
Dr Mark Elliott [1]	2019	30,000	-	-	30,000	-	-	-	-	30,000	-	-
	2018	30,000	-	-	30,000	-	-	-	8,650	38,650	-	22.38
Executive Director												
Mr P Schwann	2019	200,000	-	-	200,000	19,000	-	-	-	219,000	-	-
	2018	200,000	-	-	200,000	19,000	-	-	34,602	253,602	-	13.64
Total	**2019**	**284,000**	**-**	**-**	**284,000**	**19,000**	**-**	**-**	**-**	**303,000**	**-**	**-**
	2018	284,000	-	-	284,000	19,000	-	-	60,553	363,553	-	16.66

[1] Appointed 1 July 2017

Directors' report

4. REMUNERATION REPORT *(AUDITED)*

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

During the year there were no (2018: 7,000,000) options over unissued shares granted to key management personnel (KMP) as part of their remuneration. No options granted to KMP were exercised during the year. No options that were previously granted to KMP lapsed during the year. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

4.4 Service agreement

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

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

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

END OF REMUNERATION REPORT *(AUDITED)*

5. SHARE OPTIONS

Unissued shares under option

There are 12,000,000 options (2018 12,000,000) over unissued shares in Aruma.

Share options lapsed

No options lapsed unexercised the year (2018: 8,625,000).

Share options issued

There were no options over unissued shares in Aruma issued during the year as share-based compensation to directors (2018: 7,000,000 options).

Shares issued on exercise of options

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

Directors' report

6. PRINCIPAL ACTIVITY

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

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, there have been no material events to note.

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:

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

11. ENVIRONMENTAL REGULATIONS

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

Directors' report

12. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

13. NON-AUDIT SERVICES

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

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Audit and review of financial reports	20,500	18,000
Taxation services	4,000	4,000
	24,500	22,000

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

Directors' report

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

The auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 23.

15. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

This report is made with a resolution of the directors.

Peter Schwann
Managing Director
Perth, Western Australia

Dated 27th September 2019

Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 267 St Georges Terrace, Perth WA 6000
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

Auditor's Independence Declaration

To those charged with governance of Aruma Resources Limited

As auditor for the audit of Aruma Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Greenwich & Co Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth
27 September 2019

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Revenue	3	503,810	251,864
Exploration and evaluation expenditure expensed as incurred		(1,363,530)	(1,249,192)
Depreciation	4	(17,891)	(22,860)
Directors' remuneration	25	(303,000)	(284,000)
Employee benefits		(58,174)	(7,381)
Impairment of exploration assets	15	(36,380)	(93,393)
Legal and professional fees		(141,320)	(126,283)
Occupancy expenses		(21,631)	(25,600)
Share-based payment expense		-	(103,805)
Other expenses		(193,435)	(240,574)
Loss from operating activities	4	(1,631,551)	(1,901,224)
Financial income		2,243	15,976
Financial expense		(7)	(572)
Net financing income	5	2,236	15,404
Loss before income tax		(1,629,315)	(1,885,820)
Income tax expense	8	-	-
Total comprehensive loss		(1,629,315)	(1,885,820)
Loss per share			
Basic and diluted loss per share (cents per share)	7	(0.29) cents	(0.43) cents

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	10	664,302	713,140
Trade and other receivables	11	32,603	45,847
Other financial assets	12	-	409,580
Other current assets	13	4,087	10,968
Total current assets		700,992	1,179,535
Non-current assets			
Plant and equipment	14	23,493	39,926
Capitalised exploration expenditure	15	425,000	461,380
Total non-current assets		448,493	501,306
Total assets		1,149,485	1,680,841
LIABILITIES			
Current liabilities			
Trade and other payables	16	95,614	127,301
Provisions	17	27,241	21,058
Total current liabilities		122,855	148,359
Non-current liabilities			
Provisions	18	291,930	-
Total non-current liabilities		291,930	-
Total liabilities		414,785	148,359
Net assets		734,700	1,532,482
Equity			
Issued capital	19	12,793,884	11,962,351
Reserves	20	133,712	133,712
Accumulated losses	21	(12,192,896)	(10,563,581)
Total equity		734,700	1,532,482

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Cash flows from operating activities			
Receipts from exploration activities		503,810	251,864
Interest received		5,407	19,948
Interest paid		(7)	(572)
Exploration expenditure		(996,141)	(1,256,284)
Payments to suppliers and employees		(591,562)	(729,543)
Net cash used in operating activities	27(b)	(1,078,493)	(1,714,587)
Cash flows from investing activities			
Transfers to term deposit investment		409,580	751,247
Payment for exploration interests		(30,000)	(53,000)
Payments for purchase of plant and equipment		(1,458)	-
Net cash provided by investing activities		378,122	698,247
Cash flows from financing activities			
Proceeds from issue of securities		687,562	1,770,000
Cost of capital raising		(36,029)	(124,233)
Net cash provided by financing activities		651,533	1,645,767
Net increase/(decrease) in cash and cash equivalents		(48,838)	629,427
Cash and cash equivalents at beginning of the year		713,140	83,713
Cash and cash equivalents at end of the year	27(a)	664,302	713,140

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the Year Ended 30 June 2019

	Issued capital $	Accumulated losses $	Share-based payment reserve $	Total equity $
Balance at 1 July 2017	10,139,092	(8,795,963)	83,601	1,426,730
Loss for the year	-	(1,885,820)	-	(1,885,820)
Total comprehensive loss for the year	-	(1,885,820)	-	(1,885,820)
Expiry of options	-	118,202	(118,202)	-
Shares issued for cash	1,770,000	-	-	1,770,000
Share issue costs	(188,741)	-	64,508	(124,233)
Shares-issued for tenement acquisitions	242,000	-	-	242,000
Share-based payments	-	-	103,805	103,805
Balance at 30 June 2018	**11,962,351**	**(10,563,581)**	**133,712**	**1,532,482**
Balance at 1 July 2018	11,962,351	(10,563,581)	133,712	1,532,482
Loss for the year	-	(1,629,315)	-	(1,629,315)
Total comprehensive loss for the year	-	(1,629,315)	-	(1,629,315)
Shares issued for cash	687,562	-	-	687,562
Share issue costs	(56,029)	-	-	(56,029)
Shares-issued to settle obligations	200,000	-	-	200,000
Balance at 30 June 2019	**12,793,884**	**(12,192,896)**	**133,712**	**734,700**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Aruma Resources Limited (the "Company") is a company domiciled in Australia. The financial report of the Company and its subsidiary (the "Group") is for the year ended 30th June 2019.

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 27h September 2019.

b. Basis of preparation

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

c. Going concern

The financial report is prepared the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realization of assets and settlement of liabilities in the normal course of the business for the following reasons : -

- The receipt of its 2019 R&D tax incentive which will assist in funding for the next 12 months
- The ability of the Company to raise further capital through the issue of equity securities.
- The sale of its tenement holdings if required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

The Directors consider the going concern basis of accounting to be appropriate based on forecast cash flows and have confidence in the Group's ability to raise additional funds if required.

d. Adoption of new and revised standards

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 July 2018.

d. Adoption of new and revised standards

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company does not have any long term lease agreements (of over one year) therefore, the adoption of the new leases standard will not have a material impact.

e. Basis of consolidation

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

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.

f. Revenue recognition

Interest revenue

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

Research & Development

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

g. Plant & equipment

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

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

(i)	Computer software	2.5 years
(ii)	Computer hardware	4 years
(iii)	Office equipment	5-7 years
(iv)	Field equipment	5 years

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

h. Cash and cash equivalents

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

SIGNIFICANT ACCOUNTING POLICIES

i. Impairment

Non-financial assets

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

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

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

j. Issued capital

Ordinary shares

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

k. Employee benefits

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

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

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

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

l. Income tax

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

m. Provisions

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

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

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

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

n. Goods and services and tax

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

o. Exploration and evaluation

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

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

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

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

p. Earnings per share

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

q. Segment reporting

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

r. Financial instruments

Initial recognition and measurement

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

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

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

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at:

— amortised cost;

— fair value through other comprehensive income; or

— fair value through profit or loss

On the basis of the two primary criteria:

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

— the business model for managing the financial assets

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

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

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are subsequently measured at:

— amortised cost; or

— fair value through profit or loss

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

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

— held for trading; or

— initially designated as at fair value through profit or loss

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

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

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

A financial liability is held for trading if it is:

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

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

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

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

Ordinary shares

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

Derecognition

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

Derecognition of financial liabilities

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Derecognition of financial assets

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

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

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

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

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

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

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

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

impairment of financial assets

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

s. Share-based payment transactions

(i) Equity settled transactions:

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

(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).

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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.

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s. Trade and other payables

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. SIGNIFICANT ACCOUNTING POLICIES

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.

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

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

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

Share-based payment transaction:

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

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

Mine closure and rehabilitation obligations

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

Exploration and evaluation costs carried forward

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

Recovery of deferred tax assets

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

3. REVENUE

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Revenue		
R & D tax incentive	503,810	224,562
Refunds	-	27,302
Total	503,810	251,864

Notes to the consolidated financial statements

For the year ended 30 June 2019

4. LOSS BEFORE INCOME TAX

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Loss before income tax		
Loss before income tax expense has been arrived at after charging the following item:		
Depreciation	17,891	22,860

5. FINANCING INCOME

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Financing Income		
Interest income	2,243	15,976
Interest expense	(7)	(572)
Total	2,236	15,404

6. AUDITOR'S REMUNERATION

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
During the year the following fees were paid or payable for services provided by auditors of the Group, Greenwich & Co Audit Pty Ltd, their related practices and non-related audit firms		
Audit and review services:		
- Auditors of the Group	20,500	18,000
Other Professional services:		
- Tax services	4,000	4,000

Notes to the consolidated financial statements

For the year ended 30 June 2019

7. LOSS PER SHARE

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

	CONSOLIDATED 2019	CONSOLIDATED 2018
Loss per share		
Basic loss per share	0.29 cents	0.43 cents
a) Weighted average number of shares used in calculation of basic loss per share	554,711,475	439,269,632
b) Loss used in calculating basic loss per share	$1,629,315	$1,885,820

Notes to the consolidated financial statements

For the year ended 30 June 2019

8. INCOME TAX EXPENSE

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
a. Recognised in the statement of profit or loss and other comprehensive income		
The major components of the tax expense/(income) are:		
Current tax expense	-	-
Deferred tax income relating to the origination and reversal of temporary timing differences	-	-
Total tax income attributable to continuing operations	-	-
b. Amounts charged or credited directly to equity		
Deferred income tax related to items (credited) directly to equity	-	-
Income tax expense/(benefit) reported in equity	-	-

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

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
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	(1,629,315)	(1,885,820)
Income tax expense/(benefit) calculated at 27.50% (2018: 27.50%)	(448,062)	(518,601)
Over/(under) provision of tax in prior periods	382,193	173,349
Non-assessable income	(138,548)	(61,755)
Temporary differences not recognised	58,823	(87,567)
Non-deductible expenses	55,309	30,901
Share issue costs recognized directly in equity	(15,408)	(51,904)
Tax losses not recognized/(utilised)	105,693	515,577
Income tax expense/(benefit)	-	-

Notes to the consolidated financial statements

For the year ended 30 June 2019

8. INCOME TAX EXPENSE

The tax rate used in the following reconciliation is the corporate tax rate of 27.50% (2018: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
d. The following deferred tax assets and (liabilities) have not been brought to account as assets:		
Tax losses - revenue	2,146,053	2,002,661
Temporary differences	(49,364)	(58,227)
	1,944,434	1,944,434
e. Deferred tax assets not recognised in respect of the following items:		
Trade and other receivables	(1,124)	(3,886)
Trade and other payables	12,481	11,087
Exploration costs	(116,875)	(126,879)
Section 40-880 expenses	56,154	61,451
Tax losses carried forward	2,146,053	2,002,661
Income tax expense/(benefit) not recognised	2,096,689	1,944,434
f. Carry forward tax losses:		
Unused tax losses, for which no deferred tax asset has been recognised (as recovery is currently not probable)	7,803,829	7,282,402
At 27.50% (2018: 27.5%)	2,146,053	2,002,661

The deferred tax assets have not been brought into account at balance date as the realisation of these is not probable. This benefit (which has been calculated as 27.50% (2018: 27.50%) of losses and deductions available) will only be obtained if:

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

9. FINANCIAL INSTRUMENTS

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit risk

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

Cash

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

Trade and other receivables

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

Held-to-maturity investments

The Group only invests with counterparties that have an acceptable credit rating. Held-to-maturity investments are held with ANZ Bank which is an Australian bank with an AA credit rating (Standard & Poor's).

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

For the year ended 30 June 2019

9. FINANCIAL INSTRUMENTS

Exposure to credit risk

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

		CARRYING AMOUNT	
	NOTE	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Cash and bank balances	10	664,302	713,140
Trade and other receivables	11	-	3,326
Held-to-maturity investments	12	-	409,580

Impairment losses

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

Liquidity risk

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

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

Consolidated	Carrying amount ($)	Contractual cash flows ($)	6 months or less ($)	6 months or more ($)
30 June 2019				
Trade and other payables	95,614	(95,614)	(95,614)	-
	95,614	(95,614)	(95,614)	-
30 June 2018				
Trade and other payables	127,301	(127,301)	(127,301)	-
	127,301	(127,301)	(127,301)	-

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

9. FINANCIAL INSTRUMENTS

Market risk

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

Currency risk

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

Interest rate risk

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

The Group has no borrowings.

Profile

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

	CONSOLIDATED 2019 Carrying amount $	Interest rate %	CONSOLIDATED 2018 Carrying amount $	Interest rate %
Fixed rate instruments				
Held-to-maturity investments	-	-	409,580	2.35
Variable rate instruments				
Cash and bank balances	664,302	0.04	713,140	0.04

Notes to the consolidated financial statements

For the year ended 30 June 2019

9. FINANCIAL INSTRUMENTS

Cash flow sensitivity analysis for variable rate instruments

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

	Equity		Profit and Loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2019				
Variable rate instruments	6,643	(6,643)	6,643	(6,643)
30 June 2018				
Variable rate instruments	7,131	(7,131)	7,131	(7,131)

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.

10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Cash and cash equivalents		
Cash at hand	1	1
Cash at bank	664,301	712,201
Credit card credit balance	-	938
	664,302	713,140
Weighted average interest rate	0.04%	0.04%

Notes to the consolidated financial statements

For the year ended 30 June 2019

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Current		
GST receivables	32,548	42,521
Other receivables	55	3,326
	32,603	45,847

Trade and other receivables are non-interest bearing.

12. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Current		
Held-to-maturity investments	-	409,580

13. OTHER CURRENT ASSETS

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Other current assets		
Prepayments	4,087	10,968

Notes to the consolidated financial statements

For the year ended 30 June 2019

14. **PLANT & EQUIPMENT**

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Office equipment at cost	12,225	12,225
Accumulated depreciation	(9,199)	(8,570)
Office equipment	3,027	3,655
Field equipment at cost	43,572	43,209
Accumulated depreciation	(43,081)	(35,238)
Field equipment	491	7,971
Computer equipment at cost	64,158	63,066
Accumulated depreciation	(44,182)	(34,766)
Computer equipment	19,975	28,300
Total carrying value	23,493	39,926

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

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

Consolidated: 30 June 2018	Office equipment $	Computer equipment $	Field equipment $	Total $
At 1 July 2017 net of accumulated depreciation	4,418	42,134	16,234	62,786
Additions	-	-	-	-
Depreciation charge for the year	(763)	(13,834)	(8,263)	(22,860)
At 30 June 2018 net of accumulated depreciation	3,655	28,300	7,971	39,926

Notes to the consolidated financial statements

For the year ended 30 June 2019

15. CAPITALISED EXPLORATION EXPENDITURE

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Balance at beginning of the year	461,380	229,773
Acquisition of tenements	-	325,000
Impairment of tenements	(36,380)	(93,393)
Balance at end of the year	425,000	461,380

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

16. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Trade creditors and accruals	95,614	127,301

All trade creditors and accruals are non-interest bearing.

17. PROVISIONS - CURRENT

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Employee leave entitlements	27,241	21,058

Notes to the consolidated financial statements

For the year ended 30 June 2019

18. PROVISIONS – NON CURRENT

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Employee leave entitlements	31,250	-
Mining rehabilitation fund	260,680	-
	291,930	-

Mining rehabilitation fund

A provision has been made in respect of the environmental rehabilitation on tenements based on the disturbance criteria determined by the Department of Mines and Petroleum. The levy for mining rehabilitation of $2,327 is included in trade and other payables (Note 16).

19. SHARE CAPITAL

Ordinary shares	COMPANY 2019 $	COMPANY 2018 $
Ordinary shares 657,413,903 (2018: 514,820,317) fully paid ordinary shares	12,793,884	11,962,351

Movement during the year	2019 Number	2019 $	2018 Number	2018 $
Balance at beginning of year	514,820,317	11,962,351	361,820,317	10,139,092
Shares issued as collateral for controlled placement facility	-	-	20,000,000	-
Shares issued to acquire tenements	-	-	13,000,000	242,000
Shares issued for cash	114,593,586	687,562	120,000,000	1,770,000
Shares issued to settle obligations	28,000,000	200,000	-	-
Transaction costs arising on share issues		(56,029)		(188,741)
Balance at end of year	657,413,903	12,793,884	514,820,317	11,962,351

Notes to the consolidated financial statements

For the year ended 30 June 2019

Options

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

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

20. **RESERVES**

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Share-based payment reserve	133,712	133,712
Movement during the year		
Balance at beginning of year	133,712	83,601
Share-based payments – directors and staff	-	103,805
Share-based payments – share issue costs	-	64,508
Transfer to accumulated losses on lapsing of options	-	(118,202)
Balance at end of year	133,712	133,712

Share-based payment reserve

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

21. ACCUMULATED LOSSES

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Movement during the year		
Balance at beginning of year	(10,563,581)	(8,795,963)
Transfer from reserve on lapsing of options	-	118,202
Loss for the year	(1,629,315)	(1,885,820)
Balance at end of year	(12,192,896)	(10,563,581)

22. COMMITMENTS

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
Exploration expenditure commitments		
No later than 1 year	556,080	559,500
Later than 1 year but not later than 5 years	2,224,320	2,239,600
	2,780,400	2,799,500

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

23. CONTINGENT LIABILITIES

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

24. SHARE-BASED PAYMENTS

During the year no options were granted as share-based compensation to directors and staff by Aruma (2018: 12,000,000, of which 4,000,000 subsequently lapsed when the employees to whom the options were granted, left the company).

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

Aruma Resources Limited	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Option series no.5	8,000,000	30 Nov 2017	30 Nov 2020	0.019	69,204
Option series no.6	4,000,000	2 Mar 2018	2 Mar 2020	0.040	64,508

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

	2019		2018	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of the year	12,000,000	0.026	4,625,000	0.042
Issued during the year	-	-	16,000,000	0.024
Lapsed during the year	-	-	(8,625,000)	0.031
Outstanding at the end of the year	12,000,000	0.026	12,000,000	0.026
Exercisable at the end of the year	12,000,000	0.026	12,000,000	0.026

The outstanding balance as at 30 June 2019 is represented by 8,000,000 options over ordinary shares with an exercise price of 1.9 cents and an expiry date of 30 November 2020 and 4,000,000 options over ordinary shares with an exercise price of $0.04, exercisable up to 2 March 2020.

During the year Aruma issued a total of 26,000,000 shares, 20,000,000 shares at an issue price of 1.0 cent per share and 6,000,000 shares at an issue price of 0.6 cents, in settlement of drilling expenses. The Company also issued 2,000,000 shares were issued at an issue price of 1.0 cent per share to settle payment of a fee for a controlled placement facility.

Notes to the consolidated financial statements

For the year ended 30 June 2019

25. KEY MANAGEMENT PERSONNEL

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

Executive director

Mr. P Schwann, Managing Director

Non-executive directors

Mr. P Boyatzis, Chairman

Dr. M Elliott

Key management personnel compensation

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

	CONSOLIDATED 2019 $	CONSOLIDATED 2019 $
Short-term employee benefits	284,000	284,000
Post-employment benefits	19,000	19,000
Share-based payment	-	60,553
Total	303,000	363,553

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

26. RELATED PARTIES

	OWNERSHIP INTERESTS	
	2019	2018
Controlled entities		
Aruma Exploration Pty Ltd	100%	100%

Key management personnel

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

During the year Managing Director Peter Schwann, provided a motor vehicle and a caravan for hire to the Company charging a total of $12,932 plus GST (2018: $12,307 plus GST) plus service and maintenance costs of $300 plus GST (2018: $2,951 plus GST). There is no amount outstanding (2018: nil) included under trade payables at 30 June 2019.

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

27. NOTES TO STATEMENT OF CASH FLOWS

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
a. Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at hand	1	1
Cash at bank	664,301	713,139
	664,302	713,139
b. Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities		
Loss for the year	(1,629,315)	(1,885,820)
Adjustments for:		
Depreciation	17,891	22,860
Share-based payment	-	103,805
Impairment of assets	36,380	93,393
Liability settled through issue of shares	180,000	-
Change in assets/liabilities:		
(Increase)/decrease in trade and other receivables	13,244	(7,952)
(Increase)/decrease in other current assets	6,881	(5,388)
Increase/(decrease) in trade and other payables	(1,687)	(24,411)
Increase/(decrease) in provisions	298,113	(11,074)
Net cash used in operating activities	(1,078,493)	(1,714,587)

28. SEGMENT INFORMATION

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

27. SEGMENT INFORMATION

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

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

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

29. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date there have been no material events to note.

30. DIVIDENDS

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

31. **PARENT ENTITY INFORMATION**

In the year ended 30 June 2019 the Parent company of the Group was Aruma Resources Limited.

	COMPANY 2019 $	COMPANY 2018 $
Financial performance of Parent entity for the year		
Loss for the year	(1,629,315)	(1,885,820)
Other comprehensive income	-	-
Total comprehensive expense for the year	(1,629,315)	(1,885,820)
Financial position of Parent entity at year end		
Current assets	700,992	1,179,373
Total assets	1,149,485	1,680,841
Current liabilities	122,855	148,359
Non-current liabilities	291,930	-
Total liabilities	414,785	148,359
Total equity of the Parent entity comprising:		
Share capital	12,793,884	11,962,352
Share-based payment reserve	133,712	133,712
Accumulated losses	(12,192,896)	(10,563,582)
Total equity	734,700	1,532,482

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Peter Schwann

Managing Director

Perth, Western Australia

Dated this 27th day of September 2019

Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 267 St Georges Terrace, Perth WA 6000
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

Independent Audit Report to the members of Aruma Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aruma Resources Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1C to the financial statements which outlines that the ability of the Group to continue as a going concern is dependent on the ability of the Group securing further working capital by the issue of additional equity.

As a result there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

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

Capitalised Exploration Expenditure
Refer to Note 15, Capitalised Exploration Expenditure ($425,000) and accounting policy Notes 1(o).

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

Other Information

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

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 17 to page 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Group, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Greenwich & Co Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth
27 September 2019

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 17 September 2019.

Distribution of equity security holders

	Quoted ordinary shares		Unquoted options Exercisable at $0.04 expiring 2 March 2020		Unquoted options Exercisable at $0.019 expiring 30 November 2020	
Category	**Number of holders**	**Number of Shares**	**Number of holders**	**Number of options**	**Number of holders**	**Number of options**
1 - 1,000	37	7,271	-	-	-	-
1,001 - 5,000	9	35,633	-	-	-	-
5,001 - 10,000	69	684,387	-	-	-	-
10,000 - 100,000	333	16,989,185	-	-	-	-
100,000 and over	507	639,697,427	2	4,000,000	4	8,000,000
Total	**955**	**657,413,903**	**2**	**4,000,000**	**4**	**8,000,000**

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

Substantial Shareholders

There are no substantial shareholders.

Restricted securities

The Company has 657,413,903 shares and 12,000,000 options on issue. The Company does not have any restricted securities or securities subject to voluntary escrow.

Voting rights

Ordinary shares

One vote for each ordinary fully paid share.

Options

There are no voting rights attached to options.

On-market buy-back

There is no current on-market buy-back.

Unquoted securities

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

Options exercisable at $0.04 expiring 2 March 2020 Name	Number of options held	Percentage
State One Equities Pty Ltd	2,000,000	50.00
M Levitzke	2,000,000	50.00
Total	**4,000,000**	**100.00**

ASX additional information

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

Twenty Largest Shareholders

Fully paid ordinary shares Name	Number of ordinary shares held	Percentage
Plasia Pty Ltd	27,644,689	4.21
Blue Spec Drilling Pty Ltd	26,000,000	3.96
Acuity Capital Investment Management Pty Ltd	21,000,000	3.19
Lesuer Pty Ltd	17,000,000	2.59
UBS Nominees Pty Ltd	14,250,000	2.17
James Moses	14,250,000	2.17
Nexus Minerals Limited	11,875,000	1.81
First Investment Partners Pty Ltd	11,700,714	1.78
Adrian Gath	11,443,292	1.74
Bedel & Sowa Corp Pty Ltd	10,000,000	1.52
ESM Limited	10,000,000	1.52
Constantine & Katherine Theodoropoulos	10,000,000	1.52
Jeffery Jamoo	9,750,000	1.48
Hipete Pty Ltd	9,500,000	1.44
Datalease Pty Ltd	9,071,942	1.38
HSBC Custody Nominees (Australia) Limited	8,727,478	1.33
Ajava Holdings Pty Ltd	8,333,333	1.27
National Nominees Limited	8,098,598	1.23
William & Marlene Willis	6,250,000	0.95
Wayne Clarke	6,200,000	0.94
Total	**251,095,046**	**38.20**

Tenement listing

Tenements	Location	Interest
Clinker Hill (Gold)		
P25/2320 E25/568	**Eastern Goldfields Region Western Australia**	**100%**
Slate Dam (Gold)		
M25/104 E25/526 E25/534 E25/553 E25/556 E25/558 E25/571 (application) P25/523 P25/2333	**Eastern Goldfields Region Western Australia**	**100%**
Beowulf (Gold)		
E28/1900 E28/1901 E28/2086 E28/2087 E28/2706 E28/2707 E28/2713 E28/2714 E31/1165	**Eastern Goldfields Region Western Australia**	**100%**
Kopai (Gold)		
P15/6145 P15/6146	**Eastern Goldfields Region Western Australia**	**100%**
Mt Deans (Lithium)		
P63/2063	**Eastern Goldfields Region Western Australia**	**100%**

Tenements	Location	Interest
Glandore (Gold) – Southern Gold Ltd Joint Venture		
M25/327 M25/329 M25/330	**Eastern Goldfields Region Western Australia**	**1.25% NSR**
Goddards Dam (Gold)		
P25/2153 P25/2202 P25/2203 P25/2204 P25/2388 P25/2400 P25/2401 P25/2402 P25/2389	**Eastern Goldfields Region Western Australia**	**100%**

Corporate Governance Statement

The Company's 2019 Corporate Governance Compliance Statement has been released as a separate document and is located on our website at http://www.arumaresources.com/corporate/corporate-governance/.