RUM JUNGLE RESOURCES LTD

ABN 33 122 131 622

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2012

ANNUAL REPORT – 30 JUNE 2012

Contents

Corporate Directory

Directors:	Mr John Roberts, Non-Executive Chairman
	Mr David Muller, Chief Executive Officer and Managing Director
	Mr Robert Annells, Non-Executive Director
Company Secretary:	Mr Christopher Moyle, Chief Financial Officer
Notice of Annual General Meeting:	The Annual General Meeting of Rum Jungle Resources Ltd
	will be held at: Level 14
	500 Collins Street,
	Melbourne, Vic, 3000
	Time: 11.00 am
	Date: Thursday, 29 November, 2012
Head Office:	Units 20-21
	90 Frances Bay Drive
	Stuart Park, Northern Territory, 0820
	Telephone: 61 8 8942 0385
	Facsimile: 61 8 8942 0318
Registered Office in Australia:	Unit 20
	90 Frances Bay Drive
	Stuart Park, Northern Territory, 0820
	Telephone: 61 8 8942 0385
	Facsimile: 61 8 8942 0318
Share Registry:	Computershare Investor Services Pty Limited
	Yarra Falls
	452 Johnston Place
	Abbotsford, Victoria, 3067
	Telephone: 61 3 9415 5000
	Facsimile: 61 3 9473 2570
Auditor:	Colin H James
	Lowrys Accountants
	Cnr Coonawarra & Hook Roads
	Winnellie, Northern Territory, 0820
Stock Exchange Listing:	Australian Securities Exchange Ltd
	RUM – Ordinary Shares
Website Address:	www.rumjungleresources.com.au

Directors' Report

Your Directors present their report on the consolidated entity (hereinafter referred to the Group) consisting of Rum Jungle Resources Ltd and its controlled entities for the year ended 30 June, 2012

Directors:

The following persons were directors of the Group during the whole of the financial year and up to the date of this report:

Mr John Roberts	Non-Executive Chairman
Mr David Muller	Managing Director
Mr Robert Annells	Non-Executive Director

Company Secretary:

Mr Christopher Moyle was appointed Company Secretary on 10 January, 2008 and continues in office at the date of this report.

Principal Activities:

The principal activities of the Group during the course of the financial year were the exploration for fertilizers, (in particular phosphate and potash), uranium, base metals and other minerals in the Northern Territory.

Dividends:

The Directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the year.

Review of Operations:

The following provides a summary of the activities of the Group during the course of the financial year under review:

Corporate:

The Company's continuing drilling program at its major phosphate tenement at Barrow Creek 1 resulted in the significant announcement to ASX on 5 December, 2011 of an inferred JORC resource amounting to 253,000,000 tonnes at 15% P_2O_5 with a 10% cut-off. Consequently the Company approached Spinifex Uranium Pty Ltd to acquire the adjoining tenement to the west of the existing project. An agreement was reached on 20 April 2012, whereby Spinifex was granted 1,876,250 fully paid ordinary shares in the capital of the Company as consideration for the transfer of 100% of its interests in EL 26196.

On 15 December, 2011 Washington H Soul Pattinson and Company Limited negotiated an agreement with Westgold Resources Ltd, to acquire the shares owned by its fully owned subsidiary, Aragon Resources Ltd, thereby becoming the Company's largest shareholder.

On 30 March, 2012, the Company announced the placement of a further 20,000,000 ordinary shares at $0.33 per share to sophisticated and institutional clients of BW Equities Pty Ltd. The placement raised $6.6 million, and after costs, resulted in $6,237,000 being available to the Company.

On 13 April, 2012 Washington H Soul Pattinson and Company Limited furthered its shareholding in the Company by jointly with Farjoy Pty Ltd, underwriting the exercise of the options held by the Directors of the Company at $0.30. The subsequent issue of 16,000,000 shares to the underwriters, in equal proportions, on 31 May, 2012 resulted in the Company receiving a net amount of $4,640,000.

On 29 May, 2012, a further $1.25 million was received after Lion Selection Group successfully negotiated with the Liquidator of GBS Gold Holdings Pty Ltd to acquire, and subsequently exercise, the options held by that Company as part satisfaction for the exploration rights over land formerly held by GBS Gold in the Mt Bundey area.

These funds were considered vital to the Company's capacity to further develop its exploration program on both its phosphate and potash projects in the Northern Territory. On 30 March, 2012, an application was made to the Department of Resources in the Northern Territory for a Mineral Lease over its phosphate project at Barrow Creek 1.

Financial:

During the financial year under review, the Group incurred an operating loss of $1,280,752. The Group received interest on funds held on term deposit and other interest bearing accounts amounting to $0.21 million.

Directors' Report (continued)

Commercial Opportunity

The Group has been active in researching, and, where considered appropriate, pursuing other exploration opportunities in the Northern Territory and western Queensland.

Significant changes in the nature of activities:

Other than as otherwise disclosed in this report, there were no other changes in the nature of activities that occurred during the course of the financial year under review.

Matters subsequent to the end of the financial year:

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs, in subsequent financial years other than as disclosed in note 26 in the accompanying financial report.

Likely developments and expected results of operations:

The Group proposes to continue its exploration programmes and investment activities. Further information in relation to likely developments and the impact on the operations of the Group has not been included in this report, as the Directors believe it would result in unreasonable prejudice to the Group.

Environmental Regulation:

The Group is required to carry out its activities in accordance with regulations determined by statute and regional entities in the areas in which it undertakes its exploration activities. The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Information on Directors:

John Roberts

Chairman – Non-Executive

Qualifications

BSc, FAusIMM

Experience and Expertise

Mr Roberts, is a geologist with 55 years experience in the mineral exploration and mining industries in Australia and the USA. During that time he has been involved in a number of new mine developments and re-developments. He was responsible for Homestake Gold of Australia Ltd's activities from 1977 to 1993 and served as Managing Director from 1987 following the company's public listing.

Mr Roberts was chairman of directors of Australian Resources Ltd from 1993 to 1997 and a director until early 1999. He was chairman of directors of Ballarat Goldfields NL, an Australian publicly listed gold exploration and development company, from mid 1997 to 2002. He also served as a director of US based Nord Pacific Limited from 1994 to early 2004 and as chairman for just over the last two years of his term as director. Nord Pacific was involved in copper production in Australia and held an advanced gold exploration project in Papua New Guinea as well as exploration interests in Australia, Mexico and Canada. Mr Roberts was chairman of directors of Australasia Gold Limited from 2005 to May 2009; an Australian publicly listed exploration company based in Adelaide.

Mr Roberts is currently a councillor and president of the South Australian Chamber of Mines and Energy Inc. He is chairman of the discipline of Geology and Geophysics Industry Liaison Committee at the University of Adelaide. He is also an ex-officio member of the South Australian Minerals and Petroleum Expert Group and a councillor of the South Australian Resources and Energy Sector Infrastructure Council (RESIC). He is a member of the Board of the Mineral Resources and Heavy Engineering Skills Centre Inc (Resources and Energy Skills Alliance (RESA)) in South Australia and is a member of the South Australian Government's Resource Industry Development Board.

Mr Roberts is chairman of directors of publicly listed Mithril Resources Limited, an Adelaide based nickel exploration company.

Interests in shares and options

2,200,000 ordinary shares in Rum Jungle Resources Ltd

Directors' Report (continued)

David Muller

Managing Director – Chief Executive Officer

Qualifications

MSc, MBA, FAusIMM

Experience and Expertise

Mr Muller is a geologist with 45 years experience in the Australian mining and exploration industries. He graduated in 1965 with a B.Sc in geology from the University of Melbourne and commenced work as a geologist with electrolytic Zinc Co of A'asia Ltd. He was the project leader in the discovery of the Beltana Zinc deposit in South Australia from 1967 to 1969 and was awarded a Master of Science degree by the University of Melbourne for his work on this project. During this period EZ was also involved with Geopeko in the discovery of the Ranger Uranium deposit in the Northern Territory. Mr Muller was a senior geologist with EZ in charge of the western Australian operation when he left the company in 1972 to undertake the Master of Business Administration course at the University of Melbourne from 1972 to 1974. During this period he worked as a mining adviser to share brokers May and Mellor.

Whilst with May and Mellor he was involved in financing and mergers of listed junior mining companies. He worked closely with the Pancontinental Mining Ltd Board and assisted that company to restructure in the early days of the Jabiluka uranium discovery.

In 1975 Mr Muller returned to Perth and spent four years in private exploration and eventually listed his endeavours as Samantha Mines NL of which he was chairman. He then listed associated companies Samson Exploration NL and Cape Range Oil NL. These companies were involved in successful gold exploration and development of mining operations. Cape Range Oil was the original partner in the discovery of the Tubridgi Gas Field at Onslow, WA. He lost control of these companies in a take-over battle in 1985.

In 1985 Mr Muller once again set out on his own and created Julia Mines NL ("Julia") in the same year. Julia went on to develop wholly owned gold operations at Goongarrie, Menzies and Kambalda (Paris Gold Mine). He held the position of Executive Chairman and subsequently Managing Director. He was with Julia Mines for 18 years prior to retiring in 2003 when he embarked upon private exploration in the Northern Territory, where he established financial relations with six listed mining companies. Subsequent to that he selected and acquired all the areas that formed the basis of the Rum Jungle Resources Ltd Prospectus and now acts as Managing Director.

Interests in shares and options

8,180,046 ordinary shares in Rum Jungle Resources Ltd

Robert Annells

Non-Executive Director

Qualifications

CPA, F.Fin

Experience and Expertise

Mr. Annells is a former member of the Australian Stock Exchange with over forty years experience in the securities industry and is a qualified accountant. His experience includes provision of corporate and investment advice to the business and resources industries. He has served on the Rum Jungle Resources Limited Board since 2006. During the past three years Mr. Annells has also served on the Boards of ASX listed Minotaur Exploration Limited, Greenearth Energy Limited and Lakes Oil N.L and the London based company Xtract Energy PLC. Mr. Annells served as the Chairman of Minotaur Exploration Limited from its listing in February 2005 until his retirement from the Board in February 2010. He is currently Chairman of Lakes Oil N.L and was appointed Chairman of Greenearth Energy Limited in July 2010.

Interest in shares and options

2,240,000 ordinary shares in Rum Jungle Resources Ltd

Directors' Report (continued)

Meetings of Directors

The numbers of meetings of the company's Board of Directors held during the year ended 30 June 2012, and the numbers of meetings attended by each director are as follows:

	Full Meetings of Directors	
	Held	Number Attended
John Roberts	7	7
David Muller	7	7
Robert Annells	7	7

Shares under option

Unissued ordinary shares of Rum Jungle Resources Ltd under option at the date of this report are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Number of options
31/05/2007	31/05/2007	02/11/2012	A$0.25	1,500,000
30/05/2008	30/05/2008	02/07/2013	A$0.40	4,000,000
29/10/2009	29/10/2009	31/12/2012	A$0.12	200,000
05/05/2010	05/05/2010	30/06/2013	A$0.12	500,000
04/04/2011	04/04/2010	04/04/2013	A$0.60	500,000
04/04/2011	04/04/2010	04/04/2014	A$1.00	500,000
04/04/2011	04/04/2010	04/04/2015	A$1.50	500,000
01/08/2011	01/08/2011	31/07/2012	A$0.60	600,000
01/08/2011	01/08/2011	31/07/2013	A$1.00	600,000
01/08/2011	01/08/2011	31/07/2014	A$1.50	600,000
				9,500,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

21,700,000 ordinary shares of Rum Jungle Resources Ltd were issued on the exercise of options during the year ended 30 June, 2012. Since year end no further shares have been issued on the exercise of options.

Remuneration Report (forming part of Directors' Report)

(a) Policy for determining the nature and amount of key management personnel remuneration

The remuneration committee of Rum Jungle Resources Ltd is responsible for determining and reviewing compensation arrangements for the directors, chief executive officer and the executive team. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Company.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

(i) Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Remuneration of non-executive directors is determined by the Board, within the maximum amount approved by the shareholders from time to time (currently set at an aggregate of $250,000 per annum). The Board intends to undertake an annual review of its performance and the performance of the Board committees against goals set at the start of the year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst the directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking its annual review.

Each director receives a fee for being a director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

The remuneration of non-executive directors for the year ended 30 June, 2012 is detailed in this Directors' Report.

(ii) Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and to:

- Reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interest of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board obtained independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with all senior executives.

(iii) Variable remuneration – Short and Long Term Incentives

Objective

The objectives of long term incentives are to:

- Recognize the ability and efforts of the employees of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- Provide an incentive to the employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- Attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

Remuneration Report (forming part of Directors' Report) (continued)

Structure

No formal plan has been implemented at this time. It is proposed that long term incentives granted to senior executives will be delivered in the form of options in accordance with an Employee Share Option Plan, subject to shareholders' approval. At the commencement of each financial year, the Company and each senior executive will agree upon a set of financial and non-financial objectives related to the senior executive's job responsibilities. The objectives will vary but all will be targeted directly to the Company's business and financial performance and thus to shareholder value.

(b) Remuneration, Company performance and shareholder wealth.

The development of remuneration policies and structure are considered in relation to the effect on Company performance and shareholder wealth. They are designed by the Board to align Director and executive behaviour with improving Company performance and, ultimately shareholder wealth.

The Board considers at this stage in the Company's development, that share price growth itself is an adequate measure of total shareholder return.

Executives are currently remunerated based on a base pay and options. The options granted are considered by the Board to provide an alignment between the employees' and shareholders' interests.

During the current year 2,700,000 options were issued to staff under the Company's Employee Share Option Plan. Of these, 900,000 have been forfeited due to staff resignations. Of the remaining 1,800,000 options, 600,000 have an exercise price of 60 cents, 600,000 have an exercise price of $1.00, whilst the remaining 600,000 have an exercise price of $1.50. As at 30 June 2012 the Company's share price was 22 cents.

(c) Key management personnel

Unless otherwise stated, the following persons were key management personnel of Rum Jungle Resources Ltd during the financial year under review:

Name	Date appointed	Date resigned	Position held
John Roberts	31 May 2007		Chairman
David Muller	13 October 2006		Managing Director/Chief Executive Officer
Robert Annells	10 October 2006		Director
Christopher Moyle	10 January 2008		Company Secretary/Chief Financial Officer
Nigel Doyle	1 February 2008		Exploration Manager

(d) Details of remuneration

Compensation paid, payable or provided by the Group or on behalf of the Group, to key management personnel is set out below. Key management personnel include all directors of the Company and certain executives who, in the opinion of the Board and managing director, have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

Remuneration Report (forming part of Directors' Report) (continued)

The following also includes the six most highly remunerated executives of the group and of the Company.

2012 Name		Short-term Employee benefits Cash salary and fees $	Post-employment benefits Superan-nuation $	Share-based payment Options $	Total $	Proportion of remuneration that is performance based %
Non-executive directors						
John Roberts	Chairman	75,000	-	-	75,000	-
Robert Annells		50,000	-	-	50,000	-
Total non-executive directors		**125,000**	**-**	**-**	**125,000**	-
Executive directors						
David Muller		340,000	-	-	340,000	-
Total executive directors		**340,000**	**-**	**-**	**340,000**	**-**
Other key management personnel						
Christopher Moyle		172,460	15,522	23,600	211,582	-
Nigel Doyle		197,083	17,738	-	214,821	-
Total other key management personnel		**369,543**	**33,260**	**23,600**	**426,403**	**-**
Total key management personnel compensation		**834,543**	**33,260**	**23,600**	**891,403**	-

(e) Service agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in service agreements. Each of these agreements provides for the provision of performance-related cash bonuses. Major provisions of the agreements relating to remuneration are set out below.

David Muller, Chief Executive Officer

During the period ended 30 June, 2012, the services of David Muller were provided pursuant to arrangements between the Company and Finching Pty Ltd. The arrangements with Finching Pty Ltd were terminated with effect from 1 July, 2012 and Mr Muller is now employed directly by the Company as Chief Executive Officer under a Service Agreement. The Agreement provides for:

- a fixed remuneration package of $450,000 per annum;
- termination by the Company with 12 months' notice and by the Executive with 1 months' notice.

Christopher Moyle, Chief Financial Officer

- Term of Agreement – open ended commencing 17 December, 2007
- Base salary, inclusive of superannuation - $200,000
- Bonus is payable on the achievement of such key performance indicators as the Company and the Executive may agree from time to time.
- Contract may be terminated by either party with one months notice or payment in lieu thereof.

Remuneration Report (forming part of Directors' Report) (continued)

Nigel Doyle, Exploration Manager

- Term of Agreement – open ended commencing 1 February, 2008
- Base salary, inclusive of superannuation - $218,000.
- Bonus is payable on the achievement of such key performance indicators as the Company and the Executive may agree from time to time.
- Contract may be terminated by either party with one months notice or payment in lieu thereof.

(f) Share–based compensation

Details of options over ordinary shares in the Company provided as remuneration to each director of Rum Jungle Resources Ltd and each of the key management personnel of the Group are set out below. When exercised, each option is convertible into one ordinary share of Rum Jungle Resources Ltd.

	Grant Date	No. of options	No. of options vested	Fair value per option at valuation date (cents)	Exercise price (cents)	Amount paid or payable	Expiry date	Date exercisable
Directors of Rum Jungle Resources Ltd		-	-	-	-	-		
Other key management personnel								
Nigel Doyle	04/04/2011	500,000	-	20.8	60.0	-	04/04/2013	04/04/2011
Nigel Doyle	04/04/2011	500,000	-	18.7	100.0	-	04/04/2014	04/04/2011
Nigel Doyle	04/04/2011	500,000	-	17.3	150.0	-	04/04/2015	04/04/2011
Christopher Moyle	01/08/2011	200,000	-	11.8	60.0	-	31/07/2012	01/08/2011
Christopher Moyle	01/08/2011	200,000	-	9.4	100.0	-	31/07/2013	01/08/2011
Christopher Moyle	01/08/2011	200,000	-	8.7	150.0	-	31/07/2014	01/08/2011
Christopher Moyle	29/10/2009	100,000	-	6.6	12.0	-	31/12/2012	20/10/2010
Nigel Doyle	29/10/2009	100,000	-	6.6	12.0	-	31/12/2012	20/10/2010

Options are granted to attract and retain key management personnel.

The Board has rules that contain restrictions on the removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no performance hurdles attaching to the options granted other than service vesting conditions. In the event of termination (specified circumstances) only vested options are entitled to be exercised. Unvested options are forfeited.

During the year there were no alterations to the terms and conditions of options granted since their grant date.

Further details relating to options are set out below.

	A Value at grant date $	B Value at exercise date $	C Value at lapse date $	D Remuneration that consists of options $
Directors of Rum Jungle Resources Ltd	-	-	-	-
Other key management personnel				
Christopher Moyle	66,400	66,400	-	59,800
Nigel Doyle	290,600	290,600	-	-

Remuneration Report (forming part of Directors' Report) (continued)

A = the value at grant date, calculated in accordance with AASB 2 – Share-based Payment, of options granted during the year as part of remuneration.
B = the value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.
C = the value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.
D = the percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables appearing on the previous page. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Further information on options granted during the year is discussed in note 18 of the financial report.

For each grant of options, the percentage of the grant value that vested in the financial year, and the percentage that was forfeited because the person did not meet the service performance criteria, is set out below. The options usually vest after 3 – 4 years. No options will vest if the service conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Year granted	Vested	Forfeited	Financial years in which the options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
		%	%		$	$
Directors of Rum Jungle Resources Ltd	-	-	-	-	-	-
Other key management personnel						
Christopher Moyle	2009	100	-	2010	-	-
Nigel Doyle	2009	100	-	2010	-	-
Nigel Doyle	2011	100	-	2011	-	-
Christopher Moyle	2011	100	-	2011	-	-

Insurance of officers

During or since the end of the year, the Company has not given any indemnity to a current or former officer or auditor against a liability or made any agreement under which an officer or auditor may be given any indemnity of the kind covered by the Corporations Act 2001.

During the year, the Company paid premiums in respect of directors' and officers' indemnity insurance contracts for the period ended 30 June, 2012. The insurance contracts offer continued indemnity to officers of the Company where the person is no longer an officer at the time the claim is made. The Company paid a premium of $34,850 to insure the directors and secretaries of the Company during the financial year. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amount relating to insurance against legal costs and those relating to other liabilities.

Remuneration Report (forming part of Directors' Report) (continued)

Proceedings on behalf of the Company

The Company is not aware that any person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings in which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of directors has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Details of the amounts paid or payable to the auditors, Lowry's Accountants, for audit services provided during the year are set out in note 17 in the financial report.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated Group	
	2012	**2011**
	$	**$**
Non-audit services		
Taxation services		
Lowrys Accountants	-	-
Total remuneration for non-audit services	-	-

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

This report is made in accordance with a resolution of the directors.

John B Roberts	David Muller
Chairman	Managing Director

Corporate Governance Statement

Introduction

The Board of directors is responsible for the corporate governance of Rum Jungle Resources Ltd (the company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX corporate governance council and required under ASX listings rules.

The Group details below the corporate government practises in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated.

Principle 1: Lay solid foundations for management and oversight

Board Responsibilities

The Board is accountable to the Shareholders for the performance of the Group and has overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board to the Managing Director and ultimately to senior executives.

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the Managing Director and Senior Executives against the objectives and performance indicators established by the Board;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Overseeing the implementation and management of effective safety and environmental performance systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring that the Group meets its legal and statutory obligations.

For the purpose of the proper performance of their duties, the Directors are entitled to seek independent professional advice at Rum Jungle Resources Ltd expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

The Board has not publicly disclosed a statement of matters reserved for the Board, or the Board charter and therefore the Group has not complied with recommendation 1.3 of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider a disclosure of the Board charter necessary.

Principle 2: Structure the Board to add value

Size and composition of the Board

At the date of this statement the Board consists of two non-executive directors and one executive. Directors' are expected to bring independent views and judgement to the Board's deliberations.

- Mr John Roberts — Non-Executive Chairman
- Mr David Muller — Managing Director
- Mr Robert Annells — Non-Executive Director

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualifications and experience are set out in the Directors' Report of this Annual Report.

Corporate Governance Statement (continued)

Independence

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

At the date of this statement the Board consists of two non-executive directors, Mr J Roberts, who is also chairman of the Board, and Mr R Annells and an executive director, Mr D Muller. Mr Roberts and Mr Annells have no other material relationship with the Group or its subsidiary other than their directorship. The Group therefore has two independent directors as that relationship is currently defined.

The Board does consist of a majority of independent directors and therefore the Group has complied with recommendation 2.1 of the Corporate Governance Council. The Board considers the current structure to be an appropriate composition given the size and development of the Group at the present time.

Nomination, retirement and appointment of Directors

The Board has not established a nomination committee and therefore the Group has not complied with recommendation 2.4 of the Corporate Governance Council. Given the size of the Group and Board the Board does not consider a separate committee appropriate. The Board takes ultimate responsibility for these matters.

The composition/membership of the Board is subject to review in a number of ways, as outlined below:

- The Group's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.
- Board composition is also reviewed periodically either from the services of a new director, given the existing mix of skills and experience of the Board which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the Board.

Evaluation of Board performance

The Board continues to review performance and identify ways to improve performance. The Chairman is responsible for reviewing the Board performance on an annual basis.

Board Committees

It is the role of the Board to oversee the management of the Group and it may establish appropriate committees to assist in this role. The composition of the committee shall be as follows:

- the majority of the members of each Committee of the Board will be non-executive directors;
- each committee will have a charter approved by the Board; and
- each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

The Board has established an audit, risk and compliance committee. At the present time no other committees have been established because of the size of the Group and the involvement of the Board in the operations of the Group. The Board takes ultimate responsibility for the operations of the Group including remuneration of Directors and executives and nominations to the Board.

The Board has not publicly disclosed the process for evaluating the performance of the Board, its committee and individual directors. Therefore, the Group has not complied with recommendation 2.5 of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider disclosure of the performance evaluation process necessary. The Board takes ultimate responsibility for these matters.

Corporate Governance Statement (continued)

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Board recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Rum Jungle Resources Ltd tends to maintain a reputation for integrity. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board has adopted a formal code of conduct applying to the Board and all employees. However, the Group has not publicly disclosed the code of conduct and therefore the Group has not complied with recommendation 3.1 of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider disclosure of the code of conduct to be necessary. The Board takes ultimate responsibility for these matters.

Securities Trading Policy

The Group's constitution permits designated persons to acquire securities in the Group; however Group policy prohibits designated persons from dealing in the Groups' securities at any time whilst in procession of price sensitive information and for 24 hours after:

- Any major announcements;
- The release of the Group's quarterly, half yearly and annual financial results to the Australian Stock Exchange; and
- The Annual General Meeting.

Directors must advise the chairman of the Board before buying or selling securities in the Group. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listings Rules of the Australian Stock Exchange, the Group advises the Exchange of any transaction conducted by directors in securities in the Group.

On 24 December, 2010, the Group publicly disclosed a policy concerning trading in Group securities by directors, senior executives and employees and therefore has complied with recommendation 3.2 of the Corporate Governance Council.

Principle 4: Safeguard integrity in financial planning

The Group aims to structure management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes;

- Review and consideration of the financial statements by the audit committee;
- A process to ensure the independence and competence of the Group's external auditors.

Audit Committee

The audit, risk and compliance committee comprises of Mr John Roberts, who is the non-executive chairman and independent of senior management and operating executives of the Group, and Mr Robert Annells, a non-executive director, and the Chief Financial Officer is invited to attend all meetings of the Board. The Board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

The audit committee has not been structured to be chaired by an Independent chair that is not chair of the Board and contains an executive director. Therefore the Group has not complied with recommendation 4.2 of the Corporate Governance Council.

In addition, the Board has not documented a formal committee charter and therefore the Group has not complied with recommendation 4.3 of the Corporate Governance Council.

Given the size of the Group and structure of the Board, the Board does not consider that a different chairman, solely independent directors and a committee charter to be necessary at this stage. The Board continues to monitor the composition of the committee and the roles and responsibilities of the members.

Corporate Governance Statement (continued)

Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The Board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listings Rules. The company secretary has primary responsibility for all communications with the ASX and is accountable to the Board through the chair for all governance matters.

The Group has not publicly disclosed a formal disclosure policy and therefore has not complied with recommendation 5.1 of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider a public disclosure policy to be appropriate. The Board takes ultimate responsibility for these matters.

Principle 6: Request the rights of shareholders

The Board strives to ensure that shareholders are provided with sufficient information to assess the performance of the Group and its directors and to make well-informed investment decisions.

Information is communicated to shareholders through:

- annual, half-yearly and quarterly financial reports:
- annual and other general meetings convened for shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Group maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the Group's web site www.rumjungleresources.com.au

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.1 of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider a public disclosure policy to be appropriate. The Board takes ultimate responsibility for these matters.

Principle 7: Recognise and manage risk

The Board has identified the significant areas of potential business and legal risk of Rum Jungle Resources Ltd. The identification, monitoring and, where appropriate, the reduction of significant risk to Rum Jungle Resources Ltd is the responsibility of the Managing Director and the Board. The Board has also established the audit, risk and compliance committee which addresses the risk of the Group.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

Management has designed and implemented a risk management and internal control system to manage the Group's material business risks and reported to the Board as to its operating effectiveness.

Declaration of Managing Director and Company Secretary to the Board of Directors

The Managing Director and the Company Secretary will be required to state in writing to the Board that the Group's financial reports present true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

The Group has not established or publicly disclosed a policy for the oversight and management of material business risks and therefore has not complied with recommendation 7.1 of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider a public disclosure policy to be appropriate. The Board takes ultimate responsibility for these matters.

Corporate Governance Statement (continued)

Principle 8: Remunerate fairly and responsibly

The Chairman and non-executive directors are entitled to draw directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remunerations to directors. The maximum aggregate annual remuneration which will be paid to non-executive directors is $250,000. This amount cannot be increased without the approval of the Group's shareholders. Please refer to the remuneration report within this Directors' Report for details regarding the remuneration structure of the executive director and senior management.

The Board has not established a remunerations committee or disclosed a remuneration committee charter and therefore the Group has not complied with recommendation 8.1 and 8.3 respectively of the Corporate Governance Council. Given the size of the Group and Board, the Board does not consider a public disclosure policy to be appropriate. The Board takes ultimate responsibility for these matters.

LOWRYS
Accountants

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The Directors
Rum Jungle Resources Limited
Unit 20
90 Frances Bay Drive
Stuart Park Northern Territory 0820

Auditor's Independence Declaration

As the lead auditor for the review of the financial report of Rum Jungle Resources Ltd for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief there have been:

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

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

LOWRYS Accountants

Colin James
Registered Company Auditor

Darwin
28 September 2012

Contents

ANNUAL FINANCIAL REPORT – 30 JUNE 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME– FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Group		Parent entity	
		2012	2011	2012	2011
	Notes	$	$	$	$
Revenue from continuing operations					
Revenue	5.	212,270	528,472	212,270	528,472
Total income		**212,270**	**528,472**	**212,270**	**528,472**
Expenses from continuing operations					
Audit fees	17.	(26,700)	(26,750)	(26,700)	(26,750)
Corporate advisory costs		(24,220)	(41,920)	(24,220)	(41,920)
Employee benefits expense	7.	(396,096)	(234,578)	(396,096)	(234,578)
Impairment of exploration and evaluation assets	12.	(144,602)	(1,498,955)	(144,602)	(1,498,955)
Insurance		(63,590)	(53,564)	(63,590)	(53,564)
Occupancy		(74,820)	(56,013)	(74,820)	(56,013)
Office running costs		(156,771)	(67,856)	(156,771)	(67,856)
Promotion and advertising		(78,551)	(57,936)	(78,551)	(57,936)
Services		(154,682)	(50,467)	(154,682)	(50,467)
Share registry fees		(55,204)	(56,272)	(55,204)	(56,272)
Stock exchange fees		(105,087)	(62,714)	(105,087)	(62,714)
Travel		(179,596)	(149,963)	(179,596)	(149,963)
Depreciation	6.	(33,103)	(31,427)	(33,103)	(31,427)
Total expenses		**(1,493,022)**	**(2,388,415)**	**(1,493,022)**	**(2,388,415)**
Loss before income tax		**(1,280,752)**	**(1,859,943)**	**(1,280,752)**	**(1,859,943)**
Income tax expense		-	-	-	-
Loss for the year		**(1,280,752)**	**(1,859,943)**	**(1,280,752)**	**(1,859,943)**
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the Company		**(1,280,752)**	**(1,859,943)**	**(1,280,752)**	**(1,859,943)**

Earnings per share for loss attributable to ordinary equity holders of the company		
	Cents	**Cents**
Basic and diluted (loss) per share	(0.62)	(1.35)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION – AS AT 30 JUNE 2012

		Consolidated Group		Parent entity	
		2012	2011	2012	2011
	Notes	$	$	$	$
Current assets					
Cash and cash equivalents	9.	13,381,744	8,679,718	13,381,744	8,679,718
Trade and other receivables	10.	228,454	262,178	228,454	262,178
Total current assets		**13,610,198**	**8,941,896**	**13,610,198**	**8,941,896**
Non-current assets					
Property, plant and equipment	11.	1,042,277	438,384	1,042,277	438,384
Security deposits		631,729	289,073	631,729	289,073
Exploration and evaluation assets	12.	24,244,415	19,049,487	24,244,415	19,049,487
Total non-current assets		**25,918,421**	**19,776,944**	**25,918,421**	**19,776,944**
TOTAL ASSETS		**39,528,619**	**28,718,840**	**39,528,619**	**28,718,840**
Current liabilities					
Trade and other payables	13.	672,892	316,934	672,892	316,934
Short-term provisions	14.	68,453	47,180	68,453	47,180
Total current liabilities		**741,345**	**364,114**	**741,345**	**364,114**
TOTAL LIABILITIES		**741,345**	**364,114**	**741,345**	**364,114**
NET ASSETS		**38,787,274**	**28,354,726**	**38,787,274**	**28,354,726**
EQUITY					
Contributed equity	15.	44,338,378	31,461,978	44,338,378	31,461,978
Reserves	16.	798,600	2,501,700	798,600	2,501,700
Accumulated losses	16.	(6,349,704)	(5,608,952)	(6,349,704)	(5,608,952)
TOTAL EQUITY		**38,787,274**	**28,354,726**	**38,787,274**	**28,354,726**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Contributed equity $	Share-based payments reserve $	Accumulated losses $	Total $
2012					
Balance at 30 June 2011		31,461,978	2,501,700	(5,608,952)	28,354,726
Loss for the year		-	-	(1,280,752)	(1,280,752)
Transfer from reserve		-	-	540,000	540,000
Shares issued during the year, net of transaction costs		12,876,400	-	-	12,876,400
Options issued during the year		-	269,100	-	269,100
Options exercised during the year		-	(1,882,500)	-	(1,882,500)
Options expired during the year		-	(89,700)	-	(89,700)
Balance at 30 June 2012		**44,338,378**	**798,600**	**(6,349,704)**	**38,787,274**
2011					
Balance at 30 June 2010		16,543,478	2,332,300	(2,369,009)	16,506,769
Loss for the year		-	-	(1,859,943)	(1,859,943)
Capital loss for the year		-	-	(1,380,000)	(1,380,000)
Shares issued during the year, net of transaction costs		14,918,500	-	-	14,918,500
Options issued during the year		-	284,000	-	284,000
Options expired during the year		-	(114,600)	-	(114,600)
Balance at 30 June 2011		**31,461,978**	**2,501,700**	**(5,608,952)**	**28,354,726**

The accompanying notes form part of these financial statements.

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

		Consolidated Group		Parent entity	
		2012	**2011**	**2012**	**2011**
	Notes	**$**	**$**	**$**	**$**
Cash flows from operating activities					
Interest received		267,620	377,165	267,620	377,165
Income tax refund		-	-	-	-
Recovery of debtors		-	2,000	-	2,000
Subsidies/rebates received		-	224,035	-	224,035
Payments to suppliers and employees		(899,912)	(874,986)	(899,912)	(874,986)
Net cash provided by/(used in) operating activities		**(632,292)**	**(271,786)**	**(632,292)**	**(271,786)**
Cash flows from investing activities					
Payments for property, plant and equipment		(838,821)	(168,273)	(838,821)	(168,273)
Receipts for property, plant and equipment		50,000	-	50,000	-
Payments for exploration and evaluation assets		(5,810,205)	(4,516,513)	(5,810,205)	(4,516,513)
Payments for security deposits		(344,656)	(202,074)	(344,656)	(202,074)
Recovery of security deposits		2,000	-	2,000	-
Net cash provided by/(used in) investing activities		**(6,941,682)**	**(4,886,860)**	**(6,941,682)**	**(4,886,860)**
Cash flows from financing activities					
Share issue (nett of costs)		12,276,000	9,100,350	12,276,000	9,100,350
Net cash provided by/(used in) financing activities		**12,276,000**	**9,100,350**	**12,276,000**	**9,100,350**
Net increase/(decrease) in cash and cash equivalents		4,702,026	3,941,704	4,702,026	3,941,704
Cash and cash equivalents at the beginning of the year		8,679,718	4,738,014	8,679,718	4,738,014
Cash and cash equivalents at the end of the year		**13,381,744**	**8,679,718**	**13,381,744**	**8,679,718**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2012

Contents of the notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Rum Jungle Resources Limited as an individual entity and the consolidated entity consisting of Rum Jungle Resources Limited and its subsidiaries.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rum Jungle Resources Limited ("company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Rum Jungle Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Rum Jungle Resources Ltd.

Business combinations

All acquisition costs are expensed in the period in which they occur. Previously these costs were capitalised as part of the cost of the business combination.

The contingent consideration associated with a business combination is included as part of the cost of the business combination. These are recognised at the fair value of expected payment. Any subsequent changes in the fair value or probability of settlement are recognised in the statement of comprehensive income, except to the extent that they relate to conditions that existed at the date of acquisition and that are identified during any "measurement period". In this case, the cost of acquisition is adjusted. Previously AASB 114 allowed such changes to be recognised as a cost of the combination impacting goodwill.

b) Segment reporting

A management approach is taken to the identification, measurement and disclosure of operating segments. Operating segments are identified on the basis of internal reports that are regularly reviewed by management for the purpose of allocating resources and assessing performance.

Summary of significant accounting policies (continued)

c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue

Interest is recognised on a time proportion basis using the effective interest method.

e) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequent if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

f) Cash and cash equivalents

For cash-flow presentation purposes cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. Summary of significant accounting policies (continued)

g) *Exploration and evaluation expenditure*

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an areas of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

i. the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or

ii. activities in the areas of interest have not, at the reporting date, 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.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the geothermal activity in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to property and development assets within property, plant and equipment.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration and evaluation phases that give rise to the need for restoration. Accordingly these costs will be recognised gradually over the life of the project as the phases occur.

h) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

i) *Investments and other financial assets*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the assets were acquired.

The Group has no financial assets at fair value through profit and loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

j) *Trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

k) *Contributed equity*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1. Summary of significant accounting policies (continued)

l) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of financial charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is generally calculated on the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

Classification	*Rate*	*Depreciation Basis*
Motor vehicles	18.75%	DV
Scientific instruments	33.33%	DV
Office equipment	15 – 50%	DV
Leasehold improvements	20%	SL
Furniture and fittings	11.25%	DV
Plant and equipment	7.5%	DV
Site camp equipment	7.5 – 20%	DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

n) Employee benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii. Long Service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match as closely as possible to the estimated future cash outflows.

iii. Superannuation

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

1. Summary of significant accounting policies (continued)

iv. Share-based payments

Share-based compensation benefits are provided to employees via the Rum Jungle Resources Limited Employee Share Option Plan.

The fair value of options granted for services rendered is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

o) Earnings per share

i. *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

q) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

t) Adoption of new and revised accounting standards and interpretations

During the current year, the group has adopted all of the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Review Board (AASB) relevant to its operations that became mandatory.

1. Summary of significant accounting policies (continued)

u) New accounting standards and interpretations for application in future periods

The Australian Accounting Standards Board has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the group follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January, 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The group has not yet determined the potential impact on the financial statements.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirement for embedded derivatives;
  - removing the tainting rules associated with held-to-majority assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognized in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

  This standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the group.
- Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 and 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 and 1052] (application for annual reporting periods commencing on or after 1 July 2013)

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

  The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

  - for-profit private sector entities that have public accountability; and
  - the Australian Government and state, territory and local governments.

  Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

1. Summary of significant accounting policies (continued)

u) New accounting standards and interpretations for application in future periods (continued)

AASB 2010-2 makes amendment to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements of Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January, 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the group.

- AASB 2009-14; Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January, 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

  This Standard is not expected to impact the Group.

- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB1, AASB 7, AASB 110 and AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the International Accounting Standards Board's annual improvements project. Key changes include:

  - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.

  This Standard is not expected to impact the Group.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 and 1038 and Interpretations 112, 115, 127, 132 and 1042] (applicable for annual reporting periods commencing on or after 1 January 2011)

  This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the International Accounting Standards Board. However, these editorial amendments have no major impact on the respective amended pronouncements.

- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 and AASB 7] (applicable for annual reporting periods commencing on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Group.

1. Summary of significant accounting policies (continued)

u) New accounting standards and interpretations for application in future periods (continued)

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012).

  This Standard makes amendment to AASB 112 Income Taxes.

  The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

  The amendments are not expected to impact the Group.

- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

  The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

  Furthermore, the amendments brought in by the Standard also provide guidance for entities emerging from sever hyperinflation either to resume presenting Australian-Accounting-Standards financial statements for the first time.

  This Standard is not expected to impact the Group.

  AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed-Dates for First-time Adopters [AASB 2009-11 and AASB 2010-7] (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

  This Standard is not expected to impact the Group.

1. Summary of significant accounting policies (continued)

v) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

w) Consolidated group

The consolidated group was formed on acquisition of all shares of Waanyi Garawa Mining Pty Ltd and Territory Mining Pty Ltd on the 10 August 2007. The consolidated group was expanded during the year with the acquisition of all shares of Territory Phosphate Pty Ltd on 8 February, 2011.

x) General

This financial report covers both Rum Jungle Resources Limited, as an individual entity (parent entity), and the consolidated group, consisting of Rum Jungle Resources Limited and its controlled entities.

Rum Jungle Resources Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Unit 20
90 Frances Bay Drive
STUART PARK NT 0820

2. Financial risk management

The Group's principal financial instruments comprise cash and term deposits. The main purpose of these financial instruments is to manage the finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in speculative financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk and foreign currency risk (during the financial period and up to the date of this report).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Primary responsibility for identification and control of financial risks rests with the Board of directors. However, the day-to-day management of these risks is under the control of the Managing Director and the Chief Financial Officer. The Board agrees with the strategy for managing future cash flow requirements and projections.

a) Financial instruments

The Group and the parent entity hold the following financial instruments:

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Financial Assets				
Cash and cash equivalents *	13,381,744	8,679,718	13,381,744	8,679,718
Trade and other receivables *	228,454	262,178	228,454	262,178
	13,610,198	8,941,896	13,610,198	8,941,896
Financial Liabilities				
Trade and other payables **	672,892	316,934	672,892	316,934
	672,892	316,934	672,892	316,934

* Loans and receivables category

** Financial liabilities at amortised cost category

b) Market risk

i. Foreign exchange risk

Neither the Group nor the parent entity operate internationally and so are not exposed to foreign exchange risk.

ii. Price risk

Neither the Group nor the parent entity is exposed to any significant equity security or commodity price risk.

iii. Interest rate risk

The Group's exposure to interest rate risk arises predominately from cash and cash equivalents bearing variable interest rates, as the group intends to hold any fixed financial assets to maturity. At balance date the Group and parent entity maintained the following variable rate accounts:

	30 June 2012		30 June 2011	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Cash and cash equivalents - floating	4.36	13,381,744	4.69	117,163
Cash and cash equivalents - fixed	-	-	6.04	8,562,555
Total cash and cash equivalents		13,381,744		8,679,718

At balance date, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit would have been affected as follows:

	After-tax profit higher / (lower)		Equity higher / (lower)	
	2012	2011	2012	2011
	$	$	$	$
Consolidated & Parent				
+1% (100 bp)	133,817	86,797	133,817	86,797
-1% (100 bp)	(133,817)	(86,797)	(133,817)	(86,797)

2. Financial risk management (continued)

c) Credit risk

Credit risk primarily arises from cash and cash equivalents and term deposits deposited with banks. Cash and cash equivalents and term deposits are currently placed with Westpac Banking Corporation, which has an independently rated credit rating of AA-. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents in order to meet the Group's forecast requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in bank deposits. At reporting date, the Group and parent entity did not have access to any undrawn borrowing facilities.

Maturity of financial liabilities

The table below analyses the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Group and Parent Entity – 30 June 2012	**Less than 3 months**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**
Trade and other payables	672,892	672,892	672,892

Group and Parent Entity – 30 June 2011	**Less than 3 months**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**
Trade and other payables	316,934	316,934	316,934

e) Fair valuation estimation

The carrying amount of financial assets (net of any provision for impairment) and financial liabilities as disclosed in note 2 (a) above is assumed to approximate their fair values primarily due to their short maturities.

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The critical estimates and assumptions within the next financial year are discussed below.

Exploration and evaluation expenditure

Expenditure carried forward to date mostly represents the cost of acquiring exploration tenements and information which was mostly paid by the issue of shares in the parent company. Exploration and evaluation activities have not reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. Accordingly, exploration and evaluation assets may be subject to impairment in the future.

Rehabilitation

The Group assesses rehabilitation requirements at each reporting date by evaluating costs both for close down and restoration and for environmental clean-up costs. Provision is made in the accounting period when the disturbance occurs, based on the net present value of estimated future costs.

Shares in subsidiaries

The parent entity has recorded shares in subsidiaries as an asset as disclosed in note 23. This asset is recognised on the historical cost basis. The Directors have assumed that the recoverable amount of the shares is no less that the carrying amount at 30 June, 2012. This assessment is based on the acquisition of subsidiaries during the year, (being at fair value) on an arm's length basis.

In future periods, as the underlying exploration and evaluation activities progress on various tenements and with changes in other market conditions, the carrying amount of the investment may need to be reassessed.

4. Segment information

Industry and geographical segment

The Group operates in the mining exploration sector solely within Australia.

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
	$	$	$	$

5. Revenue

Interest revenue	210,014	303,428	210,014	303,428
Rebates received	-	1,009	-	1,009
Research & Development Tax Offset	-	224,035	-	224,035
Profit on disposal of fixed assets	2,256	-	2,256	-
	212,270	528,472	212,270	528,472

6. Expenses

Depreciation of non-current assets				
Motor vehicles *	93,968	25,693	93,968	25,693
Scientific instruments *	31,080	29,461	31,080	29,461
Office equipment	14,715	14,033	14,715	14,033
Furniture & fittings	3,224	3,168	3,224	3,168
Leasehold improvements	15,164	14,226	15,164	14,226
Plant & equipment *	3,489	1,548	3,489	1,548
Site camp equipment *	18,247	33	18,247	33
	179,887	88,162	179,887	88,162
*Depreciation of exploration assets transferred To Exploration and evaluation assets	(146,784)	(56,735)	(146,784)	(56,735)
	33,103	31,427	33,103	31,427

7. Employee benefits expense

Wages, salaries, directors' fees, and other remuneration expenses	1,263,812	688,429	1,263,812	688,429
Defined contribution plan expense	106,541	92,701	106,541	92,701
Share-based payments expense (net of exploration and evaluation assets)	59,800	(27,000)	59,800	(27,000)
Transfer to annual leave provision	21,273	16,937	21,273	16,937
Transfer to exploration and evaluation assets	(1,055,330)	(536,489)	(1,055,330)	(536,489)
	396,096	234,578	396,096	234,578

8. Income Tax Expense

Reconciliation of income tax expense to prima facie tax				
Loss before income tax	(1,280,752)	(1,859,943)	(1,280,752)	(1,859,943)
Tax thereon at 30% (2011: 30%)	(384,226)	(557,983)	(384,226)	(557,983)
Tax effect of amounts that are not deductible/ (taxable) in calculating taxable income:				
Research and development tax credit	0	(67,210)	0	(67,210
Sundry items	17,369	24,689	17,369	24,689
	(401,595)	(600,504)	(348,916)	(600,504)
Deferred tax asset not recognised	401,595	600,504	348,916	600,504
Income tax expense	-	-	-	-

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
	$	$	$	$

8. Income Tax Expense (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:				
Opening balance	3,244,017	2,269,451	3,244,017	2,269,451
Tax losses	348,916	600,504	348,916	600,504
Temporary differences	1,740,249	374,062	1,740,249	374,062
Temporary differences and tax losses	5,333,182	3,244,017	5,333,182	3,244,017

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets.

9. Cash and cash equivalents

Cash at bank and on hand	13,381,744	117,163	13,381,744	117,163
Term deposits	-	8,562,555	-	8,562,555
	13,381,744	8,679,718	13,381,744	8,679,718

Cash which is held mainly in at call bank accounts bears floating interest rates of an average 4.36% (2011: 4.69%)
Term deposits are held with Westpac Banking Corporation. They have an average maturity of 6 months from date of deposit and bear fixed interest of 5.27%

10. Trade and other receivables

Current				
Other receivables	228,454	262,178	228,454	262,178

Other receivables mainly represent the Group's entitlement to interest receivable on maturing term deposits and recoverable GST amounts paid during the period.

No receivables are past due or impaired.

11. Property, plant and equipment

Motor vehicles – at cost	659,289	315,254	659,289	315,254
Accumulated depreciation	(156,038)	(120,242)	(156,038)	(120,242)
	503,251	195,012	503,251	195,012
Scientific instruments – at cost	188,228	183,126	188,228	183,126
Accumulated depreciation	(123,102)	(92,023)	(123,102)	(92,023)
	65,126	91,103	65,126	91,103
Office equipment – at cost	99,436	91,118	99,436	91,118
Accumulated depreciation	(68,381)	(53,667)	(68,381)	(53,667)
	31,055	37,451	31,055	37,451
Furniture and fittings – at cost	41,668	41,668	41,668	41,666
Accumulated depreciation	(16,234)	(13,010)	(16,234)	(13,010)
	25,434	28,658	25,434	28,658
Leasehold improvements – at cost	75,821	75,821	75,821	75,821
Accumulated depreciation	(60,573)	(45,409)	(60,573)	(45,409)
	15,248	30,412	15,248	30,412
Plant and equipment – at cost	72,705	48,768	72,705	48,768
Accumulated depreciation	(7,182)	(3,714)	(7,182)	(3,714)
	65,523	45,054	65,523	45,054
Site camp equipment – at cost	354,920	10,727	354,920	10,727
Accumulated depreciation	(18,280)	(33)	(18,280)	(33)
	336,640	10,694	336,640	10,694

11. Property, plant and equipment (continued)

	Consolidated Group 2012 $	Consolidated Group 2011 $	Parent entity 2012 $	Parent entity 2011 $
Summary of individual asset groups				
Motor vehicles				
Carrying amount at beginning of year	195,012	162,464	195,012	162,464
Additions	449,951	88,275	449,951	88,275
Disposals	(50,000)	(28,182)	(50,000)	(28,182)
Depreciation	(93,968)	(25,693)	(93,968)	(25,693)
Impairment loss/profit on disposal	2,256	(1,852)	2,256	(1,852)
Carrying amount at end of year	503,251	195,012	503,251	195,012
Scientific instruments				
Carrying amount at beginning of year	91,103	68,658	91,103	68,658
Additions	5,103	51,906	5,103	51,906
Disposals	-	-	-	-
Depreciation	(31,080)	(29,461)	(31,080)	(26,461)
Impairment loss	-	-	-	-
Carrying amount at end of year	65,126	91,103	65,126	91,103
Office equipment				
Carrying amount at beginning of year	37,451	34,058	37,451	34,058
Additions	8,319	17,426	8,319	17,426
Disposals	-	-	-	-
Depreciation	(14,715)	(14,033)	(14,715)	(14,033)
Impairment loss	-	-	-	-
Carrying amount at end of year	31,055	37,451	31,055	37,451
Furniture and fittings				
Carrying amount at beginning of year	28,658	27,606	28,658	27,606
Additions	-	4,220	-	4,220
Disposals	-	-	-	-
Depreciation	(3,224)	(3,168)	(3,224)	(3,168)
Impairment loss	-	-	-	-
Carrying amount at end of year	25,434	28,658	25,434	28,658
Leasehold improvements				
Carrying amount at beginning of year	30,412	38,216	30,412	38,216
Additions	-	6,422	-	6,422
Disposals	-	-	-	-
Depreciation	(15,164)	(14,226)	(15,164)	(14,226)
Impairment loss	-	-	-	-
Carrying amount at end of year	15,248	30,412	15,248	30,412
Plant and equipment				
Carrying amount at beginning of year	45,054	13,840	45,054	13,840
Additions	23,958	32,762	23,958	32,762
Disposals	-	-	-	-
Depreciation	(3,489)	(1,548)	(3,489)	(1,548)
Impairment loss	-	-	-	-
Carrying amount at end of year	65,523	45,054	65,523	45,054

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
11. Property, plant and equipment (continued)				
Site camp equipment				
Carrying amount at beginning of year	10,694	-	10,694	-
Additions	344,193	10,727	344,193	10,727
Disposals	-	-	-	-
Depreciation	(18,247)	(33)	(18,247)	(33)
Impairment loss	-	-	-	-
Carrying amount at end of year	336,640	10,694	336,640	10,694
Group Summary				
Carrying Amount at beginning of year	438,384	344,844	438,384	344,844
Additions	831,524	211,736	831,524	211,736
Disposals	(50,000)	(28,182)	(50,000)	(28,182)
Depreciation	(179,887)	(88,162)	(179,887)	(88,162)
Impairment loss/profit on disposal	2,256	(1,852)	2,256	(1,852)
Carrying amount at end of year	**1,042,277**	**438,384**	**1,042,277**	**438,384**

12. Exploration and evaluation assets

At cost	24,244,415	19,049,487	24,244,415	19,049,487
Carrying amount at beginning of year	19,049,487	11,354,072	19,049,487	11,354,072
Additions	6,562,430	10,661,970	6,562,430	10,661,970
Impairment of exploration and evaluation assets	(144,602)	(1,498,955)	(144,602)	(1,498,955)
Write-off capital investments due to relinquishment of tenements	-	(1,380,000)	-	(1,380,000)
Options issued during the year	209,300	-	209,300	-
Options exercised during the year	(1,342,500)	-	(1,342,500)	-
Options expired during the year	(89,700)	(87,600)	(89,700)	(87,600)
Carrying amount at end of year	24,244,415	19,049,487	24,244,415	19,049,487

The ultimate recoupment of these costs is dependent upon the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

13. Trade and other payables

Trade creditors	652,892	298,934	652,892	298,934
Other creditors	-	-	-	-
Accrued expenses	20,000	18,000	20,000	18,000
Total trade and other payables	672,892	316,934	672,892	316,934

Trade payables and accrued expenses are generally unsecured, non-interest bearing and due 30 days from the date of recognition.

14. Short-term provisions

Employee entitlements	68,453	47,180	68,453	47,180

15. Contributed equity

	Consolidated and Parent entity	
	30 June 2012	30 June 2011
	$	$
Ordinary shares – fully paid	44,338,378	31,461,978

(a) Movements in contributed equity

	No. of shares	$
Balance at 30 June, 2011	164,251,852	31,461,978
Share issue on exercise of staff options – at $0.12 per share	200,000	24,000
Share issue on exercise of other options – at $0.25 per share	5,500,000	1,375,000
Share placement – at $0.33 per share	20,000,000	6,600,000
Shares issued to vendors as part consideration for tenements	1,876,250	600,400
Share issue expenses	-	(363,000)
Share issue on exercise of Directors' options – at $0.30 per share	16,000,000	4,800,000
Option underwriting fee	-	(160,000)
Balance at 30 June, 2012	207,828,102	44,338,378

Effective 1 July, 1998, the Corporations legislation in place abolished the concepts of authorized capital and par value shares. Accordingly, the parent does not have authorized capital or par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting or in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

(b) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements.

In order to maintain or adjust the capital structure, the Group may seek to issue new shares.

Consistent with others in the industry, the Group and the parent entity monitor capital on the basis of forecast exploration and evaluation expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. Total capital is calculated as "equity" as shown in the balance sheets.

(c) Share options

At 30 June 2012, the following options for ordinary shares in Rum Jungle Resources Ltd were on issue:

	2012	2011
	Number	Number
Employee options	3,500,000	14,900,000
Options issued for acquisitions	5,500,000	11,000,000
Options issued to former director	-	3,000,000
Options issued as incentive to consultant	500,000	500,000
	9,500,000	29,400,000

16. Reserves and accumulated losses

	Consolidated and parent entity	
	2012	2011
	$	$
(a) Reserves		
Share-based payments reserve	798,600	2,501,700
Movements:		
Share-based payments reserve		
Balance at beginning of year	2,501,700	2,332,300
Options issued to employees	269,100	284,000
Options expired during year - Employees	-	(108,000)
Options exercised during year - Employees	(1,882,500)	-
Options forfeited by employee resignation	(89,700)	(6,600)
Balance at end of year	798,600	2,501,700

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2012	2011
Balance at beginning of year	(5,608,952)	(2,369,009)
Net profit / (loss) for the year	(1,280,752)	(1,859,943)
Net capital profit / (loss) for the year	-	(1,380,000)
Transfer from reserve	540,000	-
Balance at end of year	(6,349,704)	(5,608,952)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

17. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity.

1. Audit services

	2012	2011
Lowrys Accountants - Audit and review of financial reports	26,700	26,750

2. Non-audit services

	2012	2011
Taxation services		
Lowrys Accountants – Tax compliance services	-	-

18. Key management disclosures

(a) Key management personnel compensation

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Short-term employee benefits	892,064	756,952	892,064	756,952
Post-employment benefits	67,738	64,288	67,738	64,288
Share-based payments	59,800	284,000	59,800	284,000
	1,019,602	1,105,250	1,019,602	1,105,250

(b) Equity instruments disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Rum Jungle Resources Ltd and other key management personnel of the Group, including their personally related parties, are set out below:

Name	Balance at start of year	Granted as Compensation	Exercised	Other Changes	Balance at end of year	Vested and exercisable	Unvested
Directors of Rum Jungle Resources Ltd							
J B Roberts	3,000,000	-	-	(3,000,000)	-	-	-
D W Muller	7,000,000	-	-	(7,000,000)	-	-	-
R J Annells	3,000,000	-	-	(3,000,000)	-	-	-
Other key management personnel of the Group							
C J Moyle	100,000	600,000	-	-	700,000	700,000	-
N J Doyle	1,600,000	-	-	-	1,600,000	1,600,000	-

Options held by Directors at the start of the year were exercised under the terms of underwriting agreements entered into with Washington H Soul Pattinson and Company Limited and Farjoy Pty Limited on 31 May, 2012, in equal proportions.

(ii) Share holdings

The number of shares in the company held during the financial year by each director of Rum Jungle Resources Ltd and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at end of the year
Directors of Rum Jungle Resources Ltd				
Ordinary Shares				
J B Roberts and related parties	2,200,000	-	-	2,200,000
D W Muller and related parties	8,180,046	-	-	8,180,046
R J Annells and related parties	2,240,000	-	-	2,240,000
Other key management personnel of the Group				
C J Moyle and related parties	927,000	-	-	927,000
N J Doyle and related parties	290,000	-	-	290,000

Loans to key management personnel

There were no loans to key management personnel at any time during the financial year.

Other transactions with key management personnel

There were no other transactions with key management personnel other than reimbursement of expenses incurred by them in performing their respective duties.

19. Business combinations

The company did not engage in any business combination during the year.

20. Cash flow information

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
(a) Reconciliation of loss after income tax to cash outflow from operating activities				
Loss for the year	(1,280,752)	(1,859,943)	(1,280,752)	(1,859,943)
Non cash employee based expense – share-based payments	59,800	(27,000)	59,800	(27,000)
Depreciation	33,103	31,427	33,103	31,427
Impairment of exploration and evaluation assets	144,602	1,498,955	144,602	1,498,955
Increase/(decrease) in provisions	21,273	12,441	21,273	12,441
(Increase)/decrease in trade and other receivables	33,724	(89,058)	33,724	(89,058)
Increase/(decrease) in operating payables	355,958	161,392	355,958	161,392
	(632,292)	(271,786)	(632,292)	(271,786)
(b) Non-cash investing and financing activities				
Acquisition of subsidiaries by issue of shares and options	-	5,520,000	-	5,520,000
Acquisition of tenements and information by issue of shares and options	600,400	250,000	600,400	250,000

21. Earnings per share

	Consolidated Group	
	2012	2011
	Cents	Cents
(a) Basic and diluted earnings per share		
Loss from operations attributable to the ordinary equity holders of the company	(0.61)	(1.35)

(b) Weighted average number of ordinary shares used as the denominator.

	2012	2011
	Number	Number
Number used in calculating basic and diluted earnings per share	207,828,102	164,251,852

(c) Information concerning earnings per share

Options granted are considered to be potential ordinary shares. Details relating to options are set out in notes 18 and 22.

In 2011 and 2012 the options are anti-dilutive and are therefore not included in the calculation of diluted earnings per share. The options could potentially dilute basic earnings per share in the future.

22. Share-based payments

Options have been issued to key management personnel who have commenced with Rum Jungle Resources Ltd. The number of options issued, the strike price of options issued and all other relevant terms have been set having regard to the person's position in the Company and level of experience. All employee options have a maximum life of three years. Such options vest according to the terms that are agreed at the time of grant between Rum Jungle Resources Ltd and the employee, however options normally vest either immediately upon grant or progressively over the life of the option. Upon termination by either Rum Jungle Resources Ltd or by the employee, all vested options remain the property of the employee, with no change to the life of the option. Upon termination by either Rum Jungle Resources Ltd or the employee, all unvested options normally lapse.

Set out below are the summaries of options granted for share-based payments for services provided by directors and employees.

Issue date	Expiry date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Group and parent entity – 2012								
19/11/2007	31/12/2012	$0.30	16,000,000	-	16,000,000	-	-	-
20/10/2009	31/12/2012	$0.12	400,000	-	200,000	-	200,000	-
04/04/2011	04/04/2013	$0.60	500,000	-	-	-	500,000	-
04/04/2011	04/04/2014	$1.00	500,000	-	-	-	500,000	-
04/04/2011	04/04/2015	$1.50	500,000	-	-	-	500,000	-
01/08/2011	31/07/2012	$0.60	-	900,000	-	300,000	600,000	-
01/08/2011	31/07/2013	$1.00	-	900,000	-	300,000	600,000	-
01/08/2011	31/07/2014	$1.50	-	900,000	-	300,000	600,000	-
			17,900,000	2,700,000	16,200,000	900,000	3,500,000	-
Weighted average exercise price			$0.36	$1.07	$0.30	$1.07	$0.98	-
Group and parent entity – 2011								
19/11/2007	31/12/2012	$0.30	16,000,000	-	-	-	16,000,000	-
31/12/2007	31/12/2010	$0.30	2,000,000	-	-	2,000,000	-	-
20/10/2009	31/12/2012	$0.12	500,000	-	-	100,000	400,000	-
04/04/2011	04/04/2013	$0.60	-	500,000	-	-	500,000	-
04/04/2011	04/04/2014	$1.00	-	500,000	-	-	500,000	-
04/04/2011	04/04/2015	$1.50	-	500,000	-	-	500,000	-
			18,500,000	1,500,000	-	2,100,000	17,900,000	-
Weighted average exercise price			$0.295	$1.03	-	$0.29	$0.36	-

900,000 options had expired during the reporting period, and 16,200,000 had been exercised.

The assessed fair value at grant date of options issued is determined using the Black Scholes option pricing model which takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

In respect of the options issued to employees during the year, the model inputs were as follows:

	Total Options Issued 2,700.000		
	900,000	900,000	900,000
Consideration	-	-	-
Life	1 year	2 years	3 years
Exercise price	$0.60	$1.00	$1.50
Share price at valuation date	28.0c	28.0c	28.0c
Expected volatility	70%	70%	70%
Expected dividend yield	-	-	-
Risk free interest rate	4.38%	4.31%	4.27%

The weighted average fair value of options granted was $0.10 (2011: $0.189). The expected price volatility is based on the historical volatility of a number of similar entities (based on a period with a similar life of the options).

22. Share-based payments (continued)

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
Expenses arising from share-based transactions	$	$	$	$
Options issued to directors and employees				
- Employee benefits expense	59,800	-	59,800	-
- Exploration and evaluation assets	119,600	284,000	119,600	284,000
	179,400	284,000	179,400	284,000

23. Subsidiaries

The consolidated financial statements of Rum Jungle Resources Ltd incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2012	2011
			%	%
Territory Mining Pty Ltd	Australia	Ordinary	100	100
Waanyi Garawa Mining Pty Ltd	Australia	Ordinary	100	100
Territory Phosphate Pty Ltd	Australia	Ordinary	100	100

*The proportion of ownership interest is equal to the proportion of voting power held.

24. Related parties

a. Finching Pty Ltd

Consultancy agreement

Under a Consultancy Agreement between the Company and Finching Pty Ltd, (the Consultant), the Company paid the Consultant a fee of $1,280.00 for each full day spent in providing the Company with geological and managerial services.

b. Key management personnel

Disclosures relating to key management personnel are set out in note 18.

c. Loans to/from related parties

The company has not entered into any loan agreements with related parties.

25. Commitments

Operating Leases

The Group has not entered into any operating leases.

Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum expenditure requirements of the relevant regulatory bodies and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant areas of interest. The obligations are not provided for in the financial statements.

Commitments in relation to minimum statutory expenditures with respect to mining tenements:

	Consolidated Group		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Within one year	2,064,290	1,778,090	2,064,290	1,835,000
Later than one year but not later than five years	3,198,000	3,179,680	3,198,000	3,179,680
	5,262,290	4,957,770	5,262,290	4,957,770

26. Subsequent events

Since balance date, 600,000 options issued under the Company's Employee Share Option Plan have expired.

DIRECTORS' DECLARATION

In the Directors' opinion

(a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:

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

  ii. giving a true and fair view of the company's and group's financial position as at 30 June 2012 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out in the remuneration report comply with Accounting Standard AASB 124 Related Party Disclosures.

The Directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the Corporations Act 2001.

This declaration was made in accordance with a resolution of the Directors.

J. B. Roberts

John B Roberts
Chairman

David W Muller
Managing Director

Melbourne

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RUM JUNGLE RESOURCES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of Rum Jungle Resources Limited are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Rum Jungle Resources Ltd, would be in the same terms if provided to the directors as at the date of this auditor's report.

LOWRYS
Accountants

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE MEMBERS OF RUM JUNGLE RESOURCES LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of Rum Jungle Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of Rum Jungle Resources Ltd's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 13 of the director's report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Accounting Standards.

Auditor's Opinion

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

Lowrys Accountants

Colin James
Registered Company Auditor

Darwin
28 September 2012.

OPERATIONS REPORT 2011 – 2012

Overview

The year under review has seen an intense exploration program completing resource definition at both the Ammaroo Phosphate and the Karinga Creek Potash Projects. The completion of these programs has been a massive work load for our exploration staff based out of the Darwin office. I thank Nigel Doyle and his exploration team for completing this work in a safe and professional manner.

At the time of writing, 2,082 reverse circulation (RC) drill holes had been completed for a total of 61,221 metres at the Barrow Creek 1 phosphate deposit in the Ammaroo project. In addition, 32 diamond drill holes had been completed providing core intersections of the phosphate ore, for on-going metallurgical and geological studies. This data is now being evaluated and reprocessed to define shallow accumulations of easily extractable high-grade phosphorite, which will require minimal beneficiation to produce a direct shipping phosphate rock product. There is also sufficient data to lift the resource status into a higher level of certainty under the JORC classification of reporting ore reserves.

The work at Barrow Creek 1 has defined sufficient resources for a 50 year mine life and the emphasis is shifting from exploration to development. Metallurgical test work is continuing. Its aim is to better understand what the likely saleable products will be. International market research becomes an important part of our progress to understand who will be our customers and what products they will require.

To assist in these tasks we are using the services of experienced Australian-based fertiliser marketing consultants as well as recruiting the services of a highly regarded and experienced Florida-based group (Florida, USA has been one of the world's longest standing major phosphate producing areas and has provided technical knowhow to the phosphate industry since it first commenced production in the 1880's).

On-going metallurgical studies have successfully produced a mechanically beneficiated direct shipping product around 30% P_2O_5 from the easily accessible high grade material buried beneath two to three metres of soft overburden. Bench-scale testing utilising grinding and flotation techniques with different compounds has demonstrated the ability to produce a first grade product of 32% P_2O_5 from run-of-mine ore of around 16% P_2O_5 head grade.

A Mineral Lease application was lodged in March 2012 over the defined resource at Barrow Creek 1 and this will be supported by environmental studies (two already completed) and definition of water supplies (on-going) together with progressive talks with the Central Land Council representing the local indigenous community. A number of other conditions need to be satisfied before the Department of Resources can issue the title.

In order to manage the increasing workload of advancing development of the Company's projects, the Company has recently appointed Chris Tziolis into the senior position of Director of New Projects. He will oversee all developments with respect to both the phosphate and potash projects.

Mr Tziolis joins Rum Jungle Resources from Rio Tinto where he has held various senior management roles over the last six years, most recently as the Chief Development Officer of the ASX listed Rio Tinto subsidiary and uranium miner, Energy Resources of Australia Ltd. Other roles with Rio Tinto included Manager Business Development and Manager Rail and Port Infrastructure with Rio Tinto Coal Australia serving Rio Tinto's Queensland coal operations and Coal & Allied Industries Ltd.'s NSW coal operations. Prior to joining Rio Tinto, Mr Tziolis was a consultant with McKinsey & Company primarily engaged on strategy development and operational performance improvement projects with global mining companies. Prior to this, Mr Tziolis was an operations officer in the Royal Australian Navy, which included an appointment as the Commanding Officer of a Patrol Boat. Mr Tziolis is a member of the Australian Institute of Company Directors and has a Master of Business Administration from the Australian Graduate School of Management, a Master of Arts in International Relations (Deakin) and a Bachelor of Science in Chemistry (UNSW).

To better understand the best development path for Barrow Creek 1 phosphate, the Company has commissioned a major engineering and construction group to undertake and complete a full scoping study. This will be completed by December 2012. This will allow a more comprehensive feasibility study to be completed by December 2013.

Whilst the company has sufficient ore resources to undertake a long-term mining operation at Barrow Creek 1, it will continue exploration over its substantial tenement holdings covering over 160 km strike length of the prospective phosphatic Arthur Creek Formation.

The Karinga Creek Potash Project has also advanced well toward some production trials. Following two years of drilling within the salt lake system, the Company's knowledge of the potash-rich brines has now extended from the resources within the surficial lake muds to the underlying source which appears to be providing the surface brines with the mineral-rich salt solution. Deeper drilling within the underlying siltstone formation has greatly increased the potential size of the resource. Drilling, flow testing and assaying are being collated at the time of writing with the announcement of a new resource expected before December 2012. It is anticipated that there will be an adequate resource for a long-term operation producing up to 200,000 tonnes of potassium sulfate and schoenite per year.

The lake system is well located with respect to other potential producers. It is serviced by the Lasseter Highway for over 160 km and is adjacent on the eastern extremity to the Stuart Highway and Central Australian Railway.

The next stage of development will be largely off-site by engaging international consultants for the purpose of processing brine by different pathways at bench-scale testing to produce various salts of economic value. Once a processing route is determined, the task force will set about generating secondary saleable salt products rather than just producing waste bi-products to the potassium salts. This work will determine the design of a pilot plant for incorporation into a feasibility study.

Mineral exploration for base metals and gold forms an important part of the Company's tenement portfolio with three main areas outside of the fertiliser focus. These are the Top End Project which includes gold targets at Annaburroo, near Mt Goyder and the Mt Bundey JV east of Darwin; and the Ross River /Illogwa iron oxide copper gold (IOCG) tenements east of Alice Springs. These are discussed in more detail below.

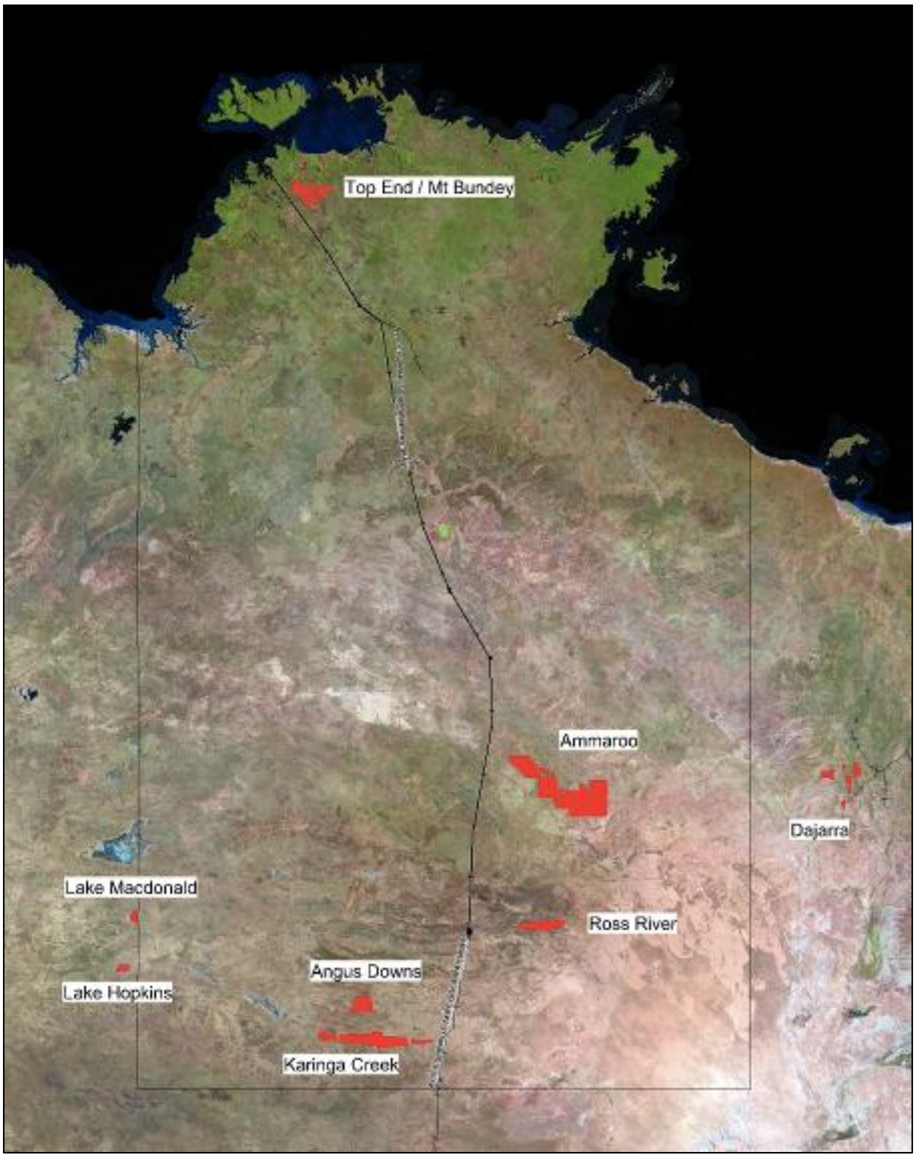

Figure 1: Location map of projects, tenements as of 01/09/2012.

AMMAROO PHOSPHATE PROJECT (RUM 100%)

Ammaroo Phosphate Project

The Ammaroo Phosphate Project includes 12 exploration licenses and applications, which cover a 175 km strike of the northwestern neck of the highly prospective southern Georgina Basin (Figure 2). The project area contains the Barrow Creek 1 deposit, the Ammaroo 1 prospect and significant greenfields potential.

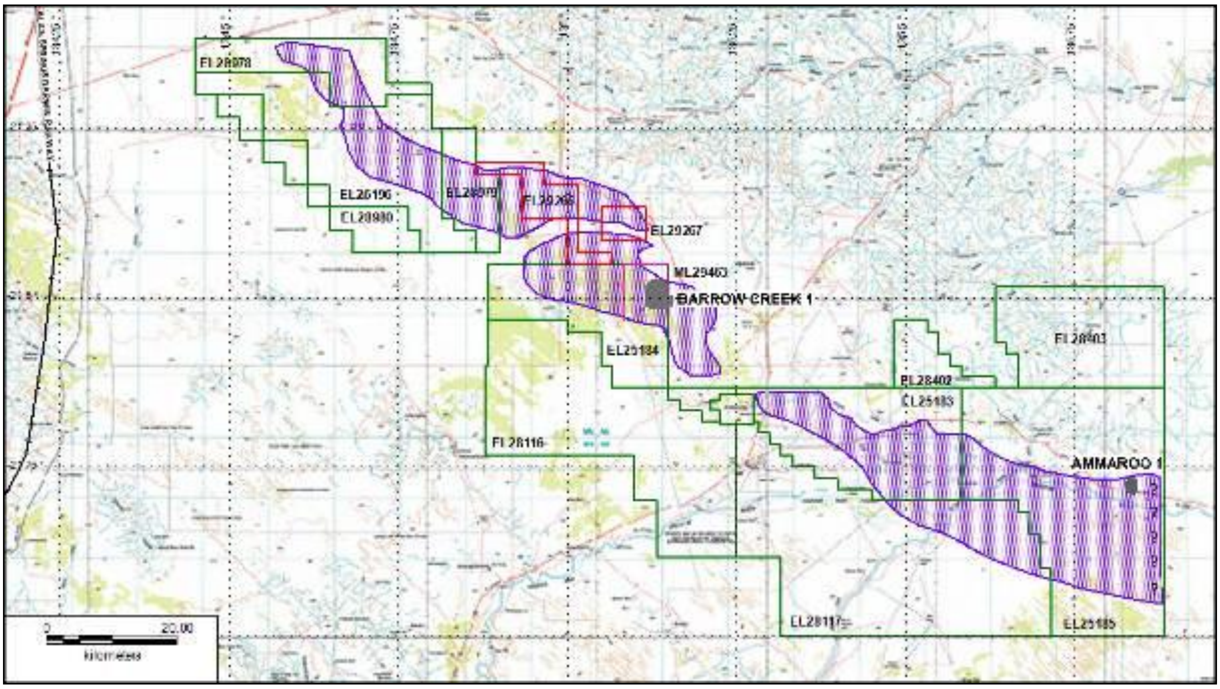

Figure 2: Rum Jungle Resources' and subsidiaries' holdings as of 12/06/2012, showing granted ELs in green, applications in red, the named phosphate deposits, the prospective interval in purple stipple and the proximity to the railway to the west. Recent and past drilling by the Company within the purple target zone has produced numerous lower grade (<10%) phosphate intersections, confirming an extensive phosphate interval extending through EL's 25183 and 25185.

Barrow Creek 1 Deposit

Rum Jungle Resources discovered the Barrow Creek 1 phosphate deposit on EL 25184 in October 2010. The 250 million tonne deposit is attractive in comparison to other Georgina Basin deposits as it lies only 80 km from the Darwin-Alice Springs railway; it contains high-grade material and is relatively shallow. Step-out and infill resource definition drilling to upgrade the JORC resource status, has been on-going during all of the 2012 field season. At the time of writing, drilling had been completed for a total of 2,082 RC holes for 61,221 m since the beginning of 2011, along with 32 diamond drill holes and four bulk sample costeans. This information will give a higher degree of confidence in establishing the mine plan.

Whilst assay data is being received constantly, some robust intersections have been reported as listed in Table 1 below. Generally, all assays being received are confirming the uniformity of the deposit.

Figure 3 below depicts the area of more intensely-drilled, shallower mineralisation where mining is likely to commence. Ore reserves within this area will need to be compliant to Indicated JORC status once all data has been plotted, prior to completion of a Feasibility Study.

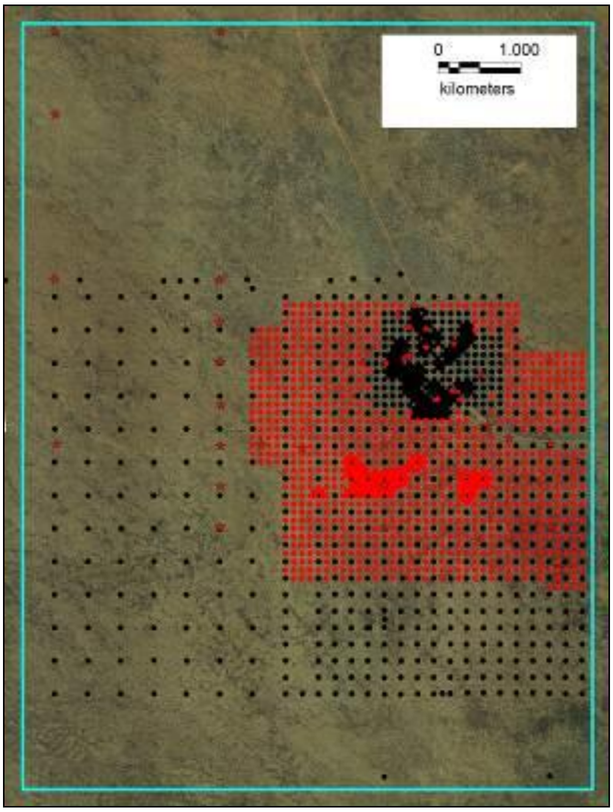

Figure 3: All drilling completed at Barrow Creek 1 up to the end of the June 2012 quarter. Red stars are early exploration holes, black dots are holes prior to 2012 and the red dots denote drilling completed in the 2012 field season. The turquoise rectangle is the Mineral Licence application.

Thickness (m)	Grade % P_2O_5	From Depth (m)	Drillhole (BCRC)
8	30.8	15	704
3	35.7	14	106
4	31.1	12	126
3	30.2	12	105
6	27.4	5	653
9	26.6	8	697
5	28.3	3	065
3	30.0	5	047
4	27.6	8	037
4	27.2	2	024
3	26.8	3	011
5	25.5	5	032
6	29.2	9	1892
2	34.0	15	1889
3	33.7	14	1908
4	30.7	11	1911
4	30.6	10	1912
3	31.0	8	1364
2	30.6	8	1361
2	32.0	16	1356
3	29.6	11	1360
8	35.1	36	1900
7	30.8	10	1294
6	29.8	19	1788
5	34.1	31	1871

Table 1: Representative high grade intersections from DSO material highlighting grade, thickness and proximity to the surface.

Beneficiation Testing

Over the last few months, bench-scale metallurgical testing has produced very encouraging results. The Company has recently completed preliminary metallurgical testing on samples from the Barrow Creek 1 Deposit. The test work was broken into two streams: The preparation of a Direct Shipping Ore (DSO) product from the high grade portion of the deposit for short term cash flow; and a beneficiation process to produce a high grade concentrate from the bulk of the Barrow Creek 1 Deposit.

A high-grade portion of the Barrow Creek 1 Deposit has been identified as having the potential to produce a DSO product. Bench scale work on this DSO component has focused on simple sizing followed by gentle mechanical attrition and de-sliming to remove clays. The encouraging work to date will be followed up with a larger bulk sample to define a process route. Bulk sample testing is currently underway. This involves a two tonne bulk sample of +30%P_2O_5 material being excavated (Figure 4) and shipped to Adelaide for bulk testing through a small pilot plant.

The bulk of the Barrow Creek 1 Deposit has responded very favourably to beneficiation with a high-grade concentrate produced at bench-scale. The flotation work carried out to date has focused on de-sliming followed by flotation to remove aluminium, iron and silica impurities. Further larger scale work is planned for the coming months to better define processing costs and further improve phosphate recovery and concentrate grade.

Beneficiation Results Summary

The scoping flotation tests have been conducted on bulk composite and individual samples to assess the potential for beneficiation including screening and selection of suitable flotation reagents and conditions. Other test work has also investigated possible processing routes to optimise the flotation feed by rejecting aluminium, iron and silica whilst upgrading the phosphate content and minimizing phosphate losses to the slimes. A small number of flotation tests conducted on the rejected slimes material indicate potential for producing additional concentrate tonnage.

The grade of the bulk composite sample prepared was:

P_2O_5 16.9%	Al_2O_3 7.1%	Fe_2O_3 2.1%	SiO_2 43.5%	CaO 22.8%	MgO 0.65%

Processing and desliming typically upgraded the flotation feed to:

P_2O_5 18.8%	Al_2O_3 3.1%	Fe_2O_3 1.7%	SiO_2 45.9%	CaO 25.5%	MgO 0.29%

Whilst rejecting approximately 46% of the mass to the slimes stream.

Preliminary flotation tests typically produced a high grade concentrate assaying:

P_2O_5 30.7%	Al_2O_3 2.0%	Fe_2O_3 1.0%	SiO_2 18.5%	CaO 41.7%	MgO 0.23%

at a phosphate recovery of ~70% during flotation.

Individual tests produced even better results, including a concentrate assaying as high as 33.8% P_2O_5 at a phosphate recovery of ~90% during flotation.

Figure 4: Shallow high-grade phosphate mineralisation exposed in near surface bulk sample pit, Costean 4 excavated in June 2012. The assay results from this costean are given in Table 2.

From	To	Al_2O_3%	CaO%	Fe_2O_3%	K_2O%	MnO%	MgO%	Na_2O%	P_2O_5%
2	3	14.7	9.81	1.65	1.76	-0.01	1.33	0.1	5.5
3	4	8.83	30.4	1.21	0.78	0.02	1.2	0.13	20.8
4	5	6.14	36.2	0.67	0.52	0.02	0.55	0.09	26.8
5	6	2.8	41.1	0.62	0.23	0.07	0.29	0.09	30.6
6	7	2.73	44.4	0.81	0.22	0.1	0.29	0.1	33.7
7	8	3.33	40.1	0.73	0.27	0.07	0.37	0.11	29.5
8	9	4.95	20.4	0.6	0.65	0.03	0.56	0.12	14.6
9	10	3.49	8.46	0.54	0.44	0.01	0.31	0.06	6.1

Table 2: Assay intervals for depths below surface Costean 4.

Test-Water bore Drilling and Water Quality

Pilot water bore drilling on EL 25184 near Barrow Creek 1 in was completed in May with three test bores being completed. The most successful, W103, is about 10 km from the centre of the Indicated Resource. The test bore flowed 1000 ppm salinity water at 1.0 L/s on airlift test with 0.04 m drawdown from 81 m. Groundwater Science recommended to convert pilot bore W103 to an observation bore and to drill an adjacent 8 inch production bore to 200 m depth which should produce >20 l/sec. The water from this bore should be potable and also provide an important source of industrial water for processing.

Environmental

Two flora and fauna environmental reports for Barrow Creek 1 were received from Low Ecological Services and EcOz Environmental Services during the year. EcOz Environmental Services will be contracted to ensure all environmental approvals are met over the next 18 months in the lead up to the commencement of mining operations.

Remote Sensing

To assist in future mine planning, the area of the ML application was surveyed with 10 cm resolution orthophotography and 15 cm resolution DEM.

Ammaroo 1 Prospect

The Ammaroo 1 phosphate prospect was discovered in 2009 by following-up the historical intersection of 45 m of 6.7% P_2O_5 in Government water bore RM130015. RC drilling has been undertaken over the Ammaroo 1 deposit with the aim of defining the size and extent of phosphate mineralisation. A 400 m x 400 m drill hole layout was completed, with drilling covering an area of 6 km x 3 km. This initial drilling over Ammaroo 1 was completed by the end of April, 119 holes were drilled for 5,817 m. Assays were reviewed and several exceptionally thick intersections were found in the south-southeast of the grid, indicating that better phosphate may be present on the southern side of the road and closer to the Sandover River. These include 19 m with 20% P_2O_5 from 35 m and 9m with 17% P_2O_5 from 28 m.

The host rocks at Ammaroo 1 appear quite different to those at Barrow Creek 1, and at least part of the phosphate mineralisation appears to be hosted by the Thorntonia Limestone, rather than the Arthur Creek Formation siltstone at Barrow Creek 1.

Assay data for all significant mineralised intersections drilled in 2012 were received by the 11th of July. To date, the shallowest phosphate of reasonable grade is 20 m subsurface and depths range to >45 m in the northeast.

Additional drill lines are being cleared south of the existing grid to follow up thick intersections which are open to the south. These holes could increase the size of the deposit as well as confirming better grades and thicknesses.

Once all assays have been plotted, the data will be reviewed and interpreted in the wider context of the whole Ammaroo Project before deciding at what density further drilling might be carried out. and/or if it is worth pursuing a JORC resource statement for Ammaroo 1, given that Barrow Creek 1 is a much more attractive deposit on which to commence mining.

Regional Phosphate Exploration in the Ammaroo Project

After completing the Ammaroo 1 drill grid, drilling continued on existing station tracks to test the phosphate potential of tenements EL28402 and EL28403. These leases cover the outcropping Arthur Creek Formation to the north of Ammaroo 1. These ELs are not within the primary phosphate target area however warranted reconnaissance exploration drilling. Holes were drilled 1 – 2 km apart and a total of 14 holes were drilled for 654 m. The first hole drilled, BCRC133, intersected 6 m at 4.5% P_2O_5 from 48 m.

Rehabilitation

Rehabilitation of the Ammaroo Phosphate drilling has been on-going during the 2011-12 year. Up to 14 locals from the Ampilatwatja Community have been employed (Figure 5).

Figure 5: Members of the local Ampilatwatja Community employed on drill site rehabilitation work.

KARINGA CREEK POTASH PROJECT (RUM 71%, Reward 29%)

RUM and Reward Minerals Ltd JV. RUM is operator, sole risk funding and increasing equity

The Karinga Creek Potash Joint Venture between Rum Jungle Resources Ltd and Reward Minerals Ltd includes six granted exploration licenses for 2,310 km^2 along the Lasseter Highway between Alice Springs and Uluru. The companies are exploring for sulfate of potash (SOP) and potassium magnesium sulfate (schoenite) in subsurface brine in up to 26 dry salt lakes on pastoral leases adjacent to the Lasseter Highway. Other by-products are being investigated.

Earlier this year, the Joint Venture posted a maiden Inferred and Indicated JORC resource of 530,000 tonnes of SOP (equivalent to 1.2 million tonnes of schoenite) based on sonic and vibracore drill holes from 2011 to an average depth of 3.2 m.

The project is ideally located less than 20 km from the sealed Lasseter Highway and 120-220 km by road from an existing rail siding at Kulgera near the NT/SA border. Australia imports all its potash fertiliser and has no potash mines in production. There is a good opportunity for Karinga Creek to become one of Australia's first potash producers and additionally a low cost producer.

HYDROGEOLOGY

Hydrogeological investigations undertaken from May to August 2012 at the Karinga Creek Project comprised air core drilling, well construction and pumping tests. Hydrogeological Consultants Groundwater Science Pty Ltd from Adelaide have been contracted to provide hydrogeological expertise and have worked closely with the Rum Jungle Resources exploration team during the year. Brines are present in several geological formations. The previous nomenclature, "Aquifer 1", and "Aquifer 2", refers to the two main lithological units; the lacustrine lake sediments and underlying Devonian basement rock. Recent pump tests have confirmed that the groundwater beneath the lakes is essentially a single brine in one interconnected regional aquifer system that links the different host rocks (Figure 6).

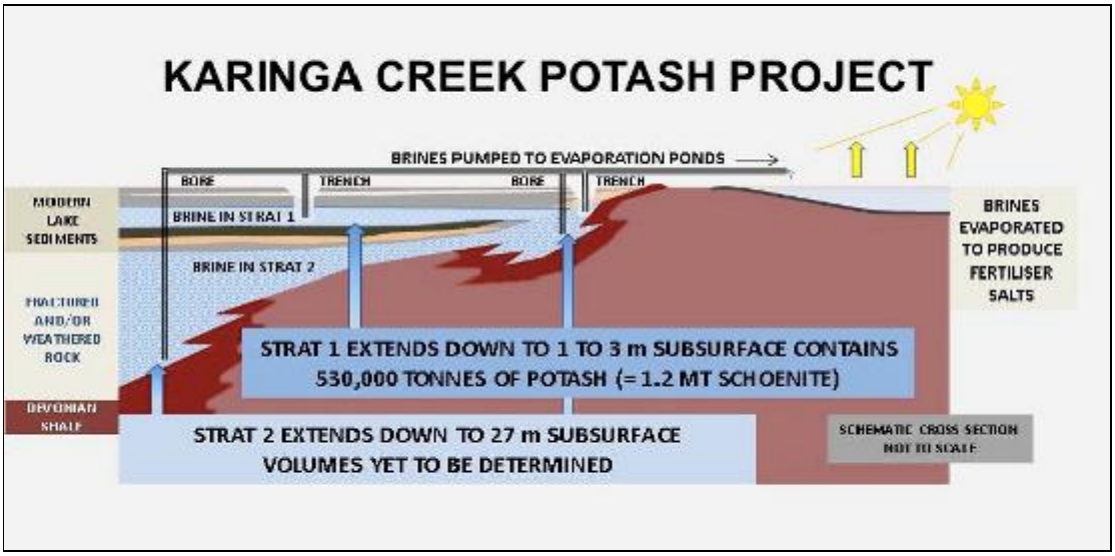

Figure 6: Brine hosted by various hydraulically-interconnected stratigraphic lithologies.

The latest drill program of 99 aircore holes was completed with a track-mounted aircore drill rig and support truck (Figure 7). Twenty three lakes were drill tested during this drill program by taking water samples from drill holes down to 40 m depth and installing 100 mm PVC cased water bores at selected sites (Figure 8). Holes with better brine production also had piezometer arrays installed around them to monitor drawdown during pumping testing and to also measure transmissivity and specific yields.

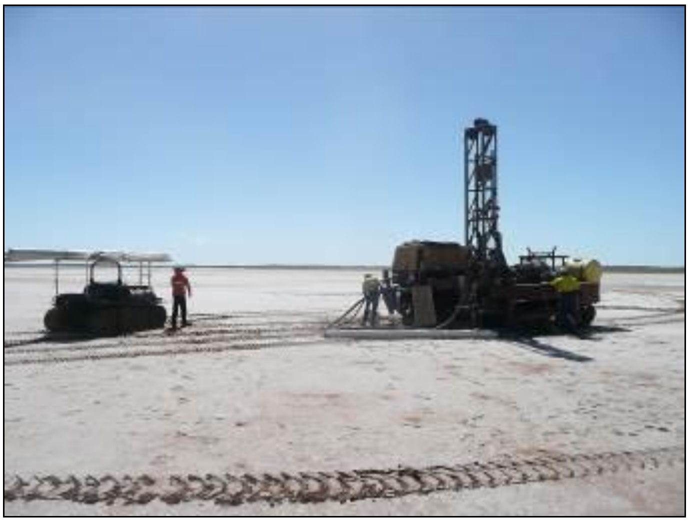

Figure 7: Aircore drilling at Karinga Creek Potash project.

Figure 8: Flow testing of bores.

Ten test bores (Figure 9) were pumped at rates from 0.5 to 5.5 L/s. Potential long term yield estimates range from 1.1 to 18 L/s. Rates are summarised in the Table 3 below and show that potential long term bore yields are almost double that of flow rates from pump testing.

Hole ID (KLAC)	Lake	Highest Pump Rate (L/s)	Potential Long Term Bore Yield (L/s)
29	Murphys	0.7	1.1
33	Miningere	3.2	5.6
48	Island 5	5.5	18.0
51	Island 4	4.5	5.8
60	Island 1	0.5	2.9
63	Curtin Boundary	1.4	1.7
68	Skinny	2.3	2.9
82	Miningere West	1.5	2.6
88	Curtin North	1.9	1.9
89	Mallee Well East	2.6	3.9
	Total	24.1	46.4

Table 3: Flow rates for test bores.

Production pumping from larger diameter boreholes or trenches will ensure a greater supply of brine. A new resource calculation is currently underway for the contained potassium salts and is likely to substantially upgrade the maiden resource of 530,000 tonnes of potassium sulfate (SOP) confined to the top 3 m. Pump testing from trenches is planned for late in 2012 once approved by the Department of Mines and Energy.

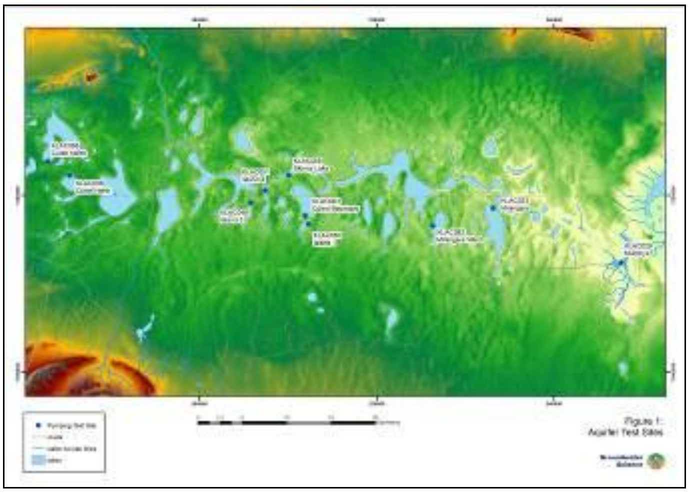

Figure 9: Location of test bores (excerpt from Groundwater Science Consultants).

Overall, these results confirm that adequate brine supplies of correct composition (Table 4) are available to fill evaporation ponds. Following the receipt of the results of the laboratory testing to define a processing route, the next logical step in 2013 will be to carry out solar evaporation trials on site using both lined and unlined ponds. Consideration would then be given to designing and constructing a pilot plant to produce a range of salts. A detailed bench-scale laboratory testing program is being undertaken by water processing engineers who will determine the best evaporative processing route to optimise the yield of SOP and schoenite as well as recovering other salts that have commercial value, as by-products, rather than waste.

Hole	Easting	Northing	Lake	Interval	Flow	K	Mg	SO_4
KLAC010	261456	7191535	Pulcura	0-6	3.2	4033	4100	26666
KLAC024	250178	7194218	Murphys	0-4.1	2.8	3550	5250	29500
KLAC029	247544	7192398	Murphys	0-3	1.25	5333	11333	54000
KLAC033	233115	7198556	Miningere	0-15	3.2	8533	3450	45833
KLAC035	233227	7198419	Miningere	0-24	5	8688	3344	44888
KLAC048	205797	7199139	Island 5	3-15	6.5	5500	11000	36000
KLAC049	206081	7200875	Swansons North	1.2-13.2	2.5	3300	11000	48000
KLAC051	207419	7200549	Island 4	1.2-13.2	3.2	6200	9900	34000
KLAC052	207700	7199413	Island 4	1-13	1.25	5200	11000	59000
KLAC056	209596	7197647	Island 2	0-12	2	7600	7700	50000
KLAC060	212289	7196745	Island 1	3-9	2.5	7400	10000	58000
KLAC062	211804	7197743	Curtin Boundary	3-14	0.8	5100	7400	39000
KLAC065	212837	7199033	Curtin Boundary	4-10	1.25	3700	6300	26000
KLAC068	210070	7202262	Skinny	0-12	1.5	4400	8800	58000
KLAC070	211663	7202791	Skinny	4-22	1	4400	6600	25000
KLAC082	205178	7207067	Miningere West	0.5-18	1.8	5600	4300	26000
KLAC088	787323	7204499	Curtin North	0-27	2	6400	8900	37000
KLAC089	789691	7202766	Mallee Well East	0-5.5	2.1	5700	6600	47000
KLAC096	788868	7207171	Curtin North	0-24	1.3	4200	6800	26000
Average						5518	7567	40520

Table 4: Typical brine analyses showing world-class grades of dissolved salts and air lifted flow rates.

REGIONAL POTASH EXPLORATION

Lake Hopkins and Lake Macdonald (RUM 100%)

Rum Jungle Resources Ltd purchased granted exploration titles EP69/2814 over Lake Hopkins (Figures 10, 11) in WA and EP69/2818 over the WA portion of Lake Macdonald, which straddles the NT/WA border. These salt lakes are strategically located west of Lake Amadeus and 250 km west of the Karinga project. The salt lakes, which are each over 100 square kilometres in size, could hold substantial quantities of potassic-rich brine ideally suited for evaporation ponds in this desert environment. They could provide an important resource to lengthen the life of the operation centred on Karinga. The company has had preliminary discussions with representatives from the Ngaanyatjarra Land Council, the representative body for the local Tjukurla community at Lake Hopkins. Sampling access using helicopters is a possibility after a land access agreement is reached with the Ngaanyatjarra Land Council. Further work is planned in 2013.

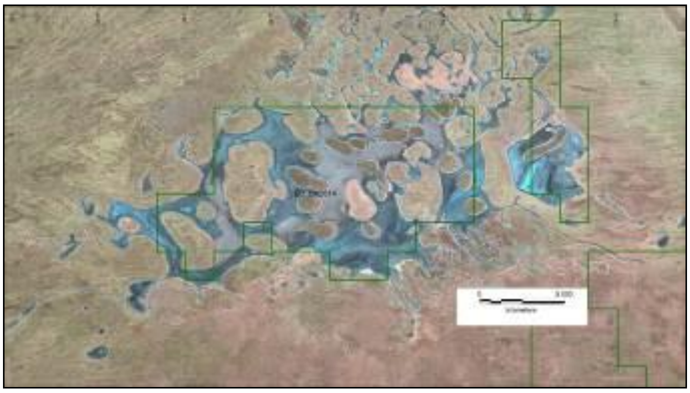

Figure 10: Map of EP69/2814 over Lake Hopkins, WA.

Figure 11: Aerial photo of Lake Hopkins.

NON-FERTILISER MINERAL EXPLORATION

The company continues to explore for base metals, uranium and gold.

ROSS RIVER / ILLOGWA EAST OF ALICE SPRINGS (RUM 100%)

In 2010, the company targeted the historic Tommys Gap copper prospect on EL 24917 and drilled outcropping mineralised gossans which returned disappointing results. In 2011, an airborne geophysical survey highlighted three magnetic anomalies just east of the 2010 drill holes. A smaller bullseye magnetic anomaly lies beneath a high grade hematitic ironstone outcrop (Black Knob) which has produced rock chip assays of 62 and 63% iron. This outcrop and anomaly will be targeted by RC drilling.

Two larger magnetic anomalies located between Black Knob and the 2010 drill holes will also be drill tested and these may provide further clues or be the primary source of mineralisation found in surrounding outcrops which have a maximum copper value of 28.5%, maximum gold value of 3.9 g/t and maximum silver value of 85 g/t. There is also disseminated pyrite and potassic albite alteration present in rock outcrops surrounding and overlying the magnetic anomalies and this may be an alteration halo around primary mineralisation.

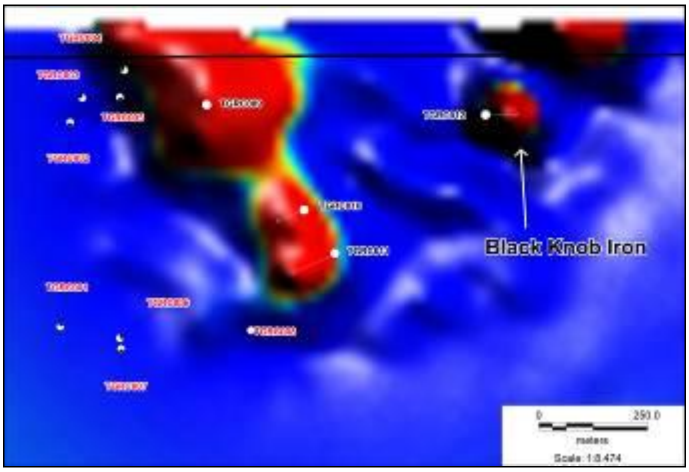

Figure 12: Planned 2012 drill holes. Targeted magnetic anomalies are labelled in black and 2010 drill holes in red to the west. The background image is a Total Magnetic Intensity map.

Figure 13: The Black Knob iron outcrop at Tommys Gap.

Further east, on the boundary of EL 24917 and EL28334, five drill holes are planned at the Mulga Dam uranium prospect (Figure 14) This prospect was found by Rum Jungle Resources in 2010 and contains outcropping low grade uranium mineralisation (100-200 ppm U_3O_8) over a strike length of greater than 500 m. The uranium anomaly continues to the west but is obscured by scree in many places.

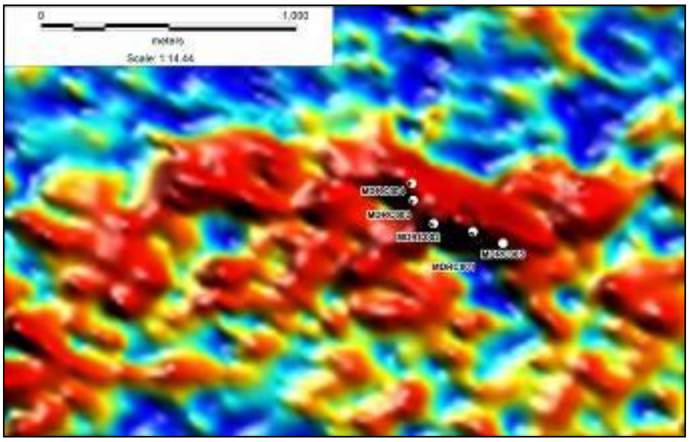

Figure 14: Uranium image of the Mulga Dam anomaly with proposed drill holes.

In the eastern part of EL 24917, a lone intrusion near Cleary Dam (Figure 15) hosts a potential copper-nickel-PGE sulphide system. Exploration reconnaissance and rock chip sampling led to discovery of the outcrop in 2011. The outcrop exhibits a Cu-Ni-PGE-Co-Cr signature. Rock chip results include:

Sample	Easting	Northing	Au ppb	Pt ppb	Pd ppb	Cr ppm	Cu ppm	Ni ppm	Ag ppm	Co ppm
11417	497717	7391128	58	335	586	135	100	130	0.9	5
11418	497636	7390866	29	350	390	1270	12700	3885	0.7	240
11419	497631	7390882	68	370	1200	1680	6250	7665	0.6	315
1420	497635	7390884	33	130	482	1465	24900	4305	0.4	640
1421	497640	7390884	175	35	1500	1815	40700	7845	3	505
1422	497642	7390887	400	75	681	1590	18300	2575	0.4	160
1423	497641	7390885	110	45	3100	1490	4750	3275	0.6	215

Table 5: Rock chip assays from Cleary Dam Cu-Ni outcrop.

Adjacent to the east of EL 24917 is EL 28156 which was also flown with airborne geophysics in 2011. The eastern part of EL 28156 contains a highly magnetic terrain (Figure 15) with a number of structural targets and other isolated anomalies requiring ground and helicopter-assisted sampling. These ground programs will be carried out in the second half of September and October 2012 following the RC drilling program. Our tenement neighbours to the east, Mithril Resources have had recent exploration success highlighting the IOCG potential of this area. A number of Mithril's interpreted structures continue through into EL 28156 and the Bigglesworth prospect is located on the southeast corner of EL 28156.

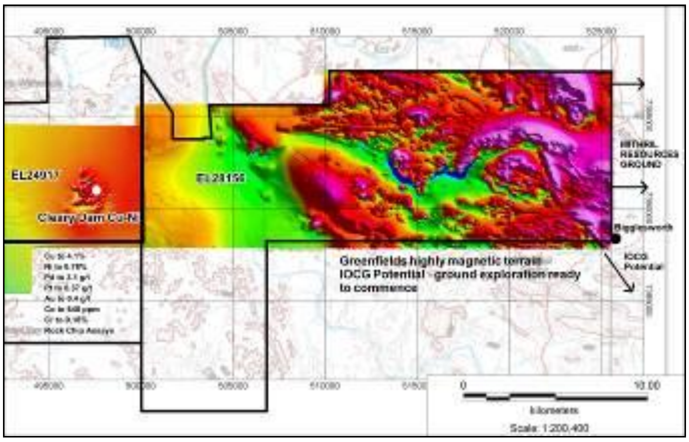

Figure 15: TMI magnetic image highlighting the Cleary Dam intrusion and the potential IOCG magnetic terrain in the eastern half of EL 28156.

TOP END PROJECT

Mount Goyder (southern part RUM 100%, northern part RUM earning 70% from Uranex Limited)

This project is a continuation and extension of Rum Jungle Resources' work near Mt Goyder, which has been an active exploration area for the company since 2008. Mt Goyder itself is an intrusive syenite granite with a halo of sulphide-rich skarn containing sub-economic values of base metals, iron, uranium and rare earth elements. Newmont discovered a gold anomaly to the north in the 1980's, confirming that the area is a complex polymetallic province. A number of gold-bearing outcrops and quartz veins were singled out for drilling by Newmont with fairly erratic results but some good grade intersections were reported. Several gold mines have been worked in the area in recent years by open pit methods, south of the Arnhem Highway at Toms Gully, Rustlers Roost and the Quest deposits. The geological setting is a classic tightly folded structure with well-developed faulting and shearing similar to many gold deposits of the Victorian goldfields.

Rum Jungle Resources is exploring the whole Annaburroo Dome which contains the Donkey Hill gold prospect. Donkey Hill has historically returned gold assays of up to 39.4 g/t from grab samples. Gossanous ironstone veins in the general area have also reported some extremely high gold grades. The Company has just completed a geochemical soil survey of 665 samples over the dome (Figure 16). These are currently being assayed. It is planned to commence drilling once all soil values have been plotted and the work program has been approved.

The Anomaly 7 prospect on EL 23921 was found when previous explorers identified float samples up to 7.94 g/t Au and grab samples up to 30.8 g/t Au. The "Discovery Outcrop" returned 15.8 g/t Au, 875 g/t Ag, and 12.6% Pb from selective sampling. Rum Jungle Resources has drilled the prospect. An aircore drilling program of 33 holes for 1,166 m (including three re-drills/infills) was undertaken. The drilling grid covers a north-south trending, east-dipping major quartz vein set and/or fault on the western edge of the Mount Goyder syenite intrusion. A total of 301 samples have been sent for analysis for Au, Ag and As. Results are awaited.

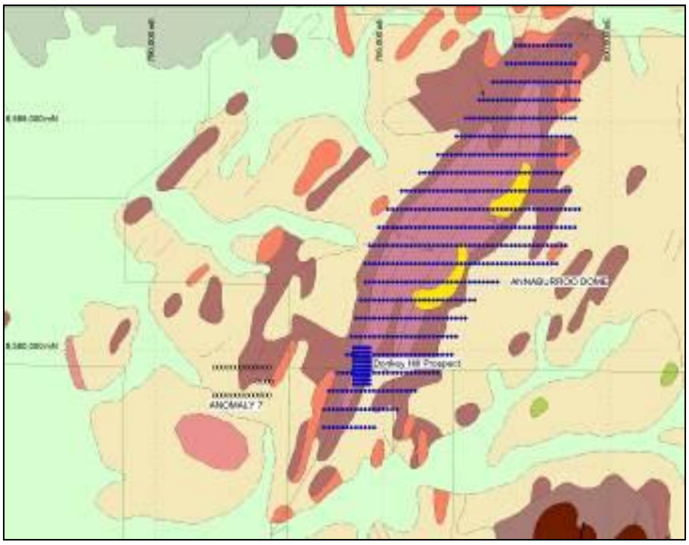

Figure 16: Geological map of the Annaburroo Dome showing the soil sampling grid in blue and the drilling to the west at Anomaly 7.

Mt Bundey (JV with Crocodile Gold, RUM 100% uranium rights)

A 13 hole RC program was completed for 1,284 m to test four prospects. No obvious mineralisation was encountered. However, numerous graphitic black shale intervals were intersected with some containing disseminated pyrite. Assay results are not yet available.

Prospect	Holes	Metres Drilled
Anniversary West	6	599
Anniversary South	2	191
Toms West	4	362
Mervs	1	132

Table 6: Drilling in the Mount Bundey project.

QUEENSLAND - DAJARRA PROJECT (RUM 100%)

The Company holds five granted Exploration Permits in Queensland located south of Mount Isa. These were acquired over a geological unit known as the Eastern Creek Volcanics. This geological formation hosts many uranium and base metal projects further north of Mount Isa. A detailed airborne radiometric and magnetometer survey was completed over all five tenements providing several structural as well as geophysical targets. These were investigated by helicopter survey and ground sampling, leading to a decision to relinquish the tenements and focus on the Northern Territory holdings.

DW Muller MSc, MBA, FAusIMM
Managing Director

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr David Muller, who is a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Muller is Managing Director of Rum Jungle Resources Ltd and an employee of the Company. Mr Muller has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves".

Mr Muller consents to the inclusion in this report on the matters based on their information in the form and context in which it appears.

This document may contain forward-looking statements. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information. Actual values, results or events may be materially different to those expressed or implied.

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