

HEMISPHERE RESOURCES LIMITED

ABN 96 122 074 006



A N N U A L R E P O R T 2 0 1 2

CORPORATE DIRECTORY



DIRECTORS

Paul Boyatzis (Non-Executive Chairman)

Jason Greive (Managing Director)

Dr Mark Elliott (Non-Executive Director)

Tim Fairhead (Non-Executive Director)

COMPANY SECRETARY

Phillip MacLeod

REGISTERED AND BUSINESS OFFICE

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Dear Shareholders,

In 2012, Hemisphere has undergone a significant transition, following a strategic review and reassessment of its exploration prospects and priorities.

During the reporting period, the Board instigated a widespread commercial review of its project portfolio, both to prioritise and rationalise its current suite of exploration projects, and to identify new opportunities and areas for growth.

As a result of the review, the Board made the decision to put a number of its Australian projects on hold, and to surrender some of its low priority tenements. At the same time, it has also opened to the door to new and emerging opportunities, with the acquisition of an exciting new base metals project in East Africa.

In May this year, the Company was pleased to announce the successful acquisition of the Katamatoma tenements in Tanzania, following the assessment of a number of project opportunities, both in Australia and Africa. The Board believes the Katamatoma tenements, and Tanzania in general, present an ideal entry point into East Africa and an opportunity to exploit senior management's extensive East African experience and networks.

Tanzania has an attractive mineral policy and considerable, and as yet under-explored, mineral endowment. Its mining sector has attracted significant private sector investment in the past two decades, including major mining houses such as AngloGold Ashanti and African Barrick Gold.

Looking ahead, Hemisphere will continue to expand its geographic footprint, and is currently pursuing scalable projects and other growth opportunities in Tanzania and Eastern Africa. Our strategy is to leverage the Company's strong cash position and its extensive experience, knowledge and networks in this region. Importantly, we have, and will continue to consider suitably prospective projects in various established and emerging mining centres worldwide.

A number of additional projects have already been assessed, and the Company has amassed a significant database of geological and geophysical data which is allowing it to target prospective areas for tenement acquisition. I look forward to keeping shareholders informed on progress in this regard.

While we are actively looking for opportunities to expand, we have also made some hard decisions to put a number of Hemisphere's Pilbara iron ore projects on hold. This includes the Yandicoogina project, where the Company had been hoping to move toward production over the coming years.

This decision to step back from the Yandicoogina project at this time followed a thorough exploration and commercial review, which showed low potential to scale the project's resource to commercially viable proportions. At the end of this process, which also included assessment of multiple commercialisation options, the Board determined that it could not justify further expenditure on these projects, and that the Company would be better served by investing its capital elsewhere.

The Company has also recently surrendered a number of its low priority Australian tenements in order to minimise carry costs and allow it to focus on higher priority projects.

LETTER FROM THE BOARD (cont'd)



While the outcome of the review process is not what we would have hoped, in the business of exploration the efficient assessment and elimination of projects is a core practice, to focus our resources on the evaluation of those opportunities where there is greatest potential to deliver value for our shareholders. With a healthy cash position and a strong Board with a broad range of resources industry experience I believe we are well positioned to seize these opportunities.

I am pleased to report that during the year under review the Board has been further strengthened with the addition of two new members, Managing Director Jason Greive, and Non-executive Director Tim Fairhead. Both appointments add to the depth and range of expertise within Hemisphere, with Mr. Greive in particular bringing considerable knowledge of the African resources sector. On behalf of shareholders, I would like to thank Danny Costick, who stepped down as Managing Director in January, for his significant contribution to the Company.

Finally, I would like to thank shareholders for their support during the past twelve months. While the past year has had its challenges, your Board believes that the difficult decisions made during this period will allow us to firmly focus on the new opportunities that lie ahead.



Paul Boyatzis

Chairman



AFRICAN EXPLORATION

Katamatoma, Tanzania

In May 2012 Hemisphere acquired the Katamatoma base metals project in the Kagera region of North-Western Tanzania. The project comprises 1,128km² of contiguous exploration tenements, located approximately 20km West of Lake Victoria, extending westwards to within 30km East of the Rwandan border. The project is prospective for copper, nickel, and cobalt. The tenements are currently in the process of renewal.

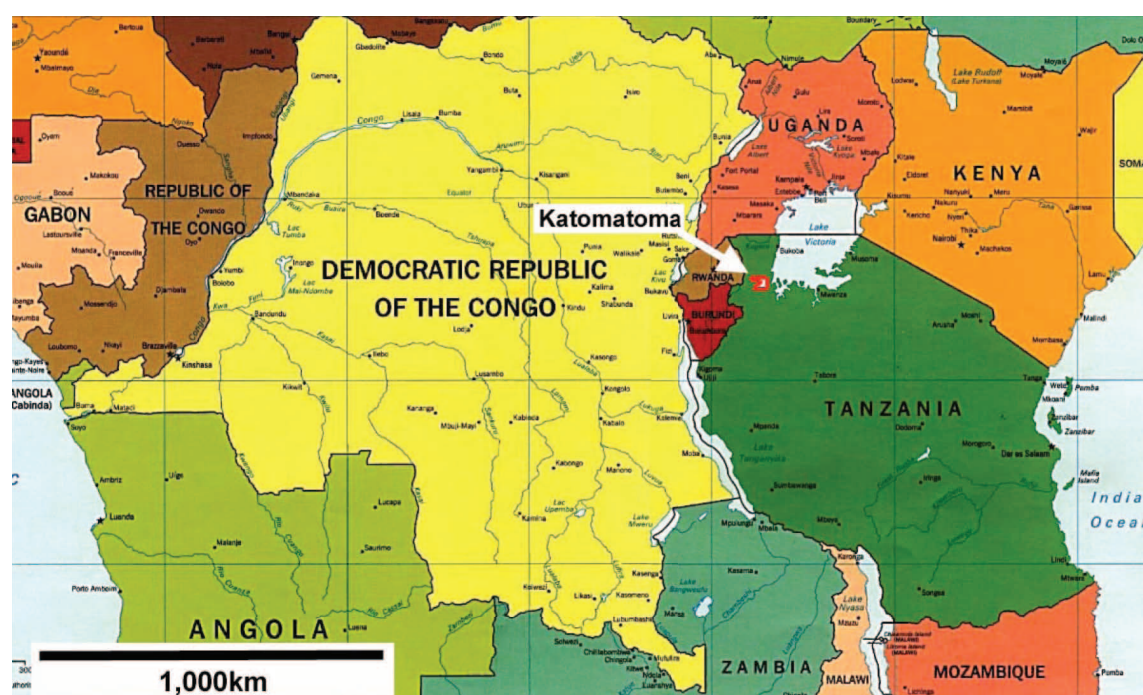


Figure 1: Location of Katamatoma in north-western Tanzania.

Geology

The geology of north-western Tanzania is dominated by the Kibaran Orogenic belt, a mountain belt developed between the Archaean Tanzanian and Congo Cratons. The orogenic belt is divided by a significant geological thrust fault that marks the contact between the Karagwe-Ankolean and Bukoban tectonic units.

The Karagwe-Ankolean units represent prime nickel, cobalt, and PGE exploration targets and form part of the Kabanga-Musongati belt that extends at least 350km from northern Tanzania into Burundi. Other minerals present in the sedimentary rocks within these systems may include molybdenum, zinc, and copper, hosted as stratiform deposits within the sedimentary units.

The Bukoban units consist of layered sedimentary rocks, and are prime exploration targets for stratiform copper, cobalt, and silver deposits within shale horizons. The geological setting is similar to where copper mineralisation is found in the Central African Copper belt, which runs through Zambia, the DRC and into Southwestern Uganda.



The Katamatoma tenement area spans significantly either side of the thrust fault and therefore contains significant areas of ground in both the Karagwe-Ankolean units and the Bukoban units. The tenement is therefore prospective for a range of commodities and styles of mineralisation.

The Tanzanian Geological Survey has identified copper, nickel and cobalt mineral occurrences within the boundary of the Katamatoma tenement, as well as mineral occurrences along strike from the tenement boundaries in similar geological settings.

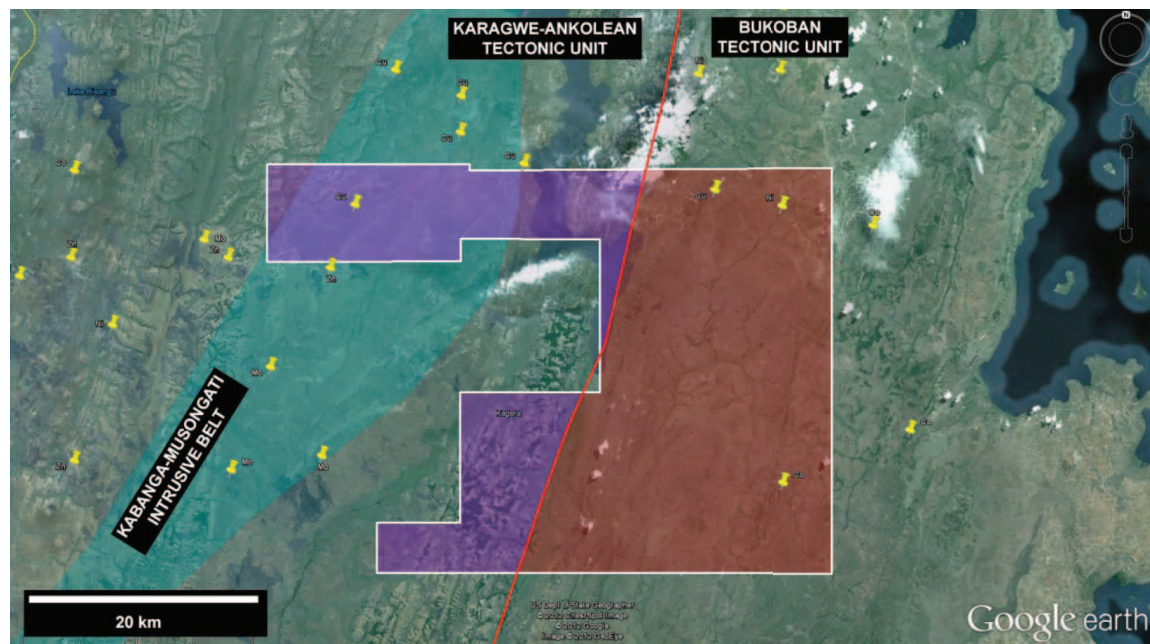


Figure 2: Structural Geology at Katamatoma, showing the tectonic units and mineral occurrences underlying the tenement.

Exploration Work

The styles of mineralisation being explored by Hemisphere at Katamatoma are nickel deposits associated with ultramafic intrusives, and stratiform copper-cobalt deposits within sedimentary sequences.

A Preliminary desk-top study of the Katamatoma project area utilising low resolution aeromagnetic data from the Tanzanian Geological Survey was carried out by Hemisphere's consultants in Australia, to identify specific areas for higher resolution aeromagnetic surveys. The geophysics review, combined with Tanzanian Geological Survey mapping, has reduced the tenement footprint and successfully highlighted selected areas that warrant further evaluation.

Forward exploration work will comprise various exploration techniques including airborne hyperspectral mineral mapping to identify areas of alteration related to potential base metal mineralisation, and high resolution airborne geophysics.

The airborne geophysical and hyperspectral surveys will facilitate the efficient generation of geophysical and mineralogical maps for use in the field for ground truthing and geochemical sampling. This will focus ground exploration efforts and further rationalise the land area under assessment. The ultimate aim is to generate and test a number of anomalies through ground-based field evaluation, geochemical sampling, and subsequent drill testing.



AUSTRALIAN EXPLORATION - PILBARA IRON ORE

Yandicoogina

During the year, Hemisphere undertook a comprehensive review of the Yandicoogina project to assess available commercialisation options. The process included a detailed review of exploration and field observations, as well as economic and commercial analysis, with the engagement of independent advisors to undertake complex financial modeling. The commercial analysis covered a range of corporate and transactional outcomes, with the conclusion that no material opportunities existed to realize the potential value for shareholders.

These findings were further reinforced by the exploration review, which revealed low potential to significantly expand the current ore resource through discovery of additional channel iron mineralisation or hematite ore on the project tenements. As a result of these findings, and against the backdrop of the current, challenging macro-economic environment, the Company is unable to justify any further development of the Yandicoogina project at this time.

Hemisphere had been progressing the Yandicoogina South project with a view to potential production. Work undertaken during the period included an 800m RC drilling program, heritage clearances, early pre-feasibility work and preliminary discussions with potential off-take and synergy partners. Although this work has been halted the Company will retain the tenements for future re-evaluation should market conditions warrant.

JORC Classification	Fe Cut-Off %	Million Tonnes	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI_950°C %	Calc Fe %
Indicated	50	4.275	55.8	7.7	3.3	0.07	8.9	61.3
Including a higher grade zone of	50	1.876	58.0	5.8	2.8	0.08	8.1	63.1

Table 1: JORC-Compliant Resource Report for the Yandicoogina South Resource Model.

Mt Goldsworthy

During the year, the Company undertook a full review of the Mount Goldsworthy tenement. This included work completed by a number of previous holders, the cumulative results from Hemisphere's own aeromagnetic study, ground gravity modelling, ground-truthing, and field mapping conducted during 2011. The geophysical modelling initially generated a number of anomalies for further evaluation. However, cross referencing previous exploration work with recent field mapping and ground-truthing reduced the potential of these anomalies to significant iron mineralisation.

The Company believes that it is unlikely to get a return on the expense associated with heritage, drilling, and rehabilitation if it drill-tested targets of this size. The Goldsworthy tenement will be retained as other commercialisation opportunities are considered.



Hancock Range

At Hancock Range comprehensive metallurgical test work was completed in July 2012 to assess the potential for magnetite concentrate generation. The test work program involved processing the entire core into 10 metre composites. Standard Davis Tube tests were used to investigate magnetite concentrate grades and magnetite yield to concentrate.

The test work demonstrated that the Hancock Range BIF responded well to upgrading through coarse cobbing and that competitive concentrate grades could be achieved, averaging in excess of 68% Fe. However, the tests yielded an average 40% iron recovery and 17% mass, which is considered too low to be commercially viable. Based on the uniformity of the BIF at Hancock Range, the Company believes that similar metallurgical results would be obtained along its entire strike length and therefore drilling elsewhere on the tenement for further magnetite test work is not warranted.

The potential for outcropping and concealed hematite enrichment on the tenement is low. In light of these findings and in the absence of further drill targets, minimal further work can be justified at this time. The Hancock Range tenement will be retained in the interim pending further notice.

Mount Tinstone

Additional rock-chip analysis at Mount Tinstone (E45/3188) showed the mineralisation was lower grade and of limited tonnage, with a relatively thin, immature CID forming a 0 to 3m blanket over granite mesas spanning the Great Northern Highway 105km south of Port Hedland.

Given the field observations made resource drilling is not warranted on Mount Tinstone. The tenement will be held while commercialisation options are considered for the entire iron ore tenement portfolio.

Gardiner Range

The Gardiner Range Project Area increased with the granting of two tenements and the total package now consists of four tenements (E80/4229, E80/4300, E80/4402, and E80/4403). The Company intends to actively explore this area near the Northern Territory border for gold and Rare Earth Elements (REE). After the end of the reporting period an airborne hyperspectral survey was commenced over the tenement area to generate mineral maps for the ground surface. These will form base-maps for ground-truthing mineralogical alteration to identify potential alteration pathways that have resulted in economic accumulations of various minerals.

The Gardiner Range tenement package will be actively managed with a view to returning shareholder value on exploration expenditure.

Lakeside

The Lakeside tenement group (comprising E21/136, E21/148, E21/149, E21/150, E59/1659, and E59/1684) was surrendered and the Company no longer has an interest in this ground. Reviews of work by previous tenement holders combined with work completed by Hemisphere showed the ground had been assessed for all commodities and failed to deliver significant results. Attempts to divest the tenement package proved unsuccessful.



Sandstone

The Sandstone tenement group (comprising E36/747, E57/720, E57/721, E57/722, E57/781, E57/782, E57/846, and E57/847) was surrendered following unsuccessful attempts to divest the tenement package. On-ground review of previous soil sampling indicated anomalous uranium values were due to bioaccumulation on the lake surface, not with uranium-bearing minerals. The tenements were also affected by a large heritage site requiring Section 18 heritage approval prior to disturbance. Given the high costs associated with drill-testing and the improbability of gaining approval to mine any identified resource there was no development pathway to commercialisation for the tenements.

Mount Phillips

Interpretation of results from Hyvista hyperspectral mapping conducted during 2011 supported rationalising this tenement package since they precluded the potential for uranium mineralisation on E09/1814, which was subsequently relinquished. On E09/1752 the work generated various mineral maps, and yielded an area of interest over an interpreted alkaline intrusive. The tenement was significantly reduced in size to cover this anomaly, and further work during 2012-2013 will include surface rock-chip sampling to assess for RRE mineralisation.

Kalgoorlie Tenements

The Kalgoorlie tenements are located approximately 70km north of Kalgoorlie, near the historical Gindalbie gold mining centre. During the year, the group of tenements (comprising E27/384, E27/392, E27/393, E27/433, and E31/931) were offered to interested parties with tenements in the region after tenement reviews showed them to be explorationally mature and well-tested. The tenements were subsequently divested to Pioneer Resources Limited, which has a substantial land holding in the area.

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Hassall, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Hassall is a full-time employee of Hemisphere Resources. Mr Hassall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hassall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



The directors present their report together with the financial report of the Group consisting of Hemisphere Resources Limited ("the Company") and the entities it controlled for the financial year ended 30 June 2012 and the auditor's report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Paul Boyatzis – Chairman, Non-executive Director, appointed 6 October 2006.

B. Bus, ASA, MSDIA

Mr Boyatzis has over 25 years' experience in the investment and equity markets, particularly with emerging growth companies in the Mining and Industrial sectors.

Mr Boyatzis is a member of the Australian Institute of Company Directors and the Securities and Derivatives Industry Association. Paul has served as Chairman and Director of a number of public and private companies globally.

Mr Boyatzis is a director of Transaction Solutions International Limited, Ventnor Resources Limited and Aruma Resources Limited. During the past three years Mr Boyatzis has not served as a director of any other listed company.

At the reporting date Mr Boyatzis is the holder of 7,898,566 ordinary shares.

Jason Greive – Managing Director, appointed 23 January 2012.

B. Sc, MAusIMM

Mr Greive holds a Bachelor of Science with a Double Major in Metallurgy and Chemistry. He has held a wide range of senior operational, project development and corporate roles within the mining industry in Australia and internationally in Scandinavia and Africa.

Mr Greive is experienced in the development and management of operations in commodities ranging from precious & base metals to iron ore and has served in such positions for major mining houses such as Rio Tinto and Barrick Gold Corporation. He brings a significant depth of experience in the development and management of mine site operations, processing plants, power generation, extractive metallurgy, business performance management, environmental management and project evaluation.

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

At the reporting date Mr Greive is the holder of 7,500,000 unlisted options over ordinary shares.

Dr Mark Elliott – Non-Executive Director, appointed 6 October 2006.

Dip App Geol, PhD, FAICD, FAusIMM(CPGeo), FSEG, FAIG

Dr Elliott is a chartered professional geologist with over 35 years' experience in the resources industry. He has extensive experience in managing resource companies in a wide range of commodities.

Dr Elliott has a Diploma in Applied Geology (1973) from the Ballarat School of Mines, a Doctor of Philosophy Degree (1979) from the University of New South Wales. He is a qualified Company Director having completed the Company Directors course Diploma awarded by the University of Sydney Graduate School of Business in 1996. He is a Fellow of the Australian Institute of Company



Directors, Australasian Institute of Mining and Metallurgy, Society of Economic Geologists and the Australian Institute of Geoscientists.

Dr Elliott is Executive Chairman of geothermal developer Hot Rock Limited.

During the past three years Dr Elliott was a director of China Yunnan Copper Australia Limited and Enterprise Energy Limited.

At the reporting date Dr Elliott is the holder of 751,600 ordinary shares.

Tim Fairhead – Non-Executive Director, appointed 23 January 2012.

B. Bus, MBA, FFIN, FCIS

Mr Fairhead commenced his career in China working with the Australian government and then holding senior positions with the Fosters Group.

Since returning to Australia he has worked with a number of domestic investment banks and boutique corporate advisory groups. More recently he has served as in-house M&A advisor to a major Perth-based conglomerate and held the position of General Manager of Marketing for Brockman Resources Limited.

Mr Fairhead holds a Bachelor of Business and Masters of Business Administration. He is a Fellow of the Financial Services Institute of Australasia and a Fellow of the Institute of Chartered Secretaries and Administrators.

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

At the reporting date Mr Fairhead is the holder of 2,250,000 unlisted options over ordinary shares.

Danny Costick – Managing Director, appointed 6 October 2006, resigned as Managing Director 23 January 2012, resigned as Non-Executive Director 27 March 2012.

B.Eng.Msc

Mr Costick has valuable and varied experience in the mining industry, and has been involved in the operation and management of mines throughout Australia and internationally. His roles have included all aspects of mine development and production, feasibility studies and project evaluation.

Mr Costick is a graduate of the Western Australian School of Mines, having completed his Mining Engineering Qualifications in 1991 and his Mineral Economics Master's Degree in 1999.

During the past three years Mr Costick has served as a director of Aruma Resources Limited.

Phillip MacLeod – Company Secretary, appointed 6 October 2006

B. Bus, ASA

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



2. DIRECTORS' MEETINGS

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

Director	Meetings held	Meetings attended
Paul Boyatzis	3	3
Jason Greive	1	1
Mark Elliott	3	3
Tim Fairhead	1	1
Danny Costick	2	2

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

3. REMUNERATION REPORT (Audited)

3.1 Principles of compensation (audited)

Remuneration is referred to as compensation throughout this report.

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

Remuneration levels for key management personnel and other staff of the company are competitively set to attract and retain appropriately qualified and experienced directors and executives and take account of factors such as length of service, particular experience and expertise. The directors obtain independent advice on the appropriateness of compensation packages of the company given trends in comparative local companies and the objectives of the company's compensation strategy. Non-executive directors receive a fixed fee plus statutory superannuation, if applicable. The Chairman receives a fixed fee of \$84,000 per annum. Currently key management personnel remuneration is not dependent on the satisfaction of any performance condition.

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

3.2 Directors' and senior executives' remuneration (audited)

Details of the nature and amount of each major element of remuneration of each director of the Company and named executives of the Company receiving the highest remuneration are shown in Tables 1 to 3 on pages 12 to 14.

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

There were 9,950,000 share options over unissued shares granted to Directors and senior executives during the year (2011: none).



Details of options granted are shown below:

Hemisphere Resources Limited	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Option series No.1	200,000	16 March 2012	6 March 2015	0.195	12,877
Option series No.2	2,500,000	28 March 2012	23 July 2015	0.186	173,409
Option series No.3	3,250,000	28 March 2012	23 Jan 2016	0.199	237,406
Option series No.4	4,000,000	28 March 2012	23 July 2016	0.211	305,841

The inputs to the options valuation were the following:

	Series No. 1	Series No.2	Series No.3	Series No.4
Dividend yield (%)	n/a	n/a	n/a	n/a
Expected volatility (%)	100	100	100	100
Risk-free interest rate (%)	3.80	3.61	3.61	3.61
Expected life of option (years)	3.00	3.33	3.82	4.33
Exercise price (cents)	19.5	18.6	19.9	21.1
Grant date share price (cents)	12.0	12.0	12.0	12.0

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

3.4 Service agreements (audited)

The Company has an Executive Service Agreement with Mr Jason Greive, Managing Director. The agreement has no fixed term and is subject to annual review. The agreement may be terminated without cause at such earlier date with three months' notice from either party. Mr Greive receives an annual salary of \$350,000 plus statutory superannuation effective 23 January 2012. The Company may elect to pay 3 months' base salary and superannuation in lieu of notice.

The agreement also provides for the following expatriation benefits:

- Accommodation allowance for the purpose of residing in Tanzania up to a maximum allowance of US\$1,500 per month
- Air travel for family, including return business class air fares on relocation to Tanzania with an additional travel allowance of one economy class air fare per family member per year spent in-country
- Use of company vehicle, and fuel provided for business use and
- All reasonable repatriation costs including relocation of effects on commencement and completion of assignment.

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

Mr Schwann's remuneration consists of \$250,000 per annum base salary (increased from \$200,000 on 1 August 2011) plus statutory superannuation and provision of a laptop computer and mobile phone. Remuneration is reviewed every twelve months.

Aruma may elect to pay 3 months' base salary and superannuation in lieu of notice.

Table 1: Details of the nature and amount of each major element of remuneration of each director and named executives of the Parent entity, Hemisphere Resources Limited, receiving the highest remuneration are:

Hemisphere Resources Limited	Short-term				Post- employment	Other long term	Termination benefit \$	Share- based payments	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
	Salaries & fees \$	Cash bonus \$	Non- monetary benefits \$	Total							
Non-executive directors											
Mr P Boyatzis	2012	84,000	-	-	-	-	-	-	84,000	-	-
	2011	84,000	-	-	-	-	-	-	84,000	-	-
Dr M Elliott	2012	40,000	-	-	-	-	-	-	40,000	-	-
	2011	40,000	-	-	-	-	-	-	40,000	-	-
Mr T Fairhead	2012	22,066	-	-	-	-	-	60,521	82,587	39.18	73.28
Appointed 23 Jan 2012											
Executive director											
Mr J Greive*	2012	234,732	-	-	16,031	-	-	215,487	466,250	-	46.21
Appointed 23 Jan 2012											
Mr D Costick**	2012	258,333	-	-	18,750	-	-	-	277,083	-	-
Resigned 27 Mar 2012	2011	208,333	-	-	18,749	-	-	-	227,082	-	-
Company secretary											
Mr P MacLeod	2012	39,500	-	-	-	-	-	12,877	52,377	-	24.59
	2011	32,500	-	-	-	-	-	-	32,500	-	-
Total	2012	678,631	-	-	34,781	-	-	288,885	1,002,297	3.23	28.82
	2011	364,833	-	-	18,749	-	-	-	383,582	-	-

*Includes salaries and fees of \$80,269 and superannuation of \$2,129 paid to Mr Greive whilst employed as General Manager – Project Development between 1 July 2011 and 22 January 2012 prior to his appointment as Managing Director

** Included in salaries and fees paid to Mr Costick are consulting fees of \$42,236

Table 2: Details of the nature and amount of each major element of remuneration of each director and named executives of the controlled entity, Aruma Resources Limited, receiving the highest remuneration are:

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

*Included in salaries and fees paid to Mr Costick are consulting fees of \$20,383

Table 3: Details of the nature and amount of each major element of remuneration of each director and named executives of the Group receiving the highest remuneration are:

Consolidated	Short-term				Post-employment	Other long term	Termination benefit \$	Share-based payments	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
	Salaries & fees \$	Cash bonus \$	Non-monetary benefits \$	Total	Super-annuation benefits \$	\$		Options and rights \$			
Non-executive directors											
Mr P Boyatzis	2012	156,000	-	-	156,000	-	-	-	156,000	-	-
	2011	151,080	-	-	151,080	-	-	-	151,080	-	-
Dr M Elliott	2012	40,000	-	-	40,000	-	-	-	40,000	-	-
	2011	40,000	-	-	40,000	-	-	-	40,000	-	-
Mr T Fairhead	2012	22,066	-	-	22,066	-	-	60,521	82,587	39.18	73.28
Appointed 23 Jan 2012											
Mr K K Chong	2012	27,000	-	-	27,000	-	-	-	27,000	-	-
Appointed 1 Feb 2011	2011	10,000	-	-	10,000	-	-	-	10,000	-	-
Executive directors											
Mr J Greive	2012	234,732	-	-	234,732	16,031	-	215,487	466,250	-	46.21
Appointed 23 Jan 2012											
Mr D Costick	2012	308,333	-	-	308,333	20,550	-	-	328,883	-	-
Resigned 27 Mar 2012	2011	246,086	-	-	246,086	22,147	-	-	268,233	-	-
Mr P Schwann	2012	246,028	-	-	246,028	22,143	-	-	268,171	-	-
	2011	183,333	-	-	183,333	16,500	-	-	199,833	-	-
Executives											
Mr P MacLeod	2012	75,500	-	-	75,500	-	-	12,877	88,377	-	14.57
	2011	68,500	-	-	68,500	-	-	-	68,500	-	-
Total	2012	1,109,659	-	-	1,109,659	58,724	-	288,885	1,457,268	2.22	19.82
	2011	698,999	-	-	698,999	38,647	-	-	737,646	-	-



4. SHARE OPTIONS

Unissued shares under option

There are 10,450,000 options over unissued shares in Hemisphere Resources Limited.

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

Share options lapsed

There were no options in Hemisphere Resources Limited (2011: no options) which lapsed or expired during the year.

There were 4,000,000 options in Aruma Resources Limited (2011: no options) which lapsed or expired during the year.

Share options issued

There were 10,450,000 options over unissued shares in Hemisphere Resources Limited issued during the year (2011: nil). Details of the options are disclosed under section 3.3 of the directors' report.

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

Shares issued on exercise of options

There were no ordinary shares issued as a result of the exercise of options during the year (2011: none).

5. PRINCIPAL ACTIVITY

The principal activity of the Group during the course of the year was mineral exploration in Australia and East Africa.

6. FINANCIAL REVIEW

The Group made a loss after tax for the year of \$4,015,035 (2011: \$4,153,474). The Group had cash and term deposit balances at 30 June of \$10,070,156 a decrease of \$2,910,793 on the prior year.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTOR'S REPORT



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

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

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

9. LIKELY DEVELOPMENTS

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

10. DIRECTORS' AND EXECUTIVES' INTERESTS

The relevant interest of each director and executive in the shares and options of the company and its subsidiaries as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Hemisphere Resources Ltd: ordinary shares	Hemisphere Resources Ltd: options over ordinary shares	Aruma Resources Ltd: ordinary shares	Aruma Resources Ltd: options over ordinary shares
Directors				
Mr P Boyatzis	7,898,566	-	1,739,079	-
Mr J Greive	-	7,500,000	-	-
Dr M Elliott	751,600	-	-	-
Mr T Fairhead	-	2,250,000	-	-
Mr K K Chong	-	-	200,000	-
Executives				
Mr P Schwann	142,000	-	1,581,677	-
Mr P MacLeod	150,000	200,000	50,000	-



11. ENVIRONMENTAL REGULATIONS

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

12. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

13. NON-AUDIT SERVICES

During the year Nexia Perth Audit Services Pty Ltd (formerly known as MGI Perth Audit Services Pty Ltd), the Group's auditor, has performed certain other services in addition to their statutory duties.

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

DIRECTOR'S REPORT



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

	2012 \$	2011 \$
Audit and review of financial reports	77,434	62,349
Taxation services	16,450	2,200
	93,884	64,549

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

The auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 19.

15. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of directors there were no significant changes in the state of affairs of the Group that occurred during the year other than as previously disclosed in this report.

Signed in accordance with a resolution of the directors:

P Boyatzis

Chairman

Perth

Dated 28th September 2012

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

To the directors of Hemisphere Resources Limited

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

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

AMAR NATHWANI CA B. ENG
Director

28 September 2012
Perth

Nexia Perth Audit Services Pty Ltd

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Independent member of Nexia International



Nexia Perth Audit Services Pty Ltd is an independent Western Australian firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

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



	Note	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Revenue from continuing operations	3	799,445	118,032
Exploration expenditure expensed as incurred		(2,560,266)	(3,091,173)
Employee benefits		(101,847)	(119,864)
ASX and regulatory expenses		(58,940)	(56,630)
Depreciation	15	(44,703)	(30,292)
Directors' fees		(947,867)	(669,147)
Impairment of assets		(55,925)	(203,125)
Insurance		(42,100)	(35,086)
Legal and professional fees		(349,646)	(193,455)
Travel expenses		(114,136)	(102,528)
Occupancy expenses		(168,523)	(154,363)
Share-based compensation		(321,077)	-
Other expenses		(661,388)	(399,846)
Loss from operating activities	4	(4,626,973)	(4,937,477)
Financial income		613,953	786,246
Financial expenses		(2,015)	(2,243)
Net financing income	5	611,938	784,003
Loss before income tax		(4,015,035)	(4,153,474)
Income tax expense	8	-	-
Loss for the year		(4,015,035)	(4,153,474)
Other comprehensive income			
Net change in the fair value of assets		(3,125)	(10,000)
Amount transferred to statement of comprehensive income		3,125	3,125
Other comprehensive income for the year net of tax		-	(6,875)
Total comprehensive income for the year		(4,015,035)	(4,160,349)
Total comprehensive loss attributable to			
Owners of the Company		(3,326,723)	(3,583,249)
Non-controlling interests		(688,312)	(577,100)
Total comprehensive loss for the year		(4,015,035)	(4,160,349)
Loss per share			
Basic and diluted loss per share	7	4.73 cents	5.09 cents

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012



	Note	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Current Assets			
Cash and cash equivalents	10	5,810,402	10,960,949
Trade and other receivables	11	444,340	384,203
Term deposit investments	12	4,259,754	2,020,000
Other assets	13	79,523	74,625
Total current assets		<u>10,594,019</u>	<u>13,439,777</u>
Non-current assets			
Available-for-sale assets	14	3,125	6,250
Plant and equipment	15	110,843	122,672
Deferred exploration expenditure	16	598,474	401,719
Total non-current assets		<u>712,442</u>	<u>530,641</u>
Total assets		<u>11,306,461</u>	<u>13,970,418</u>
Current liabilities			
Trade and other payables	17	394,879	385,510
Provisions	18	62,866	38,804
Total current liabilities		<u>457,745</u>	<u>424,314</u>
Total liabilities		<u>457,745</u>	<u>424,314</u>
Net assets		<u>10,848,716</u>	<u>13,546,104</u>
Equity			
Issued capital	19	17,182,333	17,182,333
Reserves	20	3,417,215	3,293,486
Accumulated losses	21	(11,181,357)	(8,227,700)
Total equity attributable to equity holders of the Company		<u>9,468,191</u>	<u>12,248,119</u>
Non-controlling interest		<u>1,380,525</u>	<u>1,297,985</u>
Total equity		<u>10,848,716</u>	<u>13,546,104</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2012



	Note	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Cash flows from operating activities			
Receipts from customers		784,398	22,738
Interest received		677,062	750,815
Interest paid		(2,015)	(2,243)
Exploration expenditure		(2,761,136)	(3,079,612)
Payments to suppliers and employees		(2,338,288)	(1,590,377)
Net cash used in operating activities	27(b)	(3,639,979)	(3,898,679)
Cash flows from investing activities			
Mining tenement expenditure		(159,555)	(50,224)
Payments for purchase of plant and equipment		(32,874)	(96,981)
Gain on acquisition of subsidiary, net of cash acquired		15,047	-
Proceeds from term deposit investments		-	7,000,000
Payment for term deposit investments		(2,239,754)	(2,020,000)
Net cash provided by/(used in) investing activities		(2,417,136)	4,832,795
Cash flows from financing activities			
Proceeds from the issue of shares to non-controlling shareholders of subsidiary		948,500	1,722,200
Costs of capital raising		(41,932)	(322,860)
Net cash provided by financing activities		906,568	1,399,340
Net increase/(decrease) in cash and cash equivalents		(5,150,547)	2,333,456
Cash and cash equivalents at 1 July		10,960,949	8,627,493
Cash and cash equivalents at 30 June	27(a)	5,810,402	10,960,949

The accompanying notes form part of these financial statements.

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



	Issued capital	Accumulated losses	Available -for-sale asset reserve	Share-based payment reserve	Other reserve	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
30 June 2012							
Balance at 1 July 2011	17,182,333	(8,227,700)	-	373,066	2,920,420	1,297,985	13,546,104
<i>Total comprehensive loss for the year</i>							
Loss for the year	-	(3,326,723)	-	-	-	(688,312)	(4,015,035)
<i>Other comprehensive income</i>							
Change in the fair value of available-for-sale financial assets	-	-	3,125	-	-	-	3,125
Impairment of available-for-sale financial assets	-	-	(3,125)	-	-	-	(3,125)
Total comprehensive loss for the year	-	(3,326,723)	-	-	-	(688,312)	(4,015,035)
Transactions with owners of the company recognised directly in equity			-				
Share-based payment transaction	-	-	-	321,077	-	-	321,077
Expiry of options	-	373,066	-	(373,066)	-	-	-
Total comprehensive loss for the year	-	373,066	-	(51,989)	-	-	321,077
<i>Changes in ownership interests in subsidiaries</i>							
Change in ownership interests that do not result in loss of control	-	-	-	-	225,718	770,852	996,570
Total transactions with owners of the Company	-	373,066	-	(51,989)	225,718	770,852	1,317,647
Balance at 30 June 2012	17,182,333	11,181,357	-	321,077	3,146,138	1,380,525	10,848,716

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012



	Issued capital	Accumulated losses	Available for sale asset reserve	Share- based payment reserve	Other reserve	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
30 June 2011							
Balance at 1 July 2010	17,152,648	(4,651,326)	6,875	373,066	-	-	12,881,263
<i>Total comprehensive loss for the year</i>							
Loss for the year	-	(3,576,374)	-	-	-	(577,100)	(4,153,474)
<i>Other comprehensive income</i>							
Change in the fair value of available-for-sale financial assets	-	-	(10,000)	-	-	-	(10,000)
Impairment of available-for-sale financial assets	-	-	3,125	-	-	-	3,125
Total comprehensive loss for the year	-	(3,576,374)	(6,875)	-	-	(577,100)	(4,160,349)
Transactions with owners of the company recognised directly in equity							
Issue of shares to acquire tenements	42,800	-	-	-	-	-	42,800
Share issue costs	(13,115)	-	-	-	-	-	(13,115)
Total comprehensive loss for the year	29,685	-	-	-	-	-	29,685
<i>Changes in ownership interests in subsidiaries</i>							
Change in ownership interests that do not result in loss of control	-	-	-	-	2,920,420	1,875,085	4,795,505
Total transactions with owners of the Company	29,685	-	-	-	2,920,420	1,875,085	4,825,190
Balance at 30 June 2011	17,182,333	(8,227,700)	-	373,066	2,920,420	1,297,985	13,546,104

The accompanying notes form part of these financial statements.



1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

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

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

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

The financial statements were authorised for issue by the directors on 28th September 2012.

(b) Basis of Preparation

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

(c) Adoption of New and Revised Accounting Standards

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Australian Accounting Standard	Title	Mandatory Application Date	Possible Impact
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	These amendments make a number of changes to the presentation of other comprehensive income including presenting separately those items that would be reclassified to profit or loss in future and those that would never be reclassified to profit or loss and the impact of tax on those items
AASB 9	Financial Instruments (December 2010) (Includes financial assets and financial liability	1 January 2013	In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments.
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)		The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9.
AASB 9	Financial Instruments (December 2009) (Financial asset requirements only)		AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset.
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9		The guidance in AASB 139 on impairment of financial assets and on hedge accounting continues to apply. The IASB has deferred the application date of IFRS 9 until 1 January 2015, however the AASB has yet to issue a corresponding amendment to AASB 9(2010) and AASB 9 (2009).
AASB 10	Consolidated Financial Statements	1 January 2013	AASB 10 introduces a new approach to determining which investee should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.



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



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



IFRSs & IFRICs	Mandatory Application Date	Possible Impact
Change in mandatory effective date for IFRS 9	1 January 2015	The IASB has deferred the mandatory effective date of IFRS 9 from 1 January 2013 to 1 January 2015. IFRS 9 is still available for early adoption.
Transition Guidance for IFRS 10, IFRS 11 and IFRS 12	1 January 2013	The IASB have issued these amendments to IFRS 10 and IFRS 11 to simplify transition and provide relief from the disclosures in respect of unconsolidated structured entities on transition to the suite of consolidation standards.

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(d) Basis of Consolidation

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

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

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

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

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



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

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

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

(e) Revenue Recognition

Interest revenue

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

Research & Development

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

(f) Plant & Equipment

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- | | | |
|-------|--------------------------------|--------------|
| (i) | office furniture and equipment | 4 to 7 years |
| (ii) | computer software | 2.5 years |
| (iii) | computer hardware | 4 years |
| (iv) | exploration equipment | 7 years |
| (v) | leasehold improvements | 6 years |

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



(g) Cash and Cash Equivalents

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

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

(h) Impairment

Non-financial assets

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

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

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

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

(i) Issued Capital

Ordinary shares

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

**(j) Employee benefits**

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

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

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

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

(k) Income tax

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

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

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

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

(l) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and



uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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

(m) Goods and services tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

(n) Exploration and evaluation

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

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

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

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

**(o) Earnings per share**

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

(p) Segment reporting

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

(q) Financial Assets

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

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

i) Effective interest method

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

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

ii) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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



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

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

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

(iii) AFS financial assets

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

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

(iv) Loans and receivables

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

(v) Impairment of financial assets

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

For certain categories of financial asset, such as trade receivables, assets are assessed on an individual basis.



For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

(r) Share-based payment transactions

(i) *Equity settled transactions:*

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

The cost of these equity-settled transactions with directors and executives is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using an appropriate option valuation, further details of which are given in Note 25.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group (market conditions) if applicable.

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

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



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

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

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

(s) Trade and other payables

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

(t) Leases

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

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

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

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

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



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

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

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

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with directors and executives by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 25.

Exploration and evaluation costs carried forward

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement has been effected to determine that no deferred tax assets be recognised, based on the expectation that the Group will not make any taxable profits over the next two years.

Impairment of available-for-sale financial assets

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
3. REVENUE		
R & D Tax concession	559,187	90,790
Sale of mining data	25,000	-
Rental income	25,500	16,000
Gain on acquisition of subsidiary	15,047	-
Refunds	174,711	11,242
	<u>799,445</u>	<u>118,032</u>
4. LOSS BEFORE INCOME TAX		
Loss before income tax expense has been arrived at after charging the following items:		
Operating lease	<u>163,554</u>	<u>124,102</u>
5. FINANCING INCOME		
Interest income	613,953	786,246
Interest expense	<u>(2,015)</u>	<u>(2,243)</u>
	<u>611,938</u>	<u>784,003</u>
6. AUDITOR'S REMUNERATION		
During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:		
Auditor's remuneration:		
Audit and review services:		
- Auditor of the Group	<u>77,434</u>	<u>62,349</u>
Taxation services:		
- Auditor of the Group	<u>16,450</u>	<u>2,200</u>



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
7. LOSS PER SHARE		
Loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date	4.73 cents	5.09 cents
(a) Weighted average number of shares used in calculation of basic loss per share		
Issued ordinary shares at 1 July	70,383,575	70,303,575
Effect of shares issued July 2010	-	75,397
Weighted average number of ordinary shares at 30 June	70,383,575	70,378,972
(b) Loss used in calculating basic loss per share	\$3,245,336	\$3,583,249

As the Company incurred a loss for the year ended 30 June 2012 the options on issue have an anti-dilutive effect and therefore the diluted loss per share is equal to the basic loss per share.

8. INCOME TAXES

Recognised in the statement of comprehensive income

The major components of the tax expense/(income) are:

Current tax expense	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary timing differences	-	-
Total income tax attributable to continuing operations	-	-



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
8. INCOME TAXES (cont'd)		
The prima facie income tax expense/(benefit) on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:		
Numerical reconciliation between aggregate income tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.		
Profit/(loss) before income tax expense from operations	(4,015,035)	(4,153,474)
Income tax expense/(income) calculated at 30%	(1,204,511)	(1,246,042)
Effect of expenses that are not deductible in determining taxable profit	114,741	885
Effect of revenues that are not deductible in determining taxable profit	(167,756)	(27,238)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,257,526	1,272,395
	-	-
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	3,400,092	2,620,478
Temporary differences	62,135	58,447
	3,462,227	2,678,925
Deferred tax assets have not been recognised in respect of the following items:		
Trade and other payables	19,521	(50,388)
Section 40-880 expenses	42,615	108,835
Tax losses carry forward	3,400,091	2,620,478
	3,462,227	2,678,925



9. FINANCIAL INSTRUMENTS

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Investments

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

Trade and other receivables

As the Group operates in the mining explorer sector it does not have trade receivables and is therefore not exposed to credit risk in relation to trade receivables. Other receivables relate to GST credits receivable from the Australian Taxation Office.

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

Exposure to credit risk

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

	Note	Carrying amount	
		CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Available-for-sale financial assets	14	3,125	6,250
Term deposit investments	12	4,259,754	2,020,000
Trade and other receivables	11	364,600	280,553
Cash and bank balances	10	5,810,402	10,960,949

*Impairment losses*

None of the Company's trade and other receivables are past due (2011: \$nil). As the Group is not trading there is no management of credit risk performed through an ageing analysis.

The movement in the allowance for impairment in respect of available-for-sale financial assets during the year was as follows:

	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Balance at 1 July	48,125	45,000
Impairment loss recognised	3,125	3,125
Balance at 30 June	51,250	48,125

During 2012 there was a transfer of impairment loss between the statement of comprehensive income and available-for-sale asset reserve by the Group of \$3,125 (2011: \$3,125). The loss represents a significant or prolonged decline below deemed cost.

Liquidity risk

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

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

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

	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6 months or more \$
30 June 2012				
Trade and other payables	394,879	(394,879)	(394,879)	-
	394,879	(394,879)	(394,879)	-
30 June 2011				
Trade and other payables	385,510	(385,510)	(385,510)	-
	385,510	(385,510)	(385,510)	-



Market risk

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

Currency risk

The Group holds a cash balance of US\$44,000 in East Africa (2011: nil). The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group has no hedging policy in place to manage those risks however all foreign exchange purchases are settled promptly.

Interest rate risk

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

The Group has no borrowings.

Profile

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

	CONSOLIDATED 2012		CONSOLIDATED 2011	
	Carrying amount \$	Interest rate %	Carrying amount \$	Interest rate %
Fixed rate instruments				
Term deposit investments	4,259,754	5.25	8,843,410	6.04
Cash and bank balances	3,742,068	5.29	-	-
	<u>8,001,822</u>	<u>5.27</u>	<u>8,843,410</u>	<u>6.04</u>
Variable rate instruments				
Cash and bank balances	<u>2,067,006</u>	<u>1.96</u>	<u>4,137,539</u>	<u>2.71</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis for 2011.

	Equity		Profit and loss	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2012				
Variable rate instruments	<u>20,670</u>	<u>(20,670)</u>	<u>20,670</u>	<u>(20,670)</u>
30 June 2011				
Variable rate instruments	<u>41,375</u>	<u>(41,375)</u>	<u>41,375</u>	<u>(41,375)</u>



Fair value of financial instruments

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

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

The following table present the Group's assets and liabilities measured and recognised at fair value at 30 June 2012.

Consolidated 30 June 2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Available-for-sale financial assets	3,125	-	-	3,125
30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Available-for-sale financial assets	6,250	-	-	6,250

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

The Group currently has available-for-sale securities that are traded in an active market.

Capital management

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

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

**10. CASH AND CASH EQUIVALENTS**

	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Cash at hand	1,328	281
Cash at bank	2,067,006	4,137,258
Term deposit investments	3,742,068	6,823,410
	<u>5,810,402</u>	<u>10,960,949</u>
	%	%
Weighted average interest rate.	4.10	5.50

11. TRADE AND OTHER RECEIVABLES**Current**

R & D tax concession	206,021	90,790
Interest receivable	138,702	179,126
Rent receivable	2,750	2,200
GST receivable	79,740	103,650
Other receivables	17,127	8,437
	<u>444,340</u>	<u>384,203</u>

12. TERM DEPOSIT INVESTMENTS**Current**

Interest bearing term deposits	<u>4,259,754</u>	<u>2,020,000</u>
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Term deposits held at 30 June comprise balances of \$20,000, \$2,112,782 and \$2,126,972 maturing on 23 August, 14 October 2012 and 14 January 2013 respectively. Term deposits attract a weighted average interest rate of 5.25%.

13. OTHER ASSETS**Current**

Deposits, bonds	42,384	37,000
Prepayments	35,434	35,920
Withholding tax	1,705	1,705
	<u>79,523</u>	<u>74,625</u>



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
14. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Non-current		
Fair value at beginning of the year	6,250	16,250
Decrease in fair value recognised in reserve	(3,125)	(10,000)
Fair value at end of the year	3,125	6,250
15. PLANT AND EQUIPMENT		
Exploration equipment at cost	8,798	6,498
Accumulated depreciation	(2,461)	(1,285)
	6,337	5,213
Leasehold improvements at cost	9,927	9,927
Accumulated amortisation	(2,308)	(904)
	7,619	9,023
Computer & office equipment at cost	192,238	161,664
Accumulated depreciation	(95,351)	(53,228)
	96,887	108,436
Total carrying value	110,843	122,672
The reconciliation of plant and equipment is as follows:		
Opening carrying value	122,672	55,983
Additions	32,874	96,981
Depreciation	(44,703)	(30,292)
Closing carrying value	110,843	122,672
16. DEFERRED EXPLORATION EXPENDITURE		
Balance at beginning of the year	401,719	434,945
Acquisition of tenements – at cost	249,555	166,774
Impairment of tenements	(52,800)	(200,000)
Balance at end of the year	598,474	401,719
17. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	394,879	385,510
All trade creditors and accruals are non-interest bearing		
18. PROVISIONS		
Provision for employee entitlements	62,866	38,804



	COMPANY 2012 \$		COMPANY 2011 \$	
19. SHARED CAPITAL				
<i>Ordinary shares</i>				
70,383,575 (2011: 70,383,575) fully paid ordinary shares	17,182,333		17,182,333	
	2012 Number	2012 \$	2011 Number	2011 \$
<i>Movements during the year</i>				
Balance at beginning of year	70,383,575	17,182,333	70,303,575	17,152,648
Shares issued:				
Shares issued to acquire tenement	-	-	80,000	42,800
Transaction costs arising on share issues	-	-	-	(13,115)
Balance at end of year	70,383,575	17,182,333	70,383,575	17,182,333
		CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$	
20. RESERVES				
Share-based payment reserve		321,077	373,066	
Available for sale asset reserve		-	-	
Other reserve		3,146,138	2,920,420	
		3,467,215	3,293,486	
<i>Movements:</i>				
<i>Share-based payment reserve</i>				
Balance at beginning of year		373,066	373,066	
Expired during the year (1)		(373,066)	-	
Share-based payments		321,077	-	
Balance at end of year		321,077	373,066	



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
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20. RESERVES (cont'd)

- (1) Share-based payments of \$373,066 expired during the year and were transferred to Accumulated losses.

Assets classified as held-for-sale reserve

Balance at beginning of year	-	6,875
Decrease in fair value recognised in equity	(3,125)	(10,000)
Impairment to Consolidated Statement of Comprehensive Income	3,125	3,125
Balance at end of year	-	-

Other reserve

Balance at beginning of year	2,920,420	-
Changes in ownership interests that do not result in a change in control	225,718	2,920,420
Balance at end of year	3,146,138	2,920,420

Share-based payment reserve

The share-based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration. Refer to note 24 for further details of these payments.

Other reserve

This reserve reflects the change in equity arising from the dilution of the parent company's interest in Aruma Resources Limited ("Aruma") from 100% to 50% following Aruma's listing on the ASX.

21. ACCUMULATED LOSSES

Balance at beginning of year	8,227,700	4,651,326
Expiry of options	(373,066)	-
Loss for the year	3,326,723	3,576,374
Balance at end of year	11,181,357	8,227,700



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
22. COMMITMENTS		
Operating Lease Commitments		
Not later than 1 year	134,526	90,000
Later than 1 year but not later than 5 years	8,400	-
	<u>142,926</u>	<u>90,000</u>
Exploration Expenditure Commitments		
Minimum exploration expenditure:		
not later than 1 year	1,121,657	1,091,600
Later than 1 year but not later than 5 years	4,486,629	4,366,400
	<u>5,608,286</u>	<u>5,458,000</u>

Exploration expenditure commitments are only mandatory to the extent the Group wishes to retain tenure to the underlying tenements.

23. CONTINGENT LIABILITIES

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

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

24. SHARE-BASED PAYMENTS

During the year 10,450,000 options were granted as share based compensation. (2011: no options were granted).

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

Hemisphere Resources Limited	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Option series No.1	700,000	7 March 2012	6 March 2015	0.195	45,068
Option series No.2	2,500,000	28 March 2012	23 July 2015	0.186	173,409
Option series No.3	3,250,000	28 March 2012	23 Jan' 2016	0.199	237,406
Option series No.4	4,000,000	28 March 2012	23 July 2016	0.211	305,841

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



Hemisphere Resources Limited	2012 No.	2012 Weighted average exercise price \$	2011 No.	2011 Weighted average exercise price \$
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	10,450,000	0.20	-	-
Outstanding at the end of the year	10,450,000	0.20	-	-
Exercisable at the end of the year	8,700,000	0.20	-	-

The outstanding balance as at 30 June 2012 is represented by 10,450,000 options over ordinary shares with an exercise price of between \$0.186 and \$0.211 each, exercisable up to dates of between 6 March 2015 and until 23 July 2016.

The inputs to the options valuation were:

	Series No. 1	Series No.2	Series No.3	Series No.4
Dividend yield (%)	n/a	n/a	n/a	n/a
Expected volatility (%)	100	100	100	100
Risk-free interest rate (%)	3.80	3.61	3.61	3.61
Expected life of option (years)	3.00	3.33	3.82	4.33
Exercise price (cents)	19.5	18.6	19.9	21.1
Grant date share price (cents)	12.0	12.0	12.0	12.0

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

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



The inputs to the options valuation were:

	Series No. 1
Dividend yield (%)	N/A
Expected volatility (%)	100
Risk-free interest rate (%)	4.97
Expected life of option (years)	1.94
Exercise price (cents)	27
Grant date share price (cents)	20

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

25. KEY MANAGEMENT PERSONNEL

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

Non-executive directors

Mr P Boyatzis (Chairman)

Dr M Elliott

Mr T Fairhead (appointed 23 January 2012)

Mr K K Chong (Director, Aruma Resources Limited)

Executive directors

Mr J Greive (Managing Director, appointed 23 January 2012)

Mr D Costick (Managing Director, resigned 23 January 2012,
Non-Executive Director, resigned 27 March 2012)

Executives

Mr P Schwann (Managing Director, Aruma Resources Limited)

Mr P MacLeod (Company Secretary)

(a) Key management personnel compensation

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



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
Short-term employee benefits*	1,109,659	698,999
Share-based payments	288,885	-
Post-employment benefits	58,724	38,647
	<u>1,457,268</u>	<u>737,646</u>

*Short-term benefits include consulting fees of \$62,619 paid to D Costick whilst a Non-Executive Director of Hemisphere Resources Limited and Aruma Resources Limited and salary and fees of \$80,269 paid to J Greive during the period 1 July 2011 to 22 January 2012 prior to his appointment as Managing Director.

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

Information regarding individual directors' and executives' compensation disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the remuneration report sections 3.1, 3.2, 3.3 and 3.4 of the Directors' report.

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

Equity holdings and transactions

Movements in shares

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

	Held at 1 July 2011	Granted as compensation	Received on exercise of options	Other changes	Held at 30 June 2012
Directors					
Mr P Boyatzis	7,898,566	-	-	-	7,898,566
Mr J Greive*	-	-	-	-	-
Dr M Elliott	751,600	-	-	-	751,600
Mr T Fairhead*	-	-	-	-	-
Mr D Costick**	2,575,900	-	-	(2,575,900)	-
Executives					
Mr P Schwann	142,000	-	-	-	142,000
Mr K K Chong	-	-	-	-	-
Mr P MacLeod	135,000	-	-	-	135,000

* Appointed 23 January 2012

** Resigned 27 March 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

	Held at 1 July 2010	Granted as compensation	Received on exercise of options	Other changes	Held at 30 June 2011
Directors					
Mr P Boyatzis	5,582,941	-	-	2,315,625	7,898,566
Mr D Costick	2,575,900	-	-	-	2,575,900
Dr M Elliott	751,600	-	-	-	751,600
Executives					
Mr P Schwann	142,000	-	-	-	142,000
Mr K K Chong*	-	-	-	-	-
Mr P MacLeod	150,000	-	-	(15,000)	135,000

* Appointed 1 February 2011

No shares were issued as compensation to key management personnel in 2012 or 2011.

Options and rights over equity instruments

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

Parent Entity	Held at 1 July 2011	Granted as compensation	Options exercised	Other changes	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors							
Mr P Boyatzis	-	-	-	-	-	-	-
Mr J Greive*	-	7,500,000	-	-	7,500,000	-	-
Dr M Elliott	-	-	-	-	-	-	-
Mr D Costick**	-	-	-	-	-	-	-
Mr T Fairhead*	-	2,250,000	-	-	2,250,000	-	-
Executives							
Mr P Schwann	-	-	-	-	-	-	-
Mr K K Chong	-	-	-	-	-	-	-
Mr P MacLeod	-	200,000	-	-	200,000	200,000	200,000

* Appointed 23 January 2012

** Resigned 27 March 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Parent Entity	Held at 1 July 2010	Granted as compensation	Options exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors							
Mr P Boyatzis	-	-	-	-	-	-	-
Mr D Costick	-	-	-	-	-	-	-
Dr M Elliott	-	-	-	-	-	-	-
Executives							
Mr P Schwann	-	-	-	-	-	-	-
Mr K K Chong	-	-	-	-	-	-	-
Mr P MacLeod	-	-	-	-	-	-	-

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

Aruma Resources Limited	Held at 1 July 2011	Granted as compensation	Options exercised	Other changes	Held at 30 June 2012	Vested during the year	Vested and unexercisable at 30 June 2012
Directors							
Mr P Boyatzis	1,000,000	-	-	(1,000,000)	-	-	-
Mr D Costick*	1,000,000	-	-	(1,000,000)	-	-	-
Executives							
Mr P Schwann	2,000,000	-	-	(2,000,000)	-	-	-
Mr K K Chong	-	-	-	-	-	-	-
Mr P MacLeod	-	-	-	-	-	-	-

* Resigned 27 March 2012

Aruma Resources Limited	Held at 1 July 2010	Granted as compensation	Options exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and unexercisable at 30 June 2010
Directors							
Mr P Boyatzis	1,000,000	-	-	-	1,000,000	-	1,000,000*
Mr D Costick	1,000,000	-	-	-	1,000,000	-	1,000,000*
Executives							
Mr P Schwann	2,000,000	-	-	-	2,000,000	-	2,000,000*
Mr K K Chong*	-	-	-	-	-	-	-
Mr P MacLeod	-	-	-	-	-	-	-

* Appointed 1 February 2011



26. RELATED PARTIES

Controlled entities

Name of entity	Ownership interest	
	2012	2011
Parent entity		
Hemisphere Resources Limited		
Controlled entities		
Aruma Resources Limited (incorporated 6 January 2010)	50%	61%
Aruma Exploration Pty Ltd (incorporated 27 January 2010)	50%	61%
Universal Explorers Pty Ltd (incorporated 19 August 2009)	100%	100%
Transformation Minerals Pty Ltd (incorporated 18 July 2011)	100%	-
Hemisphere Iron Pty Ltd (incorporated 18 July 2011)	100%	-
Evolution Minerals Pty Ltd (acquired 30 January 2012)	100%	-
Nexus Minerals Pty Ltd (incorporated 12 January 2012)	100%	-
Nexus Minerals Tanzania Ltd (incorporated 30 April 2012)	100%	-

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 25

During the year GAP Corporate Services, a company related to Philip MacLeod, Company Secretary, provided Company Secretarial and accounting services to Hemisphere and Aruma. For the year ended 30 June 2012 the Group was charged a total of \$160,698 plus GST (2011: \$123,885 plus GST) for those services.

(b) Trade and other payables

Paul Boyatzis, who is a director of the Company was due an amount of \$7,700 at 30 June 2012 (2011: \$nil) in respect of directors' fees. The outstanding amount was paid subsequent to year end.

Mark Elliott, who is a director of the Company, was due an amount of \$nil at 30 June 2012 (2011: \$10,000) in respect of directors' fees.

GAP Corporate Services, a company related to Philip MacLeod, Company Secretary, was due an amount of \$8,792 at 30 June 2012 (2011: \$37,818). The outstanding amount was paid subsequent to year end.

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

(c) Acquisition of Evolution Minerals Pty Ltd

In January 2012 Hemisphere acquired 100% of the ordinary share capital of Evolution Minerals Pty Ltd ("Evolution"), a company associated with Jason Greive, Managing Director of Hemisphere, and Tim Fairhead, a Non-Executive Director of Hemisphere, for a consideration of \$800. The Company made a gain of \$15,047 in the form of cash at bank acquired under the transaction.

**(d) Related party transactions****(i). Transaction with Gap Corporate Services**

Gap Corporate Services, a company related to Philip MacLeod, provided accounting and corporate services to the Company. An amount of \$94,310 (2011: \$123,885) was recognised as an expense.

(ii). Transactions with Aruma Resources Limited

From 1 July to 31 October 2011 Hemisphere sub-leased office space to Aruma and charged a total of \$10,858 plus GST for the space (2010: \$23,651). Hemisphere paid Aruma a total of \$nil (2011: \$34,006 plus GST) for use of the services of an Aruma employee performing administrative support services for the Company.

(iii). Transactions with Universal Explorers Pty Ltd

During the year the Company loaned a total sum of \$158,649 (2011:\$93,349) in working capital to Universal Explorers Pty Ltd. The loan is unsecured and no interest is charged. A provision for impairment of \$136,591 has been recognised by the Company.

(iv). Transactions with Nexus Minerals Pty Ltd

During the year the Company loaned a total sum of \$104,875 to fund the acquisition of exploration assets. The loan is unsecured and no interest is charged. A provision for impairment of \$969 has been recognised by the Company.

(v). Transactions with Evolution Minerals Pty Ltd

During the year the Company loaned a total sum of \$2,642 in working capital to Evolution Minerals Pty Ltd. The loan is unsecured and no interest is charged.

(vi). Transactions with Hemisphere Iron Pty Ltd

During the year the Company loaned a total sum of \$615 in working capital to Hemisphere Iron Pty Ltd. The loan is unsecured and no interest is charged.

(vii). Transactions with Schwann Consulting

Schwann Consulting, an entity related to Peter Schwann, a director of Aruma Resources Limited provided geological consulting services to the Company. An amount of \$nil (2011: \$20,848) is recognised as an expense.

(viii) Transactions with Transaction Solutions International Limited ("TSI Ltd")

During the year TSI Ltd rented office space from Hemisphere. The total rent charge for the year was \$25,500 plus GST. The sum of \$2,500 plus GST was outstanding at 30 June 2012 and included in trade and other receivables. Paul Boyatzis is a director of both companies as well as a substantial shareholder of TSI Ltd.

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



	CONSOLIDATED 2012 \$	CONSOLIDATED 2011 \$
27. NOTES TO STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June		
Cash at hand	1,328	281
Cash at bank	5,809,074	4,137,258
Short term deposit investments	-	6,823,410
	<u>5,810,402</u>	<u>10,960,949</u>
(b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities:		
Loss for the year	(4,015,035)	(4,153,474)
Adjustments for:		
Gain on acquisition of subsidiary	(15,047)	-
Depreciation	44,703	30,292
Share-based payments	321,077	-
Impairment of assets	55,925	203,125
Add/(less):		
(Increase)/decrease in trade and other receivables	(26,013)	(136,712)
(Increase)/decrease in other assets	(4,898)	5,335
Increase/(decrease) in trade and other payables	(24,753)	160,902
Increase/(decrease) in provisions	24,062	(8,147)
Net cash used in operating activities	<u>(3,639,979)</u>	<u>(3,898,679)</u>

**28. SEGMENT INFORMATION**

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

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

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

During the year the Group operates in one business segment, namely the mineral exploration industry in Australia and East Africa. Disclosure of exploration activities has been separated between those carried out by the Parent entity, Hemisphere Resources Limited and those carried out by the controlled entity, Aruma Resources Limited.

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

	Exploration (Hemisphere)	Exploration (Aruma)	Unallocated (Hemisphere Corporate)	Unallocated (Aruma Corporate)	Eliminations	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2012 - Consolidated						
Segment revenue	394,876	366,008	48,547	-	(9,986)	799,445
Segment finance revenue	-	-	448,356	165,597	-	613,953
Segment exploration expenditure	(1,457,288)	(1,102,978)	-	-	-	(2,560,266)
Impairment of segment assets	(52,800)	-	(65,712)	-	62,587	(55,925)
Segment depreciation	(327)	(188)	(39,123)	(5,065)	-	(44,703)
Share-based payments	-	-	(321,077)	-	-	(321,077)
Other segment expenses	-	-	(1,480,008)	(288,128)	9,986	(1,758,150)
Segment result	(1,115,539)	(737,158)	(1,409,017)	(127,596)	62,587	(3,326,723)
Included within segment result:						
Interest revenue	-	-	448,356	165,597		613,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



HEMISPHERE RESOURCES

	Exploration (Hemisphere)	Exploration (Aruma)	Unallocated (Hemisphere Corporate)	Unallocated (Aruma Corporate)	Eliminations	Total
	\$	\$	\$	\$	\$	\$
30 June 2012 Consolidated Segment assets						
Cash and term deposits	44,332	-	7,695,927	2,329,897	-	10,070,156
Trade and other receivables	206,021	-	176,667	63,837	(2,185)	444,340
Other current assets	-	-	70,788	8,735		79,523
Financial assets	-	-	3,125	-	-	3,125
Exploration assets	59,555	538,919	-	-	-	598,474
Plant and equipment	3,615	1,220	87,516	18,492	-	110,843
Total segment assets	313,523	540,139	8,034,023	2,420,961	(2,185)	11,306,461
Segment liabilities						
Trade and other payables	(76,741)	(89,241)	(180,676)	(50,406)	2,185	(394,879)
Provisions	-	-	(26,904)	(35,962)	-	(62,866)
Total segment liabilities	(76,741)	(89,241)	(207,580)	(86,368)	2,185	(457,745)
NET SEGMENT ASSETS	236,782	450,898	7,826,443	2,334,593	-	10,848,716

*Included in Hemisphere exploration assets are a cash balance of \$44,332 held in Tanzania and exploration permits of \$59,555 based in Tanzania which are currently in the process of renewal.

All other exploration segments refer to Australian-based assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



	Exploration (Hemisphere)	Exploration (Aruma)	Unallocated (Hemisphere Corporate)	Unallocated (Aruma Corporate)	Eliminations	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2011 - Consolidated						
Segment revenue	90,790	-	50,893	34,006	(57,657)	118,032
Segment finance revenue	-	-	589,144	194,859	-	784,003
Segment exploration expenditure	(2,079,568)	(1,011,605)	-	-	-	(3,091,173)
Impairment of segment assets	(200,000)	-	(3,125)	-	-	(203,125)
Segment depreciation	(327)	(187)	(26,636)	(3,142)	-	(30,292)
Other segment expenses	-	-	(1,099,086)	(689,490)	57,657	(1,730,919)
Segment result	(2,189,105)	(1,011,792)	(488,810)	(463,767)	-	(4,153,474)
Included within segment result:						
Interest revenue	-	-	590,540	195,706	-	786,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



	Exploration (Hemisphere)	Exploration (Aruma)	Unallocated (Hemisphere Corporate)	Unallocated (Aruma Corporate)	Eliminations	Total
	\$	\$	\$	\$	\$	\$
30 June 2011						
Consolidated						
Segment assets						
Cash and term deposits	-	-	10,005,721	2,975,228	-	12,980,949
Trade and other receivables	-	-	274,680	145,830	(36,307)	384,203
Other current assets	-	-	61,287	13,338	-	74,625
Financial assets	-	-	231,195	-	(224,945)	6,250
Exploration assets	52,800	348,919	-	-	-	401,719
Plant and equipment	3,615	1,598	104,656	12,803	-	122,672
Total segment assets	56,415	350,517	10,677,539	3,147,199	(261,252)	13,970,418
Segment liabilities						
Trade and other payables	(71,210)	(32,651)	(215,514)	(102,442)	36,307	(385,510)
Provisions	-	-	(18,170)	(20,634)	-	(38,804)
Total segment liabilities	(71,210)	(32,651)	(233,684)	(123,076)	36,307	(424,314)
NET SEGMENT ASSETS	(14,795)	317,866	10,443,855	3,024,123	(224,945)	13,546,104



29. EVENTS SUBSEQUENT TO REPORTING DATE

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

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

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

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

30. DIVIDENDS

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



31. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Group was Hemisphere Resources Limited.

	COMPANY	
	2012	2011
	\$	\$
Result of the parent entity		
Loss for the year	(2,458,676)	(2,677,915)
Other comprehensive income/(expense)	-	(6,875)
Total comprehensive loss for the year	(2,458,676)	(2,684,790)
Financial position of parent entity at year end		
Current assets		
Cash and term deposits	7,525,949	10,005,721
Trade and other receivables	659,007	274,680
Other current assets	70,788	61,287
Total current assets	8,255,744	10,341,688
Non-current assets		
Financial assets	228,870	231,195
Exploration assets	-	52,800
Plant and equipment	91,131	108,271
Total non-current assets	320,001	392,266
Total assets	8,575,745	10,733,954
Current liabilities		
Trade and other payables	257,379	286,723
Provisions	26,904	18,170
Current liabilities	284,283	304,893
Total liabilities	284,283	304,893
Net assets	8,291,462	10,429,061
Total equity of the parent entity comprising:		
Share capital	17,182,333	17,182,333
Option premium reserve	321,077	-
Accumulated losses	(9,211,948)	(6,753,272)
Total Equity	8,291,462	10,429,061

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

DIRECTOR'S DECLARATION



1. In the opinion of the directors of Hemisphere Resources Limited ("the Company"):
 - a. the financial statements, notes and the additional disclosures of the Group are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the financial position as at 30 June 2012 and of the performance for the year then ended; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
 - d. the remuneration disclosures included in Section 3 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the Corporations Act 2001.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

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

P Boyatzis

Chairman

Perth

Dated this 28th day of September 2012

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

Report on the financial report

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

Nexia Perth Audit Services Pty Ltd

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Independent member of Nexia International



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Independence

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

Opinion

In our opinion:

- (a) the financial report of Hemisphere Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the remuneration report

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

Opinion

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

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

AMAR NATHWANI CA B. ENG
Director

28 September 2012
Perth



The primary responsibility of the Board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has established a set of corporate governance policies and procedures that are based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"). A copy of the Board Charter and corporate governance policies are available on the Company's website at www.hemisphereresources.com.au

The Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the Principles and Recommendations during the period. Where a recommendation has not been followed that fact has been disclosed, together with the reasons for the departure.

Corporate Governance Compliance

A description of the Company's main corporate governance practices are set out below. All these practices, unless otherwise stated, have been in place for financial year ended 30 June 2012.

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



Disclosure of Corporate Governance Practices Summary Statement

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

Principle 1 – Lay solid foundations for management and oversight

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

Recommendation 1.1:

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

Disclosure:

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



Appointing and removing the Managing Director and any other executives and approving their remuneration;

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

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

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

Recommendation 1.2:

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

Disclosure:

The Board is responsible for evaluating the senior executives. The performance of senior executives is reviewed with reference to the terms of their employment contracts and any KPIs set by the Board. The performance of the senior executives was evaluated during the financial year.



Principle 2 – Structure the board to add value

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

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Company does not have a majority of independent directors.

The Board takes the view that Mr Boyatzis (Non-Executive Chairman) and Mr Greive (Managing Director) are not independent in terms of the ASX Corporate Governance Council's discussion of independent status. Mr Boyatzis is a substantial shareholder of the Company. Mr Greive, as Managing Director, is an executive of the Company. Despite these relationships, the Board believes that these directors are able, and do make, quality and independent judgements in the best interests of the Company on all relevant issues before the Board. Mr Fairhead and Mr Elliott are independent, non-executive directors.

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

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The Company's Chairman, Mr Paul Boyatzis, is not considered to be independent as he is a substantial shareholder. However, the Board believes the Chairman is able and does bring a quality and independent judgement to all relevant issues falling within the scope of the role of a Chairman. The Board's policy is that the Chairman shall be independent and non-executive at a time when the size and activities of the Company warrant such a position.

Recommendation 2.3:

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

Disclosure:

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

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

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

A Nomination Committee has not been established. The role of the Nomination Committee has been assumed by the full Board.



Recommendation 2.5:

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

Disclosure:

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

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

Recommendation 2.6:

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

Disclosure:

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

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

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

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

Identification of Independent Directors

Mr Fairhead and Mr Elliott are independent directors of the Company in terms of the ASX Corporate Governance Council's discussion of independent status.

Statement concerning availability of Independent Professional Advice

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



Principle 3 – Promote ethical and responsible decision-making

“Companies should actively promote ethical and responsible decision-making.”

Recommendation 3.1:

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

Disclosure:

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

Recommendation 3.2:

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

Disclosure:

The Board has not adopted a Diversity Policy; however, the Board recognises the benefits of having an appropriate blend of diversity on the Board and in all areas of the Group’s business. The employees and officers of the Group currently represent a range of ethnicity, cultural background, age, gender and experience. A formal Diversity Policy will be adopted once the size and complexity of the organization warrants its implementation.

Recommendation 3.3:

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

Disclosure:

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

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

Disclosure:

	Number
Women employees in the Group:	1 of 7
Women in senior executive positions:	0 of 2
Women on the Board:	0 of 4



Principle 4 – Safeguard integrity in financial reporting

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

Recommendation 4.1

The Board should establish an Audit Committee.

Disclosure:

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

Recommendation 4.2:

The Audit Committee should be structured so that it:

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

Disclosure:

There is no audit committee.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

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

Recommendation 4.4:

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

Disclosure:

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

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



Principle 5 – Make timely and balanced disclosure

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

Recommendation 5.1:

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

Disclosure:

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy. The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market.

Principle 6 – Respect the rights of shareholders

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

Recommendation 6.1:

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

Disclosure:

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

Principle 7 – Recognise and manage risk

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

Recommendation 7.1:

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

Disclosure:

The Board has adopted an Integrated Management System through which a risk management standard and policy are administered and performance managed. As detailed in 7.2 a Risk Management Committee has not been formed and this role is undertaken by the Board, however, the overall basis for risk management is to provide recommendations about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
 - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;



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

Recommendation 7.2:

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

Disclosure:

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

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

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

Recommendation 7.3:

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

Disclosure:

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



Principle 8 – Remunerate fairly and responsibly

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

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

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

Recommendation 8.2:

The Remuneration Committee should be structure so that it:

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

Disclosure:

There is no remuneration committee. When the establishment of a remuneration committee is considered to be justified an appropriate committee Charter will be adopted.

Recommendation 8.3:

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

Disclosure:

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

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



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

Shareholdings as at 25 September 2011

Substantial shareholders

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

Shareholder	Number
Ultimate Victory Holdings Limited	6,800,000
Graeme Kirke	5,050,000
Jane Elizabeth Boyatzis	4,298,566

Voting rights

Ordinary shares

One vote for each ordinary fully paid share.

On-market buy-back

There is no current on-market buy-back

Location of Share Registry

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Tel: (08) 9389 8033


Distribution of equity security holders

Category	NUMBER OF EQUITY SECURITY HOLDERS	
	Ordinary shares	
1 - 1,000	49	
1,001 - 5,000	167	
5,001 - 10,000	159	
10,000 - 100,000	388	
100,000 and over	112	
	875	

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

Restricted Securities

The Company has 70,383,575 shares on issue. No shares are subject to ASX or voluntary escrow.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Ultimate Victory Holdings Limited	6,800,000	9.66
KSLCorp Pty Ltd	3,600,000	5.12
Westedge Investments Pty Ltd	2,751,166	3.91
Citicorp Nominees Pty Limited	2,588,133	3.68
Ringsford Pty Ltd	2,350,000	3.33
Megatop Nominees Pty Ltd	2,227,510	3.16
Daniel Costick	1,688,310	2.40
Lesuer Pty Ltd	1,500,000	2.13
Graeme Eric Kirke	1,250,000	1.78
Saintly Company Pty Ltd	1,010,000	1.44
SHL Pty Ltd	1,000,000	1.42
Sodell Investments Pty Ltd	750,000	1.07
Piat Corp Pty Ltd	750,000	1.07
Paso Holdings Pty Ltd	693,817	0.99
HSBC Custody Nominees (Australia) Limited	690,849	0.98
Cleland Projects Pty Ltd	675,000	0.96
Grasmere Nominees Pty Ltd	650,000	0.92
DMG & Partners Securities Pte Ltd	575,000	0.82
Rosemont Asset Pty Ltd	565,000	0.80
James Darling	559,843	0.80
	32,674,628	46.44

**Summary of Hemisphere Resources Limited tenements.**

BASE METALS TENEMENTS	
Katamatoma Project, Tanzania	
Area A: HQ-G 17395	100% Nexus Minerals Tanzania Ltd (wholly-owned subsidiary of Hemisphere Resources)
Area E: HQ-G 17396	
Area B- HQ-G 17419	Applications 100% Nexus Tanzania Ltd, wholly-owned subsidiary of Hemisphere Resources
Area C- HQ-G 17420	
Area D- HQ-G 17421	
IRON TENEMENTS	
Yandicoogina South	
E47/1904	100% Hemisphere Resources Ltd
E47/2432	
E47/2473	
E47/2474	
Hancock Range	
E47/2110	100% Hemisphere Resources Ltd
Mount Tinstone	
E45/3188	100% Hemisphere Resources Ltd
Mount Goldsworthy	
E45/3376	100% Hemisphere Resources Ltd
ELA45/3867	100% Hemisphere Resources Ltd
Regional Pilbara	
E47/2482	100% Hemisphere Resources Ltd
GOLD/ REE TENEMENTS	
Gardiner Range	
E80/4299	100% Universal Explorers Pty Ltd (wholly-owned subsidiary of Hemisphere Resources)
E80/4300	
E80/4402	
E80/4403	
Regional Gascoyne / Ashburton	
E09/1752	100% Hemisphere Resources Ltd
E09/1888	
E08/2206	

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

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

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

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

