

# HEMISPHERE RESOURCES LIMITED

A.C.N. 122 074 006

## HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED  
31 DECEMBER 2007

## HEMISPHERE RESOURCES LIMITED

### DIRECTORS' REPORT

The directors of Hemisphere Resources Limited ("Hemisphere" or the "Company") submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name

Mr. P. Boyatzis

Chairman

Mr. D. Costick

Managing Director

Mr. M. Elliott

Non-executive Director

Directors were in office for the entire period unless otherwise stated.

### REVIEW OF OPERATIONS

(a). Overview

Hemisphere is focused on three exploration projects in Western Australia. Exploration for nickel and gold is being conducted in the Eastern Goldfields which is a world class production region for both nickel and gold. Exploration for uranium is being conducted in the Murchison which is a region containing significant uranium mineralisation.

(b). Review of operations:

Hemisphere incurred an after tax loss for the half-year ended 31 December 2007 of \$543,230 (2006: \$37,017).

#### **Glandore Gold Project – Western Australia (100%)**

The Glandore Gold Project comprises 18 Prospecting Licences and 3 Mining Lease Applications, located 40km east of the city of Kalgoorlie-Boulder.

These tenements cover the Bulong Sill, a layered mafic sill overlain by a sequence of sediments, basalts and felsic to intermediate volcanoclastic rocks which have been folded into a broad, northerly plunging anticline that has been intruded by felsic dykes and granites.

During the last six months, 2,225m of Reverse Circulation (RC) drilling has been undertaken to progressively test the favourable zones. Drilling continues to produce strong results. Drilling results during the half year include 2m at 43.4g/t Au from 38m, 5m at 4.9g/t Au from 37m, 3m at 3.83g/t Au from 65m, and 3m at 2.4g/t Au from the Supergene Zone; with 1m at 7.57g/t Au from 31m, 1m at 6.63g/t Au from 28m and 1m at 2.31 g/t Au from 29m in the Lake Consols area. Further results are awaited.

#### **Mulgarrie Nickel Project – Western Australia (100%)**

Hemisphere is exploring the Mulgarrie project for Archaean komatiite hosted nickel sulphide mineralisation. Nickel and copper anomalies have been demonstrated at Mulgarrie by previous explorers.

During the last six months, Hemisphere has conducted a B- field geophysical survey over part of the project area and completed 1,782m of Rotary Air Blast (RAB) and Aircore drilling. Drilling was over three separate areas of the project and results are awaited.

## HEMISPHERE RESOURCES LIMITED

### DIRECTORS' REPORT

#### REVIEW OF OPERATIONS (continued)

##### **Sandstone Uranium Project – Western Australia (100%)**

The Sandstone Uranium Project is in the Sandstone district of Western Australia. Hemisphere has applied for six Exploration Licence Applications that include ELA's 58/351-352; and 57/719-722. The total area secured is over 600 square km.

All of the Hemisphere properties in the Sandstone district are in the proximity of known uranium occurrences. Significant Uranium occurrences include Yeelirrie (the world's largest unmined calcrete uranium deposit), Windimurra Uranium, Wondinong, Lake Mason, Anketell, and Lake Noondie.

During the last six months, Hemisphere has review radiometric data obtained from the Western Australian Department of Industry and Resources (DOIR) and identified a high priority target within ELA57/721 where historic mineral claims have been identified.

##### **Corporate**

Hemisphere successfully raised \$675,000 through the placement of 3 million shares and 1.5 million free attaching options at a price of 22.5 cents per share. The options are issued on the same terms as existing listed options and are exercisable at 20 cents each. The options have an expiry date of 31 March 2010.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 11 and forms part of the Directors' Report for the six months ended 31 December 2007.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

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D. Costick  
Managing Director  
Perth, 12 March 2008

**HEMISPHERE RESOURCES LIMITED**  
**CONDENSED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	<b>Half-year ended 31 Dec 2007</b>	<b>Half-year ended 31 Dec 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>		
Interest income	100,052	568
Rent and office expenses	(21,494)	-
Depreciation expense	(1,168)	-
ASX and regulatory expenses	(32,512)	-
Directors fees	(50,000)	-
Legal and professional fees	(40,996)	(18,545)
Exploration expenditure expensed as incurred	(400,422)	(18,965)
Finance costs	(221)	-
Other expenses	(96,469)	(75)
	(543,230)	(37,017)
<b>Loss for the period from continuing operations</b>		
<b>Loss before income tax expense</b>	(543,230)	(37,017)
Income tax expense	-	-
<b>Loss for the period</b>	<b>(543,230)</b>	<b>(37,017)</b>
Basic loss per share (cents per share)	(1.75 cents)	(0.73 cents)

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason

Condensed notes to the financial statements are included on pages 7 to 9.

**HEMISPHERE RESOURCES LIMITED**  
**CONDENSED BALANCE SHEET**  
**AS AT 31 DECEMBER 2007**

	Note	<u>31 Dec 2007</u> \$	<u>30 Jun 2007</u> \$
<b>Current assets</b>			
Cash and cash equivalents		3,723,768	3,533,067
Trade and other receivables		<u>113,514</u>	<u>47,284</u>
<b>Total current assets</b>		<u>3,837,282</u>	<u>3,580,351</u>
<b>Non current assets</b>			
Other financial assets	8	50,000	-
Deferred exploration expenditure		424,945	424,945
Plant and equipment		<u>26,773</u>	<u>17,387</u>
<b>Total non current assets</b>		<u>501,718</u>	<u>442,332</u>
<b>Total assets</b>		<u>4,339,000</u>	<u>4,022,683</u>
<b>Current liabilities</b>			
Trade and other payables		239,507	181,120
Provisions		4,489	4,489
Other current liabilities		<u>20,000</u>	<u>20,000</u>
<b>Total current liabilities</b>		<u>263,996</u>	<u>205,609</u>
<b>Total liabilities</b>		<u>263,996</u>	<u>205,609</u>
<b>Net assets</b>		<u><b>4,075,004</b></u>	<u><b>3,817,074</b></u>
<b>Equity</b>			
Issued capital	2	4,858,777	4,212,391
Reserves	3	154,774	-
Accumulated losses		<u>(938,547)</u>	<u>(395,317)</u>
<b>Total equity</b>		<u><b>4,075,004</b></u>	<u><b>3,817,074</b></u>

Condensed notes to the financial statements are included on pages 7 to 9.

**HEMISPHERE RESOURCES LIMITED**  
**CONDENSED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	<u>Half-year ended 31 Dec 2007</u> \$	<u>Half-year ended 31 Dec 2006</u> \$
<b>Cash flows from operating activities</b>		
Interest received	87,758	568
Finance costs	(221)	-
Payments to suppliers and employees	(262,412)	(19,950)
<b>Net cash used in operating activities</b>	<u>(174,875)</u>	<u>(19,382)</u>
<b>Cash flows from investing activities</b>		
Payment for other financial assets	(50,000)	-
Payment for acquisition of exploration asset	-	(10,000)
Payments for exploration expenditure	(375,030)	(18,965)
Payments for plant and equipment	(10,554)	-
<b>Net cash used in investing activities</b>	<u>(435,584)</u>	<u>(28,965)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity securities	676,500	118,185
Proceeds from issue of options over unissued equity securities	154,774	-
Costs of capital raising	(30,114)	-
<b>Net cash provided by financing activities</b>	<u>801,160</u>	<u>118,185</u>
<b>Net increase in cash and cash equivalents</b>	190,701	69,838
<b>Cash and cash equivalents at the beginning of the period</b>	3,533,067	-
<b>Cash and cash equivalents at the end of the period</b>	<u><b>3,723,768</b></u>	<u><b>69,838</b></u>

Condensed notes to the financial statements are included on pages 7 to 9.

**HEMISPHERE RESOURCES LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	
<b>Balance at 1 July 2007</b>	4,212,391	-	(395,317)	3,817,074
Total income and expense for the period directly recognised in equity	-	-	-	-
Loss for the period	-	-	(543,230)	(543,230)
Total expense for the period	-	-	(543,230)	(543,230)
Issue of options over unissued shares	-	154,774	-	154,774
Issue of shares	675,000	-	-	675,000
Issue of shares on exercise of options	1,500	-	-	1,500
Transaction costs	(30,114)	-	-	(30,114)
<b>Balance at 31 December 2007</b>	<b>4,858,777</b>	<b>154,774</b>	<b>(938,547)</b>	<b>4,075,004</b>
<b>Balance at 1 July 2006</b>	-	-	-	-
Total income and expense for the period directly recognised in equity	-	-	-	-
Loss for the period	-	-	(37,017)	(37,017)
Total expense for the period	-	-	(37,017)	(37,017)
Issue of shares on incorporation	60	-	-	60
Issue of shares	118,125	-	-	118,125
<b>Balance at 31 December 2006</b>	<b>118,185</b>	<b>-</b>	<b>(37,017)</b>	<b>81,168</b>

Condensed notes to the financial statements are included on pages 7 to 9.

**HEMISPHERE RESOURCES LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include notes of the type normally included in an annual financial report, and accordingly this report should be read in conjunction with the most recent annual financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of *the Corporations Act 2001* and the ASX listing rules.

**Basis of preparation**

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's financial report for the financial year ended 30 June 2007.

**Adoption of new and revised Accounting Standards**

The adoption of the mandatory amending standards for annual periods beginning on or after 1 January 2007 are either not applicable or have no material impact on the Company.

**(a). Financial assets**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

**(i) Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.



**HEMISPHERE RESOURCES LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a). Financial assets (Continued)**

(ii) Available-for-sale financial assets

The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

**2. Issued Capital**

	<b>Number of shares</b>	<b>\$</b>
<b><i>(a) Issued and Paid Up Capital</i></b>		
Fully paid ordinary shares	33,962,300	4,858,777
<b><i>(b) Movements in fully paid shares on issue</i></b>		
Opening balance at the beginning of period	30,954,800	4,212,391
Issue of share placement	3,000,000	675,000
Issue of shares on exercise of options	7,500	1,500
Transaction costs	-	(30,114)
<b>Closing balance at the end of period</b>	33,962,300	4,858,777

**3. Reserves**

	<b>Number of options</b>	<b>\$</b>
<b><i>(a) Option premium reserve</i></b>		
Options on issue	16,969,900	154,774
<b><i>(b) Movements in options on issue</i></b>		
Opening balance at the beginning of period	-	-
Rights issue	13,790,678	137,907
Shortfall placement	1,686,722	16,867
Exercise of options	(7,500)	-
Placement of shares	1,500,000	-
<b>Closing balance at the end of period</b>	16,969,900	154,774

All of the options on issue at the reporting date of 31 December 2007 are listed and have an exercise price of 20 cents, expiring 31 March 2010.

**HEMISPHERE RESOURCES LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**4. Contingencies and Commitments**

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.

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

**5. Segment Information**

The Company operates in one business segment, being mining and exploration. The Company is operating in one geographical segment being Australia.

**6. Events after the balance sheet date**

There were no events subsequent to the balance sheet date.

**7. Related Parties**

Arrangements with related parties are continued to be in place. For details of these arrangements, please refer to 30 June 2007 annual financial report.

Key management personnel continue to receive compensation in the form of short term employee benefits and post employment benefits.

**8. Other financial assets**

	<b>31 December 2007</b>	<b>30 June 2007</b>
Available for sale assets:		
Listed shares, at fair value	\$ <u>50,000</u>	\$ <u>-</u>

## **HEMISPHERE RESOURCES LIMITED**

### **Directors' declaration**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that Hemisphere Resources Limited will be able to pay its debts as and when they become due and payable; and
- (b) in the director's opinion, the attached condensed financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards AASB 134 'Interim Financial Reports' and giving a true and fair view of the financial position and performance of the Company for the period ended 31 December 2007.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

D. Costick  
Managing Director

Perth, 12 March 2008

12 March 2008

To the Board of Directors of Hemisphere Resources Limited

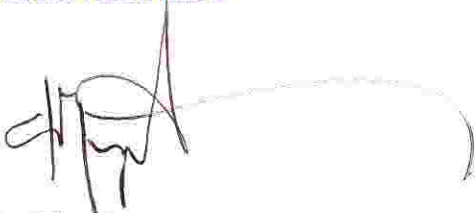
Dear Sirs

**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully  
**ORD PARTNERS**



Ian Macpherson  
Partner

*Ian K Macpherson CA*

*Robert W Parker CA*

*Craig A Vivian CA*

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF HEMISPHERE RESOURCES LIMITED**

***Report on the half year financial report***

We have reviewed the accompanying half-year financial report of Hemisphere Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other explanatory notes and the directors' declaration.

***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Hemisphere Resources Limited's financial position at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of Hemisphere Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we, would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Hemisphere Resources Limited on 12 March 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

*Ian K Macpherson CA*

*Robert W Parker CA*

*Craig A Vivian CA*

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**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hemisphere Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Hemisphere Resources Limited's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**ORD PARTNERS**

Chartered Accountants



Ian Macpherson  
Partner

Perth, 12 March 2008