



Hemisphere Resources Limited

ABN 96 122 074 006

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

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

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the recommendations.

Principle 1 – Lay solid foundations for management and oversight

The Board has also adopted a Board Charter which details functions and responsibilities of the Board and those designated to management. A copy of the Board Charter has been placed on the Company's website.

Principle 2 – Structure the board to add value

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

2.1 The Company does not have a majority of independent directors.

The Board is comprised of three directors, one of whom is an executive director. The non-executive independent director is Dr Mark Elliott. The other non-executive director, Mr Paul Boyatzis, is not considered to be independent as he is a substantial shareholder.

The Board's policy is that the majority of directors shall be independent and non-executive. However, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive directors.

2.2 The Chairman is not an independent director.

The Company's Chairman, Mr Paul Boyatzis, is not considered to not 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.

2.3 A separate nomination committee has not been formed.

The full Board considers those matters and issues arising that would usually fall to a Nomination Committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

Principle 4 – Safeguard integrity in financial reporting

4.1 The Company does not have a separate audit committee.

4.2 The Board does not meet the compositional requirements set out in Recommendation 4.2.

4.3 The Company has not adopted an audit committee charter.

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. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and reliability of financial information and non financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control.

At such time when the Company is of sufficient size an audit and risk management committee charter will be adopted and the committee formed.

Principle 7 – Recognise and manage risk

This principle requires the Company to establish a system of risk oversight and management and internal control. The Company recognises the importance of managing risk and continues to put in place systems to assess, monitor and manage risk based on the Company's size, history and strategy. The exploration and development of natural resources is a speculative activity that involves a high degree of financial risk.

The Company's Managing Director, subject to the review of the Board, is responsible for the identification of material risks to the business and the design and implementation of internal control systems to manage the identified risks.

The Managing Director and the equivalent of the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects.

The principle areas of risk for the Company are in:

- Occupational health and safety and work related safety risks
- Environmental risks
- Security of tenure over tenements
- Financial risk in the areas of maintaining sufficient funding for the continuation of operations and risks related to fraud, misappropriation and errors

Principle 8 – Remunerate fairly and responsibly

8.1 The Company does not have a separate remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.