

SPHERE MINERALS LIMITED

A SUBSIDIARY OF
GLENCORE

ABN 66 009 134 847

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM FINANCIAL REPORT

FOR THE 6 MONTH INTERIM PERIOD ENDED

30 JUNE 2014

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SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

CORPORATE DIRECTORY

DIRECTORS

Peter Coates AO	Non - Executive Chairman
Mark Eames	Executive Director
Damian Hogue	Executive Director
Tony Clark AM	Non - Executive Independent Director
Jon Parker	Non - Executive Independent Director

COMPANY SECRETARIES

Nicholas Talintyre
Matthew Conroy

REGISTERED AND PRINCIPAL OFFICE

Level 38, Gateway
1 Macquarie Place
Sydney NSW 2000

Telephone: + 61 2 9253 6700
Facsimile: + 61 2 9241 6898

SOLICITORS

Ashurst
Level 36, Grosvenor Place
225 George Street
SYDNEY NSW 2000

AUDITORS

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George St
Sydney NSW 2000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000

Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

STOCK EXCHANGE LISTING

The Company's securities are quoted on the official list of the Australian Securities Exchange (ASX).

The home branch is Perth.

ASX CODE

SPH

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
DIRECTORS' REPORT

Your Directors present their report together with the consolidated financial report of Sphere Minerals Limited, being the Company and its controlled entities (together referred to as the "Consolidated Entity"), for the 6 month interim period ended 30 June 2014 and the independent review report thereon.

Directors

The following persons were Directors of the Company during the 6 month period up to the date of this report unless otherwise stated:

Peter Coates AO	Non-Executive Chairman
Mark Eames	Executive Director
Damian Hogue*	Executive Director
Tony Clark AM	Non-Executive Independent Director
Jon Parker	Non-Executive Independent Director

*resigned 28 May 2014, reappointed 26 June 2014

Review of Operations

For the 6 months ended 30 June 2014, the Consolidated Entity incurred exploration expenditures of US\$15,066,000 (6 months to 30 June 2013: US\$30,139,258).

The consolidated net loss from continuing operations after income tax for the 6 months ended 30 June 2014 was US\$4,083,226 compared to a net profit of US\$269,941 for the 6 months ended 30 June 2013. The current period loss included financing charges on the loan facility.

The Company's Mauritanian Iron Ore projects are continuing and the following is a brief progress report:

Guelb el Aouj Iron Ore Project (Sphere 50%; Société Nationale Industrielle et Minière 50%)

During the period, the Company reported two significant milestones relating to El Aouj, firstly the completion of an extensive resource definition campaign and secondly the completion of Pre-Feasibility Study (PFS) level engineering studies for sinter feed product.

During the last two years, the Company has undertaken an extensive exploration programme within the El Aouj tenement on behalf of El Aouj Mining Company and has progressively declared Mineral Resources compliant with the JORC code that now total 4.4 billion tonnes. In addition to this resource drilling, further definition drilling on El Aouj East was incorporated in a geological model and an Ore Reserve Statement that satisfies the requirements of the JORC Code for Mineral Resources and Ore Reserves was finalised during the period. Golder Associates completed this Ore Reserves Estimate update based on the geological information and a review of the PFS outcomes.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
DIRECTORS' REPORT

The El Aouj PFS has been completed and a forward work programme has been prepared by El Aouj Mining Company, on behalf of the Company and SNIM.

Tenders have been sought from professional engineering companies to prepare a detailed Feasibility Study (FS). It is anticipated this study will commence in the second half of 2014.

Proposals have also been sought from consulting mining engineering companies to undertake a feasibility level mining study to support the feasibility study process.

A draft Terms of Reference (ToR) document has been prepared for submission to government to finalise the ToR requirements for the Environmental and Socio-economic Impact Assessment.

Askaf Iron Ore Project (Sphere 90%)

Askaf North

As announced to the ASX on 24 April 2014, the Board has approved the 7 million tonnes per annum Askaf North iron ore project which has a forecast construction cost of US\$0.9 billion (real basis, 2014 dollars) and first production is expected in early 2017.

During the period, the Company signed a US\$0.6 billion agreement with Essar for the procurement of equipment and construction of the Askaf project. The Company also signed a binding term sheet with SNIM for the provision of rail and port services for the transport of its Iron Ore product from the Askaf project.

Mobilisation of EPC contractor's manpower, together with initial construction activities, (pioneer camp, construction equipment and batching plant), is underway and process plant and infrastructure development work is progressing as planned, with commitments made to all major equipment vendors.

A preferred mining contractor has been identified and final negotiations on the contract are progressing.

Askaf Centre, East and Western Guelbs

The final geological/resource reports are in progress.

Lebtheinia Iron Ore Project (Sphere 100%)

Concept study work for the development of the Lebtheinia resource continues.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
DIRECTORS' REPORT

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* on page 5 forms part of the Directors' Report for the 6 month interim period ended 30 June 2014.

Rounding of Amounts

The Company is an entity to which the ASIC Class Order 98/100 applies and accordingly, amounts in the financial statements and Directors' Reports have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Director: 

Peter Coates AO (Chairman).

Dated: 27 August 2014

The Directors
Sphere Minerals Limited
Level 38, Gateway
1 Macquarie Place
Sydney NSW 2000

27 August 2014

Dear Directors

Sphere Minerals Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Sphere Minerals Limited.

As lead audit partner for the review of the financial statements of Sphere Minerals Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



J A Leotta
Partner
Chartered Accountants

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014

	Notes	6 months to June 2014	6 months to June 2013
		US\$'000	US\$'000
Interest revenue	3	13	479
Total revenue		13	479
Expenses from continuing operations			
Administration		(78)	(123)
Employee benefits expenses		(325)	(79)
External contractors expense		(24)	(51)
Directors fees		(108)	(50)
Legal fees		(27)	(40)
Travel and related expenses		(1)	(2)
Office expenses		(2)	(4)
Finance costs		(2,524)	(2)
Net foreign exchange gain/(losses)		(1,043)	134
Total expenses		(4,132)	(217)
Share of equity accounting gain/(losses)	1	9	-
(Loss)/ profit before income tax expense		(4,110)	262
Income tax expense	6	-	-
(Loss)/ profit for the period		(4,110)	262
Net loss attributable to non-controlling interests		(26)	(8)
Net (loss)/ profit attributable to owners		(4,084)	270
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		11,083	19,509
Other comprehensive income/(loss) net of tax		11,083	19,509
Total comprehensive income for the period		6,973	19,771
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Sphere Minerals Limited			
Basic (loss)/ earnings per share (cents per share)		(1.87)	0.12
Diluted (loss)/ earnings per share (cents per share)		(1.87)	0.12

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Notes	30-Jun-14 US\$'000	31-Dec-13 US\$'000
CURRENT ASSETS			
Cash and cash equivalents	2	20,463	4,669
Other receivables		724	1,546
Prepayments		46,486	279
TOTAL CURRENT ASSETS		67,673	6,494
NON-CURRENT ASSETS			
Property, plant and equipment		3,755	4,580
Exploration and evaluation assets	7	194,071	250,338
Loan to equity accounted joint arrangement		25,585	12,492
Equity accounted investment in joint venture		57,819	-
TOTAL NON-CURRENT ASSETS		281,230	267,410
TOTAL ASSETS		348,903	273,904
CURRENT LIABILITIES			
Trade and other payables		7,118	9,067
Borrowings	9	-	28,259
TOTAL CURRENT LIABILITIES		7,118	37,326
NON-CURRENT LIABILITIES			
Borrowings	9	98,234	-
TOTAL NON-CURRENT LIABILITES		98,234	-
TOTAL LIABILITIES		105,352	37,326
NET ASSETS		243,551	236,578
EQUITY			
Contributed equity		263,496	263,496
Reserves		18,526	7,443
Accumulated losses		(38,196)	(34,112)
Parent interest		243,826	236,827
Non-controlling interest		(275)	(249)
TOTAL EQUITY		243,551	236,578

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

	Notes	6 months to June 2014 US\$'000	6 months to June 2013 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,598)	(240)
Interest received		13	519
Net cash (used in)/ provided by operating activities		(2,585)	279
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment - EPC contractor		(45,217)	-
Payment for property, plant and equipment		-	(499)
Payments for capitalised exploration expenditure		(15,166)	(26,884)
Net cash used in investing activities		(60,383)	(27,383)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan drawn down		78,762	-
Net cash used in financing activities		78,762	-
Net increase / (decrease) in cash and cash equivalents held		15,794	(27,104)
Cash at the beginning of the financial year		4,669	43,502
Effects of exchange rate changes on cash and cash equivalents		-	192
Cash and cash equivalents at 30 June	2	20,463	16,590

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

	Issued capital	Accumulated losses	Foreign currency translation reserve	Other reserves	Total	Non controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014	263,496	(34,112)	7,367	76	236,827	(249)	236,578
Loss for the period	-	(4,084)	-	-	(4,084)	(26)	(4,110)
Adjustment for translation of foreign controlled entities	-	-	11,083	-	11,083	-	11,083
Total comprehensive income for the period	-	(4,084)	11,083	-	6,999	(26)	6,973
At 30 June 2014	263,496	(38,196)	18,450	76	243,826	(275)	243,551
At 1 January 2013	263,496	(33,107)	(12,486)	78	217,981	(78)	217,903
Loss for the period	-	270	-	-	270	(8)	262
Adjustment for translation of foreign controlled entities	-	-	19,509	-	19,509	-	19,509
Total comprehensive income for the period	-	270	19,509	-	19,779	(8)	19,771
At 30 June 2013	263,496	(32,837)	7,023	78	237,760	(86)	237,674

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014

Note 1: Basis of preparation

The Company is domiciled in Australia. The consolidated interim financial report of Sphere Minerals Limited for the 6 months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in associates and jointly controlled entities.

The interim consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standards AASB 134: *Interim Financial Reporting*. The financial report also complies with International Reporting Standards (IAS 34: *Interim Financial Reporting*) as issued by the International Accounting Standards Board.

The interim consolidated financial report has been prepared on a going concern basis.

It is recommended that this interim report is read in conjunction with the annual report for the 12 month period ended 31 December 2013 and considered together with any public announcements made by Sphere Minerals Limited and its controlled entities in accordance with the continuous disclosure obligations of the ASX listing rules. The interim report does not include disclosures of the type normally included in the annual financial statements and cannot be expected to provide as comprehensive an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the most recent annual report.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

Accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period with the exception of the below changes;

Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the structure of the joint arrangement. Following significant developments including substantial progress on agreeing a shareholder's agreement during the period, the Consolidated Entity has assessed the nature of its El Aouj Mining Company S.A.(EMC) joint arrangement and determined that it has changed its accounting from an investment in joint operation to investment in joint venture.

The group has accounted for its investment in the EMC joint venture using the equity accounting method. This has been incorporated in the financial statements under the appropriate headings.

Functional currency

During the period there has been a change in the functional currency of Sphere Minerals Limited and subsidiary Sphere Mauritania S.A. to United States Dollars (USD). The change occurred due to the entering into USD domiciled funding arrangements and USD domiciled construction contracts which represent the key activities of the respective legal entities. The consolidated interim financial report is presented in USD, which is also Sphere Minerals Limited's functional currency (2013: Australian dollars). Comparatives have been restated to reflect the change in presentation currency.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014

Note 2: Cash and cash equivalents

	30-Jun 2014 US\$'000	31-Dec 2013 US\$'000
Cash at bank and on hand	20,463	4,669
	20,463	4,669

Note 3: Interest revenue

	6 months to 30 June 2014 US\$'000	6 months to 30 June 2013 US\$'000
Bank interest	13	479
	13	479

Note 4: Segment information

The Consolidated Entity has identified its operating segments based upon the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (the Chief Operating Decision makers) in assessing performance and determining the allocation of resources. The principal activity and sole operating segment identified is that of Mineral Exploration in Mauritania, West Africa.

Financial information, being expenditure incurred, is reported to the Chief Executive Officer and Management on a monthly basis. All costs incurred relating to exploration are capitalised as described in the notes to the 31 December 2013 Annual Report and as disclosed in Note 7 of this report.

Expenses included in the consolidated statement of profit or loss and comprehensive income which have not been capitalised to the operating segment are unallocated as they are not considered part of the core operation of the segment.

Note 5: Dividends

No dividends were paid or declared during the period.

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

Note 6: Income tax expense

	6 months to 30 June 2014 US\$'000	6 months to 30 June 2013 US\$'000
Profit / (loss) before income tax expense	(4,110)	262
Tax at the Australian rate of 30% (2013 - 30%)	(1,233)	73
Less brought forward tax losses previously unrecognised	-	(73)
Add back tax losses not recognised	1,233	
Income tax expense for the period	-	-
 Total unrecognised revenue tax losses @30%	 10,133	 12,223

Note 7: Exploration and evaluations assets

	30-Jun-14 US\$'000	31-Dec-13 US\$'000
Opening balance	250,338	170,260
Capitalised during the period	15,066	54,949
Change in joint arrangement accounting	(75,005)	-
Foreign exchange translation on capitalised exploration expenditure	3,672	25,129
Closing balance	194,071	250,338

Note 8: Commitments and contingencies

The total capital commitments as at 30 June 2014 are as follows:

	30-Jun-14 US\$'000
Within one year	10,984
After one year but not more than 5 years	-
More than five years	-
	10,984

SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014

Note 9: Borrowings

During the half year, the Consolidated Entity entered into a related party facility for the amount of US\$186,000,000 with Glencore Australia Holding Pty Limited replacing the existing loan of A\$40,000,000. The loan facility is on an unsecured basis with an applicable rate of 12% per annum plus a 1% commitment fee on the unutilised portion. The loan is to be repaid within 18 months from the date of the first drawing or in the event of a successful rights issue. The drawn down amount as at 30 June 2014 was US\$96,991,884 plus US\$1,242,165 in accrued interest.

Note 10: Events Subsequent to Reporting Date

There have been no significant events subsequent to the reporting date.

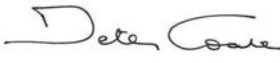
SPHERE MINERALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION FOR THE 6 MONTH INTERIM PERIOD ENDED 30 JUNE 2014

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including :
 - (a) complying with the Accounting Standard *AASB 134 Interim Financial Reporting*, the Corporations Regulations 2001, and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the interim period ended on that date; and
2. There are reasonable grounds to believe that Sphere Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the *Corporations Act 2001*, and is signed for and on behalf of the Directors by:

Director: 

Peter Coates

Dated this 27 August 2014

Independent Auditor's Review Report to the Members of Sphere Minerals Limited

We have reviewed the accompanying half-year financial report of Sphere Minerals Limited, which comprises the condensed statement of financial position as at 30 June 2014, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 14.

Directors' Responsibility for the Half-Year Financial Report

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

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 Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sphere Minerals 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.

Auditor's Independence Declaration

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*, which has been given to the directors of Sphere Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Sphere Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



J A Leotta
Partner
Chartered Accountants
Sydney, 27 August 2014