

SPHERE MINERALS LIMITED

A SUBSIDIARY OF
GLENCORE

QUARTERLY ACTIVITIES REPORT – 30 SEPTEMBER 2014

Summary

On 27 October 2014 the Board of Sphere Minerals Limited (Sphere) announced that in light of prevailing market conditions, it had initiated a review of the Askaf Project. Taking into account the time involved in this review it is currently expected that the start of production will be delayed.

The Engineering Feasibility Study contract for the El Aouj East deposit was approved by the El Aouj Mining Company Board in August.

Askaf Iron Ore Project (Sphere 90%)

Askaf North

- F' derick rail siding works was completed ready for the first rail shipments to arrive.
- The Pioneer Camp arrived in Mauritania in September and was railed inland for installation.
- The first shipment of construction equipment sailed from India and arrived in country in October.
- Fabrication of major equipment has commenced.
- Groundwater development assessment commenced in country.

Guelb el Aouj Iron Ore Project (Sphere 50%; SNIM 50%)

Since the publication of the Pre-Feasibility Study and Ore Reserve Statement last quarter, El Aouj Mining Company SA (EMC) in Mauritania has established the go forward plan to execute the Feasibility Study for a Stage 1 Project based at El Aouj east deposit. EMC has:

- Finalised the scope of work for a feasibility study;
- Undertaken a thorough competitive tender process inviting seven professional engineering companies to make formal proposals;
- Assessed the tenders received and conducted interviews with short listed proponents;
- Prepared proposals and executed contracts for carrying out the Feasibility Study for the Primary Engineering.
- Initiated further pilot plant metallurgical testwork to support the feasibility study; and
- Commenced discussions with Government in relation to the draft Terms of Reference (ToR) document prepared for submission to government to finalise the ToR requirements for the Environmental and Socio-economic Impact Assessment.

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The following exploration activity was undertaken:

El Aouj East

- A ground magnetic survey covering the planned infrastructure area at El Aouj East has been completed. The survey forms part of a sterilisation program.

Lebtheinia Iron Ore Project (Sphere 100%)

- Study work for the development of the Lebtheinia resource continues.

ASX Listing Rule 5.3.3 Disclosure

Mining tenements held at the end of quarter and their location.

Exploitation Licence Schedule

Exploitation (Mining) Licence	Location Country	Name	Area (km ²)	Date Granted	Grant Period (Years)	Holding Company	Interest
EL 609	Mauritania	El Aouj / (Tintekrate)	520	27 April 2008	30	El Aouj Mining Company SA	50%
EL 1620	Mauritania	Askaf	194	26 September 2012	30	Sphere Mauritania SA	90%

Exploration Licence Schedule

Exploration Licence	Location Country	Name	Area (km ²)	Expiry date of licence	Holding Company	Interest
EL 264	Mauritania	Lebtheinia	324	5 September 2015	Sphere Lebtheinia SA	100%
EL 325	Mauritania	Aoueuoua	45	(1)	Sphere Lebtheinia SA	100%

(1) Application for a three-year extension of the exploration licence in progress.

Mining tenements acquired and disposed of during the quarter

None

The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter.

None

The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter.

None

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Competent Person's' Statement

The Competent Person responsible for the Exploration Results mentioned in this report is Dr Schalk van der Merwe, is a Geological Consultant to Sphere Minerals Limited. Dr van der Merwe is a member of a Recognised Overseas Professional Organisation (ROPO), the South African Council for Natural Scientific Professionals (SACNASP). Dr van der Merwe has sufficient experience that is relevant to the styles of mineralisation and type of deposits under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr van der Merwe consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Sphere Minerals Limited

ABN

66 009 134 847

Quarter ended ("current quarter")

September 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(24,888)	(93,923)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(195)	(369)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	25	45
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(25,058)	(94,247)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(24)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	(24)
1.13	Total operating and investing cash flows (carried forward)	(25,058)	(94,271)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(25,058)	(94,271)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	10,517	96,435
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	10,517	96,435
	Net increase (decrease) in cash held	(14,541)	2,164
1.20	Cash at beginning of quarter/year to date	21,931	5,226
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7,390	7,390

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'ooo
1.23 Aggregate amount of payments to the parties included in item 1.2	445
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil
1.25 Explanation necessary for an understanding of the transactions	
Directors' fees and related party service recharges	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Interest expense accrued during the period: A\$3,437,714

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	212,899	122,248
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	11,856
4.2 Development	-
4.3 Production	-
4.4 Administration	133
Total	11,989

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,390	21,931
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,390	21,931

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)	Nil			
7.2 Changes during quarter				
(a) Increases through issues	Nil			
(b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 +Ordinary securities	218,269,296			
7.4 Changes during quarter				
(a) Increases through issues	Nil			
(b) Decreases through returns of capital, buy-backs	Nil			
7.5 +Convertible debt securities (description)	Nil			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil			
7.7	Options (description and conversion factor)	Nil Nil		<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 30 October 2014

Print name: Matthew Conroy

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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