

# SPHERE MINERALS LIMITED

A SUBSIDIARY OF  
GLENORE

ABN 66 009 134 847

## AND CONTROLLED ENTITIES

**FINANCIAL REPORT FOR THE 12 MONTH**

**PERIOD ENDED 31 DECEMBER 2014**

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**CONTENTS**

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<b>CORPORATE DIRECTORY</b>	<b>1</b>
<b>CHAIRMAN’S REPORT AND REVIEW OF OPERATIONS</b>	<b>2</b>
<b>CORPORATE GOVERNANCE</b>	<b>5</b>
<b>DIRECTORS’ REPORT</b>	<b>9</b>
<b>REMUNERATION REPORT</b>	<b>14</b>
<b>AUDITOR’S INDEPENDENCE DECLARATION</b>	<b>18</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>20</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>21</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>22</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>23</b>
<b>NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS</b>	<b>24</b>
<b>DIRECTORS’ DECLARATION</b>	<b>59</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>60</b>

# **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

## **CORPORATE DIRECTORY**

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### **DIRECTORS**

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

### **COMPANY SECRETARY**

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  
Grosvenor Place  
225 George Street  
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 LTD AND ITS CONTROLLED ENTITIES**

### **CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS**

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The 12 month period ended 31 December 2014 was a challenging year for Sphere Minerals Limited (Sphere or the Company) as it worked to develop its three major resource areas.

#### **Askaf Project (Sphere 90%; Mauritania State 10%)**

In the first half of the year, Sphere completed the major steps necessary to support the development of the Askaf resource, including:

- Clarification of Askaf regulatory and fiscal terms with the Government of Mauritania;
- Concluding a termsheet with Société Nationale Industrielle et Minière (SNIM) for the supply of rail and port services; and
- Completion of Front End Engineering Design (FEED) and negotiation of a lump sum construction contract with the selected engineering contractor.

On 8 May 2014, Sphere signed a US\$0.6billion agreement with its construction contractor (Essar) for the procurement of equipment and construction of the Askaf project. Mobilisation of an Engineering, Procurement and Construction (EPC) contractor's manpower, together with initial construction activities, (pioneer camp, construction equipment and batching plant), commenced as planned until late October when in light of the prevailing iron ore market conditions, the Board decided to initiate a review of the Askaf project, resulting in a slowdown of the project. On 17 November 2014, the Board announced the decision to demobilise Essar and its sub-contractors to the Askaf project. At this stage, construction of Askaf was at an early stage, but was due to ramp up quickly. Negotiations for the demobilisation costs are continuing with the various contractors and suppliers working on the project.

Based on the results of the review, the Board has announced that while there are potential improvements in operating costs, capital efficiency and product quality, at current prices there is no prospect for profitable development of the Askaf Project.

Accordingly, the Board has determined to defer further development of Askaf. All construction commitments are being closed out, expenditure minimised, and employment numbers reduced.

Sphere will continue to monitor and assess market conditions and whether it is economic to restart the Askaf Project at some time in the future

#### **Guelb el Aouj (Sphere 50%; SNIM 50%)**

The Guelb el Aouj resource remains Sphere's most significant project in which it owns 50%, through the El Aouj Mining Company (EMC), together with SNIM.

EMC has established a team to manage the El Aouj project, including secondees from both Glencore plc and SNIM.

During the year Sphere reported a number of significant milestones relating to El Aouj, including 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, Sphere 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<sup>1</sup>. 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 year.

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<sup>1</sup> ASX Announcement, 27 June 2014, "Sphere increases mineral resources at El Aouj Centre Magnetite Iron Ore Deposit Mauritania".

## SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS

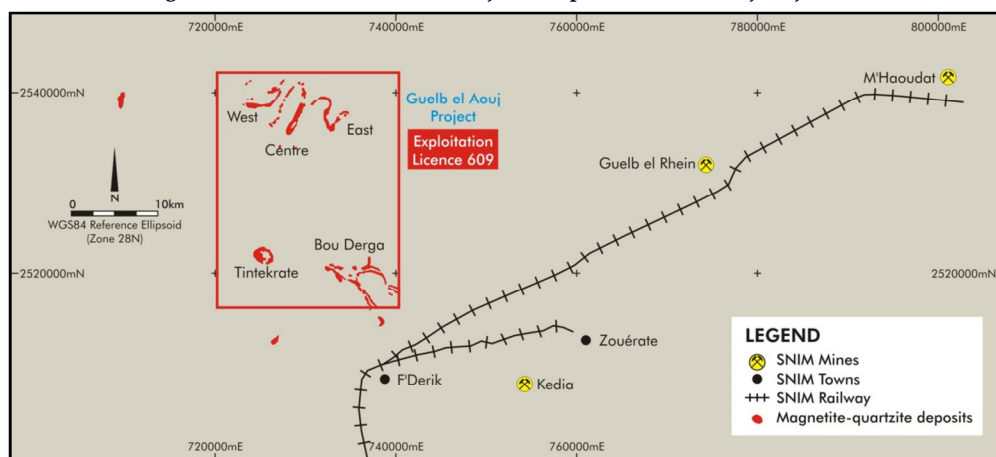
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The El Aouj Pre-Feasibility Study (PFS) was completed during the year and EMC commenced work on the Feasibility Study for a Stage 1 Project based on the El Aouj East project in the fourth quarter of 2014. EMC has:

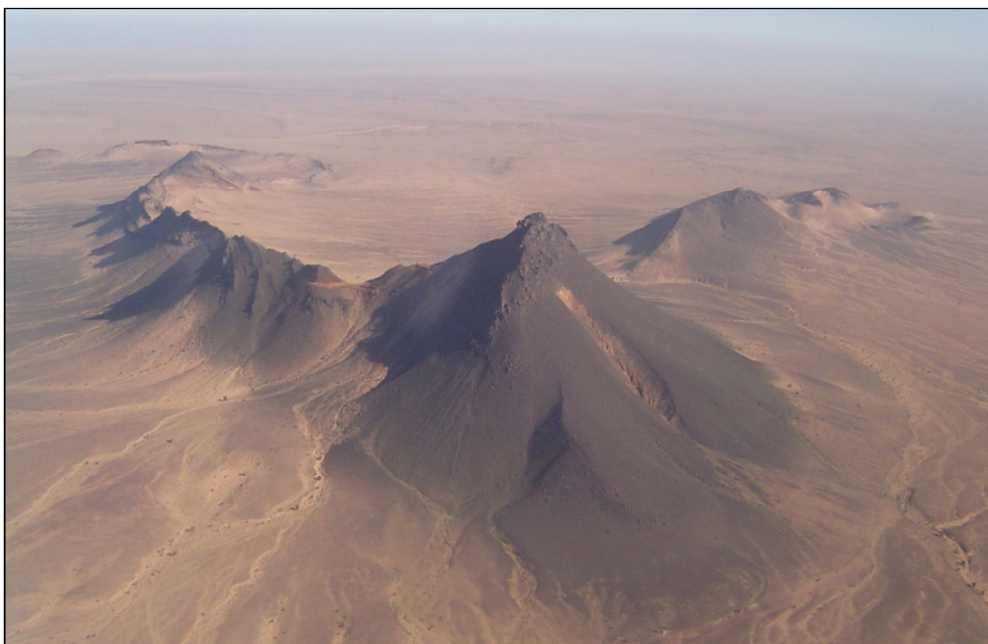
- Awarded the engineering component of the feasibility study to Ausenco, for which the work is well underway;
- A contract was signed for the mining part of the feasibility study, inviting seven mining consultants to make formal proposals. Five companies participated in the tender process and the final contract for this work was executed late October 2014;
- Finalised the pilot plant metallurgical testwork programme to support the feasibility study;
- Commenced an expression of interest process for the site geotechnical investigation needed to support the process plant foundation designs needed for the feasibility study; and
- Submitted the final Terms of Reference (ToR) document for the Environmental and Socio-Economic Impact Assessment part of the project to Government.

The El Aouj Project Feasibility Study is continuing.

**Figure 1: Location of Guelb el Aouj East deposit in the el Aouj Project Area**



**Figure 2: Guelb el Aouj East Deposit Looking North**



## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS**

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#### **El Aouj East**

The drilling program has now been completed and final resource estimations were completed for the total El Aouj East deposit.

**Figure 3: Panoramic view of the Guelb el Aouj East deposit**



#### **Lebtheinia Project (Sphere 100%)**

The study work for the development of the Lebtheinia resource is being compiled.

The fall in iron ore prices late in 2014 led to a prudent decision by the Board of Sphere to halt construction of the Askaf project before construction activities substantially ramped up. While there has been a cost to the Company from the initial activities, the suspension of the project has limited the liabilities of the Company and preserved the options for future developments of the Company's substantial Mauritanian iron ore resources until a time which is better aligned with the market opportunity.

While Askaf construction was suspended, the Company made significant progress in securing the long term value of its assets in 2014. Key milestones include:

- Delivery of substantial resource upgrades following a multiyear exploration campaign;
- The completion of a competitive engineering design for Askaf;
- Attractive PFS results for El Aouj; and
- Progress with Government in defining key fiscal and regulatory terms.

Sphere has secured a substantial resource base in its portfolio of projects in Mauritania and is continuing to define attractive development options to maximise value realisation for the Company's shareholders and stakeholders.



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Peter Coates AO  
Chairman

# SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES

## CORPORATE GOVERNANCE

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### Corporate Governance

The directors of the Company consider that high standards of corporate governance are critical to business integrity and performance.

The Board ensures that the Company meets the objectives of all its shareholders, while paying proper regard to the interests of employees and external stakeholders. The corporate governance structures and practices in place at the Company are substantially in compliance with the 3<sup>rd</sup> edition of the Corporate Governance Principles and Recommendations (the Principles) developed by the Australian Securities Exchange (ASX) Corporate Governance Council (the Council).

The Board has considered the Council's Principles and the Company does not comply with the following recommendations:

- Recommendations 1.2 and 1.3 – the Company does not have a process and did not conduct an evaluation of senior executives;
- Recommendation 2.1 and 2.2 – a majority of the Board are not independent directors, nor does the Company have an independent chairman;
- Recommendation 2.4 – the Board has not established a separate nomination committee;
- Recommendation 2.5 – the Company does not have a formal process for evaluating the performance of the Board, its committees and individual directors; and
- Recommendation 8.1 and 8.2 – the Board has not established a separate remuneration committee.

Glencore plc, through a wholly owned subsidiary owns 88.16% of the Company and provides the Company with management and support services including senior management to enable the Company to conduct its business.

As a subsidiary of Glencore plc the Company has adopted Glencore plc's corporate governance and sustainability policies. Further details of these policies are available at [www.Glencore.com](http://www.Glencore.com).

### Principle 1 – Lay solid foundations for management and oversight

The Company has formalised and disclosed the roles and responsibilities of the Board and those delegated to senior management in its Board Charter<sup>(1)</sup>.

The responsibilities of the Board include determining and monitoring the objectives and strategic direction of the Company, monitoring the performance of the Company and its senior executives, approving business plans and budgets, and developing and ensuring adherence to company policies. The Board is also responsible for compliance with the codes of conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of the Chief Executive Officer, Chief Financial Officer, Company Secretary and other senior executives.

The senior management are responsible for the efficient and effective operation of the Company in accordance with the objectives, strategies and policies determined by the Board.

The Board charter is available, however, because of the small number of shareholders and the associated costs, the Company does not maintain a website.

<sup>(1)</sup> A copy of the Board and Audit Committee Charter can be obtained by contacting the Sphere Company Secretary.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **CORPORATE GOVERNANCE**

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#### **Principle 2 – Structure the board to add value**

The Board of the Company currently consists of two executives and three non-executive directors. Details of the Company directors, their qualifications and experience and their period of office are included in the Directors' Report.

In considering the independence of directors, the Board considers issues of materiality and relies on those thresholds for qualitative and quantitative materiality as contained in the Board Charter. Under this criteria, Mr Parker and Mr Clark are the only non-executive independent directors of the Company.

While the Company's Board composition does not follow the ASX recommendations, the Board considers that given the Company's ownership structure, current size and stage of exploration and development, its current Board structure is appropriate and provides the necessary diversity of skills and experience.

The Chair of the Board is Mr Coates. Mr Coates' experience within the industry and his commitment to success was considered to be in the best interest of the Company. The Company has appropriate guidelines and checks in place to ensure that the Board makes decisions in the best interests of shareholders.

Subject to the Chairman's approval, which is not to be unreasonably withheld, directors have the right, at the Company's expense, to obtain independent professional advice on issues arising in the course of their duties.

The Company has a policy defining the procedure for the selection and appointment of new directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting.

#### **Principle 3 – Promote ethical and responsible decision making**

The Board is responsible for developing the culture of the organisation, including the performance focus and the legal, ethical and moral conduct, to preserve and enhance Sphere's reputation in the mining industry, business generally and the broader community.

Sphere has adopted Glencore plc's Code of Conduct which requires that all employees are aware of, and comply with, legislation and policies applicable to their position. The Code of Conduct also requires employees to avoid or ensure proper management of conflicts of interest, to not use confidential information for personal gain, and to generally operate in a fair, honest and open manner. In accordance with the Council's recommendation, Sphere has established a securities trading policy, identifying the circumstances in which share trading in the Company's securities by directors, senior managers and other employees is permitted, and has specified procedures to reduce the risk of insider trading.

The Company's policy is to make reasonable endeavours to ensure that it gives proper consideration to the impact on the environment of its activities, and that the Company observes its obligations in respect of environmental practices, and the health, safety and general wellbeing of its employees.

The Company has adopted Glencore plc's diversity policy which believes a diverse workforce enables more effective operation in a variety of contexts. Whether it is business planning, technical design or safety management, the decision-making process is often enhanced by a wide range of different perspectives, coming from people with a variety of backgrounds. There is a strong commitment to hiring local managers and employing local expertise in Mauritania, which benefits both the business and the community.



## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **CORPORATE GOVERNANCE**

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The Company currently has 8% female employees in the whole organisation. There are no women currently in senior positions.

Glencore's Code of Conduct and Diversity policy is available at the website [www.Glencore.com](http://www.Glencore.com).

#### **Principle 4 – Safeguard integrity in financial reporting**

The Company has established an Audit Committee and adopted an Audit Committee Charter<sup>(1)</sup>.

The members of the Audit Committee are Mr Clark (chair, independent) and Mr Parker (independent). Details of each of the Audit Committee member's qualifications as well as details of the Audit Committee meetings and attendances are contained in the Directors' Report. The two members of the Audit Committee consider themselves to be financially literate and have industry knowledge.

During the 12 month period, the Audit Committee convened two times to consider all matters under the Audit Committee Charter.

The Audit Committee charter is available, however, because of the small number of shareholders and the associated costs, the Company does not maintain a website.

The Board has adopted a policy and procedure for selection of external auditor and rotation of audit engagement partners.

The key criteria are:

#### ***Mandatory criteria***

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

#### ***Other criteria***

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

The Board reviews the performance of the external auditor on an annual basis.

#### **Principle 5 – Make timely and balanced disclosure**

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, Sphere has adopted a Continuous Disclosure Policy. The 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.

The Company also has policies in place to ensure integrity in financial reporting. The Chief Executive Officer and Chief Financial Officer provide the Board with a written statement that Sphere's half year and annual financial statements present a true and fair view in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

<sup>(1)</sup> A copy of the Board and Audit Committee Charter can be obtained by contacting the Sphere Company Secretary.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **CORPORATE GOVERNANCE**

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#### **Principle 6 – Respect the rights of shareholders**

Sphere provides shareholders with important information on the Company in a timely and efficient manner.

Shareholders are informed of the activities of the Company through its Quarterly Report, Annual Report, and other market disclosures made in the spirit of ASX listing rule 3.1. Shareholders are also actively encouraged to attend Sphere's Annual General Meeting. The Company's auditor is required to attend its Annual General Meeting.

All information is available, however, because of the small number of shareholders and the associated costs, the Company does not maintain a website.

#### **Principle 7 – Recognise and manage risk**

The Board has established a Risk Management Policy designed to ensure that material business risks are identified, assessed, addressed and monitored to assist the Company to achieve its business objectives.

Material business risks including economic, environment and social sustainability risks are reviewed at least annually as part of the annual strategic planning, forecasting and budgeting process, and are subject to review on an ongoing basis. Aside from the overriding risks relating to world economic growth, material business risks have been identified as commodity price, equity and financial market shocks, treasury management, political instability/sovereign risk in Mauritania, and general operational risks in exploration and development of mining projects.

The Company has implemented a formal system for managing material business risks. This system includes a risk register that identifies rates, prioritises and delegates the Company's material business risks supported by ongoing review by the nominated manager for each identified material business risk. In addition, detailed internal control questionnaires were completed by the finance department on a six monthly basis.

The categories of risk specifically reported on in the Annual Report are credit risk, liquidity risk, market risk, currency risk and interest rate risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively.

The directors of the Company have been given the declarations from the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001* and have received assurances that these declarations are founded on sound systems of risk management and internal control and that these systems are operating effectively in relation to all material financial risks.

#### **Principle 8 – Remunerate fairly and responsibly**

Remuneration details are disclosed, as required, separately in the Directors' Report. There are no schemes for retirement benefits other than superannuation in existence.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

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The directors present their report together with the consolidated accounts of the entity, being the Company and its controlled entities (the Group), for the 12 month period ended 31 December 2014 and the independent audit report thereon.

#### **DIRECTORS**

The following persons were directors of Sphere Minerals Limited during the 12 month period up to the date of this report:

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

\*resigned 28 May 2014, reappointed 26 June 2014.

#### **PRINCIPAL ACTIVITIES**

Sphere Minerals Limited (Sphere) is an iron ore company, with a focus in West Africa. The Company has three large scale iron ore projects in Mauritania.

##### **Guelb el Aouj (50%)**

The Company's flagship project is the Guelb el Aouj Iron Ore (magnetite) Project in Mauritania, West Africa. Sphere is developing the Guelb el Aouj Iron Ore Project in partnership with Société Nationale Industrielle et Minière (SNIM), Mauritania's state-owned iron ore producer.

##### **Lebtheinia (100%)**

Sphere has an exploration licence for EL264 which covers the Lebtheinia magnetite-quartzite deposits. The deposit is strategically located 145 km from the iron ore port of Nouadhibou.

##### **Askaf (90%)**

The Askaf Project covers the exploitation licence n°1620, located 35km south of the Guelb el Aouj Project Area and adjacent to SNIM's iron ore railway. The 194km<sup>2</sup> Askaf exploitation licence includes six magnetite-quartzite deposits.

#### **REVIEW OF OPERATIONS**

##### **Operating Results**

The consolidated net loss from continuing operations after income tax for the 12 month period ended 31 December 2014 was \$311,864,000 (12 months to 31 December 2013: \$1,985,000 loss). The 2014 loss reflects the impairment of exploration and evaluation costs and provisions for construction contract termination relating to the Askaf project and non-recoverable loans relating to the El Alouj projects.

A review of the Company's operations is contained in the Chairman's report which has been included in the front section of this report.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

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#### **DIVIDENDS**

No dividends were declared or paid at the time of this report.

#### **ENVIRONMENTAL REGULATION**

The Company is not currently subject to significant environmental regulation in respect of its activities.

#### **SIGNIFICANT CHANGES IN AFFAIRS**

During the year there has been a significant decline in the Iron Ore Iodex 62% CFR benchmark price from an average of \$100/t in May 2014 to a current price of approximately \$65/t in China. This is due to a number of factors, but mainly associated with the increased tonnage from the majors and an easing in Chinese steel consumption.

In addition the market has also changed its perceived value of the product premiums and discounts, with customers now appearing to apply a significant penalty to silica content.

On 27 October 2014, as a result of the above market factors the Board decided to initiate a review of the Askaf project, resulting in a slowdown of the project. On 17 November 2014, the Board announced the decision to demobilize its construction contractor (Essar) and its sub-contractors to the Askaf project.

#### **SUBSEQUENT EVENTS**

As announced to the ASX on 11 March 2015, the Board has concluded that while there are potential improvements in operating costs, capital efficiency and product quality, at current prices there is no prospect for profitable development of the Askaf Project.

Accordingly, the Board has determined to defer further development of Askaf. All construction commitments are being closed out, expenditure minimised, and employment numbers reduced.

Sphere will continue to monitor and assess market conditions and whether it is economic to restart the Askaf Project at some time in the future.

The El Aouj Project Feasibility Study is continuing and is being managed by the El Aouj Joint Venture Company.

The impact of the above decisions have been adequately provided for in these financial statements.

No other matter or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the subsequent financial years.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

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#### **DIRECTORS' AND OFFICERS' QUALIFICATIONS AND EXPERIENCE**

##### **Peter Coates AO – Non-Executive Chairman (age 69)**

Qualifications: BSc (Mining Engineering), FAICD, FAusIMM

Experience: Mr Coates was a non-executive director of Glencore plc since its float in April 2011 until its merger with Xstrata plc in May 2013. Mr Coates joined the Board of the merged company in June 2013 and worked as an executive director assisting with the integration of Glencore and Xstrata before resuming the position as a non-executive director from 1st January 2014.

Mr Coates was non-executive Chairman of Xstrata Australia Pty Limited from January 2008 to August 2009 and former Chairman and non-executive director of Minara Resources Limited from April 2008 to April 2011. Mr Coates was Chief Executive of Xstrata Coal, Xstrata plc's global coal business.

Mr Coates is an independent non-executive Director of Santos Limited since 18 March 2008 and Amalgamated Holdings Limited since July 2009, as well as Chair of the Sydney North West Rail Link Advisory Board since December 2012. Mr Coates was the Chairman of Santos from 9 December 2009 to 9 May 2013, and will resume the role from 30 April 2015.

Mr Coates is a past Chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association. Made an Officer of the Order of Australia in June 2009 and was awarded the 2010 Australasian Institute of Mining and Metallurgy Medal.

##### **Mark Eames – Director / Chief Executive Officer (age 53)**

Qualifications: MA (Cantab, Metallurgy), MBA

Experience: Mr Eames is currently Head of Glencore Iron Ore Assets and has over 26 years' experience in the international mining industry. Mr Eames commenced his career with Rio Tinto, following a degree in Metallurgy in the United Kingdom. Mr Eames has worked in the United Kingdom, Australia and Indonesia. He has previously held senior roles at Hamersley Iron, WMC Resources and Coal and Allied. Mr Eames joined Xstrata Coal Pty Limited in 2004 where he held the position of Chief Marketing Officer prior to accepting the role at Glencore Iron Ore.

##### **Damian Hogue – Director / Chief Financial Officer (age 51)**

Qualifications: BCom, CA

Experience: Mr Hogue is a Chartered Accountant and has over 21 years' experience in the mining industry, working in Australia, Indonesia and Argentina. Mr Hogue is currently the General Manager of Finance for Glencore Iron Ore, and was previously General Manager of Marketing Finance for Xstrata Coal Pty Limited. Mr Hogue started his career with Rio Tinto.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

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#### **Anthony Clark AM –Non-Executive Independent Director (age 75)**

Qualifications: AM, FCA, FAICD

Experience: Mr Clark is a Chartered Accountant and was formerly Managing Partner of KPMG NSW from 1992 – 1998. Mr Clark has over 41 years' of accounting, audit, consulting and finance related experiences. In 1995, Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community. Mr Clark is currently a director of the following listed companies: Carlton Investments (appointed 2000) and Ramsay Health Care (appointed 1998).

#### **Jon Parker –Non-Executive Independent Director (age 66)**

Qualifications: Physical Chemistry (Hons), Grad Dip Bus Admin.

Experience: Mr Parker is an Industrial Chemist with more than 41 years' experience in the resource and energy sector including 26 years with Rio Tinto in iron ore, energy, kaolin and aluminium sectors. He was formerly CEO of Felix Resources in the coal sector and with its predecessor, Aulron Energy, in coal, iron ore and direct iron smelting; as well as CEO of Norton Gold Fields Limited involved in acquiring, developing and operating gold mines.

#### **Matthew Conroy – Company Secretary (age 37)**

Qualifications: BCom, CA

Experience: Mr Conroy is a Chartered Accountant with 15 years' experience in financial roles including 11 years of experience in the mining industry. Mr Conroy has worked in Singapore and Australia for Xstrata Coal and is currently Finance Lead for Glencore Australia. Mr Conroy started his career at KPMG.

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

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#### **DIRECTORS' INTERESTS**

As at the date of this report, no director had a direct or indirect interest in the Company via ordinary shares or unlisted options.

#### **DIRECTORS' MEETINGS**

The number of meetings of the Company's Board of Directors and Audit Committee held during the year and the number of meetings attended by each director was:

	<b>Number of Meetings Attended</b>	<b>Entitled to Attend</b>
Peter Coates	7	7
Mark Eames	7	7
Damian Hogue	7	7
Anthony Clark (a)	9	9
Jon Parker (a)	9	9

(a) Messrs Clark and Parker are all members of the Audit Committee. Mr Clark is Chairman for the Audit Committee. During the financial period there were two meetings of the Audit Committee attended by Messrs Clark and Parker.

#### **LOANS TO DIRECTORS AND EXECUTIVES**

During the period, no loans have been provided to directors and / or executives of the Group.

#### **SHARES UNDER OPTION**

No options were granted during the period.

No options are available to be exercised as at 31 December 2014.

There are no unissued ordinary shares of Sphere Minerals Limited under option at the date of this report.

# SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES

## REMUNERATION REPORT

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### REMUNERATION REPORT (Audited)

This remuneration report outlines the arrangements in place for directors and key management personnel (KMP) of the Company, in connection with the management of the affairs of the entity and its subsidiaries, during the 12 months ended 31 December 2014.

Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. KMP comprise the directors of the Company and executives of the Company and the Group.

Details of directors and KMP are set out below:

#### Directors

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

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

#### A Principles used to determine the nature and amount of remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of higher quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The Company's remuneration policy is to establish competitive remuneration (including performance incentives) consistent with long term development and success, to ensure remuneration is fair and reasonable (taking into account all relevant factors, and within appropriate controls or limits), that performance and remuneration are linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with management's remuneration packages, and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances. Note, apart from superannuation guarantee contributions required by the governments, neither directors nor other senior executives receive any other form of retirement benefits.

Currently the remuneration of the Company's KMP including any component of the remuneration that consists of securities in the Company is not formally linked to the performance of the Company. The rationale for this approach is that the Company is in exploration phase, and it is not currently appropriate to link remuneration factors such as profitability or share price. It is anticipated that this will change once the Company generates revenue.



# SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES

## REMUNERATION REPORT

### Non-Executive Directors' Remuneration

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market factors, duties, accountability, comparable companies as well as additional time commitment of directors who serve on one or more sub committees. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is currently AU\$250,000 and was approved by shareholders at a General Meeting held on 28 May 2014. Fees for non-executive directors are not linked to the performance of the Company.

The following fees for each non-executive director have applied:

#### From 1 July 2014

Fees (per annum) – Independent Non-executive Director	AU\$55,000
Fees (per annum) – Chairman	AU\$75,000

Superannuation contributions required under the Australian superannuation guarantee legislation are made in addition to this fee entitlement.

### Executive and Non-Executive (Non Independent) Directors' Remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for company and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Executive remuneration comprises:

- base pay and benefits; and
- long term incentives through equity based compensation.

#### B Details of remuneration

Details of the remuneration of the directors and the KMP who are paid and employed by Sphere and its subsidiaries are set out in the following table:

	Short-term benefits		Other Benefits			% of
	Salary & Fees	Non-Monetary benefits	Super-annuation	Options	Total	remuneration consisting of options
	US\$	US\$	US\$	US\$	US\$	
<b>12 months ended 31 December 2014</b>						
<i>Directors</i>						
Peter Coates – Non-executive Chairman	67,602	-	6,338	-	73,940	0%
Anthony Clark – Non-executive Director	47,322	-	4,439	-	51,761	0%
Jon Parker – Non-executive Director	47,322	-	4,439	-	51,761	0%
<b>Total directors</b>	<b>162,246</b>		<b>15,216</b>		<b>177,462</b>	<b>0%</b>
<i>Other Key Management Personnel (KMP)</i>						
<b>Total other key management personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Total Remuneration</b>	<b>162,246</b>	<b>-</b>	<b>15,216</b>	<b>-</b>	<b>177,462</b>	<b>0%</b>

## SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES REMUNERATION REPORT

	Short-term benefits		Other Benefits		Total	% of remuneration consisting of options
	Salary & Fees	Non-Monetary benefits	Super-annuation	Options		
	US\$	US\$	US\$	US\$	US\$	
<b>12 months ended 31 December 2013</b>						
<i>Directors</i>						
Anthony Clark – Non-executive Director	48,245	-	4,403	-	52,648	0%
Jon Parker – Non-executive Director	48,245	-	4,403	-	52,648	0%
<b>Total directors</b>	<b>96,490</b>		<b>8,806</b>		<b>105,296</b>	<b>0%</b>
<i>Other Key Management Personnel (KMP)</i>						
<b>Total other key management personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Total Remuneration</b>	<b>96,490</b>	<b>-</b>	<b>8,806</b>	<b>-</b>	<b>105,296</b>	<b>0%</b>

### Notes

Related entities, Glencore Australia Holdings Pty Limited, Glencore International AG and Glencore Project Services (UK) Ltd provide executive management services to the Company for which a management fee is charged as disclosed in note 24. This management fee includes payment for the services provided by the Glencore employed directors and secretary. As these directors and KMP are not employed by the Company, the specific remuneration for these individuals is not disclosed above.

#### C Service agreements

The current Board members have not entered into any service agreements with the Company.

#### D Share-based compensation

No options were granted to directors or KMP during the 12 month period ended 31 December 2014.

#### **Policy for trading in Company Securities**

The Board has adopted a Policy which prohibits dealing the Company's securities by directors, officers and employees when those persons possess inside information. The Policy also stipulates blackout periods during which directors, officers and employees are prohibited from trading. The Policy prohibits short-term or speculative trading of the Company's securities. Directors, officers and employees are required to obtain appropriate clearance prior to trading.

Directors must disclose details of changes in securities of the Company they hold (directly or indirectly) to the company secretary as soon as reasonably possible after the date of the contract to buy and sell the securities. The company secretary must report all notifications of dealings in the Company's securities to the next Board meeting of the Company.

The directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares in compliance with s. 205G of the *Corporations Act 2001*.

**This is the end of the Audited Remuneration Report.**

## **SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT**

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### **DIRECTORS' REPORT (continued)**

#### **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

During the financial year the Group maintained appropriate insurance arrangements in respect of Directors' and Officers' Liability Insurance. The insurance policy precludes the directors from disclosing the amount of the coverage. These insurance premiums relate to insurance of directors of the Company and its controlled entities named in this report and former directors and executive officers of the Company and its controlled entities. The policy does not specify the premium for individual directors and executive officers.

The Directors' and Officers' Liability Insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

No liability has arisen under this indemnity as at the date of this report.

During or since the end of the financial year the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring a liability incurred by an officer or an auditor.

#### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Group, nor was the Group party to any such proceedings during the year.

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

The lead Auditor's Independence Declaration for the 12 month period ended 31 December 2014 has been received and can be found following this Directors' Report.

#### **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' Report have been rounded to the nearest thousand dollars.

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



Peter Coates AO (Chairman)

11 March 2015

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

11 March 2015

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 audit of the financial statements of Sphere Minerals Limited for the year ended 31 December 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**FINANCIAL REPORT**  
**For the 12 month period ended 31 December 2014**

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**TABLE OF CONTENTS**

	<b>Note</b>	<b>Page</b>
Consolidated Statement of Profit or Loss and Other Comprehensive Income		20
Consolidated Statement of Financial Position		21
Consolidated Statement of Changes in Equity		22
Consolidated Statement of Cash Flows		23
Notes to and forming Part of the Financial Statements		
Statement of Significant Accounting Policies	1	24
Financial Instrument Risk Exposure and Management	2	35
Capital Risk Management	3	41
Other Revenue	4	42
Expenses	5	42
Income Tax Expense	6	45
Remuneration of Auditors	7	46
Earnings / (Loss) Per Share	8	46
Cash and Cash Equivalents	9	47
Trade, Other Receivables and Prepayments	10	47
Controlled Entities	11	48
Parent Company Disclosures	12	49
Interests in Joint Arrangements	13	49
Property, Plant and Equipment	14	50
Exploration and Evaluation Expenditure	15	52
Trade and Other Payables	16	52
Borrowings	17	52
Issued Capital	18	53
Other Equity	19	54
Capital and Leasing Commitments	20	55
Contingent Liability	21	55
Segment Information	22	56
Cash Flow Information	23	56
Related Party Transactions	24	57
Events After Statement of Financial Position Date	25	58
Directors' Declaration		59
Independent Auditor's Report		60

This financial report covers Sphere Minerals Limited as a consolidated entity consisting of Sphere Minerals Limited as an individual entity and its controlled entities.

Sphere Minerals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 38, Gateway  
1 Macquarie Place  
Sydney NSW 2000

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
**For the 12 month period ended 31 December 2014**

	Notes	12 months to December 2014	12 months to December 2013 Restated
		US\$'000	US\$'000
Interest revenue	4	31	560
Other income	4	-	34
<b>Total revenue</b>		<b>31</b>	<b>594</b>
<b>Expenses from continuing operations</b>			
Administration		(271)	(308)
Employee benefits expenses	5	(2,974)	(1,890)
External contractors expense		(144)	(54)
Directors fees		(177)	(102)
Legal fees		(33)	(48)
Travel and related expenses		(1)	(3)
Office expenses		(4)	(4)
Finance costs	5	(9,970)	(371)
Net foreign exchange (losses)/gain		(1,007)	15
Impairment losses	5	(240,730)	-
Other expenses	5	(56,617)	-
<b>Total expenses</b>		<b>(311,928)</b>	<b>(2,765)</b>
Share of equity accounting losses	13	(56)	-
<b>Loss before income tax expense</b>		<b>(311,953)</b>	<b>(2,171)</b>
Income tax expense	6	-	-
<b>Loss for the period</b>		<b>(311,953)</b>	<b>(2,171)</b>
Net loss attributable to non-controlling interests		(89)	(186)
<b>Net loss attributable to owners</b>		<b>(311,864)</b>	<b>(1,985)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		10,423	19,853
<b>Other comprehensive income net of tax</b>		<b>10,423</b>	<b>19,853</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(301,441)</b>	<b>17,868</b>
<b>Earnings per share for profit from continuing operations</b> <b>attributable to the ordinary equity holders of Sphere Minerals</b> <b>Limited</b>			
Basic (loss)/ earnings per share (cents per share)	8	(142.88)	(0.84)
Diluted (loss)/ earnings per share (cents per share)	8	(142.88)	(0.84)

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

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2014**

	<b>Notes</b>	<b>31-Dec-14 US\$'000</b>	<b>31-Dec-13 US\$'000 Restated</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	1,062	4,669
Other receivables	10	2,367	1,546
Prepayments	10	50,939	279
<b>TOTAL CURRENT ASSETS</b>		<b>54,368</b>	<b>6,494</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	3,637	4,580
Exploration and evaluation assets	15	-	250,338
Loan to equity accounted joint arrangement	10	-	12,492
Equity accounted investment in joint venture	13	50,800	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>54,437</b>	<b>267,410</b>
<b>TOTAL ASSETS</b>		<b>108,805</b>	<b>273,904</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	13,244	9,067
Borrowings	17	116,813	28,259
Provisions	5	43,700	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>173,757</b>	<b>37,326</b>
<b>TOTAL LIABILITIES</b>		<b>173,757</b>	<b>37,326</b>
<b>NET ASSETS/(DEFICIENCY)</b>		<b>(64,952)</b>	<b>236,578</b>
<b>EQUITY</b>			
Contributed equity	18	263,496	263,496
Reserves	19	17,866	7,443
Accumulated losses	19	(345,976)	(34,112)
Parent interest		(64,614)	236,827
Non-controlling interest		(338)	(249)
<b>TOTAL EQUITY</b>		<b>(64,952)</b>	<b>236,578</b>

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

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the 12 month period ended 31 December 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
<b>At 1 January 2014</b>	<b>263,496</b>	<b>(34,112)</b>	<b>7,367</b>	<b>76</b>	<b>236,827</b>	<b>(249)</b>	<b>236,578</b>
Loss for the period	-	(311,864)	-	-	(311,864)	(89)	(311,953)
Adjustment for translation of foreign controlled entities	-	-	10,423	-	10,423	-	10,423
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(311,864)</b>	<b>10,423</b>	<b>-</b>	<b>(301,441)</b>	<b>(89)</b>	<b>(301,530)</b>
<b>At 31 December 2014</b>	<b>263,496</b>	<b>(345,976)</b>	<b>17,790</b>	<b>76</b>	<b>(64,614)</b>	<b>(338)</b>	<b>(64,952)</b>
<b>At 1 January 2013 (Restated)</b>	<b>263,496</b>	<b>(33,107)</b>	<b>(12,486)</b>	<b>76</b>	<b>217,979</b>	<b>(78)</b>	<b>217,901</b>
Loss for the period	-	(1,985)	-	-	(1,985)	(171)	(2,156)
Adjustment for translation of foreign controlled entities	-	980	19,853	-	20,833	-	20,833
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,005)</b>	<b>19,853</b>	<b>-</b>	<b>18,848</b>	<b>(171)</b>	<b>18,677</b>
<b>At 31 December 2013</b>	<b>263,496</b>	<b>(34,112)</b>	<b>7,367</b>	<b>76</b>	<b>236,827</b>	<b>(249)</b>	<b>236,578</b>

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



**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the 12 month period ended 31 December 2014**

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	Notes	12 months to December 2014	12 months to December 2013 Restated
		US\$'000	US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(14,700)	(2,513)
Interest received		31	558
<b>Net cash used in operating activities</b>	23	<b>(14,669)</b>	<b>(1,955)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Prepayment - EPC contractor		(61,217)	-
Payment for property, plant and equipment		(149)	(771)
Payments for capitalised exploration expenditure		(18,065)	(51,293)
<b>Net cash used in investing activities</b>		<b>(79,431)</b>	<b>(52,064)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loan facility		90,486	16,255
<b>Net cash used in financing activities</b>		<b>90,486</b>	<b>16,255</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(3,614)</b>	<b>(37,764)</b>
Cash at the beginning of the financial year		4,669	42,410
Effects of exchange rate changes on cash and cash equivalents		7	23
<b>Cash and cash equivalents at 31 December</b>	9	<b>1,062</b>	<b>4,669</b>

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

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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The financial report of the Company for the 12 month period ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 11 March 2015.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements cover the economic entity of Sphere Minerals Limited and its controlled entities. Sphere Minerals Limited is a listed public company, incorporated and domiciled in Australia. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The consolidated financial statements of the Group are as at and for the financial period from 1 January 2014 to 31 December 2014.

The comparative financial period was 12 months from 1 January 2013 to 31 December 2013.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

*Basis of measurement*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

*Going concern basis*

The financial report has been prepared on the going concern basis, which assumes that the Company and the consolidated entity will be able to realise their assets and discharge their liabilities in the normal course of business.

At 31 December 2014 the Group's current liabilities exceed its current assets by \$119.4m, the Group has a net asset deficiency of \$65.0m and during the year ended 31 December 2014, the Group incurred a consolidated net loss of \$311.9m and has negative cash flows from operations of \$14.7m. The Group has not generated cash inflows from its exploration operations and has relied upon funds from rights issues and a shareholder loan to fund its operations.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

The Directors have considered the facts and circumstances as outlined below, which include consideration of the Group's key exploration activities at the Guelb el Aouj Iron Ore, Lebtheinia and Askaf Projects (Iron Ore Projects), to form a conclusion as to the appropriateness to continue to prepare the financial statements on the going concern basis.

On 27 October 2014, the Directors initiated a review of the Askaf project, resulting in a slowdown of the project. On 17 November 2014, the Board announced the decision to demobilise its construction contractor and its sub-contractors to the Askaf project. As a result of these decisions, the start of production will be delayed. The Company intends to continue to assess the project in the light of prevailing market conditions.

The Group's major shareholder Glencore plc, through its wholly owned subsidiary Glencore Australia Holdings Pty Limited, has committed funding of \$186.0m, of which \$108.8m has been drawn at 31 December 2014. The facility is to be repaid by 23 November 2015 (repayment date) or upon completion of a rights issue, or upon the issue of new equity by the Company in an amount sufficient to repay the amount owing, whichever occurs first. The levels of committed capital and other expenditure extending beyond the repayment date are limited, with substantially all future expenditure being care and maintenance costs for the Iron Ore Projects.

Glencore has provided the Directors with a letter which states that they intend to work with the Company to seek appropriate equity and/or debt funding required for the Company to remain a going concern. The Directors believe that funding will be made available through Glencore's assistance beyond the repayment date up to at least 12 months from the date of this report to enable the Company to meet its obligations as and when they fall due. This is on the basis that Glencore has previously provided financing to the Company as well as increases to the amounts financed and extension to repayment terms.

The Directors are confident of the ability of the Company and the Group to continue as going concerns, and the intention of Glencore to work with the Company to seek appropriate equity and/or debt funding required by the Company and the Group to remain going concerns. Notwithstanding Glencore's assistance there is material uncertainty about whether the Company and the Group will continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Functional currency**

During the year there has been a change in the functional currency of Sphere Minerals Limited and subsidiary Sphere Mauritania S.A. to United States Dollars (USD) which was effective from 1 January 2014. 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. In line with the change in functional currency, the presentation currency was changed from Australian Dollars to USD. Comparatives for the year ended 31 December 2013 have been restated to reflect the change in presentation currency.

**Accounting Policies**

No new standards or interpretations have been issued which are considered to have a material impact on the financial statements or performance of the Company during the financial period.

During the year there has been a change in the presentation currency of the Group to United States Dollars (USD) which was effective from 1 January 2014. Comparatives for the year ended 31 December 2013 have been restated to reflect the change in presentation currency.

**a. New accounting standards and interpretations**

The following new and revised accounting standards applicable to the Group, have been issued and are mandatory for financial years ended 31 December 2014. These standards have been applied from the application date and the impact to the consolidated financial statements of the Group is disclosed below:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (effective for financial reporting periods commencing on or after 1 January 2014). AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. Refer to Note 5.

**b. New standards and interpretations not yet adopted**

The following new and revised accounting standards and interpretations have been issued, but are not mandatory for financial years ended 31 December 2014. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2014 and are expected to impact the Group in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations

The Group is in the process of determining the potential impact of adopting the above standards and they have not been applied in the preparation of these financial statements.

**c. Principles of Consolidation**  
**Subsidiaries**

A controlled entity is any entity Sphere Minerals Limited controls as a result of being exposed or having rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a December financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

**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 executing a shareholder's agreement during the period, the Group has assessed the nature of its El Aouj Mining Company S.A.(EMC) joint arrangement and determined that it is appropriate to account for the arrangement as an investment in a joint venture rather than an investment in a joint operation.

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. Refer to Note 13.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**d. Income Tax**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised directly in equity or in profit for the period.

The current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are not recognised until it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The Group and its wholly owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Sphere Minerals Limited.

**e. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at historical cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Where there is an indication that the property should be revalued, the asset is written down to the recoverable amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future consolidated benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Land	0%
Office and computer equipment	10% – 20%
Plant and equipment	10% - 20%
Motor vehicles	20%
Leased plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**f. Exploration and Evaluation Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated 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. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest, and at each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount (please refer to Note 5 for further details).

**g. Leases**

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Group, are classified as finance leases.



**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**h. Segment Reporting**

The Group 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.

**i. Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Loans and receivables are included within trade and other receivables. Refer to Note 10.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

**j. Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Refer to Note 5.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**k. Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States Dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

**Group Companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

**l. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**m. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**n. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of six months or less.

**o. Trade and other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**p. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**q. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**r. Earnings per Share**

*(i) Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, excluding any costs of servicing of equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with diluted potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**s. Rounding of Amounts**

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$'000.

**t. Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**u. Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Exploration and Evaluation Expenditure**

Following impairment analysis on capitalised exploration and evaluation expenditure, including assumptions on future iron ore price, ongoing expenditure and prospective plans, capitalised expenditure has been expensed through the profit or loss.

In evaluating if expenditures meet the criteria to be capitalised, several different sources of information are utilised. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

The carrying amount of exploration and evaluation expenditure at 31 December 2014 was nil (31 December 2013: \$250.3m) after an impairment loss of \$233.7m was recognised during 2014 (31 December 2013: nil). Details of the impairment are set out in Note 15.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT**

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

***Principal financial instruments***

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- a. receivables
- b. cash at bank
- c. bank at call deposits
- d. bank term deposits
- e. borrowings

***General objectives, policies and processes***

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group holds the following financial instruments:

		<b>31-Dec-14</b>	<b>31-Dec-13</b>
<b>Financial assets</b>	<b>Note</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash and cash equivalents	9	1,062	4,669
Other receivables	10	2,367	1,546
Prepayments	10	50,939	279
Loan to equity accounted joint arrangement	10	-	12,492
Total financial assets		<b>54,368</b>	<b>18,986</b>
<b>Financial liabilities</b>			
Trade and other payables	16	13,244	9,067
Borrowings	17	116,813	28,259
Total financial liabilities		<b>130,057</b>	<b>37,326</b>
Net financial deficiency		<b>(75,689)</b>	<b>(18,340)</b>

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)**

Further details regarding these policies are set out below:

**Fair Value**

*Fair Value versus carrying amount*

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	<b>Carrying amount US\$'000</b>	<b>Fair Value US\$'000</b>	<b>Average Interest Rate %</b>
31 December 2014			
<b>Financial assets</b>			
Cash and cash equivalents	1,062	1,062	0.00
Other receivables and prepayments	53,306	53,306	
Loan to equity accounted joint arrangement	-	-	
<b>Financial liabilities</b>			
Trade and other payables	(13,244)	(13,244)	
Borrowings	(116,813)	(116,813)	12.00
31 December 2013			
<b>Financial assets</b>			
Cash and cash equivalents	4,669	4,669	3.15
Other receivables and prepayments	1,825	1,825	
Loan to equity accounted joint arrangement	12,492	12,492	
<b>Financial liabilities</b>			
Trade and other payables	(9,067)	(9,067)	
Borrowings	(28,259)	(28,259)	12.00

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**Credit Risk**

Credit risk is managed on a Group basis and arises principally from the Group's cash and receivables.

As the Group's primary activity is exploration, it has no trading risk. The majority of receivables are held with related parties or within the Group.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND  
MANAGEMENT (continued)**

All cash balances are held at internationally recognised institutions either at call or at terms of less than one year.

Maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets summarised in the table above.

Given this the credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about default rates.

***Liquidity risk***

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 12 months.

The Board receives information regarding cash balances on a regular basis, as well as a rolling 12-month cash flow projection every six months.

The Company has a committed funding facility of \$186.0m (of which \$108.8m has been drawn to 31 December 2014), for the remaining 11 months availability of the facility and the levels of committed capital and other expenditure extending beyond this point are limited, with substantially all future expenditure being discretionary.

In the event iron ore market conditions do not improve in the short term and after having made appropriate enquiries of the Group's shareholders, the directors believe that necessary additional funds would be made available either through the extension of the debt facility or through a capital raising to preserve the Iron Ore Projects on a care and maintenance basis for an extended period in addition to the current committed facility.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND  
MANAGEMENT (continued)**

The following table details the Group's expected remaining maturities for its liabilities as at 31 December 2014.

The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

<b>Year ended 31 December 2014</b>	<b>On demand</b>	<b>&lt; 1 year</b>	<b>Total</b>	<b>Carrying value</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade and other payables	-	13,244	13,244	13,244
Borrowings	-	128,926	128,926	116,813
<b>Total</b>	<b>-</b>	<b>142,170</b>	<b>142,170</b>	<b>130,057</b>

<b>Year ended 31 December 2013</b>	<b>On demand</b>	<b>&lt; 1 year</b>	<b>Total</b>	<b>Carrying value</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade and other payables	-	9,067	9,067	9,067
Borrowings	11,662	19,958	31,620	28,259
<b>Total</b>	<b>11,662</b>	<b>29,025</b>	<b>40,687</b>	<b>37,326</b>



**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)**

*Market risk*

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). Market risk is managed on a Group basis.

*Currency Risk*

As the Group's operations are centered in Mauritania, the Group holds assets in Australian dollars, Euro and local Mauritanian currency. The Group also has a history of entering into significant contracts payable in foreign currency. The Board considers the currency risk associated with operating in Mauritania to be acceptable, and no attempt is made to hedge this risk. When significant contracts in foreign currency are entered into, the currency risk is managed by the direct purchase of the relevant currency prior to the required payment date(s), based on management appraisal of foreign currency markets.

The Group exposure to foreign currency risk at the reporting date was as follows:

	<b>31-Dec-14</b>						
	<b>AUD</b>	<b>EUR</b>	<b>MRO</b>	<b>GBP</b>	<b>CHF</b>	<b>ZAR</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash and Cash Equivalents	6	1	95	-	-	-	102
Trade and other Receivables	-	-	5	-	-	-	5
Non-current receivables	-	-	-	-	-	-	-
<b>Total</b>	<b>6</b>	<b>1</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>
Trade and Other Payables	-	-	(1,268)	(848)	(168)	-	(2,284)
Borrowings	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(1,268)</b>	<b>(848)</b>	<b>(168)</b>	<b>-</b>	<b>(2,284)</b>
<b>Net</b>	<b>6</b>	<b>1</b>	<b>(1,168)</b>	<b>(848)</b>	<b>(168)</b>	<b>-</b>	<b>(2,177)</b>

	<b>31-Dec-13</b>						
	<b>USD</b>	<b>EUR</b>	<b>MRO</b>	<b>GBP</b>	<b>CHF</b>	<b>ZAR</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash and Cash Equivalents	2,401	414	127	-	-	-	2,942
Trade and other Receivables	1,586	-	242	-	-	-	1,828
Non-current receivables	11,662	-	735	-	-	-	12,397
<b>Total</b>	<b>15,649</b>	<b>414</b>	<b>1,104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,167</b>
Trade and Other Payables	(1,867)	(1,317)	(490)	(4,573)	(265)	(308)	(8,820)
Borrowings	(11,662)	-	-	-	-	-	(11,662)
<b>Total</b>	<b>(13,529)</b>	<b>(1,317)</b>	<b>(490)</b>	<b>(4,573)</b>	<b>(265)</b>	<b>(308)</b>	<b>(20,482)</b>
<b>Net</b>	<b>2,120</b>	<b>(903)</b>	<b>614</b>	<b>(4,573)</b>	<b>(265)</b>	<b>(308)</b>	<b>(3,315)</b>

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)**

Sensitivity analysis illustrating the effect of a reasonably possible 10% movement in foreign exchange rates on net Financial Liabilities at 31 December 2014 is as follows:

As at 31 December 2014		+ 10%		- 10%	
	Carrying Value	Profit / Loss	Equity	Profit / Loss	Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net foreign financial liabilities (Group)	(2,177)	(218)	-	218	-

As at 31 December 2013		+ 10%		- 10%	
	Carrying Value	Profit / Loss	Equity	Profit / Loss	Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net foreign financial liabilities (Group)	(3,315)	(332)	-	332	-

**Interest rate risk**

The Group's current borrowings are based on a fixed interest rate.

The Group invests surplus cash in At-Call or Term Deposit accounts with AA rated banks. Funds are only held at call when it is reasonably expected that those amounts will be required prior to existing term deposits reaching maturity.

The Group's exposure to interest rate risk and the effective weighted interest rate for each class or financial assets and financial liabilities is shown below:

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in one year or less	Non-Interest Bearing	Total
	%	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014</b>					
Cash and Cash Equivalents	0.00	-	-	1,062	1,062
<b>2013</b>					
Cash and Cash Equivalents	3.15	4,669	-	-	4,669

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)**

Sensitivity analysis illustrating the effect of a 1% movement in interest rates on Financial Assets at 31 December 2014 is as follows:

	Carrying Value \$'000	+ 1%		- 1%	
		Profit / Loss \$'000	Equity \$'000	Profit / Loss \$'000	Equity \$'000
As at 31 December 2014					
Cash and Cash Equivalents (Group)	1,062	10.6	-	(10.6)	-

	Carrying Value \$'000	+ 1%		- 1%	
		Profit / Loss \$'000	Equity \$'000	Profit / Loss \$'000	Equity \$'000
As at 31 December 2013					
Cash and Cash Equivalents (Group)	4,669	46.7	-	(46.7)	-

1% is considered to be a conservative estimate on likely interest rate movements in the next 12 months.

**NOTE 3: CAPITAL RISK MANAGEMENT**

The Group considers its capital to comprise its ordinary share capital, foreign currency translation reserves, other reserves, as well as accumulated losses and non-controlling interests.

In managing its capital, the Group's primary objective is to maintain its status as a going concern and ensure a long-term return for its equity shareholders through developing mining assets. In order to achieve this objective, the Group seeks to remain free from any debt to external financial institutions, using equity contributions and shareholders loans only to meet its working capital and strategic needs. In making decisions to adjust its capital structure to achieve these aims by new share issues and shareholders loans, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 4: OTHER REVENUE**

	12 months to 31 Dec 14 US\$'000	12 months to 31 Dec 13 US\$'000
Interest	31	560
Other income	-	34
<b>Total other revenue</b>	<b>31</b>	<b>594</b>

**NOTE 5: EXPENSES**

Loss for the year includes the following specific expenses:

	12 months to 31 Dec 14 US\$'000	12 months to 31 Dec 13 US\$'000
Finance costs:		
- Interest charges paid or payable to other persons (i)	(9,969)	(368)
- Other finance charges	(1)	(3)
<b>Total finance costs</b>	<b>(9,970)</b>	<b>(371)</b>
Employee benefits expenses:		
- Termination benefits	(2,960)	(1,866)
- Short term benefits	(14)	(24)
<b>Total employee benefits (ii)</b>	<b>(2,974)</b>	<b>(1,890)</b>
Impairment losses:		
- El Aouj investment impairment	(7,019)	-
- El Aouj exploration and evaluation impairment	(39,734)	-
- Askaf exploration and evaluation and PP&E impairment	(192,485)	-
- Lebtheinia exploration and evaluation impairment	(1,492)	-
<b>Total impairment losses (iii)</b>	<b>(240,730)</b>	<b>-</b>
Other expenses:		
- Provision on loan receivable from EMC*	(25,587)	-
- Contractor termination accruals	(31,030)	-
<b>Total other expenses (iv)</b>	<b>(56,617)</b>	<b>-</b>

\*Provision of \$25,587k on non-recoverable loan is relating to the El Alouj project

**(i) Interest expense**

During the year ended 31 December 2014 the Group entered into a related party facility for the amount of US\$186.0m with Glencore Australia Holding Pty Limited replacing the existing loan of A\$40.0m. The loan facility is on an unsecured basis with an applicable rate of 12% per annum (2013: 12% per annum) plus a 1% commitment fee (2013: no commitment fee) on the unutilised portion. The loan is to be repaid within 18 months from the date of the first drawing being 23 May 2014 or in the event of a successful rights issue. The drawn down amount as at 31 December 2014 was US\$108.8m plus US\$8.0m in accrued interest and commitment fee.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

---

**NOTE 5: EXPENSES (continued)**

**(ii) Employee benefits expense**

During the year ended 31 December 2014 the group has accrued for a series of headcount reduction programs in order to scale down the workforce capacity given the current development of all sites. The headcount reduction programs were performed through voluntary and involuntary redundancy incentives which make up most of the employee benefits expenses incurred during the current year.

**(iii) Impairment losses**

*Exploration and evaluation assets*

The recoverable amounts of the exploration and evaluation assets were measured based on fair value less costs of disposal ("FVLCD"), determined by discounted cash flow techniques based on the most recent approved financial budgets and 3 year business plans both of which are underpinned and supported by life of mine plans of the respective operations. The valuation models use the most recent reserve and resource estimates, relevant cost assumptions generally based on past experience and where possible, market forecasts of commodity price and foreign exchange rate assumptions discounted using operation specific discount rates ranging from 10% – 12.37%. The valuations remain sensitive to price and further deterioration in the pricing outlook may result in additional impairments. A net present value was concluded for the Askaf project resulting in an impairment charge of \$192.5m being recognised for Askaf exploration and evaluation expenditure to result in an estimated recoverable amount of nil. In addition \$39.7m of El Aouj and \$1.5m of Lebtheinia related exploration and evaluation expenditure was impaired during the period.

*Investment*

As noted above, following the decline in current and long term iron ore prices and the decision to curtail development, the Group's investment in the El Aouj Joint Venture was impaired by \$7.0m to bring the investment carrying value to the estimated recoverable value of \$50.8m representing the Groups 50% equity share of the net assets of the El Aouj Joint Venture.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 5: EXPENSES (continued)**

**(iv) Other expenses**

*Provision on loan receivable from EMC*

Following an impairment review it was determined that it was unlikely that the \$25.6m loan provided to the El Aouj Joint Venture would be recoverable in the foreseeable future and as such has been fully provided for.

*Contractor termination accrual*

During the year the Group demobilised its construction contractor and its sub-contractors to the Askaf project. As a result a provision for the termination costs associated with this decision was recognised.

**(v) Provisions**

	<b>31 Dec 14</b>	<b>to 31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Provision for contracts termination	41,700	-
Provision for redundancies	2,000	-
	<hr/> 43,700	<hr/> -

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

**NOTE 6: INCOME TAX EXPENSE**

	12 months to 31 Dec 14 US\$'000	12 months to 31 Dec 13 US\$'000
<b>(a) Income tax expense</b>		
Current Tax	-	-
Deferred Tax	-	-
Under/(over) provided in prior years	-	-
	<u>-</u>	<u>-</u>

The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Loss before income tax	(311,953)	(2,171)
Tax at the Australian tax rate of 30% (2013 - 30%)	(93,586)	(651)

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Adjustment for the Mauritanian tax rate at 25%	36	-
Non-deductible impairment losses	72,219	-
Non-deductible expenses	16,985	-
Unrealised foreign exchange gain	(32)	(15)
Australian capital expenditure deductions	(160)	(181)
Deferred tax asset in respect to foreign losses not brought to account	211	462
Deferred tax asset in respect to Australian losses not brought to account	4,327	385
Income tax expense	<u>-</u>	<u>-</u>

The Group made an election in order for the Australian companies to form a tax-consolidated group from 1 July 2006. As a consequence, transactions between the member entities are ignored.

<b>Unrecognised deferred tax benefits / (liabilities) for Australia at 30%</b>	<b>12 months to 31 Dec 14 \$'000</b>	<b>12 months to 31 Dec 13 \$'000</b>
Deductible timing difference – capital expenditure	170	346
Deductible timing difference – unrealised FX (gains) losses	(24)	7
Taxable timing difference	-	-
Unused revenue tax loss	7,887	3,999
Sub-total	<u>8,033</u>	<u>4,352</u>
Foreign Losses at 25%*	<u>4,034</u>	<u>4,175</u>
Potential tax benefit	<u>12,067</u>	<u>8,527</u>

\*Mauritanian income tax applicable to mining interests is taxed at the rate of 25% under the applicable Mining Code.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 6: INCOME TAX EXPENSE (continued)**

Deferred income tax assets have not been recognised as it is not probable that future profit will be available against which tax losses and deductible temporary differences can be utilised.

Below is the combined amount of franking credits available for the next year:

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Combined franking credit balance	-	-
	<u>-</u>	<u>-</u>

**NOTE 7: REMUNERATION OF AUDITORS**

Total of all remuneration received or due and receivable by the auditors of the business:

	<b>12 months to 31 Dec 14</b>	<b>12 months to 31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Deloitte Touche Tohmatsu</b>		
Audit or review of the financial reports	137,165	106,139
	<u>137,165</u>	<u>106,139</u>

**NOTE 8: EARNINGS/(LOSS) PER SHARE**

	<b>12 months to 31 Dec 14</b>	<b>12 months to 31 Dec 13</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Basic and diluted loss per share</b>		
Net loss attributable to owners	(311,864)	(1,985)
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	218,269,296	218,269,296
Basic earnings (loss) per share	(142.88) cents	(0.84) cents
Diluted earnings (loss) per share	(142.88) cents	(0.84) cents



**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 8: EARNINGS/(LOSS) PER SHARE (continued)**

**Additional information**

The weighted average number of ordinary shares used in calculating the basic earnings/(loss) per share is derived from the fully paid shares on issue.

**NOTE 9: CASH AND CASH EQUIVALENTS**

	31 Dec 14 \$'000	31 Dec 13 \$'000
Cash at bank and on hand	1,062	4,669
<b>Balance as per Statement of Cash Flows</b>	<b>1,062</b>	<b>4,669</b>

**NOTE 10: TRADE, OTHER RECEIVABLES AND PREPAYMENTS**

	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Current</b>		
<i>Trade and other receivables</i>		
Other receivables	2,367	1,546
<b><i>Total trade and other receivables</i></b>	<b>2,367</b>	<b>1,546</b>
<i>Prepayments</i>		
Prepayments to contractors	50,939	279
<b><i>Total Prepayments</i></b>	<b>50,939</b>	<b>279</b>
<b>Non-current</b>		
<i>Loans receivable from related party</i>		
Loan to equity accounted joint arrangement	25,587	12,492
Provisions on loan to equity accounted joint arrangement	(25,587)	-
<b><i>Total loans receivable</i></b>	<b>-</b>	<b>12,492</b>
<b>Total</b>	<b>53,306</b>	<b>14,317</b>

**a) Prepayments to contractor**

During the year the Group made a prepayment of \$61.2m under the terms of the Askaf construction contract, of which the difference has been unwound against progress payments.

**b) Loan joint venture**

As at 31 December 2014, after an impairment assessment, a provision has been booked to fully impair the loan to Joint Venture entity EMC.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 10: TRADE, OTHER RECEIVABLES AND PREPAYMENTS**  
**(continued)**

**c) Past due but not impaired**

Trade and other receivables do not contain any past due not impaired balances.

**d) Fair Value and Credit risk**

Due to the nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant, as is the fair value of any collateral sold or re-pledged.

Refer to Note 2 for more information on the risk management policy of the group and the credit quality of the entities trade receivables.

**NOTE 11: CONTROLLED ENTITIES**

Subsidiaries of Sphere Minerals Limited	Country of Incorporation	Class of Shares	Proportion of ownership and voting power held by the Company	
			31 Dec 14	31 Dec 13
			%	%
Sphere Mining Pty Ltd. <sup>(1)</sup>	Australia	Ordinary	100	100
Sphere Iron Ore Pty Ltd. <sup>(1)</sup>	Australia	Ordinary	100	100
Sphere Resources Pty Ltd <sup>(1)</sup>	Australia	Ordinary	100	100
Mauritania Holdings Pty Ltd <sup>(1)</sup>	Australia	Ordinary	100	100
Sphere Mauritania SA <sup>(2)</sup>	Mauritania	Ordinary	90	90
Sphere Lebtheinia SA	Mauritania	Ordinary	100	100

(1) Controlled entity that is a small proprietary company not required to prepare financial statements.

(2) Pursuant to the Mauritanian Mining Code 2008, as modified by article 38(§2) of law No 2009/26 passed on 7 April 2009, an exploitation permit can only be granted to a Mauritanian legal entity in which the Mauritanian State holds a 10% free carry stake. Following Sphere Mauritania SA having been granted an exploitation permit for the Askaf project it has transferred 10% of the share capital of the company to the Islamic Republic of Mauritania for no consideration. In addition the mining code provides The Islamic Republic of Mauritania with an option to increase its share up to 20% of the share capital at a strike computed based on the share capital nominal value. A Sphere Mauritania SA Shareholders Agreement that will stipulate the terms of the 10% option is as at the date of this report being discussed with the Islamic Republic of Mauritania.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 12: PARENT COMPANY DISCLOSURES**

The following details information related to the parent entity, Sphere Minerals Limited, at 31 December 2014. The Australian parent of the group is Sidero Pty Limited. The ultimate group parent is Glencore plc. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	<b>Parent Entity</b>	
	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Financial position of parent entity at year end</b>		
Current assets	783	3,931
Non-current assets	50,800	242,856
<b>Total Assets</b>	<b>51,583</b>	<b>246,787</b>
Current liabilities	117,657	24,482
<b>Total Liabilities</b>	<b>117,657</b>	<b>24,482</b>
	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Total equity of the parent entity comprising of</b>		
Contributed equity	263,496	263,496
Accumulated losses	(326,609)	(34,559)
Reserves	(2,961)	(6,632)
<b>Total equity</b>	<b>(66,074)</b>	<b>222,305</b>
<b>Result of parent entity</b>		
Loss for the year	(292,050)	(280)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(292,050)</b>	<b>(280)</b>

**NOTE 13: INTERESTS IN JOINT ARRANGEMENTS**

The Group has a 50% interest in El Aouj Mining Company SA (EMC), the principal activities of which are the same as the parent entity. 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 Group has assessed the nature of its 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.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 13: INTERESTS IN JOINT ARRANGEMENTS (continued)**

Summarised financial statement information of the joint venture is disclosed below:

	<b>31 Dec 14*</b>
	<b>US\$'000</b>
Current assets	3,049
Non-Current assets	129,325
<b>Total Assets</b>	<b>132,374</b>
Current liabilities	30,774
<b>Total Liabilities</b>	<b>30,774</b>
<b>Net Assets</b>	<b>101,600</b>
<b>50% Share</b>	<b>50,800</b>

	<b>12 months to</b>
	<b>31 Dec 14</b>
	<b>US\$'000</b>
<b>Result of El Aouj Mining SA</b>	
Income	-
Expenses	(112)
<b>Total comprehensive result for the year</b>	<b>(112)</b>
<b>50% Share</b>	<b>(56)</b>

\*Comparatives vs. prior year are nil due to a change in accounting treatment of El Aouj investment.

**NOTE 14: PROPERTY, PLANT & EQUIPMENT**

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Office and computer equipment at cost	1,759	1,620
Accumulated depreciation	(1,073)	(598)
	<b>686</b>	<b>1,022</b>
Plant and equipment at cost	2,710	2,842
Accumulated depreciation	(2,188)	(1,959)
	<b>522</b>	<b>883</b>
Motor vehicles at cost	2,710	2,635
Accumulated depreciation	(1,798)	(1,424)
	<b>912</b>	<b>1,211</b>
Land and buildings at cost	1,076	991
Accumulated depreciation	(162)	(131)
	<b>914</b>	<b>860</b>
Work in progress	604	604
<b>Total property, plant and equipment</b>	<b>3,637</b>	<b>4,580</b>

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 14: PROPERTY, PLANT & EQUIPMENT (continued)**

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Office and Computer equipment	Plant & equipment	Motor vehicles	Land and buildings	Work in Progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group 2014</b>						
Carrying amount at 1 January 2014	1,022	883	1,211	860	604	4,580
Additions	149	-	-	-	-	149
Disposals	(3)	-	(10)	-	-	(13)
Transfers	(63)	51	(1)	13	-	-
Depreciation / amortisation	(475)	(229)	(374)	(31)	-	(1,109)
FX gains / (losses) on translation	55	(183)	86	72	-	30
<b>Carrying amount at 31 December 2014</b>	<b>686</b>	<b>522</b>	<b>912</b>	<b>914</b>	<b>604</b>	<b>3,637</b>

	Office and Computer equipment	Plant & equipment	Motor vehicles	Land and buildings	Work in Progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group 2013</b>						
Carrying amount at 1 January 2013	521	1,040	1,108	889	568	4,126
Additions	146	77	15	-	460	698
Disposals	(88)	(75)	(49)	-	-	(212)
Transfers	533	(190)	204	-	(547)	-
Depreciation / amortisation	(239)	(132)	(306)	(29)	-	(706)
FX gains / (losses) on translation	149	163	239	-	123	674
<b>Carrying amount at 31 December 2013</b>	<b>1,022</b>	<b>883</b>	<b>1,211</b>	<b>860</b>	<b>604</b>	<b>4,580</b>

Depreciation and amortisation is capitalised as exploration and evaluation assets where the property, plant and equipment are directly related to the activities or the assets.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 15: EXPLORATION AND EVALUATION EXPENDITURE**

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Opening balance	250,338	170,260
Capitalised during the period	50,814	54,949
Change in joint arrangement accounting	(75,005)	-
Impairments	(233,711)	-
Foreign exchange translation on capitalised exploration expenditure	7,564	25,129
Closing balance	<u>-</u>	<u>250,338</u>

Capitalised exploration and evaluation expenditure represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties.

Following impairment analysis on capitalised exploration and evaluation expenditure, including assumptions on forecast iron ore price, ongoing expenditure and prospective plans, capitalised expenditure has been expensed through the profit or loss.

As part of the impairment analysis a discounted cash flow valuation was performed using broker consensus iron ore future prices and real post-tax discount rate ranging from 10% – 12.37%. A net present value was concluded for the Askaf project resulting in management's decision to impair the respective exploration and evaluation expenditure to nil.

In addition \$39.7m of El Aouj and \$1.5m of Lebtheinia related exploration and evaluation expenditure was impaired during the period following the impairment analysis.

**NOTE 16: TRADE AND OTHER PAYABLES**

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current</b>		
Trade payables	13,244	8,908
Other payables	-	159
<b>Total</b>	<u>13,244</u>	<u>9,067</u>

**NOTE 17: BORROWINGS**

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current borrowings</b>		
Joint Venture partner share of loan - unsecured	-	11,662
Loan facility – related party	116,813	16,597
<b>TOTAL BORROWINGS</b>	<u>116,813</u>	<u>28,259</u>

For further details on risk exposure refer to note 2.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 17: BORROWINGS (continued)**

*Loan facility – related party*

During the year, the Group 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 on 23 November 2015 or in the event of a successful rights issue. The drawn down amount as at 31 December 2014 was US\$108,802,293 plus US\$8,010,726 in accrued interest and commitment fee.

*JV partner share of loan - unsecured*

The prior year balance relates to the Group's share of the proportionally consolidated joint arrangement loan. 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 2014 balance is nil, due to the change of classification from joint operation to joint venture. This resulted in the equity accounting of the EMC asset.

**NOTE 18: ISSUED CAPITAL**

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
218,269,296 (2013: 218,269,296) fully paid authorised ordinary shares.	263,496	263,496
	<b>263,496</b>	<b>263,496</b>

**Ordinary Shares**

Ordinary Shares entitled the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 19: OTHER EQUITY**

	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>a) Reserves</b>		
Foreign Currency Translation Reserve	17,790	7,367
Other reserves	76	76
	<b>17,866</b>	<b>7,443</b>

<b>(i) Foreign Currency Translation Reserve</b>	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Opening balance	7,367	(12,486)
Currency translation differences arising during the year	10,423	19,853
<b>Closing Balance</b>	<b>17,790</b>	<b>7,367</b>

The Foreign Currency Translation Reserve records exchange differences arising on translation of foreign controlled subsidiaries.

<b>(ii) Other Reserves</b>	<b>31 Dec 14</b>	<b>31 Dec 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Non-controlling interest in Sphere Mauritania S.A	76	76
<b>Closing Balance</b>	<b>76</b>	<b>76</b>

Non-controlling interest has been recognised to reflect the Islamic Republic of Mauritania obtaining a 10% interest in the capital of Sphere Mauritania S.A. for nil consideration in 2012.



**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 19: OTHER EQUITY (continued)**

	31 Dec 14	31 Dec 13
	US\$'000	US\$'000
<b>b) Accumulated losses</b>		
Opening balance	(34,112)	(33,107)
Adjustment for translation of foreign controlled entities	-	980
Net loss for the year	(311,864)	(1,985)
<b>Closing Balance</b>	<b>(345,976)</b>	<b>(34,112)</b>

**Dividends**

No dividends were paid or declared during the period.

**NOTE 20: CAPITAL AND LEASING COMMITMENTS**

	2014	2013
	US\$'000	US\$'000
<b>a. Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable minimum lease payments		
- not later than 12 months	288	447
- between 12 months and 5 years	-	609
	<b>288</b>	<b>1,056</b>

**b. Capital commitments**

There are no capital commitments as at 31 December 2014 (31 December 2013: US\$2.9million).

**NOTE 21: CONTINGENT LIABILITY**

From time to time, the Group is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters, which are or may be subject to litigation at year end and is of the opinion that material claims have been adequately provided for the best estimate of the most likely outcome.

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 22: SEGMENT INFORMATION**

The Group operates predominately in the minerals exploration sector. The principal activity of the Group is exploration for iron ore. The Group classifies this activity under a single operating segment; the Mauritanian exploration project.

Regarding the exploration operating segment, the Chief Operating Decision Maker (determined to be the Board of Directors) receives information on the exploration expenditure incurred. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned. Furthermore, no segment costs are disclosed as all segment expenditure is capitalised.

**NOTE 23: CASH FLOW INFORMATION**

	<b>12 months to 31 Dec 14 US\$'000</b>	<b>12 months to 31 Dec 13 US\$'000</b>
Loss after income tax	(311,864)	(1,985)
<b>Add (less) non-cash items:</b>		
Impairment losses and other expenses	297,347	-
Foreign exchange	(224)	7
<b>Sub Total</b>	<b>(14,741)</b>	<b>(1,978)</b>
 <b>Changes in assets and liabilities</b>		
Increase in payables	72	23
<b>Net outflow from operating activities</b>	<b>(14,669)</b>	<b>(1,955)</b>

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 24: RELATED PARTY TRANSACTION**

During the year the Group continues to utilise the management service agreements in place from related party entities.

Sphere Minerals Limited received a comprehensive range of management services from Glencore Iron Ore Services AG, Glencore International AG, Glencore Projects Services (UK) Ltd and Xstrata France SAS in consideration for a management fee of cost plus a 10% mark-up on Value Added Services as per the respective service agreements. The agreements were independently reviewed and approved by the Board.

In order to fund the project works, the Group entered into a related party facility for the amount of US\$186,000,000 with Glencore Australia Holding Pty Limited. 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 following is a summary of transactions with related parties:

<b>2014</b>	<b>Country of incorporation</b>	<b>Purchases and management fee</b>	<b>Accounts payable</b>	<b>Proceeds from loan facility</b>	<b>Loan liability</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Glencore International AG	Switzerland	2,295	168	-	-
Glencore Australia Holdings Pty Limited	Australia	50	-	90,486	116,813
Glencore Project Services (UK) Ltd	United Kingdom	3,210	330	-	-
Glencore Coal Pty Limited	Australia	47	-	-	-
Xstrata France S.A.S.	France	742	22	-	-
<b>Total</b>		<b>6,344</b>	<b>520</b>	<b>90,486</b>	<b>116,813</b>

<b>2013</b>	<b>Country of incorporation</b>	<b>Purchases and management fee</b>	<b>Accounts payable</b>	<b>Proceeds from loan facility</b>	<b>Loan liability</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Glencore International AG	Switzerland	1,119	267	-	-
Glencore Finance Pty Ltd	Australia	-	-	16,255	16,597
Glencore Project Services (UK) Ltd	United Kingdom	6,640	2,002	-	-
Glencore Coal Pty Limited	Australia	79	-	-	-
Xstrata France S.A.S.	France	5,989	266	-	-
Xstrata Iron Ore Services AG	Switzerland	1,691	-	-	-
<b>Total</b>		<b>15,518</b>	<b>2,535</b>	<b>16,255</b>	<b>16,597</b>

**SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the 12 month period ended 31 December 2014**

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**NOTE 25: EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE**

As announced to the ASX on 11 March 2015, the Board has concluded that while there are potential improvements in operating costs, capital efficiency and product quality, at current prices there is no prospect for profitable development of the Askaf Project.

Accordingly, the Board has determined to defer further development of Askaf. All construction commitments are being closed out, expenditure minimised, and employment numbers reduced.

Sphere will continue to monitor and assess market conditions and whether it is economic to restart the Askaf Project at some time in the future.

The El Aouj Project Feasibility Study is continuing and is being managed by the El Aouj Joint Venture Company.

The impact of the above decisions have been adequately provided for in these financial statements.

No other matter or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the subsequent financial years.

## SPHERE MINERALS LTD AND ITS CONTROLLED ENTITIES DIRECTORS' DECLARATION

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1. In the opinion of the Directors:
  - a. the accompanying financial statements, notes and additional disclosures are in accordance with the *Corporations Act 2001* including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the 12 month period then ended; and
    - (ii) complying with Accounting Standards (includes the Australian Accounting Interpretations) and 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.
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 12 month period ended 31 December 2014

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



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Peter Coates AO (Chairman)

11 March 2015

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

## **Report on the Financial Report**

We have audited the accompanying financial report of Sphere Minerals Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, 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 as set out on pages 20 to 59.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

### *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 as to 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, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. 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.

## *Auditor's Independence Declaration*

In conducting our audit, 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 report.

## *Opinion*

In our opinion, the financial report of Sphere Minerals Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$311,864,000 and has negative cash flows from operations of \$14,669,000 during the year ended 31 December 2014 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$119,389,000 and it has a net asset deficiency of \$64,952,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and therefore, the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 14 to 16 of the directors' report for the year ended 31 December 2014. 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 Sphere Minerals Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants  
Sydney, 11 March 2015