

SPHERE MINERALS LIMITED

A SUBSIDIARY OF
GLENCORE

QUARTERLY ACTIVITIES REPORT – 31 MARCH 2015

Summary

Following a comprehensive review of the Askaf Project, on 11 March 2015 Sphere Minerals Limited (Sphere) announced that, at current prices, there is no prospect for profitable development. Accordingly, all construction contracts have been closed out, expenditure minimized and employment numbers reduced. Sphere will continue to monitor market conditions and whether it is economic to restart the project.

The Feasibility Study for Stage 1 development of the El Aouj East deposit continues to be progressed by El Aouj Mining Company SA (EMC). Primary engineering work is being undertaken by Ausenco and mining and transport studies are underway with BBA and Hatch respectively. AECOM/URS have commenced work on the Environmental and Social Impact Assessment.

Askaf Iron Ore Project (Sphere 90%)

On 17 November 2014, Sphere announced the decision to demobilize its construction contractor, Essar, and its sub-contractors to the Askaf project. Sphere and Essar have since amicably resolved all outstanding payments and associated commercial matters (including guarantees). There are no additional cash payments required by Sphere as a result of this settlement.

The Askaf project team was demobilized during the quarter. Employee numbers in Mauritania are lower as a result of the reduced workload. All other costs have been wound down to a sustainable level.

Throughout the process, Sphere has continued to engage closely with the Government of Mauritania. Sphere has indicated a potential new development timetable for the Project, a communication which has been acknowledged by the Government.

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

EMC continued the work on the Feasibility Study for the El Aouj Stage 1 Project based on the El Aouj East resource. EMC has progressed and achieved the following:

- Ausenco completed the new mass and water balance model for the process plant, and optimised the flowsheet to achieve a new cost effective single line plant design. The nominal concentrate product rate is now 11 Million tonnes per annum;
- A new plant layout proposed by Ausenco has been accepted by the El Aouj team which substantially reduces the footprint of the plant area;
- The mine planning activities have generated a new economic pit shell with a ROM strip ratio of less than 1.5:1;
- A contract has been finalised for the site geotechnical investigations needed to support the process plant foundation designs needed for the feasibility study; and
- The Government of Mauritania has approved the Terms of Reference (ToR) document for the Environmental and Socio-Economic Impact Assessment needed for the project. A very successful community consultation event was held at both Zouerate and F'derik where EMC presented various aspects of the El Aouj East Project to the community and local government officials.

The exploration activity during the quarter was limited to the ground magnetometer survey over the tailing emplacement area at El Aouj East (Stage 2 of a 3 stage programme). This work was presented by Sphere geologists to EMC. Planning was finalised for the Stage 3 programme which will complete all the exploration work needed to support the Feasibility Study.

Lebtheinia Iron Ore Project (Sphere 100%)

Sphere has applied for an exploitation licence for the Lebtheinia resource. The application is currently being considered by the Mauritanian Government.

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ASX Listing Rule 5.3.3 Disclosure

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

Exploitation Licence Schedule

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

Exploration Licence Schedule

Exploration Licence	Location Country	Name	Area (km ²)	Expiry date of licence	Holding Company	Interest
EL 264	Mauritania	Lebtheinia	324	5 September 2015	Sphere Lebtheinia SA	100%
EL 325	Mauritania	Aoueoua	45	5 December 2017	Sphere Lebtheinia SA	100%

Mining tenements acquired and disposed of during the quarter.

None

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

None

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

None

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Sphere Minerals Limited

ABN

66 009 134 847

Quarter ended ("current quarter")

March 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(9,262)	(9,262)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(63)	(63)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(9,325)	(9,325)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(9,325)	(9,325)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(9,325)	(9,325)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	9,027	9,027
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	9,027	9,027
	Net increase (decrease) in cash held	(298)	(298)
1.20	Cash at beginning of quarter/year to date	2,914	2,914
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,616	2,616

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

	Current quarter \$A'ooo
1.23 Aggregate amount of payments to the parties included in item 1.2	54
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and related party service recharges

Non-cash financing and investing activities

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

Interest expense accrued during the period: A\$4,551,025

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

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities	243,855	151,823
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	2,112
4.2 Development	-
4.3 Production	-
4.4 Administration	57
Total	2,169

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	2,616	2,914
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,616	2,914

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Nil			
7.2	Nil			
7.3	218,269,296			
7.4	Nil			
7.5	Nil			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act 2001* or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


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Company secretary

Date: 30/04/2015

Print name: Matthew Conroy

Notes

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

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