

SPHERE MINERALS LIMITED

A SUBSIDIARY OF
GLENCORE

ABN 66 009 134 847

AND CONTROLLED ENTITIES

FINANCIAL REPORT FOR THE 12 MONTH

PERIOD ENDED 31 DECEMBER 2015

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
CONTENTS

CORPORATE DIRECTORY	1
CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS	2
CORPORATE GOVERNANCE	4
DIRECTORS' REPORT	8
REMUNERATION REPORT	13
AUDITOR'S INDEPENDENCE DECLARATION	17
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	19
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	21
CONSOLIDATED STATEMENT OF CASH FLOWS	22
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	23
DIRECTORS' DECLARATION	59
INDEPENDENT AUDITOR'S REPORT	60

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS	Peter Coates AO Jyothish George Lionel Mages Nicholas Ogden Anthony Clark AM Jon Parker	Non - Executive Chairman Executive Director and Managing Director Executive Director Executive Director Non - Executive Independent Director Non - Executive Independent Director
CHIEF FINANCIAL OFFICER	Lionel Mages	
COMPANY SECRETARY	Matthew Conroy	
REGISTERED AND PRINCIPAL OFFICE	Level 44, Gateway 1 Macquarie Place Sydney NSW 2000 Telephone: + 61 2 8247 6300 Facsimile: + 61 2 9251 4740	
SOLICITORS	Ashurst Australia 5 Martin Place, Sydney NSW 2000	
AUDITORS	Deloitte Touche Tohmatsu Level 9, Grosvenor Place 225 George St Sydney NSW 2000	
SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace Perth WA 6000 Telephone: + 61 8 9323 2000 Facsimile: + 61 8 9323 2033	
STOCK EXCHANGE LISTING	The Company's securities are quoted on the official list of the Australian Securities Exchange (ASX). The home branch is Perth.	
ASX CODE	SPH	

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS

The 12 month period ended 31 December 2015 was an extremely challenging year for Sphere Minerals Limited (Sphere or the Company) following the announcement in March 2015 that the company intended to defer all development of the Company's main project, Askaf. This decision was made in response to a collapse in global iron ore prices and the economic modelling which indicated at that time no prospect for economically profitable development of the project at long term forecast prices.

As reported on 14 September 2015, the Company has entered into an exclusive option agreement with Al Rawda Resources Limited (Al Rawda) to purchase an 80% interest in Sphere Mauritania SA, the entity which owns the Askaf Project. Al Rawda are continuing with the due diligence process and, as reported on 29 March 2016, the option period has been further extended to 30 September 2016. The purchase price payable if the option is exercised is US\$10,000,000 in cash plus a life of mine royalty of 2.5% of FOB revenue. The sell down of Askaf will result in Sphere holding only a non-controlling interest in this asset however the Directors believe the transaction with Al Rawda will provide the best chance of the project being developed and returning value to Sphere's shareholders.

Despite the prevailing low iron ore price, the feasibility study for the stage 1 development of the El Aouj East deposit was completed by El Aouj Mining Company SA (EMC). Guelb el Aouj resource remains to be the Company's most significant project in terms of size and importance. EMC continue to evaluate proposals for a Front End Engineering Design (FEED) Study that would advance this project.

Exploration activities have been put on hold for all projects.

There have been no changes to the Mineral Resources at Lebtheinia, Guelb el Aouj East, Guelb el Aouj Centre, Bou Derga, Tintekrate, Askaf North, Askaf East and Askaf Centre. Changes to Mineral Reserves are detailed against each asset below:

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

Following a comprehensive review of the Askaf Project, on 11 March 2015 Sphere announced that, at current prices and given project constraints, there is no prospect for an economically profitable development and therefore had no option but to suspend the project. Accordingly, all construction contracts have been closed out and expenditure minimised.

In Q4 2015, Sphere announced that Askaf North Ore Reserves have been reduced to zero (232 Mt reported at 31 December 2014).

Al Rawda are continuing with their due diligence activities with respect to the option agreement over the Askaf Project.

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.

The Feasibility Study for the Stage 1 development of the El Aouj East deposit was completed by EMC in Q4 2015.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CHAIRMAN'S REPORT AND REVIEW OF OPERATIONS

Throughout the year, EMC progressed the following activities:

- In Q1, a very successful community consultation event was held at both Zouerate and F'Derik where AECOM/URS completed the Environmental and Social Impact Assessment documentation.
- The mine planning and production scheduling was completed by BBA.
- In Q3, the rail and port logistics study by Hatch was finalised.
- EMC, with support from Ausenco, completed the engineering design activities and developed the capital and operating cost estimates for the project.

As reported on 26 November 2015, the El Aouj Mining Company SA is currently evaluating proposals for a FEED Study that would advance the project.

In Q4 2015, Sphere announced that its 50% share of total Ore Reserves at El Aouj East have increased to 466 Mt (378 Mt reported at 31 December 2014).

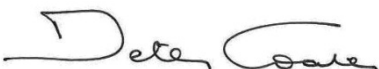
Lebtheinia Project (Sphere 100%)

Sphere has applied for an exploitation licence for the Lebtheinia resource and continued to work on developing further required documentation needed to support the application.

While the decision to suspend the Askaf project was a large setback for the Company, it has allowed the Company to minimise spending at a time of low prevailing iron ore price in the international seaborne iron ore market.

The Company successfully raised new equity totalling A\$205,100,000 in October 2015, with the ongoing support of its major shareholder, Glencore. This allowed the Company to repay its loan and will fund the operations until the end of 2016.

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



Peter Coates AO
Chairman

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE

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 3rd 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 97.51% 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.

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⁽¹⁾.

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.

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE

Principle 2 – Structure the board to add value

The Board of the Company currently consists of three 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. The Company currently has 4% female employees in the whole organisation. There are no women currently in senior positions.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE

Glencore's Code of Conduct and Diversity policy is available at the website www.glencore.com.

Principle 4 – Safeguard integrity in financial reporting

The Company has established an Audit Committee and adopted an Audit Committee Charter⁽¹⁾.

The members of the Audit Committee are Mr Clark (Chair, Independent Director) and Mr Parker (Independent Director). 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 Managing Director 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.

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE

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 LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of the entity, being the Company and its controlled entities (the Group), for the 12 month period ended 31 December 2015 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	
Jon Romcke	Appointed 28 May 2015, Resigned 28 November 2015
Jyothish George	Appointed 28 May 2015
Nicholas Ogden	Appointed 3 June 2015
Lionel Mages	Appointed 2 December 2015
Anthony Clark AM	
Jon Parker	
Mark Eames	Resigned 29 May 2015
Damian Hogue	Resigned 31 March 2015

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 exploration licence EL264 (which covers the Lebtheinia magnetite-quartzite deposits) expired on 5 September 2015, however prior to its expiration, an application for an exploitation licence had been submitted which is still being reviewed by the Mauritanian government. The deposit is strategically located 145 km from the iron ore port of Nouadhibou.

Askaf (90%)

The Askaf Project covers the exploitation licence EL1620, located 35km south of the Guelb el Aouj Project Area and adjacent to SNIM's iron ore railway. The 194km² 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 2015 was \$14,038,000 (12 months to 31 December 2014: \$311,864,000 loss). The 2015 loss reflects the finance costs of the related party loan which was repaid through the rights issue in October 2015 and administration costs incurred during the year mainly for the rights issue.

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 LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

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, the Iron Ore Iodex 62% CFR China benchmark price continued to fall, ending the year at a historic low of \$38 per tonne in China. Overall, prices dropped by more than 40% in 2015, following almost a 50% drop in 2014. 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.

As reported on 14 September 2015, the Company has entered into an option agreement with Al Rawda Resources Limited (Al Rawda) to purchase an 80% interest in Sphere Mauritania SA (SMSA), the entity which owns the Askaf project. The purchase price payable if the option is exercised is US\$10,000,000 in cash plus a life of mine royalty of 2.5% of FOB revenue. The sell down of Askaf will result in Sphere holding only a non-controlling interest in this asset, however the transaction with Al Rawda will provide the best chances of the project being developed and returning value to Sphere's shareholders.

SUBSEQUENT EVENTS

On 29 March 2016, Sphere executed an agreement with Al Rawda to extend the option period over the Askaf Project to 30 September 2016. Al Rawda has agreed to provide SMSA a monthly payment of US\$120,000 to fund the operating costs of SMSA. The option remains subject to a number of conditions precedent including the completion of satisfactory due diligence, government approvals and finalisation of transaction documents. It may, or may not, lead to a transaction.

No matter or circumstances other than as noted above 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 LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' QUALIFICATIONS AND EXPERIENCE

Peter Coates AO – Non-Executive Chairman (age 70)

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 1 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 resumed 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. He was made an Officer of the Order of Australia in June 2009 and was awarded the 2010 Australasian Institute of Mining and Metallurgy Medal.

Jyothish Devina George – Executive / Managing Director (age 41)

Qualifications: PhD Engineering (Cornell University, USA)

Experience: Mr George is currently the Head of Glencore's Iron Ore Division. He commenced his career with a Vice President position at Wachovia Securities LLC, followed by a position as Vice President with Morgan Stanley and later Principal for Admiral Capital Management. Mr George has worked in the USA, United Kingdom and Switzerland. Mr George joined Glencore UK Ltd in August 2006, holding a hedge fund manager position prior to accepting an offer from Glencore International AG to work at the head office in Baar, Switzerland.

Lionel Mages – Executive Director / Chief Financial Officer (age 38)

Qualifications: MSc in Management (HEC), qualified accountant CIMA associate (ACMA, CGMA)

Experience: Mr Mages commenced his career in 2001 with British American Tobacco as a marketing and finance analyst in the duty free business, followed by a Vice President position at Credit Suisse in a senior controller role. Mr Mages joined Glencore International AG in January 2010 as lead trade accountant for the Zinc Copper department, before moving to the Glencore Iron Ore asset team in 2014 as a finance controller.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Nick Ogden –Executive Director (age 41)

Qualifications: BSc LLB (Hons) (Syd) MSc (Oxon.)

Experience: Mr Ogden is a qualified solicitor holding a Bachelor of Science and Bachelor of Laws (Hons) from the University of Sydney. Mr Ogden also holds a Master of Science (specialising in Environmental Management) from the University of Oxford. Mr Ogden has over 11 years' experience in senior legal roles with Glencore, and formerly Xstrata, in particular, within the Coal and Iron Ore departments. Between 2010 and 2013, he was directly responsible for the legal function of the Iron Ore asset division. He has also previously worked at Mallesons Stephen Jacques as a solicitor specialising in projects and resources work.

Anthony Clark AM –Non-Executive Independent Director (age 76)

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 42 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 67)

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

Experience: Mr Parker is an Industrial Chemist with more than 42 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 38)

Qualifications: BCom, CA

Experience: Mr Conroy is a Chartered Accountant with 16 years' experience in financial roles including 12 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 LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

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:

	Number of Meetings Attended	Entitled to Attend
Peter Coates	9	9
Jon Romcke	6	6
Jyothish George	3	6
Nicholas Ogden	7	7
Lionel Mages	-	-
Mark Eames	2	2
Damian Hogue	1	1
Anthony Clark (a)	10	10
Jon Parker (a)	9	10

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

LOANS TO DIRECTORS AND EXECUTIVES

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

SHARES UNDER OPTION

No options were granted during the year.

No options are available to be exercised as at 31 December 2015.

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

REMUNERATION REPORT

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 2015.

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
Jyothish George	Executive Director (Appointed 28 May 2015)
Lionel Mages	Executive Director (Appointed 2 December 2015)
Nicholas Ogden	Executive Director (Appointed 3 June 2015)
Jonathan Romcke	Executive Director (Appointed 28 May 2015; Resigned 28 November 2015)
Mark Eames	Executive Director (Resigned 29 May 2015)
Damian Hogue	Executive Director (Resigned 31 March 2015)
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 to 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 LIMITED AND ITS CONTROLLED ENTITIES REMUNERATION REPORT

Non-Executive Directors' Remuneration

The Board's 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 January 2015:

Fees (per annum) – Independent Non-executive Director	AU\$55,000
Fees (per annum) – Chairman	AU\$68,493

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		Total	% of remuneration consisting of options
Salary & Fees	Non-Monetary	Super-annuation	Options		
US\$	US\$	US\$	US\$	US\$	

12 months ended 31 December 2015

Directors

Peter Coates – Non-executive Chairman	51,446	-	4,887	-	56,333	0%
Anthony Clark – Non-executive Director	41,311	-	3,925	-	45,236	0%
Jon Parker – Non-executive Director	41,311	-	3,925	-	45,236	0%
Total directors	134,068		12,737		146,805	0%

Other Key Management Personnel (KMP)

Total other key management personnel	-	-	-	-	-	0%
Total Remuneration	134,068	-	12,737	-	146,805	0%

**SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
REMUNERATION REPORT**

Short-term benefits		Other Benefits		Total	% of remuneration consisting of options
Salary & Fees	Non-Monetary	Super-annuation	Options		
US\$	US\$	US\$	US\$	US\$	

12 months ended 31 December 2014

Directors

Peter Coates – Non-executive Chairman *	61,737	-	5,788	-	67,525	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%
Total directors	156,381	-	14,666	-	171,047	0%

Other Key Management Personnel (KMP)

Total other key management personnel	-	-	-	-	-	0%
Total Remuneration	156,381	-	14,666	-	171,047	0%

* Fees paid to Director restated to reflect actual amounts paid

No appointment bonuses, other bonuses, or termination benefits were paid to Directors or other KMP during the year (2014: nil).

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 2015.

No share based payment schemes are implemented for the Group and directors are not holding any shares/options.

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 LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

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 THE 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.

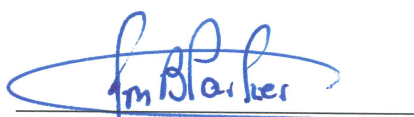
AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the 12 month period ended 31 December 2015 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.



Jon Parker

30 March 2016

The Directors
Sphere Minerals Limited
Level 44, Gateway
1 Macquarie Place
SYDNEY NSW 2000

30 March 2016

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 2015, 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 LIMITED AND ITS CONTROLLED ENTITIES
FINANCIAL REPORT
For the 12 month period ended 31 December 2015

TABLE OF CONTENTS

	Note	Page
Consolidated Statement of Profit or Loss and Other Comprehensive Income		19
Consolidated Statement of Financial Position		20
Consolidated Statement of Changes in Equity		21
Consolidated Statement of Cash Flows		22
Notes to and forming Part of the Financial Statements		
Statement of Significant Accounting Policies	1	23
Financial Instrument Risk Exposure and Management	2	35
Capital Risk Management	3	41
Other Revenue	4	42
Expenses	5	42
Income Tax Expense	6	44
Remuneration of Auditors	7	45
Earnings / (Loss) Per Share	8	45
Cash and Cash Equivalents	9	46
Trade, Other Receivables and Prepayments	10	46
Controlled Entities	11	47
Parent Company Disclosures	12	48
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 44, Gateway
1 Macquarie Place
Sydney NSW 2000

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
For the 12 month period ended 31 December 2015

	Notes	12 months to December 2015 US\$'000	12 months to December 2014 US\$'000
Interest revenue	4	-	31
Other income	4	354	-
Total revenue		354	31
Expenses from continuing operations			
Administration		(874)	(271)
Employee benefits expenses	5	(1,855)	(2,974)
External contractors expense		(1,559)	(144)
Other expenses	5	(3,240)	(56,617)
Directors fees		(158)	(177)
Legal fees		(321)	(33)
Travel and related expenses		(1)	(1)
Office expenses		(547)	(4)
Finance costs	5	(11,848)	(9,970)
Depreciation	14	(783)	-
Net foreign exchange gain/(losses)		3,229	(1,007)
Impairment losses	5	-	(240,730)
Total expenses		(17,957)	(311,928)
Share of equity accounting gain/(losses)	1	181	(56)
Loss before income tax expense		(17,422)	(311,953)
Income tax expense	6	-	-
Loss for the period		(17,422)	(311,953)
Net loss attributable to non-controlling interests		(3,384)	(89)
Net loss attributable to owners		(14,038)	(311,864)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations	19a	(2,301)	10,423
Other comprehensive income/(loss) net of tax		(2,301)	10,423
Total comprehensive income/(loss) for the period		(19,723)	(301,530)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Sphere Minerals Limited			
Basic (loss)/earnings per share (cents per share)		(2.07)	(39.24)
Diluted (loss)/earnings per share (cents per share)		(2.07)	(39.24)

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	31-Dec-15 US\$'000	31-Dec-14 US\$'000
CURRENT ASSETS			
Cash and cash equivalents	2, 9	12,069	1,062
Other receivables	2, 10	660	2,367
Prepayments	2, 10	-	50,939
Assets classified as held for sale	10	-	-
TOTAL CURRENT ASSETS		12,729	54,368
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,636	3,637
Equity accounted investment in joint venture		50,980	50,800
TOTAL NON-CURRENT ASSETS		53,616	54,437
TOTAL ASSETS		66,345	108,805
CURRENT LIABILITIES			
Trade and other payables	2, 16	796	13,244
Borrowings	17	-	116,813
Provisions	5	-	43,700
TOTAL CURRENT LIABILITIES		796	173,757
TOTAL LIABILITIES		796	173,757
NET ASSETS/(DEFICIENCY)		65,549	(64,952)
EQUITY			
Contributed equity	18	413,796	263,496
Reserves	19a	15,489	17,790
Other reserves	19a	91	76
Accumulated losses	19b	(360,014)	(345,976)
Parent interest		69,362	(64,614)
Non-controlling interest		(3,813)	(338)
TOTAL EQUITY		65,549	(64,952)

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 12 month period ended 31 December 2015

	Issued capital	Accumulated losses	Foreign currency translation reserve	Other reserves	Total	Non controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	263,496	(345,976)	17,790	76	(64,614)	(338)	(64,952)
Loss for the period	-	(14,038)	-	-	(14,038)	(3,384)	(17,422)
Share capital issue	150,300	-	-	-	150,300	-	150,300
Adjustment for translation of foreign controlled entities	-	-	(2,301)	15	(2,286)	(91)	(2,377)
<i>Total comprehensive income/(loss) for the period</i>	150,300	(14,038)	(2,301)	15	133,976	(3,475)	130,501
At 31 December 2015	413,796	(360,014)	15,489	91	69,362	(3,813)	65,549
		-	-				
At 1 January 2014	263,496	(34,112)	7,367	76	236,827	(249)	236,578
Loss for the period	-	(311,864)	-	-	(311,864)	(89)	(311,953)
Adjustment for translation of foreign controlled entities	-	-	10,423	-	10,423	-	10,423
<i>Total comprehensive income/(loss) for the period</i>	-	(311,864)	10,423	-	(301,441)	(89)	(301,530)
At 31 December 2014	263,496	(345,976)	17,790	76	(64,614)	(338)	(64,952)

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the 12 month period ended 31 December 2015

	Notes	12 months to December 2015 US\$'000	12 months to December 2014 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(12,074)	(14,700)
Interest received		-	31
Interest paid		(19,871)	-
Other income		250	-
Net cash used in operating activities	23	(31,695)	(14,669)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt/(prepayment) - EPC contractor		1,200	(61,217)
Payment for property, plant and equipment		-	(149)
Payments for capitalised exploration expenditure		-	(18,065)
Net cash provided by/(used in) investing activities		1,200	(79,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan drawn down		12,900	90,486
Repayment of borrowings		(121,690)	-
Proceeds from the issue of equity		150,300	-
Net cash provided by financing activities		41,510	90,486
Net increase/(decrease) in cash and cash equivalents held		11,015	(3,614)
Cash at the beginning of the financial year		1,062	4,669
Effects of exchange rate changes on cash and cash equivalents		(8)	7
Cash and cash equivalents at 31 December	2,9	12,069	1,062

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

The financial report of the Company for the 12 month period ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 30 March 2016.

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 2015 to 31 December 2015.

The comparative financial period was 12 months from 1 January 2014 to 31 December 2014.

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.

During the year ended 31 December 2015, the Group incurred a consolidated net loss of \$17.4m (2014: \$311.9m loss) and has negative cash flows from operations of \$31.7m (2014: \$14.7m). The Group has generated cash inflows from its financing activities (funds from rights issues) to fund its operations. At 31 December 2015, the Group has current net assets of \$11.9m (2014: net current asset deficiency of \$119.4m).

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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.

Last year, the Directors initiated a review of the Askaf project, resulting in a slowdown of the project and a 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.

On 14 September 2015, the Company executed an agreement to grant an exclusive option to Al Rawda Resources Limited to purchase an 80% interest in Sphere Mauritania SA, the entity which owns the Askaf Project. It is subject to a number of conditions precedent including the completion of satisfactory due diligence, government approvals and finalisation of transaction documents. The option period ends on 30 September 2016.

The Company intends to continue to assess the other projects in the light of prevailing market conditions.

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.

Functional currency

In 2014 there was 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.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Accounting Policies

a. Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no significant changes to the Company's accounting policies.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year beginning on or after 1 January 2015

<p>AASB 2014-1 'Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles]</p>	<p>This amending standard makes various amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board ("the IASB") of IFRSs Annual Improvements to IFRS 2010- 2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.</p> <p>The key amendments include:</p> <ul style="list-style-type: none"> • AASB 2 – definition of vesting condition; • AASB 3 – accounting for contingent consideration in a business combination; • AASB 8 – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; • AASB 13 – short-term receivables and payables; • AASB 116 – revaluation method: proportionate restatement of accumulated depreciation; • AASB 124 – key management personnel; • AASB 138 – revaluation method: proportionate restatement of accumulated amortisation; • AASB 1 – meaning of 'effective IFRSs'; • AASB 3 – scope exceptions for joint ventures; • AASB 13 – scope of paragraph 52 (portfolio exception); and • AASB 140 – clarifying the interrelationship between AASB 3 and AASB 140 when classifying property as investment property or owner occupied property. <p>The adoption of the amending standard does not have any material impact on the amounts recognised in the Group's financial statements.</p>
<p>AASB 2014-1 'Amendments to Australian Accounting Standards [Part B – Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)]</p>	<p>This amending standard makes narrow scope amendments to AASB 119 'Employee Benefits' applying to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.</p> <p>The adoption of the amending standard does not have any material impact on the amounts recognised in the Group's financial statements.</p>
<p>AASB 2014-1 'Amendments to Australian Accounting Standards [Part C – Materiality]</p>	<p>This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.</p> <p>The adoption of the amending standard does not have any material impact on the amounts recognised in the Group's financial statements.</p>

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

b. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting years beginning on or after	Expected to be initially applied in the financial year ending
• AASB 16 'Leases'	1 January 2019	31 December 2019
• AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
• AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	31 December 2018
• AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	31 December 2016
• AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 December 2016
• AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	31 December 2016
• AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	31 December 2016
• AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
• AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
• AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 December 2016
• AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	31 December 2016
• AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	31 December 2016

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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 consistency 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.

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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.

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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:

Class of Fixed Asset	Depreciation Rate
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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 2015 was nil (31 December 2014: nil after an impairment loss of \$233.7m was recognised during 2014). Details of the impairment are set out in Note 15.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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:

		31-Dec-15	31-Dec-14
Financial assets	Note	US\$'000	US\$'000
Cash and cash equivalents	9	12,069	1,062
Other receivables	10	660	2,367
Other non-current assets		53,616	54,437
Sub Total		66,345	57,866
Financial liabilities			
Trade and other payables	16	796	13,244
Borrowings	17	-	116,813
Sub Total		796	130,057
Net financial (deficiency)/ assets		65,549	(72,191)

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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.

	Carrying amount	Fair Value	Average Interest Rate
	US\$'000	US\$'000	%
As at 31 December 2015			
Financial assets			
Cash and cash equivalents	12,069	12,069	0.00
Other receivables and prepayments	660	660	
Financial liabilities			
Trade and other payables	796	796	
As at 31 December 2014			
Financial assets			
Cash and cash equivalents	1,062	1,062	0.00
Other receivables and prepayments	53,306	53,306	
Financial liabilities			
Trade and other payables	(13,244)	(13,244)	
Borrowings	(116,813)	(116,813)	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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

**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 comfortable cash and cash equivalent balance of \$12,069,000 following a rights issue in October 2015.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 2015.

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.

Year ended 31 December 2015	On demand	< 1 year	Total	Carrying value
	US\$'000	US\$'000	US\$'000	US\$'000
Trade and other payables	-	796	796	796
Sub Total	-	796	796	796

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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's exposure to foreign currency risk at the reporting date was as follows:

	31-Dec-15					
	AUD	EUR	MRO	GBP	CHF	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and Cash Equivalents	269	3	21	-	-	293
Trade and other Receivables	-	-	602	-	-	602
Sub Total	269	3	623	-	-	895
Trade and Other Payables	-	-	(434)	-	-	(434)
Borrowings	-	-	-	-	-	-
Sub Total	-	-	(434)	-	-	(434)
Net	269	3	189	-	-	461

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 2015 is as follows:

As at 31 December 2015	Carrying Value US\$'000	+ 10%		- 10%	
		Profit / Loss US\$'000	Equity US\$'000	Profit / Loss US\$'000	Equity US\$'000
		Net foreign financial liabilities (Group)	461	46	-

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

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
2015					
Cash and Cash Equivalents	0.00	-	-	12,069	12,069
2014					
Cash and Cash Equivalents	0.00	-	-	1,062	1,062

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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

Sensitivity analysis illustrating the effect of a 0.5% movement in interest rates on Financial Assets at 31 December 2015 is as follows:

	Carrying Value US\$'000	+ 0.5%		- 0.5%	
		Profit / Loss US\$'000	Equity US\$'000	Profit / Loss US\$'000	Equity US\$'000
As at 31 December 2015					
Cash and Cash Equivalents (Group)	12,069	60.3	-	(60.3)	-

	Carrying Value US\$'000	+ 0.5%		- 0.5%	
		Profit / Loss US\$'000	Equity US\$'000	Profit / Loss US\$'000	Equity US\$'000
As at 31 December 2014					
Cash and Cash Equivalents (Group)	1,062	5.3	-	(5.3)	-

0.5% 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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 4: OTHER REVENUE

	12 months to 31 Dec 15 US\$'000	12 months to 31 Dec 14 US\$'000
Interest	-	31
Other income	354	-
Total other revenue	354	31

NOTE 5: EXPENSES

Loss for the year includes the following specific expenses:

	12 months to 31 Dec 15 US\$'000	12 months to 31 Dec 14 US\$'000
Finance costs:		
- Interest charges paid or payable to other persons (i)	(11,848)	(9,969)
- Other finance charges	-	(1)
Total finance costs	(11,848)	(9,970)
Employee benefits expenses:		
- Termination benefits	(1,855)	(2,960)
- Short term benefits	-	(14)
Total employee benefits	(1,855)	(2,974)
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)
Total impairment losses (ii)	-	(240,730)
Other expenses:		
- Provision on loan receivable from EMC*	-	(25,587)
- Contractor termination accruals	-	(31,030)
- Contractor termination and project related expenditures	(3,240)	-
Total other expenses (iii)	(3,240)	(56,617)

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

(i) Interest expense

During the year ended 31 December 2015, the Group repaid its related party facility for the amount of US\$141.6m with Glencore Australia Holdings Pty Limited following a successful rights issue. The loan facility was on an unsecured basis with an applicable rate of 12% per annum plus a 1% commitment fee on the unutilised portion. The loan had 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.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 5: EXPENSES (continued)

(ii) 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 last year 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. This value has not changed in the current financial year. No impairments were booked in 2015 (2014: exploration and evaluation expenditure impairment of \$39.7m for El Aouj and \$1.5m for Lebtheinia).

Investment

As noted above, no impairment was booked on the Group's investment in the El Aouj Joint Venture (2014: 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).

(iii) Provisions

	31 Dec 15	to 31 Dec 14
	US\$'000	US\$'000
Provision for contracts termination	-	41,700
Provision for redundancies	-	2,000
	-	43,700

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 6: INCOME TAX EXPENSE

	12 months to	12 months to
	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
(a) Income tax expense		
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	(17,422)	(311,953)
Tax at the Australian tax rate of 30% (2014 - 30%)	(5,227)	(93,586)

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

Adjustment for the Mauritanian tax rate at 25%	258	36
Non-deductible impairment losses	972	72,219
Non-deductible expenses	-	16,985
Unrealised foreign exchange gain	(969)	(32)
Australian capital expenditure deductions	(146)	(160)
Deferred tax asset in respect to foreign losses not brought to account	1,290	211
Deferred tax asset in respect to Australian losses not brought to account	3,822	4,327
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.

Unrecognised deferred tax benefits / (liabilities) for Australia at 30%	12 months to	12 months to
	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Deductible timing difference – capital expenditure	19	170
Deductible timing difference – unrealised foreign exchange gains	(993)	(24)
Taxable timing difference	-	-
Unused revenue tax loss	8,537	7,887
Sub-total	<u>7,563</u>	<u>8,033</u>
Foreign losses at 25%*	<u>5,324</u>	<u>4,034</u>
Potential tax benefit	<u>12,887</u>	<u>12,067</u>

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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:

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
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:

	12 months to	12 months
	31 Dec 15	to 31 Dec 14
	US\$	US\$
Deloitte Touche Tohmatsu		
Audit or review of the financial reports	88,768	137,165
Other assurance services	29,224	-
	<u>117,992</u>	<u>137,165</u>

NOTE 8: EARNINGS/(LOSS) PER SHARE

	12 months to	12 months to
	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Basic and diluted loss per share		
Net loss for the period	(17,422)	(311,953)
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	841,018,759	794,902,201
Basic earnings (loss) per share	(2.07) cents	(39.24) cents
Diluted earnings (loss) per share	(2.07) cents	(39.24) cents

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 15 US\$'000	31 Dec 14 US\$'000
Cash at bank and on hand	12,069	1,062
Balance as per Statement of Cash Flows	12,069	1,062

NOTE 10: TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	31 Dec 15 US\$'000	31 Dec 14 US\$'000
Current		
<i>Trade and other receivables</i>		
Other receivables	660	2,367
Total Trade and other receivables	660	2,367
<i>Prepayments</i>		
Prepayments to contractors	-	50,939
Total Prepayments	-	50,939
<i>Borrowings</i>		
Loan to equity accounted joint arrangement	25,587	25,587
Provisions on loan to equity accounted joint arrangement	(25,587)	(25,587)
Total Borrowings	-	-
Total	660	53,306

a) Prepayments to contractor

There is no remaining balance in 2015 from the Askaf construction prepayment of \$61.2m due to the termination of the contract.

b) Loan joint venture

The provision booked last year to fully impair the loan to Joint Venture entity EMC has been maintained in 2015.

c) Past due but not impaired

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

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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

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.

e) Assets classified as held for sale

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Askaf Project (Development)	-	-

On 14 September 2015, the Group executed an agreement to grant an exclusive option to Al Rawda Resources Limited (Al Rawda) to purchase an 80% interest in Sphere Mauritania SA, the entity which owns the Askaf Project. As announced on 29 March 2016, Al Rawda has extended the option period to 30 September 2016 so as to allow Al Rawda to continue its due diligence process.

The proposed agreement is subject to a number of conditions precedents including the completion of satisfactory due diligence, government approvals and finalisation of transaction documents. The value of the Askaf Project was written down to nil during the year ended 31 December 2014.

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 15	31 Dec 14
			%	%
Sphere Mining Pty Ltd ⁽¹⁾	Australia	Ordinary	100	100
Sphere Iron Ore Pty Ltd ⁽¹⁾	Australia	Ordinary	100	100
Sphere Resources Pty Ltd ⁽¹⁾	Australia	Ordinary	100	100
Mauritania Holdings Pty Ltd ⁽¹⁾	Australia	Ordinary	100	100
Sphere Mauritania SA	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.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 12: PARENT COMPANY DISCLOSURES

The following details information related to the parent entity, Sphere Minerals Limited, at 31 December 2015. 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.

	Parent Entity	
	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Financial position of parent entity at year end		
Current assets	12,061	783
Non-current assets	51,948	50,800
Total Assets	<u>64,009</u>	<u>51,583</u>
Current liabilities	362	117,657
Total Liabilities	<u>362</u>	<u>117,657</u>
	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Total equity of the parent entity comprising of		
Contributed equity	413,796	263,496
Accumulated losses	(359,400)	(343,496)
Reserves	9,251	13,926
Total equity	<u>63,647</u>	<u>(66,074)</u>
Result of parent entity		
(Loss) for the year	(15,904)	(44,712)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(15,904)</u>	<u>(44,712)</u>

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 to a shareholder's agreement during the previous 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 an investment in joint venture.

The Group has accounted for its investment in the EMC joint venture using the equity accounting method.

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

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Current assets	421	3,049
Non-current assets	76,647	129,325
Total Assets	<u>77,068</u>	<u>132,374</u>
Current liabilities	303	30,774
Total Liabilities	<u>303</u>	<u>30,774</u>
Net Assets	<u>76,765</u>	<u>101,600</u>
50% Share	<u>38,383</u>	<u>50,800</u>
	12 months to	12 months
	31 Dec 15	to 31 Dec 14
	US\$'000	US\$'000
Result of El Aouj Mining SA		
Income	-	-
Expenses	(362)	(112)
Total comprehensive result for the year	<u>(362)</u>	<u>(112)</u>
50% Share	<u>(181)</u>	<u>(56)</u>

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 14: PROPERTY, PLANT & EQUIPMENT

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Office and computer equipment at cost	1,681	1,759
Accumulated depreciation	(1,204)	(1,074)
	477	685
Plant and equipment at cost	2,650	2,710
Accumulated depreciation	(2,272)	(2,188)
	378	522
Motor vehicles at cost	2,606	2,710
Accumulated depreciation	(2,142)	(1,798)
	464	912
Land and buildings at cost	971	1,076
Accumulated depreciation	(258)	(162)
	713	914
Work in progress	604	604
Total property, plant and equipment	2,636	3,637

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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
Group 2015	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Carrying amount at 1 January 2015	685	522	912	914	604	3,637
Depreciation / amortisation	(130)	(84)	(473)	(96)	-	(783)
FX gains / (losses) on translation	(78)	(60)	25	(105)	-	(218)
Carrying amount at 31 December 2015	477	378	464	713	604	2,636

	Office and Computer equipment	Plant & equipment	Motor vehicles	Land and buildings	Work in Progress	Total
Group 2014	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
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
Carrying amount at 31 December 2014	685	522	912	914	604	3,637

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 15: EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Opening balance	-	250,338
Capitalised during the year	-	50,814
Change in joint arrangement accounting	-	(75,005)
Impairments	-	(233,711)
Foreign exchange translation on capitalised exploration expenditure	-	7,564
Closing balance	<u>-</u>	<u>-</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 was expensed through the 2014 profit or loss.

During the year ended 31 December 2014, 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 rates 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, US\$39.7m of El Aouj and US\$1.5m of Lebtheinia related exploration and evaluation expenditure was impaired.

NOTE 16: TRADE AND OTHER PAYABLES

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Current		
Trade payables	796	13,244
Total	<u>796</u>	<u>13,244</u>

NOTE 17: BORROWINGS

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Current borrowings		
Loan facility – related party	-	116,813
Total borrowings	<u>-</u>	<u>116,813</u>

For further details on risk exposure, refer to note 2.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 17: BORROWINGS (continued)

Loan facility – related party

During the year and following a successful rights issue, the Group repaid a related party facility for the amount due at the date of repayment of US\$141,560,983 with Glencore Australia Holdings Pty Limited. The loan facility was on an unsecured basis with an applicable rate of 12% per annum plus a 1% commitment fee on the unutilised portion.

NOTE 18: ISSUED CAPITAL

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
1,038,852,112 (2014: 218,269,296) fully paid authorised ordinary shares	413,796	263,496
	413,796	263,496

Ordinary Shares

Ordinary shares entitle 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.

Following a successful rights issue on 23 October 2015, 820,582,816 new shares were issued for A\$0.25 per share, raising the equivalent of US\$150.3m.

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.

Movements in ordinary shares	Number of shares	Share capital
		\$'000
Balance at 1 January 2014	218,269,296	263,496
Balance at 31 December 2014	218,269,296	263,496
Balance at 1 January 2015	218,269,296	263,496
Issue of fully paid ordinary shares	820,582,816	150,300
Balance at 31 December 2015	1,038,852,112	413,796

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 19: OTHER EQUITY

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
a) Reserves		
Foreign Currency Translation Reserve	15,489	17,790
Other reserves	91	76
	<u>15,580</u>	<u>17,866</u>

(i) Foreign Currency Translation Reserve	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Opening balance	17,790	7,367
Currency translation differences arising during the year	(2,301)	10,423
Closing Balance	<u>15,489</u>	<u>17,790</u>

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

(ii) Other Reserves	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
Non-controlling interest in Sphere Mauritania S.A	91	76
Closing Balance	<u>91</u>	<u>76</u>

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 19: OTHER EQUITY (continued)

	31 Dec 15	31 Dec 14
	US\$'000	US\$'000
b) Accumulated losses		
Opening balance	(345,976)	(34,112)
Net loss for the year	(14,038)	(311,864)
Closing Balance	(360,014)	(345,976)

Dividends

No dividends were paid or declared during the year.

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	2015	2014
	US\$'000	US\$'000
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable minimum lease payments		
- not later than 12 months	-	288
- between 12 months and 5 years	-	-
	-	288

b. Capital commitments

There are no capital commitments as at 31 December 2015 (31 December 2014: nil).

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 LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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

	12 months to 31 Dec 15 US\$'000	12 months to 31 Dec 14 US\$'000
Loss after income tax	(17,422)	(311,864)
Add (less) non-cash items:		
Impairment losses and other expenses	-	297,347
Depreciation	783	-
Foreign exchange	(3,229)	(224)
Sub Total	(19,868)	(14,741)
Changes in assets and liabilities		
Increase/ decrease in receivables/ payables	(11,827)	72
Net outflow from operating activities	(31,695)	(14,669)

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

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 used to receive 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. Those services have now dropped down due to the reduced level of activity.

In order to fund the continuity of its operations, the Group proceeded to a rights issue to repay its related party loan facility with Glencore Australia Holdings Pty Limited. Sidero Pty Limited (Sidero), the Group's major shareholder, subscribed for new shares totalling US\$150,300,000.

The following is a summary of transactions with related parties:

2015	Country of incorporation	Purchases and management fee	Accounts payable	Proceeds from / (repayment of) loan facility	Loan liability	Issued capital
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Glencore International AG	Switzerland	296	-	-	-	-
Sidero Pty Limited	Australia	-	-	-	-	150,300
Glencore Australia Holdings Pty Limited	Australia	-	-	(141,561)	-	-
Xstrata France S.A.S.	France	20	-	-	-	-
Total		316	-	(141,561)	-	150,300

2014	Country of incorporation	Purchases and management fee	Accounts payable	Proceeds from / (repayment of) loan facility	Loan liability	Issued capital
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
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	-	-	-
Total		6,344	520	90,486	116,813	-

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the 12 month period ended 31 December 2015

NOTE 25: EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

On 29 March 2016, Sphere executed an agreement with Al Rawda to extend the option period over the Askaf Project to 30 September 2016. Al Rawda has agreed to provide SMSA a monthly payment of US\$120,000 to fund the operating costs of SMSA. The option remains subject to a number of conditions precedent including the completion of satisfactory due diligence, government approvals and finalisation of transaction documents. It may, or may not, lead to a transaction.

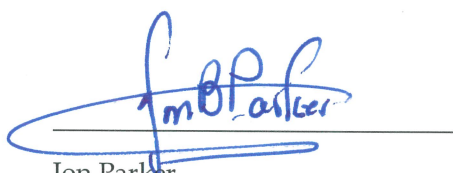
No other matter or circumstances other than as noted above have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the subsequent financial years.

SPHERE MINERALS LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' DECLARATION

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 2015 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 2015.

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



Jon Parker

30 March 2016

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 2015, 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 19 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

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 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the year ended 31 December 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu...

DELOITTE TOUCHE TOHMATSU



J A Leotta
Partner
Chartered Accountants
Sydney, 30 March 2016