GLENCORE

FACSIMILE TRANSMISSION

DATE:	20 April 2016
ATTENTION:	Market Announcements Office
COMPANY:	ASX Limited
SUBJECT / HEADER:	Compulsory acquisition of shares in Sphere Minerals Limited
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20 April 2016

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

COMPULSORY ACQUISITION OF SHARES IN SPHERE MINERALS LIMITED

In October 2015, Sidero Pty Limited ("**Sidero**") (a wholly owned subsidiary of Glencore plc) participated in a 4.4 for 1 pro-rata renounceable entitlement offer by Sphere Minerals Limited ("**Sphere**") at A$0.25 per share. By participating in this entitlement offer, Sidero's shareholding in Sphere increased to 97.5%.

Sidero has commenced the process for compulsorily acquiring the remaining ordinary shares in Sphere ("**Ordinary Shares**") in accordance with Part 6A.2 of the *Corporations Act 2001* (Cth) ("**Corporations Act**") by lodging the relevant compulsory acquisition notices with the Australian Securities and Investments Commission ("**ASIC**").

Please find attached a copy of the following documents:

1. letter from Sidero to the holders of the Ordinary Shares;
2. ASIC Form 6024 (Notice of Compulsory Acquisition) for the Ordinary Shares;
3. objection form; and
4. independent expert's report.

We confirm that the enclosed documents were lodged with ASIC and provided to Sphere, pursuant to s664C(2)(a) and s664C(2)(c) of the Corporations Act.

We also confirm that the enclosed documents will be dispatched to the holders of the Ordinary Shares in accordance with s664C(3) of the Corporations Act.

Yours sincerely

Nicholas Talintyre
Company Secretary

PO Box R1543, Royal Exchange NSW 1225
Level 44, Gateway Building, 1 Macquarie Place, Sydney NSW 2000 Australia
T + 61 2 8247 6300 F + 61 2 9251 4740 www.glencore.com

Sidero Pty Ltd (ABN 56 145 740 450)

GLENCORE

21 April 2016

Dear Shareholder

COMPULSORY ACQUISITION OF SHARES IN SPHERE MINERALS LIMITED

As you may be aware, in October 2015, Sidero Pty Limited ("**Sidero**") (a wholly owned subsidiary of Glencore plc) participated in a 4.4 for 1 pro-rata renounceable entitlement offer by Sphere Minerals Limited ("**Sphere**") at A$0.25 per share. By participating in this entitlement offer, Sidero increased its shareholding in Sphere to 97.5%.

You have received this letter and the enclosed information as you hold ordinary shares in Sphere ("**Ordinary Shares**").

Sidero now proposes to compulsorily acquire each Ordinary Share that it does not hold for a cash payment of A$0.06 per Ordinary Share in accordance with Part 6A.2 of the *Corporations Act 2001* (Cth) ("**Corporations Act**") ("**Compulsory Acquisition**"). The attached expert's report supports the proposed acquisition price on the basis that it gives a fair value for the Ordinary Shares.

Sidero encloses by way of service:

- ASIC Form 6024 (Notice of Compulsory Acquisition) pursuant to section 664C of the Corporations Act ("**Notice**");
- a copy of the expert's report prepared by Ernst & Young Transaction Advisory Services Limited;
- a copy of an objection form ("**Objection Form**") pursuant to which you may object to the Compulsory Acquisition within one month of receipt hereof (i.e. no later than 24 May 2016).

The Notice was lodged with the Australian Securities and Investments Commission on 20 April 2016.

As well as providing formal notice of Sidero's intention to compulsorily acquire your Ordinary Shares, the Notice sets out certain rights available to you under the Corporations Act in response to the Notice.

WHAT DO YOU NEED TO DO

You should read the enclosed materials thoroughly. They contain further information about this process and your objection rights.

If you wish to object to the Compulsory Acquisition, you must complete and return the Objection Form. Otherwise, no action is required. If the Compulsory Acquisition proceeds, you will receive a letter setting out details for the payment of the consideration payable to you upon the Compulsory Acquisition of your Ordinary Shares.

Yours sincerely

Nicholas Talintyre

Nicholas Talintyre
Company Secretary

PO Box R1543, Royal Exchange NSW 1225
Level 44, Gateway Building, 1 Macquarie Place, Sydney NSW 2000 Australia
T + 61 2 8247 6300 F + 61 2 9251 4740 www.glencore.com

Sidero Pty Ltd (ABN 56 145 740 450)

Australian Securities & Investments Commission

Form 6024
Corporations Act 2001
664C(1)

Notice of compulsory acquisition

Notice

To each holder of:

Description of class of securities

Class of securities ('the class')

Ordinary Shares

in

Name of target company

Name ('the Company')

Sphere Minerals Limited

ACN/ARBN/ARSN

009 134 847

Insert name of 90% Holder

1. Sidero Pty Limited

('the 90% holder')

Tick one box

☒ holds either alone or with a related body corporate, full beneficial interests in at least 90% of the securities (by number) in the class.

☐ has voting power of at least 90% in the Company and holds, either alone or with a related body corporate, full beneficial interests in at least 90% by value of all securities of the Company that are either shares or convertible into shares.

2. Under subsection 664A(3) of the Corporations Act 2001 ('the Act') the 90% Holder may compulsorily acquire all the

Description of class of securities

Ordinary Shares

if less than 10% by value of holders in that class have objected to the acquisition by the end of the objection period set out in this notice or the Court approves the acquisition under section 664F of the Act.

3. The 90% Holder hereby gives notice that it proposes to compulsorily acquire

Description of class of securities

Ordinary Shares

that you hold for the cash amount of

Cash amount for the securities. This may be expressed as an amount per security.

A$0.06 per Ordinary Share

A notice sent by post to you is taken to be given to you 3 days after it is posted.

4. Under section 664E of the Act, you, (or anyone who acquires the securities during the objection period) have the right to object to the acquisition of your securities by completing and returning the objection form that accompanies this notice within

Period during which holders may return the objection form. The period must be at least one month.

1 Month

of receipt of this notice. The objection cannot be withdrawn.

5. You have the right to obtain the names and addresses of everyone else who holds securities in the class from the Company register.

6. Under section 664F of the Act, if 10% of holders of securities covered by this compulsory acquisition notice have objected to the acquisition before the end of the objection period, the 90% Holder may, within one month after the end of the objection period, apply to the Court for approval of the acquisition of the securities covered by this notice.

7. During the last 12 months the 90% Holder or an associate has purchased securities of the same class for

Details of the consideration given for the securities

A$0.25 per share pursuant to a 4.4 for 1 pro-rata renounceable entitlement offer in October 2015.

Continued... **Notice**

Include any information that is known to the 90% Holder or any related bodies corporate that is material to deciding whether to object to the acquisition and has not been disclosed in an expert's report under section 667A of the Act.

8. None

Signature

Name of person signing

Nicholas Talintyre

Capacity

Company Secretary

Signature

Nicholas Talintyre

Date signed

2 0 0 4 1 6

[D D] [M M] [Y Y]

Independent Expert's Report and Financial Services Guide

Sidero Pty Limited

Compulsory Acquisition of the remaining shares in Sphere Minerals Limited

18 April 2016

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Ernst & Young Transaction Advisory Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Part 1 – Independent Expert's Report

The Directors
Sidero Pty Limited
Level 38 Gateway
1 Macquarie Place
Sydney NSW 2000

18 April 2016

Dear Directors

Compulsory Acquisition of the remaining shares in Sphere Minerals Limited

Introduction

Pursuant to an off-market takeover bid announced in August 2010, Glencore (then known as 'Xstrata plc') via Sidero Pty Limited ("Sidero"), a wholly owned subsidiary, acquired an 86.8% interest in Sphere Minerals Limited ("Sphere" or the "Company"), a company listed on the Australian Securities Exchange ("ASX") with a number of iron ore exploration and evaluation projects located in Mauritania, West Africa. Through participation in a non-renounceable entitlement issue completed in July 2011 and the exercise of options in October 2012, Sidero increased its interest in Sphere to 88.2%.

In September 2015, Sphere undertook a 4.4 for 1 pro rata renounceable entitlement offer at $0.25 per share. With Sidero being the only Sphere shareholder to take up its entitlement, its interest in Sphere increased to 97.5%.

As a result of acquiring at least a 90% interest in Sphere, under Section 664A of the Corporations Act 2001 (the "Act"), Sidero intends to compulsorily acquire the remaining ordinary shares in the Company that it does not already own (the "Remaining Shares"). As required under Section 664C, Sidero has prepared a compulsory acquisition notice (the "Notice"), which, amongst other prescribed matters, sets out the cash offer of $0.06 per share proposed to be paid by Sidero to acquire the Remaining Shares ("Offer"). Sidero is required to lodge the Notice with the Australian Securities and Investments Commission ("ASIC"). The Notice is also required to be provided to the holders of the Remaining Shares (the "Remaining Shareholders") together with a copy of an expert's report prepared pursuant to Section 667A of the Act.

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") was nominated by ASIC to act as expert to prepare the independent expert's report ("IER") in relation to Sidero's compulsory acquisition of the Remaining Shares in Sphere. Consistent with Section 667A, the purpose of the IER is to state whether or not, in our opinion, the terms of the compulsory acquisition proposed by Sidero in the Notice give a fair value for the Remaining Shares and set out the reasons for forming our opinion. A copy of the IER is to be included in the Notice being sent to the Remaining Shareholders.

Summary of Opinion

In Section 6 we set out our valuation conclusion. This indicates that the fair value of the Offer by Sidero under the terms proposed in the Notice is within our assessed range of fair values for a Sphere share.

On this basis, and taking into consideration the matters detailed in this IER, in our opinion, the terms proposed by Sidero in the Notice give a fair value for the Remaining Shares.

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Other Matters

This report has been prepared specifically for the Remaining Shareholders. Neither Ernst & Young Transaction Advisory Services, EY nor any employee thereof undertakes responsibility to any person, other than the Remaining Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This IER constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Remaining Shareholders. The decision as to whether to object or not object to the Notice is a matter for individual shareholders. The Remaining Shareholders should have regard to the Notice prepared by Sidero. The Remaining Shareholders who are in doubt as to the action they should take in relation to the Notice should consult their own professional adviser.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the whole of the IER.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Ken Pendergast
Director and Representative

Stuart Bright
Director and Representative

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Contents

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1. Details of the Proposed Transaction

1.1 Overview of the compulsory acquisition

Sphere Minerals Limited ("Sphere" or the "Company") is an Australian Securities Exchange ("ASX") listed iron ore exploration company with a number of iron ore exploration and evaluation projects located in Mauritania, West Africa. Pursuant to an off-market takeover bid announced in August 2010 (the "Takeover Offer"), Glencore plc ("Glencore") (then known as 'Xstrata plc') via Sidero, acquired an 86.8% interest in Sphere. Through participation in a non-renounceable entitlement issue completed in July 2011 and the exercise of options in October 2012, Sidero increased its interest in Sphere to 88.2%.

In September 2015, Sphere undertook a 4.4 for 1 pro rata renounceable entitlement offer at A$0.25 per share (the "Entitlement Offer"). With Sidero being the only Sphere shareholder to take up its entitlement, its interest in Sphere increased to 97.5%.

As a result of acquiring at least a 90% interest in Sphere, under Section 664A of the Corporations Act 2001 (the "Act"), Sidero intends to compulsorily acquire the remaining ordinary shares in the Company that it does not already own (the "Remaining Shares"). As required under Section 664C, Sidero has prepared a compulsory acquisition notice (the "Notice"), which, amongst other prescribed matters, sets out the cash sum of $0.06 per share proposed to be paid by Sidero to acquire the Remaining Shares (the "Offer").

Sidero is required to lodge the Notice with the Australian Securities and Investments Commission ("ASIC"). The Notice is also required to be provided to the holders of the Remaining Shares (the "Remaining Shareholders").

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2. Scope of this report

2.1 Purpose of the report

Under Section 664A of the Act, once a person or company becomes the holder of full beneficial interests in over 90% of the shares in a company ("90% Holder") they are able to compulsorily acquire all of the remaining shares in that company. Pursuant to the requirements of Section 664C, the 90% Holder must prepare a compulsory acquisition notice; lodge it with ASIC and provide a copy to each remaining shareholders. Pursuant to Section 667A, the notice must be accompanied by an expert's report, the purpose of which is to state whether or not, in that entity's opinion, the terms proposed in the notice give a fair value for relevant shares and set out the reasons for forming that opinion.

With Sidero holding a 97.5% interest in Sphere, it intends to compulsory acquire the Remaining Shares under the process detailed within Section 664A. In this regard, Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") has been engaged by Sidero to act as expert to prepare an IER. Consistent with Section 667A, the purpose of the independent expert's report ("IER") is to state whether or not, in our opinion, the terms of the compulsory acquisition proposed by Sidero in the Notice give a fair value for the Remaining Shares and set out the reasons for forming our opinion. A copy of the IER is to be included in the Notice.

2.2 Basis of evaluation

Under the requirements of Section 667C of the Act, the IER must state whether, in our opinion, the terms proposed in the Notice give a fair value for the Remaining Shares and set out the reasons for forming our opinion.

Guidance to determine "fair value" under Section 667C (1) states the following:

"To determine what is fair value for securities for the purposes of this Chapter:

(a) first, assess the value of the company as a whole; and

(b) then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, and voting and distribution rights, of the classes); and

(c) then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class)."

In addition, Section 667C (2) states that:

"Without limiting subsection (1), in determining what is fair value for securities for the purposes of this Chapter, the consideration (if any) paid for securities in that class within the previous six months must be taken into account."

On this basis, the purpose of the IER will be to consider the Offer under the terms proposed included in the Notice and determine whether or not it represents fair value for the Remaining Shares.

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The Act does not define the term "fair value". In determining whether or not the Offer gives fair value to the Remaining Shares, we have valued Sphere with reference to the standard definition of "fair value", being:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

Our assessment of the fair value of Sphere and the Remaining Shares has been undertaken on a basis consistent with this definition.

We have also had reference to the ASIC issued Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is fair.

Under the guidance provided by RG 111, in the circumstances of a takeover offer, an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. While the compulsory acquisition of the Remaining Shares by Sidero is not a "takeover offer", the guidance provided on fair value is relevant.

Accordingly, in assessing whether or not the terms under the Notice provides a fair value for the Remaining Shares, we have compared the fair value of the Offer with the fair value of a Sphere share. In assessing the fair value of a Sphere share, consistent with Section 667C (1) and RG 111, we have done so on a controlling interest basis. If the fair value of the Offer is greater than or at least equal to the fair value of a Sphere share, then the Offer being offered by Sidero for the Remaining Shares would be considered "fair".

Our fair value assessment of Sphere is detailed in Section 5.

In undertaking our analysis and preparing this report, we have had access to management information in relation to Sphere. A list of the sources of information used and relied on is contained in Appendix E.

2.3 Shareholders' decisions

This IER has been prepared for the Remaining Shareholders pursuant to Section 664C of the Act. As such, Ernst & Young Transaction Advisory Services, EY and any member or employee thereof, take no responsibility to any entity other than the Remaining Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This IER constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Remaining Shareholders. The decision as to whether to object or not object to the Notice is a matter for individual shareholders. The Remaining Shareholders should have regard to the Notice prepared by Sidero. The Remaining Shareholders who are in doubt as to the action they should take in relation to the Notice should consult their own professional adviser.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

2.4 Independence

Prior to accepting this engagement, we considered our independence with respect to Sphere with reference to ASIC Regulatory Guide 112: *Independence of experts*. In our opinion, we are independent of both Sidero and Sphere.

While Ernst & Young Transaction Advisory Services, and its global affiliates, have been engaged previously by Glencore on a number of engagements, we have not provided any services to Sidero or Sphere in relation to the proposed compulsory acquisition. The conduct of these other services to Glencore has no impact on our ability to provide an independent opinion with respect to the Offer.

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2.5 Limitations and reliance on information

In the preparation of this IER, Ernst & Young Transaction Advisory Services was provided with information in respect of Sphere and obtained additional information from public sources, as set out in Appendix E. We have had discussions with the management of Sphere in relation to the operations, financial position, operating results and outlook of Sphere.

Ernst & Young Transaction Advisory Services' opinion is based on economic, market and other external conditions prevailing at the date of this report. Such conditions can change over relatively short periods of time and these changes can be material.

This IER is also based upon financial and other information provided by Sphere in relation to the Notice. EY has considered and relied upon this information. Sphere has represented to Ernst & Young Transaction Advisory Services that to its knowledge the information provided is correct and that there are no material facts which have been omitted.

Ernst & Young Transaction Advisory Services provided draft copies of this report to management of Sphere for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Amendments made as a result of review by the management of Sphere have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

The information provided to Ernst & Young Transaction Advisory Services has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the terms proposed in the Notice give a fair value for the Remaining Shares. However, Ernst & Young Transaction Advisory Services does not warrant that its enquiries have identified all of the matters that an audit, an extensive examination or 'due diligence' and/or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of Sphere. It is understood that the accounting information that was provided was prepared in accordance with the Australian equivalent to International Financial Reporting Standards.

In forming our opinion we have also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Notice to be sent to the Remaining Shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied upon by Ernst & Young Transaction Advisory Services in its analysis was accurate and not misleading; and
- the Notice will be implemented in accordance with its terms.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this IER are given in good faith and in the belief that such statements and opinions are not false or misleading.

This IER should be read in the context of the full qualifications, limitations and consents set out in Appendix A.

This report has been prepared in accordance with APES 225: *Valuation Services (revised)* ("APES 225") issued by the Accounting Professional & Ethical Standards Board Limited in December 2015. In accordance with APES 225, we have performed a Valuation Engagement, which is defined as "*an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results is a conclusion of value.*"

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3. Overview of Sphere

3.1 Company background

Listed on the ASX in 1992, Sphere first became involved in the exploration and evaluation of iron ore projects in Mauritania in 2000 with this activity becoming the Company's principal focus from 2004 after the divestment of its other activities.

Sphere's iron ore projects, all located in Mauritania, are as follows:

- the Askaf Iron Ore Project ("Askaf Project") (Sphere 90%, the Mauritanian Government 10%);
- the Guelb El Aouj Iron Ore Project ("El Aouj Project") (Sphere 50%; Société Nationale Industrielle et Minière[1] ("SNIM") 50%); and
- the Lebthenia Iron Ore Project (Sphere 100%).

Pursuant to the Takeover Offer announced in August 2010, valuing Sphere at approximately $514 million, Sidero acquired an 86.8% interest in Sphere. Through participation in a non-renounceable entitlement issue completed in July 2011 and the exercise of options in October 2012, Sidero increased its interest in Sphere to 88.2%.

At the time of the takeover by Sidero, the Askaf Project was Sphere's main focus. Across 2012 and 2013, Sphere advanced the project through the completion of a feasibility study, negotiations with SNIM in regards to rail and port access as well as discussions with the Government of Mauritania regarding mining, environmental and other approvals required for the development of the project.

On 24 April 2014, Sphere announced that the Board had approved the development of the Askaf Project, with a forecast construction cost of US$0.9 billion, with first production expected in 2017. By mid-2014, mobilisation of equipment and initial construction activities had commenced.

Reflecting a slowing global economy, and the fall in iron ore prices, in October 2014, Sphere announced that it had initiated a review of the Askaf Project. On 17 November 2014, Sphere announced that it had decided to demobilize its construction contractor and sub-contractors, effectively placing the development of the project on hold.

As at 31 December 2014, an impairment charge of approximately US$240.7 million was made against Sphere's iron ore projects. The impairment charge resulted in all projects being written down to 'nil' except for the 50% interest in the El Aouj Project which was written down to approximately US$50 million. Of the total impairment charge, US$192.5 million related to the Askaf Project, US$46.7 million for the El Aouj Project and US$1.5 million against the Lebthenia Project.

In September 2015, Sphere entered into an agreement granting an exclusive option to Al Rawda Resources Limited ("Al Rawda") to purchase an 80% interest in Sphere Mauritania S.A. ("SMSA"), the entity which owns the Askaf Project (the "Askaf Option"). The purchase price payable if the option is exercised is US$10 million, payable in three equal tranches, together with a life of mine royalty of 2.5% of FOB revenue. The transaction is subject to, amongst other matters, due diligence. Since then, the Askaf Option has been extended three times with the latest extension being announced in March 2016 for a period up to 14 September 2016. During this extension period Al Rawda has agreed to pay SMSA US$120,000 per month.

[1] SNIM's largest shareholder is the State of Mauritania, which owns approximately 78% of the company's shares.

Also in September 2015, Sphere announced a 4.4 for 1 pro rata renounceable entitlement offer at A$0.25 per share (i.e. the Entitlement Offer). With Sidero being the only Sphere shareholder deciding to participate, its interest in Sphere increased to 97.5%. The equity raised of approximately A$205.1 million was primarily used to repay the existing debt facility with Glencore Australia Holdings Pty Ltd. The balance owing under the facility at the time of the repayment was approximately A$195.0 million.

At the time of the announcement of the Entitlement Offer, the offer price of A$0.25 per share was stated by the Company to represent a discount of 33% of the value of the shares based on the book value of Sphere's assets excluding debt as at 30 June 2015. Including debt, at 30 June 2015, the Company had a net deficiency of US$75.1 million (A$105.7 million).

In relation to the El Aouj Project, a feasibility study for Stage 1 development of the El Aouj East deposit continues to be progressed with the primary engineering study and mine planning study to be completed by third party consultants. A rail and port logistics and simulation study has been initiated to examine the capacity of the SNIM network and rail and port upgrade requirements to support Stage 1 of the El Aouj Project. SNIM, Sphere's joint venture partner, is a state agency of the government of Mauritania.

Further information related to the Company's projects is detailed in the following sections.

3.2 Mining Projects

3.2.1 Askaf Project

Sphere holds a 90% interest in SMSA with the remaining 10%[2] of the equity held by the Government of Mauritania.

The Askaf deposit with a total attributable Mineral Resource 513.5 million tonnes ("Mt") at an average grade of 35.5% iron ("Fe"), is located 25km south of the town of F'derick and adjacent to the existing iron ore railway owned and operated by SNIM. At the time the development decision was made, the Askaf Project had an estimated mine life of approximately 16 years based on mining 15.5 million tonnes per annum ("mtpa") of ore to produce 7.5 mtpa of saleable product.

Throughout 2013, SMSA progressed technical work in relation to the development of the Askaf Project, negotiated rail and port agreements with SNIM to transport ore from the mine to the Port of Nouadhibou and continued discussions with the Government of Mauritania regarding mining, environmental and other approvals.

In the first half of 2014, Sphere completed a number of key initiatives necessary to support the development of the Askaf Project, including:

- Clarifying the Askaf regulatory and fiscal terms with the Government of Mauritania; and
- Concluding a term sheet with SNIM for the supply of rail and port services ("Rail and Port Agreement"). The agreement with SNIM, announced on 5 June 2014, included a take-or-pay component. This agreement involved commitment by both parties and has an initial term of 18 years. In order to provide the rail and port services to Sphere, SNIM is required to upgrade its existing infrastructure, construct a dedicated rail line to the Askaf Project and upgrade its port facilities.

On 8 May 2014, Sphere signed an US$600 million agreement with construction contractor Essar for the procurement of equipment and construction of the Askaf Project. On 17 November 2014, Sphere's Board announced the decision to demobilise Essar and its sub-contractors due to the falling iron ore price, and to defer the development of the project.

As previously noted, an impairment charge of US$192.5 million was applied to the Askaf Project, reducing its book value to nil. As at 31 December 2015, due to the lower iron ore price environment, the Company de-recognised the Ore Reserves for the project.

[2] The Government of Mauritania interest is free carried.

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The take or pay clauses attached to the Rail and Port Agreement between SMSA and SNIM may result in action being taken against SMSA in relation to the deferral of the development of the Askaf Project. As disclosed in the Entitlement Offer document sent to Sphere Shareholders in September 2015, the option agreement entered into with Al Rawda contemplates the termination or renegotiation of the Rail and Port Termsheet before the option is exercised.

3.2.2 El Aouj Project

Sphere holds its interest in the El Aouj Project through its 50% interest in El Aouj Mining Company S.A. ("EMC"), a joint venture with SNIM.

The El Aouj Project is located near the town of Zouerate, 26km from the mainline railway, which is owned by SNIM. Being located in an area that hosts about 4 billion metric tonnes ("Bt") of iron ore, the El Aouj Project is considered to have the qualities to become a large-scale iron ore project. As at 31 December 2015, the Ore Reserve in the El Aouj East deposit was 931 Mt, comprised of 'fresh' magnetite ore at an average grade of 35% Fe. This Ore Reserve is based on a total Mineral Resource at El Aouj East of 2,050Mt at an average grade of 36% Fe as declared in December 2013. This Mineral Resource consisted of 1,870 Mt of fresh magnetite ore and 180 Mt of oxide/weathered ore.

Based on details announced on 26 November 2015 by Sphere in relation to the Pre--Feasibility Study ("PFS") completed on the El Aouj Project, the key operating statistics[3] for the project include:

- The project scale has been optimised for Stage 1 of development at an approximate capacity of 11.3 million saleable tonnes per annum with a target concentrate grade of 66.5% Fe and a life of mine in excess 40 years, excluding the need to develop the El Aouj Centre, the Tintekrate or the Bou Derga deposits. The process plant and mine design has been undertaken to include an option to double the capacity to 22 mtpa.

- The total amount of initial capital expenditure during the first three years is estimated to be approximately US$224.1 million. Due to the proximity of the proposed mine to the rail and port infrastructure owned by SNIM, the project is not expected to require major infrastructure related capital expenditure. The estimate for the development capital expenditures includes the cost of loading equipment, hauling equipment, drilling and blasting equipment, auxiliary equipment and other expenses. The subsequent sustaining capital expenditures for the life of mine are estimated to be approximately US$108.4 million while the replacement capital expenditure is estimated to be US$559.4 million.

- The estimated operating expenditures during the life of mine includes loading, hauling, blasting, drilling, auxiliary equipment, maintenance personnel, salaried personnel, services and contract mining. The total estimated operating expenditure is approximately US$2.35/t.

At the end of 2015, EMC was evaluating proposals for a Front End Engineering Design ("FEED") study as the next stage of the project's evaluation. Due to the ongoing low iron ore price, the company continues to incur approximately US$100,000 per month on limited activities related to progressing the project.

3.2.3 Lebtheinia Project

The Lebtheinia Project consists of exploration license EL264, which covers the Lebtheinia magnetite-quartzite deposits. The Lebtheinia deposit is located 145 km from the iron ore port of Nouadhibou and 48km south of the iron ore railway owned and operated by SNIM.

The Lebtheinia Project is an advanced stage exploration project with a JORC Resource of fresh magnetite-BIF (Banded Iron Formation) of 2,530 Mt @ 32.0% Fe.

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.

[3] Sphere ASX announcement, 26 November 2015

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3.2.4 Reserves and Resources

Sphere's statement of Ore Reserves and Mineral Resources as of 31 December 2015 is summarised in the tables below.

Iron Ore Reserves as at 31 December 2015

Name of operation	Attributable interest	Commodity	Proved	Probable	Total Ore Reserves	Sphere's share
El Aouj Mining Company S.A.	50%					
El Aouj Project		(Mt)	380	551	931	466
		Iron (%)	35	35	35	
		Contained Fe (Mt)	133	193	326	163

Source: Annual Statement of Mineral Resources and Reserves

Iron Ore Mineral Resources as at 31 December 2015

Name of operation	Attributable interest	Commodity	Measured	Indicated	Inferred	Total	Sphere's share
El Aouj Mining Company S.A.	50%						
Guelb el Aouj Project		(Mt)	400	1,355	2,135	3,890	1,945
		Iron (%)	36	36	36	36	
		Contained Fe	144	484	762	1,391	695
		Oxidised (Mt)	70	80	385	535	268
		Iron (%)	34	35	34	34	
		Contained Fe	24	28	132	184	92
Sphere Mauritania S.A.							
Askaf Project	90%						
		(Mt)	200	160	210	570	513
		Iron (%)	36	35	36	36	
		Contained Fe	72	56	75	203	183
		Oxidised (Mt)	15	30	41	86	77
		Iron (%)	35	35	34	35	
		Contained Fe	5	11	14	30	27
Sphere Lebtheinia S.A.							
Lebtheinia Centre	100%						
		(Mt)	-	2,180	350	2,530	2,530
		Iron (%)	-	32	32	32	
		Contained Fe	-	698	112	810	810
		LOZ (Mt)	-	-	210	210	210
		Iron (%)	-	-	31	31	
		Contained Fe	-	-	65	65	65
Total Mineral Resources		(Mt)	685	3,805	3,331	7,821	5,543
		Iron (%)	36	34	35	34	34
		Contained Fe	245	1,276	1,161	2,682	1,871

Source: Annual Statement of Mineral Resources and Reserves

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3.3 Financial information

3.3.1 Sphere's financial performance

The table below summarises Sphere's income statement for the financial years ending 31 December 2013 to 2015 ("FY13", "FY14" and "FY15"), as extracted from the Company's audited annual report for the years ended 31 December 2014 and 2015.

Sphere - Statement of financial position (Net Assets)			
US$000s	Dec-13	Dec-14	Dec-15
Current Assets			
Cash and cash equivalents	4,669	1,062	12,069
Other receivables	1,546	2,367	660
Prepayments	279	50,939	-
Total Current Assets	**6,494**	**54,368**	**12,729**
Non-Current Assets			
Property, plant and equipment	4,580	3,637	2,636
Exploration and evaluation assets	250,338	-	-
Loan to equity accounted joint arrangement	12,492	-	-
Equity accounted investment in joint venture	-	50,800	50,980
Total Non-Current Assets	**267,410**	**54,437**	**53,616**
Total Assets	**273,904**	**108,805**	**66,345**
Current Liabilities			
Trade and other payables	9,067	13,244	796
Borrowings	28,259	116,813	-
Provisions	-	43,700	-
Total Current Liabilities	**37,326**	**173,757**	**796**
Total Liabilities	**37,326**	**173,757**	**796**
Net Assets	**236,578**	**(64,952)**	**65,549**

Source: Sphere Minerals Financial Reports

In relation to Sphere's financial performance we note:

- The financial performance reflects Sphere's status as an iron ore exploration and evaluation company.
- The US$240.7 million impairment loss recognised by Sphere in FY14 reflects the decrease in the recoverable amounts assessed for the Company's iron ore projects.
- Finance costs relates to the interest expense on the unsecured loan from Glencore. The loan was repaid in full in October 2015 from the proceeds of the Entitlement Offer.
- Foreign exchange losses relate to the period adjustments for translation of the Company's foreign currency denominated assets and liabilities to US dollars, Sphere's reporting currency.
- Other expenses relates to:
  - Provision raised against the loan receivable from EMC, on the basis that it was determined that the US$25.6 million loan provided to the El Aouj joint venture would not be recoverable; and
  - Contractor termination costs, which arose due to the demobilisation of the Askaf Project's construction contractor.

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3.3.2 Sphere's financial position

Included below is a summary of Sphere's financial position as at 31 December 2013 to 2015 ("Dec-13", "Dec-14" and "Dec-15"), as extracted from the Company's audited annual reports.

Sphere - Statement of financial position (Net Assets)			
US$000s	Dec-13	Dec-14	Dec-15
Current Assets			
Cash and cash equivalents	4,669	1,062	12,069
Other receivables	1,546	2,367	660
Prepayments	279	50,939	-
Total Current Assets	**6,494**	**54,368**	**12,729**
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Property, plant and equipment	4,580	3,637	2,636
Exploration and evaluation assets	250,338	-	-
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Equity accounted investment in joint venture	-	50,800	50,980
Total Non-Current Assets	**267,410**	**54,437**	**53,616**
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Borrowings	28,259	116,813	-
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Total Current Liabilities	**37,326**	**173,757**	**796**
Total Liabilities	**37,326**	**173,757**	**796**
Net Assets	**236,578**	**(64,952)**	**65,549**

Source: Sphere Minerals Financial Reports

In relation to Sphere's financial position we note:

- The Company's cash balance increased as a result of the Entitlement Offer, net of the repayment of the debt owing to Glencore.
- The equity accounted investment in joint venture reflects a change in the methodology applied to account for Sphere's 50% interest in EMC in 2014. Subsequent to the recognition of the joint venture equity interest in Dec-14, the change in the equity investment is brought to account by taking up Sphere's share of EMC's trading profit during 2015. As at Dec-15, the net assets of EMC totalled approximately US$76.8 million, with Sphere's 50% interest representing a total of US$38.4 million.
- Exploration and evaluation relates Sphere's iron ore projects, all of which were fully impaired at Dec-14 except for the interest in the El Aouj Project held in EMC.

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- Non-current provisions as at Dec-14 related to a total of US$41.7 million raised in relation to provision for contracts termination and a total of US$2 million in relation to provision for redundancies.

- As at Dec-15, Sphere has a receivable in the amount of US$25.6 million due from EMC. The receivable has been fully provided for due to the current assumption that the receivable will not be recoverable.

3.4 Capital structure

As at 30 June 2015, Sphere had 218,269,296 fully paid ordinary shares on issue. On 23 October 2015, Sphere completed the Entitlement Offer under which it issued a further 820,582,816 ordinary shares at A$0.25 each to Sidero, increasing the number of fully paid ordinary shares to 1,038,852,112.

Sphere does not have any other securities on issue.

3.5 Major shareholders

Based on information provided by Sphere management as at 23 October 2015, after completion of the Entitlement Offer, Sidero held 97.5% of the shares on issue. The following table summarises the top 10 shareholders. In total, the Company has approximately 100 shareholders, including Sidero.

Sphere - Top 10 Shareholders		No. of shares	%
1	Sidero Pty Limited	1,013,014,342	97.5%
2	Qatar Steel Company	16,406,250	1.6%
3	Aus-Ore Investments Pty Ltd	8,851,010	0.9%
4	Mr Paul David Jordan	100,000	0.0%
5	Citicorp Nominees Pty Limited	71,716	0.0%
6	Sin-Tang Development Pte Limited	48,990	0.0%
7	Regal Plan Ltd	42,875	0.0%
8	Climax Super Pty Ltd	37,500	0.0%
9	Mr Sin Jen Hwang	36,700	0.0%
10	HSBC Custody Nominees	30,099	0.0%
Top 10 shareholders		1,038,639,482	100.0%
Other Sphere shareholders		212,630	0.0%
Total Shares on Issue		**1,038,852,112**	**100.0%**

Source: Company information, Completion of Entitlement Offer as at 23 Oct 15

3.6 Share price performance

Since the competition of the Takeover Offer for Sphere by Sidero, there has been limited liquidity in the trading of the Company's shares. The last time there was a trade in the shares of Sphere on the ASX was 18 February 2015 when one share traded for A$3.10. The previous trade was on 26 March 2013 when 567 shares traded at A $3.10 per share.

The only shares issued by Sphere over the last three years are the shares issued under the Entitlement Offer completed in October 2015 at A$0.25 per share. As previously noted, Sidero was the only shareholder to participate in the Entitlement Offer.

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4. Valuation methodology and approach

4.1 Definition of fair value

In forming our opinion as to whether or not the terms of the Offer proposed by Sidero in the Notice give a fair value for the Remaining Shares we have considered the definition of "fair value". Business valuers typically define fair value as:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

In assessing the fair value of the Remaining Shares we have taken into the guidance provided by Section 667C and RG 111. Consistent with this guidance, we have assessed the fair value of the Remaining Shares by first assessing the fair value of Sphere as a whole, and then allocated this value on a per share basis based on the number of shares the Company has on issue. Valuing Sphere as a 'whole', by definition, is inclusive of a premium for control.

In assessing the terms of the Offer, a key consideration is a comparison of the fair value of the Remaining Shares with the fair value of the Offer proposed by Sidero. If the fair value of the Offer is equal to or greater than the fair value of the Remaining Shares, the terms of the Offer would be considered "fair".

4.2 Valuation methodologies adopted

Given the nature of Sphere as a mineral exploration company, we have assessed the value of the Company on a net asset backing basis after considering the underlying value of its assets and liabilities on a going concern basis. Further detail related to the approaches applied for each class of assets is included below. In addition, a description of general valuation methodologies is included in Appendix B.

4.2.1 Exploration Projects

By their nature, mineral assets are difficult to value. This is especially so for exploration assets or projects at an early stage of construction or development. Key considerations in valuing such assets include: long term views on commodity prices, development, operational and financial risks, quality of the underlying resource base and expectations on the likely timing of development.

While Sphere's three iron ore projects are all at a pre-development stage, there are significant differences between each of the assets. Some of the key differences are summarised below:

- **The Askaf Project**: In 2014, the 232Mt[4] iron ore project received approval to be developed, with construction commencing in the same year. The project has an estimated mine life of approximately 16 years based on mining 15.5 mtpa of ore to produce 7.5 mtpa of saleable product. As a result of falling iron ore prices in the latter half of 2014 which continued through 2015, the project was no longer forecast to generate adequate returns for development to continue. As a result, near the end of 2014, the decision was made by Sphere Management to cease development at Askaf. As a consequence of the fall in prices, the project's Ore Reserves were reduced to nil. The project is currently subject to a due diligence process by a potential acquirer, Al Rawda. A non-binding agreement is currently in place between Sphere and Al Rawda, with the due diligence period extended to September 2016.

[4] Based on Ore Reserves previously recognised for the Askaf Project

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- **The El Aouj Project**: Sphere released the results of the feasibility study for the 50% owned project in November 2015. The project has Ore Reserves of 931Mt at a grade of 35% Fe and a Mineral Resource of over 4.0 Bt an average grade of 36% Fe[5]. The scale of the El Aouj Project is considerably longer than that of the Askaf Project, with estimated annual production of 11.3 million saleable tonnes with a target concentrate grade of 66.5% Fe, with a life of mine of 41 years. Inclusive of a beneficiation plant, the project is estimated to require an initial development capital investment of approximately US$1.2 billion. As part of the feasibility study, a financial model was prepared ("El Aouj Model"). Although at current forecast iron ore prices the El Aouj Model does not generate a positive net present value.
- **The Lebtheinia Project**: The project consists of a Mineral Resource of 2,530Mt at a grade of 32.0% Fe. Since most of Sphere's financial resources have been used to advance the Askaf and El Aouj Projects, limited financial resources have been spent on this project. As such, the Lebtheinia Project is currently at a much earlier stage compared to the other two projects.

Mining projects are generally valued using a combination of approaches. For producing or advanced pre-development or in-development projects, a discounted cash flow ("DCF") method is generally applied. Provided there is reliable forecast financial and operational information available, this method provides the valuer with the option of applying various economic parameters such as commodity prices, development timelines, sensitivities related to cost and capital expenditure estimates and discount rates. For this reason, the DCF method is generally viewed as a preferred method to apply.

In circumstances where a DCF analysis results in a negative value, the forecast information is not considered reliable or in the valuer's judgement the project is not advanced enough to warrant the DCF approach, a resource multiple approach (or the yardstick method) is used. This approach involves the application of a market derived value per contained metal unit to a project's Mineral Resources or Ore Reserves to assess the value of that project.

The inherent difficulty in applying this approach is sourcing transactions that involve assets that are comparable to the asset being valued, and that have occurred in a similar economic environment.

Similarly there can be significant differences between individual mining projects which generally means that no two mining projects will be directly comparable. Notwithstanding this, the use of resource multiples provides an indication of value and is a method widely used to value early stage mining projects.

Due to the lower iron ore prices from late 2014 through 2015 and into 2016 in comparison to the highs observed from 2010 to mid-2014, transactions entered into prior to late 2014 were undertaken in a more positive price and economic environment. Accordingly, in our analysis we have considered that transactions completed prior to late 2014 are less relevant in our assessment of the fair value of Sphere's iron ore assets. As a result, we have limited our analysis to transactions that were announced since the last quarter of 2014.

While the multiples of precedent transactions are the preferred source of market data given they represent the price paid in actual transactions, due to the limited number of comparable transactions, we have also calculated resource multiples based on the trading price of publically listed comparable companies.

Taking into consideration the facts above, the valuation approaches undertaken for each of Sphere's projects are outlined below:

- **The Askaf Project**: In the current price environment, the timing and likelihood of any future development of the Askaf Project is highly uncertain. Because of this, we are of the view that the DCF method is not an appropriate method to value the project. Given the Askaf Option continues to be in place for the acquisition of an 80% interest in the Askaf Project, we consider the offer price as being an indication of the project's fair value, albeit we recognise there is a significant risk as to whether or not a transaction under the Askaf Option will be completed. As a second approach, we have assessed the fair value based on a resource multiple approach.

[5] Sphere's ASX announcement dated 26 November 2015. Presented on a 100% interest basis and includes the Guelb el Aouj East, Guelb el Aouj Centre, Bou Derga and Tintekrate deposits and 535Mt of oxide resources.

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- **The El Aouj Project:** Given the early stage nature of the El Aouj Project and the uncertainty of the timing of its development and the risk inherent in the project's cash flow forecast, our primarily approach has relied upon the use of resource multiples, both on a resource and reserve basis. Although no investment decision has been made as at the date of this IER, given the presence of an Ore Reserve as at 31 December 2015 and the completion of the PFS, we have also considered the DCF method as a secondary approach to value the project. This approach was primarily used to test the sensitivity of the cash flows to a variety of factors including the iron ore price forecast and the discount rate.

- **The Lebtheinia Project**: Given the early stage nature of the project, we have applied a resource multiple approach, similar to the other two projects.

4.2.2 Other assets and liabilities

The fair value of all other assets and liabilities being primarily cash and working capital, were assumed to be commensurate with their book value.

4.3 Cross checks

The fair value assessed for the shares of an entity listed on a stock exchange can usually be cross checked to the implied value based on the entity's recent share trading price. As noted in Section 3.6, since the completion of the Takeover Offer for Sphere by Sidero in May 2011, there has been virtually no trading in the Company's shares on the ASX. Because of this, reference to the prices at which the Company's shares traded at in those limited transactions is not relevant to considering the fair value of Sphere's shares at the date of this IER.

We have considered the price at which the Entitlement Offer was completed in October 2015. In addition, as a result of limited market based data for which to cross check the fair value assessed for Sphere, we compared our range of values on a per share basis to Sphere's net asset value per share as at 31 December 2015.

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5. Valuation

5.1 Valuation of Sphere

We have valued Sphere on a net asset backing basis after considering the value of the Company's assets and liabilities on a going concern basis. Our assessment is primarily based on Sphere's balance sheet as at 31 December 2015 adjusted for the values assessed for the Company's iron ore projects and other assets and liabilities that were not included in the valuation of the projects. Sidero management has confirmed that no balances have materially changed from 31 December 2015 to the date of this report.

Sphere - Summary of fair values of underlying assets and liabilities

US$m	Low	High
- Askaf Project	1.0	4.0
- El Aouj Project	25.0	45.0
- Lebtheinia Project	-	1.0
Total mining assets	**26.0**	**50.0**
- Net working capital	(0.1)	(0.1)
- Corporate costs	(1.0)	(1.0)
- Cash	12.1	12.1
Fair value of equity	**37.0**	**61.0**
Fair value of equity (A$m)	**49.3**	**81.3**

Source: Ernst & Young Transaction Advisory Services analysis

Accordingly, we have determined the fair value of Sphere on a net asset backing basis to be in the range of US$37 million to US$61 million. Using an exchange rate of US$0.75 results in a value of A$49 million to A$81 million. Given the valuation methods applied in valuing the iron ore projects and our overall approach, this assessment represents the value of Sphere on a whole of company, 100% interest basis.

The range of values reflects the underlying nature of the Company's mining projects. In particular, we note the following:

- Sphere is an exploration stage company with no projects currently in development. While the valuation approaches and assumptions represent Ernst & Young Transaction Advisory Services' views at the time of preparing this IER, changes to market views on these key considerations could materially impact the values of the assets.

- As discussed in more detail in Appendix C, over the last two years the iron ore industry globally has been significantly impacted by slowing demand and the decline in iron ore prices. In early 2013, the spot iron ore fines 62% Fe (CFR Qingdao) price was approximately US$150/t, averaging US$135/t throughout the year. During 2014, the iron ore price continued to fall from the highs experienced in 2013, averaging US$70/t in December 2014. Throughout 2015, the iron ore price continued to decrease to around US$45/t by December 2015. In the first quarter of 2016, the iron ore price appears to have stabilised to levels around USS$50/t, though market views of the extent and timing of any recovery are fairly mixed.

The low iron ore price has impacted all market participants to some degree. With the exception of the major iron ore companies, smaller scaled producers have either suspended or reduced operations, deferred expansion plans and/or reduced exploration expenditures. While all companies have seen their share prices fall over the past 24 months, companies with exploration or early stage assets have seen their share price drop considerably, and have experienced significant reduction in the trading activity of their shares. Of the 10 companies used in our resource multiple analysis in Section 5.2.2, six companies have seen their share price decrease by 85% or more since early 2013 to the date of this IER. The remaining companies: Iron Road, Dynasty Resources, Champion Iron and Rockex Mining, have seen their share prices fall by 30% to 60%. Of the three major global iron ore producers, being BHP Billiton ("BHPB"), Rio Tinto Limited ("Rio Tinto") and Vale S.A. ("Vale"), their share prices have decreased 55%, 36% and 65%, respectively since early 2013.

In assessing our range of values for Sphere, we have considered the current negative market sentiment within the iron ore industry and mining sector more generally.

- Sphere's interest in the El Aouj Project is held through its 50% joint venture interest in EMC. We have presented the fair value of Sphere's interest in EMC as our assessment of the fair value of Sphere's 50% interest in the El Aouj Project. EMC does not have any other assets or liabilities that are considered surplus to the El Aouj Project.
- Based on the agreement between SMSA[6] and SNIM for rail and port access for the Askaf Project, there is a component related to a take-or-pay arrangement. Given the development of the Askaf Project has been deferred, there is a risk that SMSA may become liable to pay a fee to SNIM. Under the agreement, both SMSA and SNIM committed to certain outcomes which required significant capital expenditures. Due to the deferral of the development of the Askaf Project, neither party has fulfilled their commitments. Notwithstanding, there is a risk that SNIM may take action in connection with the take-or-pay arrangement. Due to the uncertainty surrounding any amount that may be payable, we have not allocated an amount for the potential liability. A recognition of any amount for this potential liability would result in a lower value assessed for a Sphere share.
- Sphere's cash represents the amount recorded in its accounts as at 31 December 2015. Other assets and liabilities include Sphere's working capital as at the same date. Given the Company's limited activity, we have a included a liability reflecting the estimated costs of continuing the business for the upcoming 12 months.

In determining the value of a Sphere share, we divided our assessed fair value of Sphere as a whole by the number of shares the Company have on issue. We have assessed the fair value of a Sphere share to be as follows:

Sphere - Value per share on a 100% interest basis

	Low	High
Fair value of Sphere (A$m)	49.3	81.3
Number of shares on issue (m)	1,039	1,039
Fair value of an Sphere share - 100% interest basis (A$)	0.05	0.08

Source: Ernst & Young Transaction Advisory Services analysis

Accordingly, on a 100% interest basis we have assessed the fair value of an Sphere share to be in the range of A$0.05 and A$0.08.

[6] the company that owns the Askaf Project

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5.2 Askaf Project

We have assessed the value of the Askaf Project with primary reference to the Askaf Option, which is an offer by Al Rawda for an 80% interest in the project. While the Askaf Option may not result in a transaction, we are of the view that the terms of the Askaf Option provide the best indication of the value of the Askaf Project. We have also considered the value based on resource multiples observed with reference to precedent transactions and comparable companies.

5.2.1 The Askaf Option

As described in Section 3.1, in late 2015, Sphere executed an exclusive option to Al Rawda to buy an 80% interest in the Askaf Project. The cash consideration of US$10 million is payable across three equal tranches of US$3.33 million each, together with a life of mine royalty of 2.5% on the revenue generated by the Askaf Project. The first tranche of consideration is due on the completion of transaction documents, the second on the decision to mine and the final payment on the start of production.

As previously noted, the take-or-pay clauses attached to the Rail and Port Agreement between SMSA and SNIM may result in action being taken against SMSA in relation to the deferral of the development of the Askaf Project. As disclosed in the Entitlement Offer document sent to Sphere Shareholders in September 2015, the option agreement entered into with Al Rawda contemplates the termination or renegotiation of the Rail and Port Termsheet before the option is exercised.

In calculating the fair value of the Askaf Option, we have considered the following:

- The Option may not result in a transaction and is subject to the termination or renegotiation of the Rail and Port Termsheet between SMSA and SNIM.

- Without any discount to reflect the contingent nature of the consideration or the probability of a transaction occurring, the US$10 million implies a value on a 100% basis of US$12.5 million.

- While the consideration is to be paid in cash, due to the contingent nature of tranches 2 and 3, if the transaction proceeds, the total cash amount will be paid over a period of time. Due to current low iron ore prices, there is a high level of uncertainty regarding the timing of any development of the Askaf Project. As such, we have not included an amount for the contingent payments, resulting in an estimate of the fair value of the consideration to be equal to the US$3.33 million of the initial cash on completion.

- Similar to the tranche 2 and 3 payments, due to the high level of uncertainty regarding the timing and amount of the royalty payments that may be paid in the future, we have not included an amount for the royalty payments.

As a result we assessed the fair value of the Askaf Option to be US$3.33 million, within a range of nil to US$4.0 million.

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In conjunction with the Resource multiples approach discussed in Section 5.2.2, we have considered the fair value implied by the Askaf Option on a per tonne of Mineral Resource basis. The Askaf Project's total Mineral Resources on a contained Fe basis is 232.7Mt. By excluding Inferred Resources, its combined Measured and Indicated Mineral Resources on a contained Fe basis is 143.8Mt.

The following table illustrates the resource multiples implied by the Askaf Offer based on the fair value of the cash consideration:

Fair value implied by the Askaf Option	Units	Fair value estimate
Tranche 1 cash consideration	US$m	3,333,334
Tranche 2 and 3 cash consideration	US$m	-
Royalty of 2.5% of revenues over the LOM	US$m	-
		3,333,334
Implied value for 100% (rounded)	US$m	4,200,000
Value per tonne of contained Fe - Measured and Indicated Resources	US$/t	**0.03**
Value per tonne of contained Fe - Total Resources	US$/t	**0.02**

Source: Ernst & Young Transaction Advisory Services analysis, Sidero management information

Based on the calculations above, the Askaf Offer implies a value per tonne of contained Fe for the Askaf Project of US$0.02/t to US$0.03/t, based on total Mineral Resources and Measured and Indicated Mineral Resources only. The following section outlines the analysis completed to test the implied multiples.

5.2.2 Resource multiples

The table below summarises the limited number of transactions that have been announced over the past 18 months and where data was available to calculate the implied resource multiple. Further information pertaining to these transactions is included below.

Announced Date	Target company	Buyer	Location of operations	Implied Enterprise Value (US$m)	Contained Fe Resources, Mt	EV/Contained Fe Resources, US$/t
20/04/2015	Tonkolili Iron Ore	Shandong Iron & Steel Group	Sierra Leone	227	4,000	0.06
14/08/2015	Congo Mining Ltd.	Midus Global Ltd.	Republic of Congo	4	288	0.01
17/03/2016	Flinders Mines Ltd.	Todd Corporation	Western Australia	28	634	0.04

Source: Ernst & Young Transaction Advisory Services analysis, S&P Capital IQ

Key matters relevant to our analysis of comparable transaction resource multiples are summarised as follows:

- The analysis shows the EV/t Fe Resource transaction multiples range from US$0.01/t to US$0.06/t. In calculating the implied multiple excluding Inferred Resources, therefore reflecting the value per tonne of contained Fe of the Measured and Indicated Mineral Resources only, information was available only to calculate the multiple for Flinders Mines, which was US$0.05/t, compared to a total Mineral Resource multiple of US$0.04/t.

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- The most recent announced transaction was the unsolicited offer by a wholly-owned subsidiary of Todd Corporation to acquire Flinders Mines for approximately US$38 million in March 2016. Flinders Mines' key asset is the Pilbara Iron Ore Project ("PIOP"), located in the Pilbara region of Western Australia. We note that the Flinders transaction has not yet closed as at the date of this Report and the Flinders Directors have suggested that Shareholders should take no action in relation to the takeover offer. The offer is also lower than the offer presented by Todd Corporation to Flinders Mines in May 2015 whereby Todd Corporation offered to acquire Flinders Mines for $55 million plus a production royalty on production from the PIOP. As part of the Target Statement prepared by Flinders Mines, an independent expert opined that the value of Flinders' PIOP at that time was in the range of A$0.07/t to A$0.09/t of contained Fe, which represented a value greater than the offer presented by Todd Corporation. This offer was rejected by Flinders Mines shareholders in September 2015.

- In April 2015 Shandong Iron and Steel Group entered into a purchase agreement to acquire a 75% interest in the Tonkolili Iron Ore Project from African Minerals Ltd. for US$170 million. The project had produced approximately 20 Mt of iron ore in 2013, but was placed on care and maintenance in 2014 as a result of falling iron ore prices and the Ebola epidemic in Sierra Leone. Soon after African Minerals appointed administrators in March 2015, Shandong Iron, who held the remaining 25% of the project, acquired African Minerals' interests and announced that would invest nearly $600 million to execute the mine's second phase expansion to a production capacity of 23 mtpa of iron ore for more than 60 years of mining operations.

- In August 2015 Equatorial entered into a conditional agreement with Midus Global Ltd for the sale of the Mayoko-Moussondji Iron Project located in the Republic of Congo, through its subsidiary Congo Mining Ltd. Consideration of US$4 million was paid to Equatorial. In addition, according to the agreement, 2% royalty will be paid to Equatorial on all production of the Mayoko-Moussondji Iron Project, calculated on the sales of ore extracted, produced, sold from the project over the full life of mining operations. At the time of the transaction, Midus intended to rapidly advance the development of the project, at an estimated capital cost of US$230 million, and to commence production in 2016. The Mayoko-Moussondji Iron Project has a Mineral Resource of 917 Mt at the average grade of 31.4% Fe.

Given the limited number of transactions observed, we also calculated the resource multiples of publically listed comparable companies engaged in the exploration of magnetite iron ore.

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The implied EV/t of contained Fe multiples based on Mineral Resources ("EV/t Fe Resources") is presented in the table below. Given the highly prospective nature of Inferred Mineral Resources, we have also shown the multiples exclusive of Inferred resources ("EV/t of Fe Resources (M+Ind)"). For those companies with Ore Reserves, multiples have also been calculated on this basis ("EV/t Fe Reserves"). Further information pertaining to the comparable companies is included in Appendix D. A summary of the resource multiples observed is presented in the following table[7]:

Company	Enterprise Value (US$m)	EV/t Fe Resources (US$/t)	EV/t Fe Resources (M+Ind) (US$/t)	EV/t Fe Reserves (US$/t)	Location of most advanced project
Zanaga	1	0.00	0.00	0.01	Republic of Congo, Africa
Sundance	63	0.03	0.06	0.20	Republic of Congo and Cameroon
Kogi	7	0.03	0.03	NA	Kogi State, Nigeria
Ferrum	2	0.03	0.05	NA	Limpopo Province, South Africa
Iron Road	81	0.11	0.15	0.15	South Australia
Dynasty	22	0.07	NA	NA	Western Australia
Alderon	55	0.11	0.14	0.28	Labrador, Canada
Champion	38	0.05	0.13	0.25	Labrador, Canada
Rockex	11	0.03	0.03	NA	Ontario, Canada
Oceanic	5	0.00	0.01	0.01	Labrador, Canada
Min	1	0.00	0.00	0.01	
Median	**22**	**0.03**	**0.05**	**0.17**	
Average	29	**0.04**	**0.07**	**0.15**	
Max	81	0.11	0.15	0.28	

Source: Ernst & Young Transaction Advisory Services analysis, Annual Reports and S&P Capital IQ
**The data in the table above is as at 10 April 2016. The multiples have been presented inclusive of a 30% control premium, applied to market capitalisation, except in those instances where the market capitalisation is less than the company's cash balance. The inclusive of a control premium does not have a significant impact on the multiples calculated.*

The analysis shows the EV/t Fe Resource multiples range from less than US$0.00/t to US$0.11/t. In calculating the implied multiple excluding Inferred Resources, the multiples range from US$0.00/t to US$0.15/t. For those companies with an Ore Reserve, the EV/t Fe Reserve multiples range from US$0.01/t to US$0.28/t. While the majority of the companies listed above have low liquidity in the trading of their shares, the multiples provide an indication of the low value the market is currently placing on companies with pre-development stage iron ore assets. This view is further illustrated by the sample of transactions noted previously, which reflect similar resource multiples.

In considering the resource multiples in our assessment of the value of the Askaf Project, we have had regard to the following characteristics of the project, in comparison to the transactions and comparable companies:

- All of the companies have at least one pre-development iron ore project.
- The Askaf Project is located in Mauritania. While several of the comparable companies' projects are located in Africa, many are located in Australia and Canada. All else being equal, we would expect the projects located in Australia and Canada to have a lower country risk profile and potentially greater interest from prospective investors. The companies with projects in Africa have EV/t Fe Resource multiples of US$0.00/t to US$0.03/t. In calculating the implied multiple excluding Inferred Resources, the multiples range from US$0.01/t to US$0.06/t.
- The comparable companies have total Mineral Resources ranging from 300Mt to 6.5Bt, with the majority of the companies' Mineral Resources amounting to 1.5Bt to 2.0Bt. The Askaf Project's total Mineral Resources total approximately 650Mt, reflecting a smaller scale operation compared to most of the other companies, once developed.

[7] We have excluded those companies with enterprise values of less than zero, meaning the company's market capitalisation is less than its cash as at its last reporting date.

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- Estimated development capital of the comparable companies range from US$500 million to US$6 billion[8]. For the majority of the companies, this represents a capital cost per tonne of contained Fe of US$2 to $3/t, with one company as high as US$10/t. This compares to the Askaf's estimated capital expenditures of US$900 million, representing a cost per tonne of contained Fe of approximately US$4.

- Similar to the Askaf Project, none of the comparable companies had secured finance to commence development of their project as at the date of this IER, with most companies providing limited positive information pertaining to the status of their projects, with the exception of Iron Road. In early April 2016, Iron Road had announced that it had signed a Strategic Co-operation Agreement with a wholly owned subsidiary of China Railway Group Limited, and further signed a three party agreement with both China Railway Group Limited and Shandong Iron and Steel, to assist Iron Road in progressing the steps required to arrive at a final investment decision of its Central Eyre Iron Project.

- Many of the comparable companies require significant investment in infrastructure as part of the development of their projects. Alternatively, the Askaf Project, through the agreement with SNIM, will likely result in the project having lower costs and relatively easy access to rail and port infrastructure. However, the development of the infrastructure is dependent on SNIM sourcing the funds to complete the investment required in the rail and port infrastructure.

- Most of the comparable companies own 100% of their projects with the exception of Zanaga, which owns 50% less one share of its project, with Glencore owning the remaining shares. Sphere's ownership of the Askaf Project is currently 90%, with the Mauritanian government owning the other 10%.

Based on the considerations above, we have applied a contained Fe multiple based on total Mineral Resources of US$0.01/t to US$0.02/t and on a Measured and Indicated Mineral Resources basis, we applied a range of multiples of US$0.02/t to US$0.03/t.

In applying these multiples our range of values is approximately US$2.0 million to US$4.0 million on Sphere's 90% interest basis.

5.2.3 Conclusion

In arriving at a value for the Askaf Project, we have considered the Askaf Option and the implied multiples of comparable companies and precedent transactions. As previously noted, there is a high level of uncertainty regarding whether the Askaf Option will be exercised, and if so, the timing of the payments that will be received by Sphere. If the Askaf Option is exercised, there are significant hurdles to be met prior to the payments for tranches 2 and 3 being made, which has a significant impact on the current value of the cash consideration to be paid.

[8] where information was available

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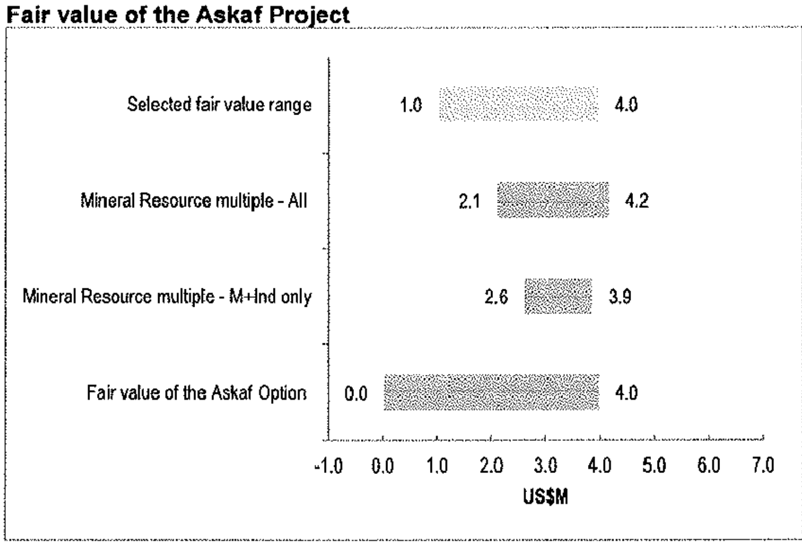
Based on the analysis presented above, as at the date of this IER, we have assessed the value of Sphere's 90% interest in the Askaf Project to be in the range of **US$1.0 million** to **US$4.0 million**. Our valuation range is summarised in the following chart:

Fair value of the Askaf Project



Source: Ernst & Young Transaction Advisory Services analysis

5.3 El Aouj Project

In assessing the fair value of the El Aouj Project, our primary approach used the resource and reserve multiples method. As a secondary approach, we considered the results of the DCF method, with the cash flows based on the financial model prepared for the PFS released by Sphere in November 2015.

5.3.1 Resource multiples

Our approach for assessing a range of resource multiples for the El Aouj Project is similar to the approach taken for assessing the value of the Askaf Project; however, given the El Aouj Project also has Ore Reserves, we also applied multiples on this basis.

In considering the multiples to apply in our assessment of the value of the El Aouj Project, we have had regard to the following characteristics of the project, in comparison to the transactions and comparable companies. Further details of the multiples and the descriptions of the companies can be found in Section 5.2.2 and Appendix D, respectively:

- All of the companies have at least one pre-development iron ore project.
- Similar to the Askaf Project, the El Aouj Project is located in Mauritania. While several of the comparable companies' projects are located in Africa, many are located in Australia and Canada. All else being equal, we would expect the projects located in Australia and Canada to have a lower country risk profile and potentially greater interest from prospective investors. As illustrated in Section 5.2.2, the resource multiples of the companies with projects located in Africa are at the lower end of the range of all the multiples observed.
- The comparable companies have total Mineral Resources ranging from 300Mt to 6.5Bt, with the majority of the companies' Mineral Resources amounting to 1.5Bt to 2.0Bt. The El Aouj Project's total Mineral Resources total approximately 4.4 Bt and has one of the longer estimated life of mines at an estimated 41 years.

- Investment in the development capital required for the projects of the comparable companies range from US$500 million to US$6 billion[9]. For the majority of companies, this represents a capital cost per tonne of contained Fe of US$2 to $3/t, up to US$10/t. This compares to the El Aouj Project's estimated capital expenditures of US$1.2 billion, representing a cost per tonne of contained Fe of approximately US$1.0.

- Similar to the El Aouj Project, none of the comparable companies had secured finance to commence development as at the date of this IER, with limited information pertaining to updates to the eventual development of the companies' projects, with the exception of Iron Road as noted above in Section 5.2.2.

- Many of the comparable companies require significant investment in infrastructure as part of the development of their projects. Alternatively, given the El Aouj Project is 50% owned by SNIM, the project would be expected to have relatively easy access to rail and port infrastructure once a development decision has been made, and providing SNIM has the financial capacity to fund the infrastructure required.

- Most of the comparable companies own 100% of their projects with the exception of Zanaga, while Sphere has a 50% joint venture interest in the El Aouj Project. Consequently, prior to any development decision being made for the project, both Sphere and SNIM will need to agree to the decision as well as have access to financing for their portion of the cost involved.

- Those companies with an Ore Reserve tend to have higher than average resource multiples compared to those companies without an Ore Reserve, indicating that the multiple for the El Aouj. Project should be higher than the multiple applied to value the Askaf Project. It should be noted that for several of the comparable companies, their Ore Reserve estimates were completed several years ago, using iron ore prices of up to US$100/t, which may not be relevant in the current pricing environment.

Based on the considerations above, we have applied a contained Fe multiple range based on total Mineral Resources of US$0.03/t to US$0.05/t and on a Measured and Indicated Mineral Resources basis, a range of contained Fe multiples of US$0.06/t to US$0.10/t. On a contained Fe Ore Reserve basis, we applied a multiple of US$0.15/t to US$0.20/t.

In applying these multiples our range of values is approximately **US$20.0 million to US$39.0 million.**

5.3.2 DCF Method

As a secondary approach in assessing the value of the El Aouj Project, we considered the range of values assessed adopting the DCF approach. The cash flow forecast used in the DCF calculation were based primarily on the El Aouj Model provided by Sidero management, which was prepared for the PFS released at the end of 2015. Due to the high level and indicative nature of the valuation using the El Aouj Model, we have accepted the technical assumptions as provided, with the key assumptions cross checked to the PFS document released on the ASX.

In valuing the El Aouj Project, we undertook our own analysis in determining forecast iron ore prices and discount rate ranges to apply. To test the sensitivity of the cash flows, we applied long term iron ore fines CFR prices of US$55/t to US$80/t and post-tax, real discount rates of 10.0% to 14.0%.

[9] where information was available

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Based on these assumptions, the value of the El Aouj Project varies significantly from less than zero to US$500 million. As noted in Section 4.2, the values assessed using a DCF method for a pre-development project provide a high level indication of value only, given the high level of uncertainty regarding the inputs in the financial model. Some of these considerations include:

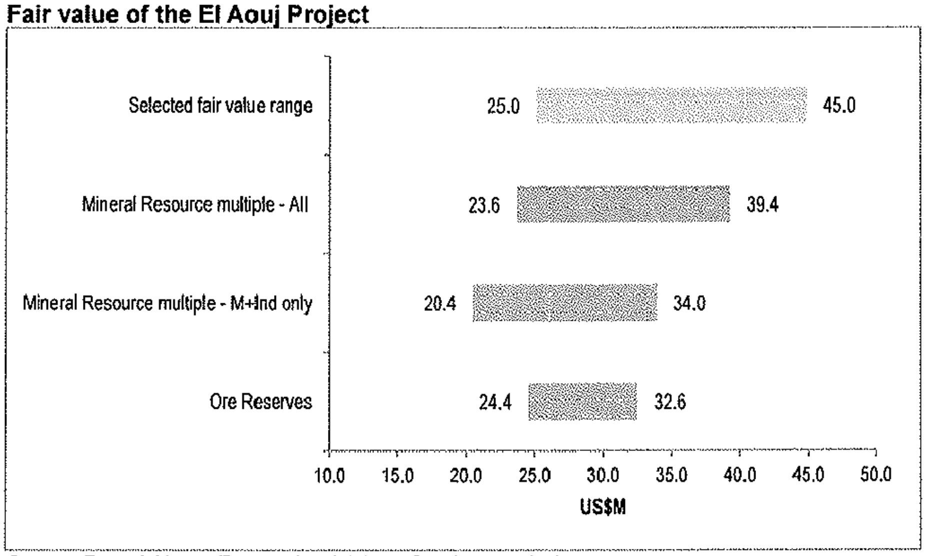
- The ability of EMC, and the joint venturers, to source financing for the project's development in the current economic climate.
- The uncertainty regarding the technical and operating assumptions underpinning the cash flow forecast, given those assumptions are untested until the project commences production.
- The volatility of the iron ore price in recent years, with no indication when the price will exceed the level required for the joint venture participants to progress the project.

Despite the significantly wide range of values calculated using the DCF approach, this secondary approach supports the position that the El Aouj Project has value; however will likely require a significant and sustained increase in the iron ore price before any development of the asset will occur.

5.3.3 Conclusion

Based on the analysis and considerations presented above, as at the date of this IER, we have assessed the value of Sphere's 50% interest in the El Aouj Project to be in the range of **US$25 million** to **US$45 million**. As previously noted, our valuation range reflects our views of the current market fundamentals that affect the value of the El Aouj Project. Changes in these market indicators could materially impact the value of the project. Our valuation range is summarised in the following chart:

Fair value of the El Aouj Project



Source: Ernst & Young Transaction Advisory Services analysis

We have selected a fairly wide range of values given the volatile nature of the iron ore price in recent months and the current low price compared to the prices observed over the past five years. As illustrated above, minimal movements in the iron ore price has a significant impact on the value of the El Aouj Project. In addition, a significant risk remains due to the substantial amount of funding required to develop the project, with any investment decision made by Sphere requiring the approval of its joint venture partner. Further, there is limited investment currently being undertaken in the industry, particularly with regards to iron ore projects requiring a significant amount of initial capital expenditures, as illustrated by the limited number of precedent transactions observed in the preceding 12 months.

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5.3.4 The Lebtheinia Project

Similar to the Askaf and El Aouj projects, we assessed the value of the Lebtheinia Project using the resource multiples method. Given the early stage of the exploration asset, and the current economic environment, we have assessed a nominal amount for the Lebtheinia Project. In assessing the value of the project, we considered the following:

- The nature of the asset being an exploration iron ore project located in Mauritania. 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 Sphere's ownership in the project is currently 100%, the Mauritanian mining code allows for the State to be granted a 10% participation in a mining project at no cost in entities holding an exploration permit. The State can also acquire a further 10% participating interest.
- The significant level of work to be completed on the project to enable a scoping study or feasibility study to be completed. At the current time, Sphere has suspended all exploration activities.
- The relative size and status of the transactions or the comparable companies to the Lebtheinia Project.

Based on the considerations above, we have assessed the fair value of Sphere's 100% interest in the Lebtheinia Project to be in the range of **nil to US$1.0 million.**

5.3.5 Other assets and liabilities

Corporate costs

Since Sphere has ceased further exploration, its corporate costs relate to limited expenditure related to listing costs and directors' fees. Given the Company's limited activity, we have included a liability reflecting the estimated costs of continuing the business for the upcoming 12 months of US$1.0 million.

Net debt

At 31 December 2015, Sphere's net debt consisted of US$12.1 of cash.

Other assets and liabilities

Other assets and liabilities include a working capital deficiency of approximately US$100,000.

5.3.6 Consideration of the price of the Entitlement Offer

As previously noted, the Entitlement Offer announced on 25 September 2015 was undertaken at a price of A$0.25 per share, which at the time was stated by Sphere management to represent a discount of 33% to value of the shares based on the book value of the Company's assets, excluding debt, as at 30 June 2015. Including the US$132 million of loan owing to Glencore by Sphere at that time, the Company had a net deficit of US$75.1 million, equating to a net deficit of US$0.34 per share (A$0.48 using the same US$:A$ exchange rate the A$0.25 was based on). With a net deficit of this amount, the fair value of a Sphere share at that time would have been 'nil'. It is evident that Sphere was only able to continue as a going concern because of the ongoing support of Glencore, a fact recognised in the 30 June 2015 half yearly financial report of the Company.

Sidero was the only Sphere shareholder to take up its entitlement under the Entitlement Offer. The A$205 million (US$150.3 million) provided by Sidero enabled Sphere to repay the loan owing to Glencore and provided additional cash for working capital purposes. At 31 December 2015, Sphere had no debt and net assets of approximately US$65.5 million, equating to US$0.063 per share. Accordingly, the issue of shares under the Entitlement Offer at A$0.25 (US$0.183) turned a net deficit per share of US$0.34 each at 30 June 2014 to a net asset backing per share of US$0.063.

Using an exchange rate of US$0.75:A$1.00, the US$0.063 equates to A$0.084, which is not inconsistent with the upper end of our valuation range for a Sphere share.

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6. Conclusion

In forming our opinion as to whether or not the terms proposed by Sidero in the Notice give a fair value for the Remaining Shares we have compared the fair value of the Offer by Sidero with the fair value of a Sphere share. If the fair value of the Offer is greater than or at least equal to the fair value of a Sphere share, then the Offer being offered by Sidero would be considered "fair".

Under the terms of the Notice, the Offer by Sidero is A$0.06 per share. In Section 5.1 we set out our fair value conclusion of A$0.05 to A$0.08 per Sphere share. This indicates that the fair value of the Offer by Sidero under the terms proposed in the Notice is equal to the fair value of a Sphere share.

Taking into consideration the matters detailed in this IER, in our opinion, the terms proposed by Sidero in the Notice give a fair value for the Remaining Shares.

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Appendix A Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of Ernst & Young Transaction Advisory Services responsible for this report have not provided financial advice to Sidero or Sphere.

Prior to accepting this engagement, Ernst & Young Transaction Advisory Services considered its independence with respect to Sidero or Sphere with reference to Regulatory Guide 112: *Independence of experts.*

This report has been prepared specifically for Remaining Shareholders in relation to the Offer. Neither Ernst & Young Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than Remaining Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by Sidero, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. EY does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix E to this report.

Sidero has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

EY provided draft copies of this report to Sidero for comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY alone. Changes made to this report as a result of this review by the Directors and management of Sidero have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

EY will receive a professional fee based on time spent in the preparation of this report estimated at approximately $60,000 (exclusive of GST). Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Ken Pendergast, a director and representative of EY and a partner of Ernst & Young and Mr Stuart Bright, a director and representative of Ernst & Young Transaction Advisory Services and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other EY staff has been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Notice being sent to the Remaining Shareholders. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the terms of the compulsory acquisition proposed by Sidero in the Notice give a fair value for the Remaining Shares and set out the reasons for forming our opinion.

EY consents to the issue of this report in the form and context in which it is included in the Notice being sent to the Remaining Shareholders.

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Appendix B Valuation methodologies

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- Discounted cash flow method and the estimated realisable value of any surplus assets;
- Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- Amount that would be available for distribution to security holders on an orderly realisation of assets;
- Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as mining projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

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Appendix C Industry Overview

The Global Mining & Metals Sector

The global mining and metals sector has experienced substantial volatility in recent years. A slowing Chinese economy and rising supply, among other factors, have contributed to a de-rating of sector valuations from the highs experienced three to four years ago.

More broadly, global economic growth has somewhat recovered from post-global financial crisis ("GFC") lows, with gains being experienced in the US and other developed world economies. Notwithstanding this, shares in global mining and metals companies have underperformed the broader market, reflecting the lack of investor confidence, both in the global demand outlook and in the ability of resource companies to deliver acceptable returns in an environment of weakening margins.

The IMF's World Economic Outlook forecast a global economic growth in 2015 was 3.5% and 3.7% for 2016. While growth rates in emerging markets and developing countries are relatively strong, there is a wide variation in the speed of recovery between advanced economies.

As noted in more detail below, iron ore has experienced significant declines in price since the third quarter of 2014. Similarly, base metals continue to be challenged by weaker growth and rising supply. The price of most base metals decreased over the years of 2014 and 2015, with the fall in copper prices being the most material. While copper prices have stabilised in December 2015, the closing price as at 31 December 2015 remained approximately 3% lower than the last quarter of 2015. In response to lower prices, resource companies have looked to reduce operating costs and capital expenditures, with capital spending falling approximately 50% since 2012.

The performance of precious metals prices is generally impacted by demand for safe haven assets during times of economic uncertainty. Improving US and global economic conditions, a strengthening US dollar and rising US bond yields during 2013 to 2015 have turned investor sentiment away from safe haven assets. This led to a significant fall in prices across 2013 and into 2015. The gold price has recently stabilised in December 2015 and after breaching US$1,049/oz in December 2015, the gold price has since then increased to a price of US$1,260/oz as at 11 April 2016.

Iron ore overview

Iron ore in its various forms is almost exclusively used in the production of iron and steel. The majority of iron ore is bound in silicate and carbonate minerals, which require energy-intensive processes to separate pure iron from other materials. Because of this, industries have tended to exploit comparatively rarer higher grade iron oxide minerals, magnetite and hematite.

Although iron in cast form has many specific uses, its main use is in steel manufacturing. Steel is strong, durable and extremely versatile. Steel's desirable properties and relatively low cost make it the main structural metal used in engineering and construction projects, accounting for about 90% of all metal used each year. Steel is seen as essential to maintaining a strong industrial base. About 60% of iron and steel products are used in construction and transportation, 20% in machinery manufacture and most of the remaining 20% in the manufacture of containers. Consequently, the demand for iron ore is closely related to the level of steel production, which in turn is related to trends in economic growth and capex cycles, with higher growth leading to stronger demand for steel.

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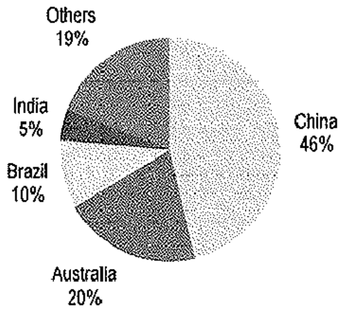
Geographically, iron ore is broadly distributed across various regions of the world, with over 81% of current known reserves being located in Russia, Brazil, China, Australia and India[10]. In Australia the iron ore mining sector is dominated by Rio Tinto and BHPB, two of the world's largest diversified resource companies.

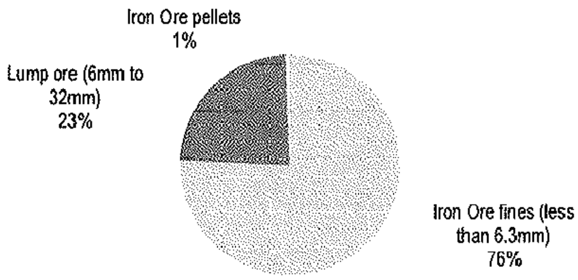
World production of iron ore has reached an expected 3,200 Mt in 2015, up from 2,600 Mt in 2010. The following chart illustrates the world iron ore production for some of the major countries as a percentage of the global output.



Source: IBISWorld Global Iron Ore Mining

Products and services

The iron ore mining industry produces lump, fines and pellet products, as summarised in the chart below.



Source: IBISWorld Iron Ore Mining in Australia, January 2016

Lump ore attracts the higher price compared to fines as it requires the least processing before use. Steel manufacturers typically put fines through a sintering process to agglomerate the ore into a more appropriate size for processing. Lump ore is 6mm to 32mm in size and fines are less than 6mm in size.

Iron ore concentrate is ore that has been ground and beneficiated to a high grade blast furnace (+65%Fe) or pellet feed (+68%Fe).

Iron ore pellets are produced from iron ore concentrate, mixed with a binder such as clay, rolled into balls and passed through a furnace to produce pellets between 10mm and 16mm in size.

[10] IBISWorld. Global Iron Ore Mining: B0611-GL

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Supply of iron ore

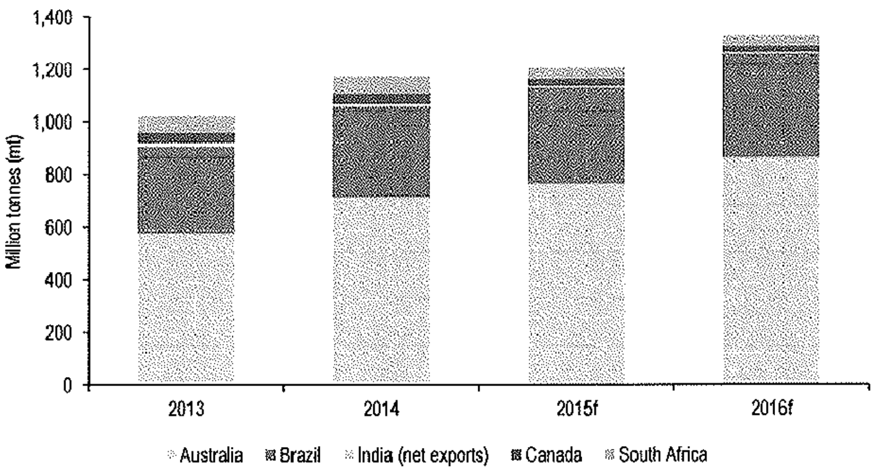
Within Australia, the major iron ore producers are Rio Tinto, BHPB and Fortescue Metals Group ("FMG"). These three companies account for approximately 80% of Australian iron ore supply. Australia's production and export of iron ore is expected to increase as Rio Tinto, BHPB and FMG all expand production output. In addition, new projects such as Anglo American's Minas Rio mine and Hancock Prospecting's Roy Hill mine will sustain the supply surplus, which is expected to continue to put downward pressure on iron ore prices in the near term.

In 2015, Brazil's iron ore exports were estimated to increase 6% to 365 Mt, backed by increased production in the Carajás region. Brazil's exports of iron ore received a boost in June 2015 after China's transport ministry announced that Vale's 400,000 dead weight tons Valemax vessel could dock at several ports, including Qingdao, Dalian, Tangshan and Ningbo.

Additional supply capacity is expected to exceed demand, lowering iron ore prices and applying pressure on high cost iron ore producers. Domestic iron ore producers in China may be replaced by more affordable options, mainly from Brazil and Australia, without further subsidies from the Chinese government.

The following chart illustrates the world iron ore exports amounts for the major iron ore exporting countries.

World iron ore exports (Mt)



Source: Department of Industry, Innovation and Science; World Steel Association

Demand for iron ore

Strong economic growth in large emerging nations, such as China and India, has been the main contributor to the increase in demand for iron ore over the last 10 years. China is the main importer as a result of the significant increase in steel production from within the country. The industrialisation of China has resulted in a long-term increase in demand for iron ore to manufacture the steel required to construct buildings, transport infrastructure and other development projects.[11] As a result, growth in iron ore demand is highly dependent on demand from China.

In 2014 and 2015, a weakening Chinese property sector put downward pressure on Chinese iron ore demand, as a result of lower Chinese property sales, construction activity and housing prices.

[11] IBISWorld, September 2015

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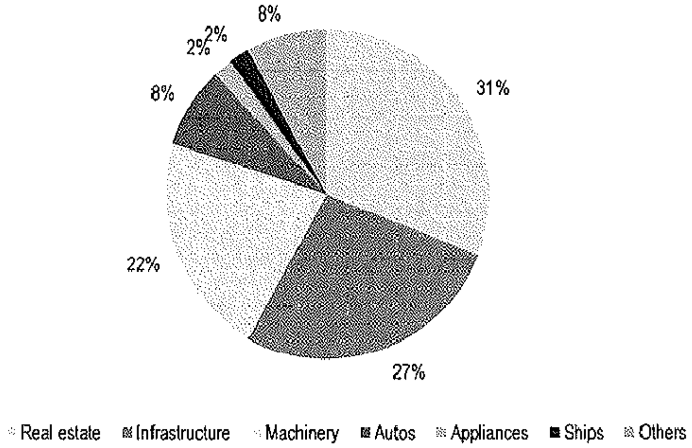
The following chart presents the breakdown of the Chinese steel demand by sector.

Chinese steel demand by sector



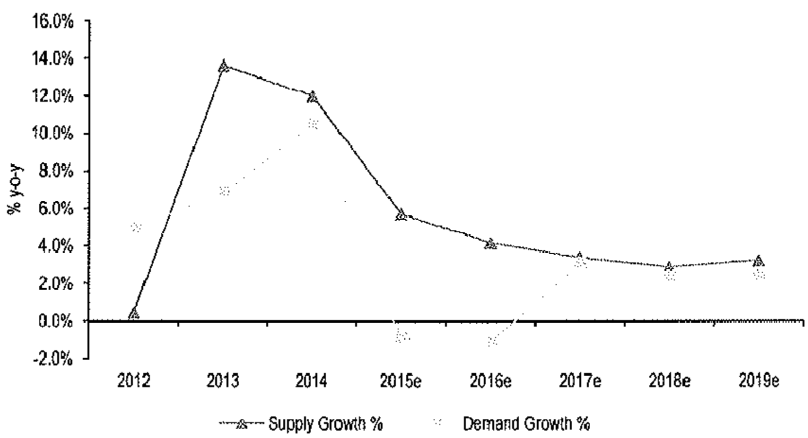
Source: JP Morgan, Bloomberg

As China moves from a growth economy to a consumer driven economy over the next decade, the high year-on-year demand growth experienced in the last decade is expected to be replaced by steadier sustainable growth. The decline in Chinese steel consumption is accelerating with use falling by 5.7% to 590.47 Mt in the January to October period of 2015.

Medium and long-term, the expectation is that supply will continue to be higher than demand as a number of iron ore expansion projects, principally in Australia and Brazil, will be finalised and production ramped up, including the Roy Hill Project, operating in Western Australia. In March 2016, FMG announced that it had signed a non-binding agreement with Vale that could see the Brazilian mining giant take a minority stake in FMG as well as invest in current or future mining assets. In addition, the announcement indicated that the two companies would work together on a joint venture that would sell between 80 Mt and 100 Mt of iron ore into China, based on a blend of the two companies iron ore product.

The following chart illustrates the movements in supply and demand for iron ore between the period from 2012 to 2019, with 2015 to 2019 being forecasts.

Iron ore Supply/Demand



Source: Ernst & Young Transaction Advisory Services Research

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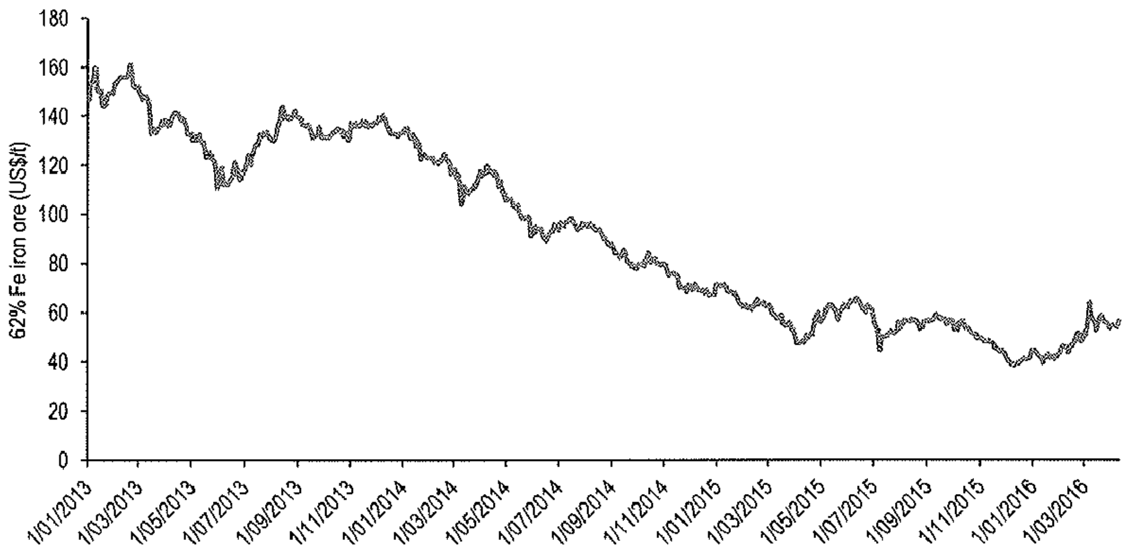
Iron ore prices

Historical iron ore price performance

The chart below summarises the movement in the spot 62% Fe CFR China iron ore price from 1 January 2013 to 11 April 2016.

Historic 62% Fe iron ore price to 11 April 2016



Source: Ernst & Young Transaction Advisory Services analysis

We note that over the 12 months to 31 December 2015, the 62% Fe iron ore price decreased approximately 40%. The fall was primarily caused by an oversupply in the market and the deceleration in the Chinese. The 62% Fe iron ore price averaged US$135.9/t for the period 1 January 2013 to 31 December 2013 decreasing by 29% to an average of US$97.1/t for the period 1 January 2014 to 31 December 2014 and further decreasing by 42% to an average of US$56.0/t for the period 1 January 2015 to 31 December 2015.

Prices have shown some improvement in the first few months of 2016; however, prices continue to be significantly lower than the prices experienced across 2012 to 2014. As at 11 April 2016, the 62% Fe iron ore spot price was trading at approximately US$57.0/t.

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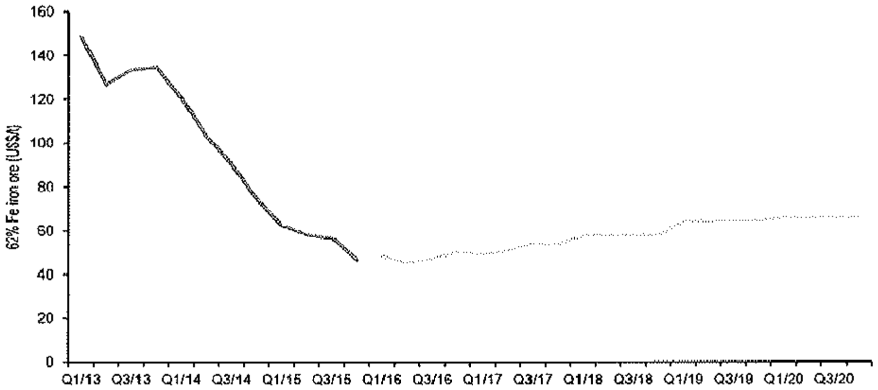
Forecast iron ore price performance

The chart below summarizes the historical movement in the quarterly average 62% Fe iron ore price from 1 January 2013 to 31 December 2015 compared to consensus broker forecasts for 2016 to 2020 as at 31 December 2015.

Forecast 62% Fe CRF iron ore prices as at 31 December 2015 on a nominal basis



Source: Consensus forecasts, Ernst & Young Transaction Advisory Services analysis

While the forecasts outlined above indicate a slight recovery in iron ore prices out to 2020, we note that brokers are not expecting the price to increase to the historically high prices experienced in 2010 to 2012. Adopting the median of the broker forecasts, iron ore is expected to average approximately US$47.5/t through 2016, increasing steadily to approximately US$65/t in 2020.

Iron ore investment in Africa

Iron ore investment in Africa, in particular West Africa, has been active over recent years. By region, the major iron ore exporters are Australia, Brazil, South Africa, Ukraine and Canada. Africa and the Middle East region constitute 8.6% of global iron ore exports, with total iron ore production of about 123.0 Mt in 2014.

Mauritania is Africa's third largest iron ore producer, with output of 13.7 Mt in 2014. Although the country holds vast iron ore reserves, weak iron ore prices have subdued the sector's growth outlook, particularly for greenfield projects.

As noted previously, Sphere announced the suspension of Askaf Project due to iron ore price weakness. The Askaf Project, together with the El Aouj Project, was set to produce 22.0 Mt of iron ore at full production capacity. Furthermore, in June 2014, Sphere signed a US$1.3 billion agreement with the Mauritian government to fund a railway project to support transport for these iron ore mines. As a result of the cessation of the Askaf Project's development, it is currently unclear if and when the railway construction project will be completed.

According to Business Monitor Online ("BMI"), the Mauritania iron ore output is expected to grow from 13.9 Mt in 2015 to 15.8 Mt in 2020. This represents an average growth of 2.7% year-on-year over 2015 to 2020, significantly lower than the 6.1% average growth over 2010 to 2014.

The Mauritanian Government intends to invest $6 billion into SNIM to underpin an increase in iron ore production to 40Mt by 2025, up from 13Mt in 2013. This will place Mauritania in the world's top five producers of iron ore[12]. However, given the weak iron ore prices which reached US$57/t as of 11 April 2016, the Governments' growth target to boost iron ore production appears ambitious.

[12] BMI: Mauritania: Price Weakness To Subdue Growth, April 2015

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The following table outlines some of the major iron ore projects in Mauritania, in addition to those of Sphere.

Mauritania – Iron Ore projects at a glance

Mines	Major holding company	Notes
Kauual	TransAfrika Resources Ltd.	An exploration target of 1bn tonnes of iron ore, containing about 30% iron, which is potentially upgradable to 67% , has been identified
Tamagot	Rubis International	December 2013 - The project was divested by Bum i Resources to Rubis International
Kaoua El Khadra	Charter Pacific Corporation	October 2013 - Charter Pacific is moving closer to defining drill targets at its Kaoua El Khadra iron ore project in Mauritania, which has an iron ore Exploration Target of up to 4.4bn tonnes
Atomai Mines	Saudi Basic Industries Corporation	January 2014 - Initial estimates indicate that the Atomai Mines have a reserve of 500mt of iron ore
Legleitat	Charter Pacific Corporation	November 2014 - Charter Pacific Corporation is in partnering discussions with several substantial international companies for its project. Inferred resources - 12.2mt

Source: BMI

The development of iron ore projects in West Africa presents a number of challenges, including the general lack of infrastructure, geopolitical risk, geographical isolation and an unestablished and largely untrained local workforce. The lack of infrastructure is the most significant constraint, as existing roads, rail and ports are generally inadequate to support planned iron ore projects. Companies have looked to reduce geopolitical risk by securing long term in-country mining conventions, which establish the taxation, royalties and general terms up-front. Most African countries appear to support the development of mining conventions[13].

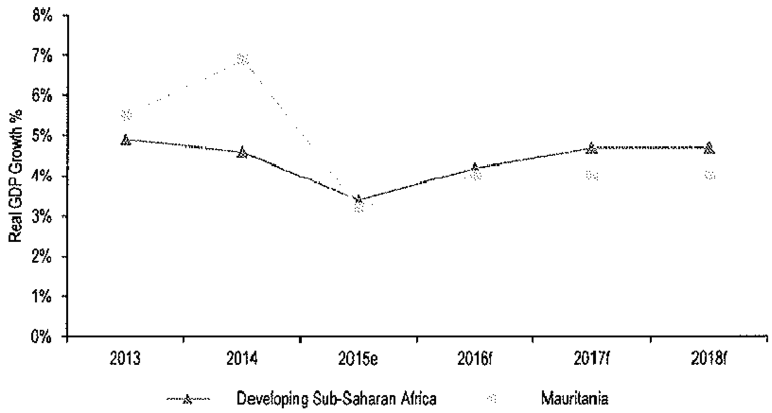
Islamic Republic of Mauritania

Mauritania is a mostly desert country, with a population of about 3.6 million. In 2014, its per capita gross national income was approximately US$1,270. In addition to iron ore, the country has significant copper and gold mineral resources, and experienced significant growth due to a period of high international commodity prices in recent years. A number of publically listed mineral companies hold projects in Mauritania.

The annual real GDP was expected to decline to 3.2% in 2015[14] from 6.4% in 2014 due to the fall in commodity prices, notably the sharp drop in iron ore prices. Non-extractive GDP growth is estimated to have moderated to 3.1% in 2015 from 6.6% in 2014.

The following chart outlines the comparison of real GDP growth between developing Sub-Saharan Africa and Mauritania.

Real GDP Growth % - Sub-Saharan Africa vs Mauritania



Source: World Bank

[13] RBC Capital Markets – African Iron Ore Projects – 4 February 2011
[14] World Bank

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Appendix D Description of comparable companies

Iron Road Limited: For its South Australian Central Eyre Iron Project, Iron Road has completed a definitive feasibility study ("DFS") supported by a subsequent optimisation study. When developed, the project is set to produce 20 mtpa of premium iron concentrates for export over an initial mine life of 30 years. With an effective date of 30 September 2015, Iron Road increased its Ore Reserve estimate to 3.7Bt at an in-situ grade of 15% iron. The company has submitted a proposal for a mining lease and for environmental approval. In early April 2016, Iron Road announced that it had signed a Strategic Co-operation Agreement with a wholly owned subsidiary of China Railway Group Limited, and further signed a three party agreement with both China Railway Group Limited and Shandong Iron and Steel, to assist Iron Road in progressing the steps required to arrive at a final investment decision of its Central Eyre Iron Project.

Sundance Resources Limited: Sundance Resources' key asset is its Mbalam-Nabeba Iron Ore Project, located in Cameroon and the Republic of Congo in Central Africa. The project is planned to be developed in two stages. Stage One, supported by a DFS, consists of the production of a Direct Shipping Ore ("DSO") quality sinter fines product averaging >62.0% Fe at a rate of 40 mtpa for approximately 12 years. Stage Two, supported by a PFS, is expected to extend the life of the operation by further 15 years producing high grade Itabirite hematite concentrate. The studies underpinning the project were completed in April 2011. The Project requires more than 500km of rail line and construction of a deep water terminal in Cameroon. These infrastructure projects are expected to be completed by the Cameroon government, and are expected to be funded by a company affiliated with the Chinese government. In early 2016, the Chinese government stated that a contract to perform the work would be postponed until market conditions improved.

Dynasty Resources Limited: Dynasty's key asset is its Prairie Downs Iron Ore Project located in the Pilbara region of Western Australia. The project has an Inferred Mineral Resource of 1.4Bt at a grade of 23.5% Fe. The project is supported by a preliminary scoping study that was completed in December 2011. Given the project's proximity to other pre-development projects, there is a possibility that the project could take advantage of the potential development of third party infrastructure solutions in the future.

Kogi Iron Limited: Kogi Iron's key asset is the Agbaja iron ore project in Nigeria. The project has an Indicated and Inferred Mineral Resource of 466Mt at an average grade of approximately 41%, and based on a PFS, will produce at an average rate of 5mtpa. Capital expenditure estimates are approximately US$500 million, with no large scale infrastructure required as the production is expected to be sold domestically. In early 2014, Kogi announced that its PFS was no longer economical at then current iron ore prices. Since that time, the company is planning to build a smaller, integrated mine and process plant to produce a high quality low carbon steel feedstock as feed for existing operations in Nigeria. In March 2016, the company completed a capital raising, aiming to use the funds to progress the study and provide working capital.

Ferrum Crescent Limited: Ferrum Crescent's major asset is the Moonlight Iron Ore Project located in South Africa. The project has a Mineral Resource of 308Mt at an average grade of 27%, an expected mine life of 20 years, and has a granted mining right and environmental approvals. The product is anticipated to be a high quality (69%) concentrate. A BEE compliant South African investment company (Business Venture Investments No. 1709 (Proprietary) Limited) is required to provide a completed Bankable Feasibility Study to Ferrum by 2018/19 at no expense to Ferrum in return for a 39 to 43% equity position in the project. On 31 March 2016, the company announced that it would be focussing on targeting and progressing additional opportunities in addition to the Moonlight Iron Ore Project, initially comprising two potential lead-zinc assets in Spain.

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Zanaga Iron Ore Company Limited: Zanaga Iron Ore's key asset is its 50% less one share interest in the Zanaga Iron Ore Project located in the Republic of Congo. The project has a defined 6.9Bt Mineral Resource and a 2.1Bt Ore Reserve. Glencore owns the other 50% plus one share interest and has effective management control of the Zanaga Iron Ore Project, which has planned production of 30mtpa of high grade iron ore (pellet feed) concentrate over a 30 year life of mine and to be developed in two stages. Stage one of the project, which includes 12 mtpa of iron ore production at an average grade of 66% Fe, has an estimated capital cost of US$2.2 billion. Stage 2, which will add an additional 18 mtpa, is estimated to cost an additional US$2.5 billion.

Alderon Iron Ore Corporation: Alderon's key asset is the Kami deposit located within the Labrador Trough, next to the mining towns of Wabush, Labrador City and Fermont in Canada. The DFS completed in January 2013 outlined annual production of approximately 8.0Mt over a mine life of approximately 30 years. The Project currently has Proved Ore Reserves of 431.7Mt at an average grade of 29.7% Fe and Probable Ore Reserves of 236.8Mt at an average grade of 29.2% Fe. Capital expenditure estimates are approximately US$1.3 billion, with no large scale infrastructure required as close project's location to railway and port.

Champion Iron Limited: Champion's flagship project is the Consolidated Fire Lake North Project located in the Fermont Iron Ore District of eastern Quebec, 60km southwest of the town of Fermont, Canada. The project has a Mineral Resource of approximately 3.4Bt at an average grade of 31.8% Fe with 1.2Bt currently subject to a Feasibility Study. The PFS was published in February 2013 and outlined production of 9.3 mtpa of iron ore concentrate over a 20 year mine life. The product is anticipated to be a high quality (66%) concentrate. Project development, including infrastructure, was estimated at approximately US$1.6 billion. The Government of Québec has granted approximately US$15.0 million for the feasibility study of a new rail linking Fire Lake North / Bloom Lake area to the port of Sept-Îles. This study is being managed by Champion, and is expected to be finalised in 2016.

Rockex Mining Corporation: Rockex Mining's key asset is the Lake St. Joseph Iron Ore Project which includes the Eagle Island Deposit, as well as additional potential deposits at Wolf Island and Fish Island in Canada. The project has a defined Mineral Resource of 1.4Bt at an average grade of 28.6% Fe, and based on a Preliminary Economic Assessment, will produce 4.3 mtpa over 30 years LOM. Capital expenditure at the Lake St. Joseph Iron Ore Project development was estimated at approximately US$3.8 billion. In February 2016, the company completed a capital raising, aiming to use the funds for completion of a Feasibility Study and Environmental Assessment.

Oceanic Iron Ore Corporation: Oceanic Iron Ore is focused on the development of the Ungava Bay iron properties. These properties comprise 3,703 claims over three project areas, namely Hopes Advance, Morgan Lake and Roberts Lake, which are located in Canada. The most advanced project is Hopes Advance. The Hopes Advance's PFS was published in September 2012 and outlined production of 10 mtpa of iron ore concentrate over a 30 year mine life. The project has a defined Mineral Resource of 1.5Bt and a 1.4Bt Ore Reserve at an average grade of 32.4% Fe and 32.2% Fe, respectively. Capital expenditure at the Hopes Advance Project development was estimated at approximately US$4.5 billion.

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Appendix E Sources of information

In arriving at our views, we have had regard to the following sources of information:

- audited financial statements of Sphere for the financial years ended 31 December 2013 to 2015 and unaudited management accounts for the six months ended 30 June 2015
- Management accounts for EMC for the year ended 31 December 2015
- financial models provided by Sidero Management for the Askaf and El Aouj Projects
- The Term Sheet between SMSA and SNIM related to the Transport Services Agreement dated February 2014
- ASX announcements for Sphere including quarterly reports, the Entitlement Offer and the feasibility study report of El Aouj Project
- The draft notice of compulsory acquisition prepared by Sidero
- company websites for Sphere and comparable companies
- Market data obtained from sources including ThompsonOne, S&P Capital IQ, DatAnalysis and Factiva.

In addition we held discussions with various members of senior management of Sidero and Sphere.

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Appendix F Glossary

Abbreviation	Full Title / Description
90% Holder	A person or company who holds full beneficial interests in over 90% of the shares in a company
A$	Australian dollars
Act	Corporations Act 2001
Al Rawda	Al Rawda Resources Limited
APES 225	APES 225: Valuation Services (revised)
ASIC	Australian Securities and Investment Commission
Askaf Option	An agreement granting an exclusive option to Al Rawda Resources Limited to purchase an 80% interest in Sphere Mauritania S.A.
Askaf Project	Askaf Iron Ore Project
ASX	Australian Securities Exchange
BFS	Bankable feasibility study
BHPB	BHP Billiton Limited
BMI	Business Monitor Online
Bt	Billion tonnes
DCF	Discount cash flow
Dec-XX	31 December 20XX
DFS	Definitive feasibility study
DSO	Direct Shipping Ore
El Aouj Model	El Aouj Project financial model
El Aouj Project	The Guelb El Aouj Iron Ore Project
EMC	El Aouj Mining Company S.A.
Entitlement Offer	Sphere's 4.4 for 1 pro rata renounceable entitlement offer at $0.25 per share in September 2015
EV/t of Fe Reserves	Implied EV/t of contained Fe multiples based on Ore Reserves
EV/t of Fe Resources	Implied EV/t of contained Fe multiples based on Minerals Resources
Ernst & Young Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
FEED	Front End Engineering Design
FMG	Fortescue Metals Group
FSG	Financial Services Guide
GFC	Global financial crisis
Glencore	Glencore plc
IER	Independent expert's report
Mt	Million tonnes
Notice	Compulsory acquisition notice
Offer	Cash offer by Sidero
PFS	Pre-feasibility Study
PIOP	The Pilbara Iron Ore Project
Remaining Shareholders	Holders of the Remaining Shares
Remaining Shares	The remaining ordinary shares of Sphere that Sidero does not already own

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Abbreviation	Full Title / Description
Report	Independent expert's report
RG111	Regulatory Guide 111: Content of expert reports
Rio Tinto	Rio Tinto Limited
Sidero	Sidero Pty Ltd
SMSA	Sphere Mauritania S.A.
SNIM	Société Nationale Industrielle et Minière
Sphere / the Company	Sphere Minerals Limited
Takeover Offer	Off-market takeover bid of Sphere by Glencore via Sidero in August 2010
US$	United States dollars

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

18 April 2016

PART 2 – Financial Services Guide

1. Ernst & Young Transaction Advisory Services Limited

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our) has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence ("AFSL") which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

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5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $60,000 (exclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

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Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of the Report and this FSG.

8. Complaints process

As the holder of an AFSL, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

Ernst & Young Transaction Advisory Services and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by Ernst & Young Transaction Advisory Services satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	**Contacting the Independent Dispute Resolution Offer:** Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This FSG has been issued in accordance with ASIC Class Order CO 04/1572.

CORPORATIONS ACT
PART 6A.2
OBJECTION FORM

The Directors
Sidero Pty Limited
C/o Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001
Australia

Dear Sirs / Madam

OBJECTION TO COMPULSORY ACQUISITION OF SHARES IN SPHERE MINERALS LIMITED

Pursuant to section 664E(1) of the *Corporations Act 2001* (Cth), I/we... (*insert name*) of .... (*insert address*), being the holder of ordinary shares in Sphere Minerals Limited covered by the notice of compulsory acquisition ("**Notice**") hereby notify Sidero Pty Limited that I/we object to the compulsory acquisition of the ordinary shares in Sphere Minerals Limited held by me/us and acknowledge that this objection:

(i) relates to all securities of the above class that are covered by the Notice and are held by me/us as at the date of this objection; and

(ii) cannot be withdrawn.

The reason(s) for my/our objection is as follows:

Reason for objection (attach an extra page if necessary)

Signature of shareholder (or representative)

Name of shareholder (print)

Capacity of representative (if applicable)

Holder Identification Number (HRN) or Security Holder Reference Number (SRN)

Date

INSTRUCTIONS:

1. Please insert your name and address where indicated on this Objection Form.

2. Please sign and date this Objection Form where indicated. This Objection Form will not be valid unless it is signed.

3. If you wish to object to the compulsory acquisition, this Objection Form must be returned to the address specified above by no later than one month after the Notice was given. Under the *Corporations Act 2001* (Cth), the Notice is deemed given 3 days after it is posted.