

SPHERE MINERALS LIMITED

A SUBSIDIARY OF
GLENORE

QUARTERLY ACTIVITIES REPORT – 30 JUNE 2014

Summary

Sphere Minerals Limited (Sphere) has continued developing its two major resource areas – Guelb el Aouj and Askaf. Since Board approval of the Askaf North Project in April, process plant and infrastructure development work has commenced. As announced on 27 June 2014, the El Aouj Pre-Feasibility Study (PFS) has been completed and an update to the ore reserve provided.

Askaf Iron Ore Project (Sphere 90%)

Askaf North

- As announced on 8 May 2014, Sphere signed a US\$0.6 billion contract with Essar for the procurement of equipment and construction of the Askaf Project.
- As announced on 5 June 2014, Sphere signed a binding term sheet with SNIM for the provision of rail and port services for transport of iron ore product from the Askaf Project.
- Mobilisation of the EPC contractor's manpower, together with initial construction activities for the pioneer camp, construction equipment and batching plant are underway.
- Process plant and infrastructure development work is progressing as planned, with commitments made to all major equipment vendors.
- A preferred mining contractor has been identified and final negotiations on the contract are progressing.

Askaf Centre and Askaf East Deposits

- No further geological work was undertaken on Askaf satellite deposits.
- The final geological/resource reports are in progress.

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

During the quarter, Sphere reported two significant milestones relating to El Aouj. First, completion of an extensive resource definition campaign; and secondly, completion of PFS engineering studies for sinter feed product.

During the past two years, Sphere has undertaken an extensive exploration programme within the El Aouj tenement on behalf of El Aouj Mining Company and has progressively declared JORC Mineral Resources that now total 4.4 billion tonnes¹. In addition to resource drilling, further definition drilling on El Aouj East was incorporated in a geological model and an Ore Reserve Statement that satisfies the requirements of the JORC Code for Mineral resources and Ore Reserves was finalised during the quarter. Golder Associates completed this Ore Reserves Estimate update based on the geological information and a review of PFS outcomes.

The El Aouj PFS has been completed and a work programme prepared by El Aouj Mining Company, on behalf of Sphere Minerals and SNIM.

Tenders have been sought from engineering companies to prepare a detailed Feasibility Study. It is anticipated this study will commence in the second half of 2014.

In addition:

- Proposals have been sought from consulting mining engineering companies to undertake a feasibility level mining study to support the feasibility study process;
- A further bulk sample of core material from the El Aouj East deposit has been sent to Germany for metallurgical testing; and
- A draft Terms of Reference (ToR) document has been prepared for submission to government to finalise ToR requirements for the Environmental and Socio-economic Impact Assessment.

El Aouj East

- No further geological work has been undertaken on the El Aouj East deposit.

Lebtheinia Iron Ore Project (Sphere 100%)

- Concept study work for the development of the Lebtheinia resource continues.

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

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ASX Listing Rule 5.3 Disclosure

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

Exploitation License Schedule

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

Exploration License Schedule

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

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

Mining tenements acquired and disposed of during the quarter and their location.

None

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

None

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

None

Competent Person's Statement

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Sphere Minerals Limited

ABN

66 009 134 847

Quarter ended ("current quarter")

June 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(58,615)	(69,036)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(136)	(174)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	14	20
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(58,737)	(69,190)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(24)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	(24)
1.13	Total operating and investing cash flows (carried forward)	(58,737)	(69,214)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(58,737)	(69,214)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	74,419	85,919
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	74,419	85,919
	Net increase (decrease) in cash held	15,682	16,705
1.20	Cash at beginning of quarter/year to date	6,249	5,226
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	21,931	21,931

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

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	1,316
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and related party service recharges

Non-cash financing and investing activities

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

Interest expense accrued during the period: A\$2,024,308

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities	197,327	103,356
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	20,434
4.2 Development	-
4.3 Production	-
4.4 Administration	184
Total	20,618

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	21,931	6,249
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	21,931	6,249

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

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

Issued and quoted securities at end of current quarter

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

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

+ See chapter 19 for defined terms.

Appendix 5B

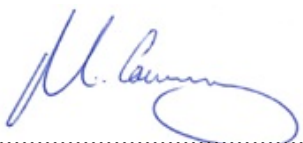
Mining exploration entity and oil and gas exploration entity quarterly report

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

Compliance statement

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

Sign here:


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Company secretary

Date: 31 / 07 / 2014

Print name: Matthew Conroy

Notes

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

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