

# SPHERE MINERALS LIMITED

A SUBSIDIARY OF  
GLENCORE

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## QUARTERLY ACTIVITIES REPORT – 30 JUNE 2013

### Summary

Sphere Minerals Limited (Sphere) has made good progress on developing its three major resource areas in the Quarter, with successful resource and water exploration programmes. It is anticipated that the drilling work will cease in Q3 2013, and the focus in country will shift to sample processing and resource modelling work, project approvals and commercial agreements.

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

The El Aouj Pre-Feasibility Study (PFS) has progressed during the Quarter with geology, mining, geotechnical and metallurgical test work activities continuing. Engineering studies have progressed and critical data is being compiled in preparation for the options analysis phase of the study.

To support the El Aouj East PFS, a total of 9,782 metres was drilled during the Quarter (876 metres of reverse circulation (RC) and 8,906 metres of diamond core (DC)). Drilling is progressing well and a total of 91,813 metres (48,690 metres of RC and 43,123 metres of DC) has been completed of the planned 93,000 metre program. Sphere is managing the drilling on behalf of the two joint venture partners under a contract with the El Aouj Mining Company (EMC).

### **El Aouj East**

- A Geotech drilling program of approximately 3,800 metres has been completed. All boreholes have been surveyed with the Acoustic Televiewer (ATV) and data processing is in progress.
- Interim resource estimations on part of the deposit to satisfy the PFS requirements are in progress.

### **El Aouj Centre**

- A total of 21,260 metres (10,897 metres of RC and 10,363 metres of DC) has been drilled to date.

### **Tintekrate**

- All drilling has been completed and the total drilling for the project was 20,852 metres (14,468 metres of RC and 6,384 metres of DC). Progress for the Quarter was 194 metres of DC drilling.
- All samples have been processed in the laboratory and validations completed.
- The database has been submitted for resource estimations.

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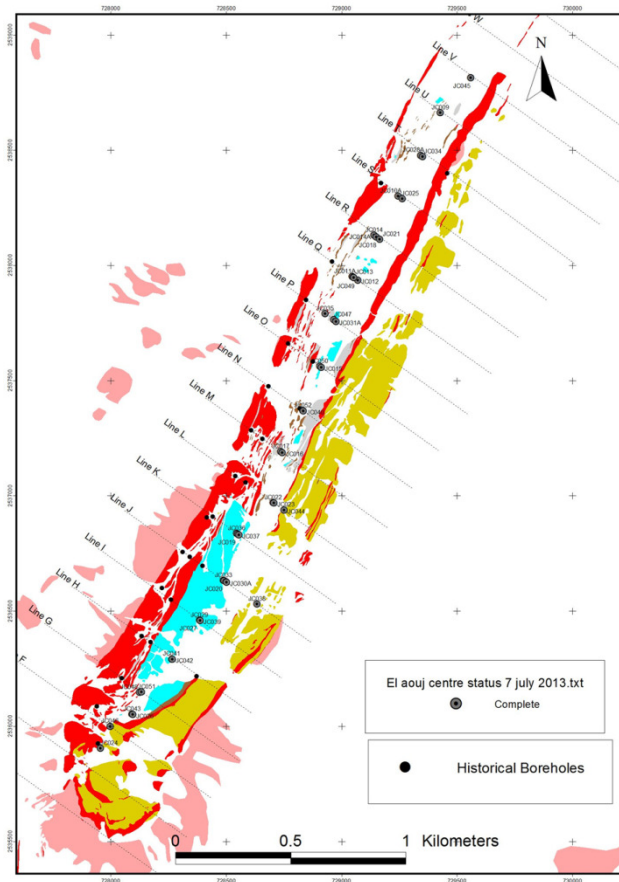


Figure 1: Drill location map of the el Aouj Centre deposit.

## Askaf Iron Ore Project (Sphere 90%)

### Askaf North

- The Feasibility Study for a sinter fines blend (SFB) magnetite concentrate operation has continued as we further define the engineering for capital construction estimation purposes.
- Negotiations have continued with Societe Nationale Industrielle et Miniere (SNIM) on the Rail and Port Agreement to transport the product from the mine site and load it onto ships at the Port of Nouadhibou.
- Sphere has prepared an Environmental and Socio-Economic Impact Assessment (ESIA) report for the Askaf Project which has been submitted to the Government of Mauritania to gain Authorisation for Mining Exploitation Works for the Project. The report is undergoing Ministerial review and Public Inquiry as required by Mauritanian law. The ESIA includes a description of existing baseline conditions against which detailed consideration of potential impacts upon surface and groundwater, air, noise, soils and land use, ecology and biodiversity, socio-economics,

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archaeology and cultural heritage, landscape and traffic are outlined. In consideration of the potential impacts, the ESIA study involved undertaking detailed baseline surveys to establish the baseline conditions and meetings and consultation with communities. The key findings of the ESIA relate to groundwater, archaeological and socio-economic effects.

## **Askaf Centre, East and Western Guelbs**

- The current drilling program at the Askaf Centre, East and Western deposits has been completed and samples are planned to be processed in Q4 2013.

## **Water Exploration Program**

- A water exploration program is in progress on the water exploration tenements granted to Sphere in 2012.
- An airborne Electro-Magnetic (EM) survey has been completed and the results of the survey were used to locate areas of water potential.
- A ground resistivity survey followed and a number of potential drill targets were identified.
- Drilling for water bearing aquifers is in progress and to date eighteen holes have been completed. The current program is to drill approximately twenty four exploration boreholes and to prepare up to five boreholes as production holes for pump test purposes.
- A water exploitation permit has been applied for in view of the encouraging drill results.

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

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

### ***Competent Person's' Statement***

*The Competent Person responsible for the geological interpretation (wireframe model), and the drill hole dataset used in the resource estimation of the Askaf North Magnetite Deposit is Dr Schalk van der Merwe, the fulltime Exploration Manager of 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 2013

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'ooo	Year to date 6 months) \$A'ooo
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(11,249)	(29,546)
(b) development	-	-
(c) production	-	-
(d) administration	(215)	(254)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	168	522
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(11,296)</b>	<b>(29,278)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(114)	(174)
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)	-	-
<b>Net investing cash flows</b>	<b>(114)</b>	<b>(174)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(11,410)</b>	<b>(29,452)</b>

+ 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)	(11,410)	(29,452)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(11,410)	(29,452)
1.20	Cash at beginning of quarter/year to date	29,517	47,559
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>18,107</b>	<b>18,107</b>

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	27
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

Director Fees

### 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

Nil

+ See chapter 19 for defined terms.

**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

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- 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
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### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	40,000	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	16,287
4.2 Development	-
4.3 Production	-
4.4 Administration	49
<b>Total</b>	<b>16,336</b>

### 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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	10,030	3,491
5.2 Deposits at call	8,077	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	26,026
<b>Total: cash at end of quarter (item 1.22)</b>	<b>18,107</b>	<b>29,517</b>

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+ 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	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**

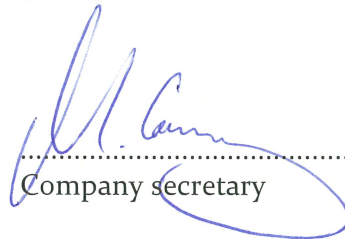
**Mining exploration entity and oil and gas exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil			
7.7	<b>Options</b> <i>(description and conversion factor)</i>	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	<b>Debentures</b> <i>(totals only)</i>	Nil			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:

  
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 Company secretary

Date: 31 July 2013

Print name: Matthew Conroy

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+ See chapter 19 for defined terms.



## 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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