



**RELEASE DATE:** 28 November 2008

**TO:** Manager Companies  
Australian Securities Exchange  
Company Announcements Office

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**RE:** Managing Director's AGM Address

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Dear Sir/ Madam

This past year has been turbulent, with a widespread economic and financial crisis affecting global credit, stockmarkets, commodities, and world growth prospects. The near collapse of these markets, in culmination with other events outside our control, has affected the value of all of our shareholdings in Sphere.

Whilst the short-term outlook for the financial and commodities markets appears dire, there are economic forecasts pointing to improved economic conditions in the second half of next year.

Notwithstanding the prevailing financial market conditions, I firmly believe that we remain owners of some of the world's best large scale iron ore assets that can be readily developed.

Let me begin by covering some of the major events of the year for the company.

In February we completed the DFS on the Guelb el Aouj Project. The DFS highlighted the robust economics of the project and quality of the resource. The Project is a world class magnetite resource which is initially expected to produce 7 million tonnes of DR grade pellets per annum from the proven reserves at Guelb el Aouj East Deposit. The Project has potential for staged expansions up to 28 Mt/a, based on the extensive resources within the 30 year mining licence, and adaptations to the existing mining, plant, and transport infrastructure.

Of longer term importance during the year was the further discovery of gas offshore Mauritania by the consortium led by Malaysian oil and gas company, Petronas. Future development of gas in Mauritania has the potential to significantly improve operating costs, and therefore the attractiveness of the company's extensive iron ore assets.

Following the completion of the DFS, we mobilised our exploration team to the company's 100%-owned Lebtheinia deposit, which is located inland from Nouadhibou, the deep water iron ore port in Mauritania, and 48km south of the iron ore railway owned and operated by SNIM.

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At Lebtheinia we set up a 120 personnel exploration camp with two drilling teams on a 24x7 roster and with a fully equipped geological laboratory on site working 12 hours shifts. During the campaign 51,000m of RC drilling was completed in 174 boreholes.

Lebtheinia Centre Deposit, one of four deposits in two licenses, has the potential to support a 30 Mt/a blast furnace pellet operation for over 25 years. A JORC Code compliant maiden resource statement for Lebtheinia Centre is due early next month.

In August there was a change of Government in Mauritania. Whilst it is not company policy to comment or engage in political events in Mauritania, I can reassure shareholders that the political change did not affect Sphere's operations in Mauritania (or any other mining or petroleum group's operations for that matter), however, it did unnerve Western investors for a short time. It should also be noted that SNIM has been exporting iron ore uninterrupted since the 1960s and their operations have been unaffected by Government changes.

Qatar Steel's withdrawal from the Guelb el Aouj joint venture also occurred in August however the political events in Mauritania at the time had nothing to do with their withdrawal. Sphere and SNIM had been negotiating with Qatar Steel for some time and were unable to reach agreement on key terms for the joint venture. Despite our inability to transact, our relations with Qatar Steel, who is also a major shareholder, and other members of the Arab Iron and Steel Union, such as Hadeed (Sabic), remain very strong.

Following the termination of negotiations with Qatar Steel, SNIM and Sphere selected UBS investment bank (London) to manage the process of identifying an industry partner to acquire a strategic stake in the Guelb el Aouj Project.

The requisite informal process of gauging market interest in the Guelb el Aouj Project has now been completed by UBS. Project information for those deemed capable of advancing the project is scheduled to be dispatched to interested parties at the end of next week. Formal engagement with these interested parties will commence thereafter, leading to indicative offers expected early in the New Year. I wish to reconfirm that several major industry participants capable of undertaking the development of the Guelb el Aouj project have expressed interest in acquiring a strategic stake in the Project.

I also wish to re-assure shareholders that Sphere is in a strong financial position. The company has \$23 million in cash and no debt. All work on the Guelb el Aouj DFS and drilling at Lebtheinia has been completed and we are taking stringent budget measures on operational and administrative expenditures in order to preserve cash during this period of economic and financial uncertainty. We will now focus attention on introducing partners to assist in the development of our projects.

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We will continue to do all that we can to enhance Sphere's projects in Mauritania with the ultimate aim of realising fair and reasonable value for our company's assets. Unfortunately, the inherent value of the company's strong iron ore asset position in Mauritania is not reflected in the company's share price today. I am however confident that we will;

- (i) ride out these prevailing conditions and emerge stronger when markets improve, and
- (ii) achieve fair value for these high quality assets.

Thank you all for your enduring support and patience.

Yours sincerely,



Alexander Burns

Managing Director