

SPHERE MINERALS LIMITED

A SUBSIDIARY OF
GLENCORE

ASX ANNOUNCEMENT

26 May 2016

SPHERE MINERALS LIMITED (ASX:SPH) CEO'S ADDRESS AT ANNUAL GENERAL MEETING

In accordance with ASX listing rule 3.13.3, below is the prepared CEO's address to be presented at the Annual General Meeting today:

Good afternoon ladies and gentlemen.

The year ended 31 December 2015 was an extremely challenging year for Sphere Minerals Limited as development of the company's main project, Askaf, was deferred.

In 2015, Sphere reported a net loss from continuing operations after income tax of US\$14.0 million, compared to a loss of US\$311.9 million for the year ended 31 December 2014. The 2015 loss reflects the finance costs of the related party loan and administration costs incurred during the year mainly for the rights issue in October 2015.

The decision to defer development of Askaf and put exploration activities on hold for all projects was made in response to a collapse in global iron ore prices. During the year, the Iron Ore Iodex 62% CFR China benchmark price continued to fall, ending the year at a historic low of \$38 per tonne in China. Overall, prices dropped by more than 40% in 2015, following almost a 50% drop in 2014. This is due to a number of factors, but mainly associated with the increased tonnage from the majors and an easing in Chinese steel consumption.

At this stage, economic modelling indicates that there is no prospect for profitable development and the company has acted accordingly to minimise losses.

As reported in September 2015, the company has entered into an exclusive option agreement with Al Rawda Resources Limited (Al Rawda) to purchase an 80% interest in Sphere Mauritania SA, the entity which owns the Askaf Project. Al Rawda are continuing with the due diligence process and the option period has been extended to 30 September 2016. The purchase price payable if the option is exercised is US\$10.0 million in cash plus a life of mine royalty of 2.5% of FOB revenue. The sell down of Askaf will result in Sphere holding only a non-controlling interest in this asset however the Directors believe the transaction with Al Rawda will provide the

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best chance of the project being developed and returning value to Sphere's shareholders.

Askaf Project

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

In Q4 2015, Sphere announced that Askaf North Ore Reserves have been reduced to zero, a reduction of 232 Mt from the prior reporting period at 31 December 2014.

Guelb el Aouj

The Guelb el Aouj resource remains Sphere's most significant project in which it owns 50%, through the El Aouj Mining Company (EMC), together with SNIM.

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

Throughout the year, the following activities were progressed by EMC:

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

EMC is currently evaluating proposals for a Front End Engineering Design Study that would advance the project.

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

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Lebtheinia Project

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

In Closing

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

The company successfully raised new equity totalling A\$205.1 million in October 2015, with the ongoing support of its major shareholder, Glencore. This allowed the company to repay its loan and will fund the operations until the end of 2016.

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

ENDS