



Mineral Commodities Ltd

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Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2004

MINERAL COMMODITIES LIMITED (MRC)

HIGHLIGHTS

- **Xolobeni Mineral Sands Project.**
 - South African Consultants GCS engaged to undertake Social and Environmental Studies in the lead up to the application for the Mining Right scheduled to be lodged later in 2005.
 - Interested and Affected Parties meetings held in conjunction with XolCo during November and December 2004, with the Amadiba Tribal community, local council and district municipality indicating the project has a very strong support base.

- **Tormin Zircon Project**
 - Environmental Impact Assessment (EIA) and Environmental Management Plan Report (EMPR) were submitted to the Department of Minerals and Energy in December 2004, pursuant to the Prospecting Right Application lodged in August 2004.

PROJECT DEVELOPMENT

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

(Operated in South Africa under TEM, a subsidiary of MRC)

The Xolobeni Project is a major heavy mineral sands deposit of 346 million tonnes at 5.0% heavy mineral (using 1% cut off) located in South Africa 200 km south of Durban. It is a significant deposit in global terms due to its strategic location. Pre-feasibility work on the Project demonstrates a 22 year life of mine for a US\$200 million capital development including the construction of a mineral separation plant (MSP) and smelter in South Africa's Eastern Cape Province.

Current Project activities include preparation for the Mining Right Application and ongoing Community Consultation and Development Programmes.

Mining Right Application.

In consideration of a review of the new South African Minerals Act 2002 (MPRD Act) the company has made the decision to carry out the environmental monitoring work at Xolobeni under a Prospecting Right. This work is part of the EIA and will include setting up field programmes to collect and establish baseline environmental data over one full seasonal cycle, to be submitted with the Mining Right Application.

This decision has been taken as a consequence of a limitation in the MPRD Act that allows only 180 days to submit the EIA study for a Mining Right Application. This conflicts with the needs of an EIA study to run over a full year. The procedural solution under the MPRD Act is to undertake the EIA under the umbrella of a Prospecting Right and then lodge the Mining Right Application.

The application for the Mining Right is planned to be lodged in the second half of 2005. Although it sets the Mining Right Application back several months, this approach should provide a clearer and better transition for processing of the application.

The following groups have been engaged to provide services, information and assist with the preparation for the Mining Right Application.

Groundwater Consulting Services (GCS), a Johannesburg based company specialising in water, environmental and earth science studies was appointed in November 2004 to commence the Social and Environmental Studies required for the Mining Right Application.

Bateman South Africa has been engaged to provide process information and engineering support to the environmental consultants.

A major South African transport company is preparing a proposal for the heavy mineral concentrate (HMC) and product transport options.

Eskom, the South African government electricity supply company has been requested to submit a preliminary proposal to supply power to the project.

AMC Consultants has completed a Preliminary Mine Plan in preparation for the Mining Right Application.

Community Consultation and Development Programmes.

MRC/TEM and XolCo, the local community based BEE company, continue to lobby for development of the project at local, regional and national government levels. All levels of government are keen to see these type of projects go ahead to help stimulate economic development in some of the poorest areas in South Africa.

Recent Interested and Affected party meetings held in November and December 2004 showed grass roots support for the project is very strong.

Community development programmes continue at Xolobeni;

- Agriculture and food production in the form of assistance to small scale farming.
- Education, with support of teachers for young children and adult literacy.
- A study bursary for a Xolobeni community member to enroll for a degree in environmental science. He will also be involved in the EIA monitoring work in 2005 as part of his training.
- Another young Xolobeni community member has joined the project's Media/PR Company in Johannesburg.

In line with the MPRD Act, TEM and XolCo continue to implement training, skills transfer and mentoring programs as part of the Socio Economic Empowerment Charter.

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

The Tormin mineral sands project is a zircon rich beach deposit located on the west coast of South Africa, approx 400km north of Cape Town. The deposit is situated approx 14km north of the mouth of the Olifants River and south of the Anglo Base Metals' Namakwa Sands operation at Brand se Baai. The heavy mineral deposits occur along a 12km long, 100m wide beach, to a maximum depth of 12m. The predominant heavy minerals are zircon, ilmenite and garnet, with pyroxene, rutile, and leucoxene also contained in the heavy mineral assemblage.

Current project activities include the Prospecting Right Application and the Bankable Feasibility Study being undertaken by Bateman.

Prospecting Right Application.

A new Prospecting Right Application for Tormin, under the MPRD Act, was submitted to the Department of Minerals and Energy (DME) in August, 2004. The DME requested that a current EIA and EMPR be completed for the Prospecting Right Application for the northern section of the Tormin tenement. This work involved full public participation and the completed report was submitted on 24 December 2004. In accordance with the MPRD Act the DME should respond within 120 days.

Bankable Feasibility Study (BFS)

Bateman delivered an interim report which covered;

- process water supply, fuel, power requirements and manning levels.
- preliminary plant layouts and designs
- process design flow-sheet.
- testwork on producing a premium garnet product.

Work continues on the process design and testwork, with the BFS expected to be completed by mid 2005.

TREKELANO COPPER PROJECT, QUEENSLAND AUSTRALIA

MRC has granted an option to Placer Pacific Osborne Pty Ltd (Placer) to acquire MRC's interest in certain tenements in the Mt Isa district (MDL 85 and MLAs 90125 and 90128) at any time on or before 23 October 2006. Placer has paid the Second Option payment of \$90,000 which keeps the Option current until 23 October 2005. At that time Placer may extend the Option until 23 October 2006 by the payment of a further \$100,000. Placer may purchase the mining titles at any time by the payment of \$800,000.

CORPORATE

INVESTMENT IN ALLIED GOLD LIMITED (ASX listed : ALD)

Allied Gold Limited (ALD) is a listed gold exploration company whose principal asset is the Tabar Islands Gold Project in Papua New Guinea. This comprises a 50% interest in the Simberi Mining JV (SMJV) (hosting gold resources of 1.59 million ounces of gold) and a 99% interest in the Tabar Exploration JV (TEJV). ALD has announced that it is in the process of acquiring the remaining 50% of the SMJV and 1% of the TEJV from the other participant, Canadian listed Simberi Gold Corporation.

During the quarter convertible notes advanced to ALD by MRC with a value of \$738,971 were converted into 4,805,446 ALD shares. MRC holds a direct interest in 15.9% of ALD's issued shares and 12.4% of its options.

The market value of MRC's share and option holdings at 28 January 2005 was \$3.2 million.

INVESTMENT IN ASSET BACKED HOLDINGS LIMITED (ASX listed : ABK)

Asset Backed Holdings Limited (ABK) is a listed company whose principal asset is a controlling interest in the Christmas Island phosphate mine. ABK owns 43.6% of Phosphate Resources Limited (PRL), the owner and operator of the phosphate mine. PRL has been operating the mine for 14 years and has consistently earned revenue in excess of AUD\$40 million per annum over the past 7 years. PRL's estimated remaining mine life is 5 years.

MRC holds a direct interest in 14.8% of ABK which has a market value of \$1.2 million at 28 January 2004.

INVESTMENT IN EREBUS PLC (to be listed London AIM)

MRC has supported the development of Erebus PLC as a seed capital investor. Erebus has been formed to further the exploration and development of the Kariba Kono diamond project in Sierra Leone. The Kariba Kono project involves the re-treatment of an oversize tailings dump of a former 23 year mining operation, and exploration of diamondiferous gravels in the upper Moinde river in Sierra Leone.

Erebus plans to list on the London AIM market and MRC expects to have a holding of 20% at listing.

CASH AND MARKETABLE SECURITIES

At 31 December 2004 MRC held \$1.0 million in cash with a further \$4.4 million in marketable securities (ALD, ABK).

SECURITIES ON ISSUE

MRC did not issue any new securities in the quarter, and currently has on issue;

54,028,760 fully paid ordinary shares

18,008,971 options expiring 30 June 2007 exercisable at \$0.30

Mark Caruso
Managing Director
+618 9353 4890

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended

31 Dec 2004

Consolidated statement of cash flows

	Current quarter \$'000	Year to date (12 months) \$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(81)	(1,742)
1.3 Dividends received	(236)	(876)
1.4 Interest and other items of a similar nature received	17	119
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	90	91
Net Operating Cash Flows	(210)	(2,408)
Cash flows related to investing activities		
1.8 Payment for purchases of (a) prospects (b) equity investments (c) investment in associate (d) fixed assets	(262)	(1,063)
	(283)	(516)
	(4)	(52)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		140
1.10 Loans to other entities	(110)	(1,026)
1.11 Loans repaid by other entities		
1.12 Repayment of term deposits		
Net investing cash flows	(659)	(2,517)
1.13 Total operating and investing cash flows (carried forward)	(869)	(4,925)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(869)	(4,925)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		2,114
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		
	Net financing cash flows	-	2,114
	Net increase (decrease) in cash held	(869)	(2,811)
1.20	Cash at beginning of quarter/year to date	1,908	3,846
1.21	Exchange rate adjustments to item 1.20	2	6
1.22	Cash at end of quarter	1,041	1,041

Payments to directors of the entity and associates of the directors

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

		Current quarter \$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	23
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$15,000 is directors' fees for non-executive directors.
\$8,000 is consulting fees paid to Mr Greg Steemson.

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

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 \$'000	Amount used \$'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$'000
4.1 Exploration and evaluation	300
4.2 Development	-
Total	300

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 \$'000	Previous quarter \$'000
5.1 Cash on hand and at bank	1,041	1,908
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Bank Bill	-	-
Total: cash at end of quarter (item 1.22)	1,041	1,908

Changes in interests in mining tenements

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

Appendix 5B
Mining exploration entity quarterly report

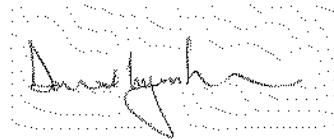
Issued and quoted securities at end of current quarter

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases – issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	54,028,760	54,028,760		
7.4 Changes during quarter (a) Increases through issues – option conversions (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases - issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	18,008,971	18,008,971	<i>Exercise price</i> \$0.30	<i>Expiry date</i> 30/6/2007
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures				
7.12 Unsecured notes				

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 31 January 2005

Print name:

David Lymburn

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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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