



## **Mineral Commodities Ltd**

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Australian Stock Exchange  
Company Announcements Office

### **QUARTERLY ACTIVITIES REPORT**

### **FOR THE PERIOD ENDED 30 JUNE 2005**

### **MINERAL COMMODITIES LIMITED (MRC)**

#### **HIGHLIGHTS**

- The Xolobeni EIA and EMP for prospecting was submitted to the Department of Minerals and Energy (DME) in April 2005 (further to the Prospecting Right Application (PRA) submitted in February 2005).
- Preliminary capital cost estimates for Tormin received from Bateman Minerals with internal review in progress.

#### **PROJECT DEVELOPMENT**

##### **XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)**

Activity during the quarter has resulted in the submission of the Environmental Management Plan for continued prospecting activities. The Company is well prepared on the successful granting of the Prospecting Right Application to expedite the project development critical path items.

##### **Prospecting Right Application (PRA).**

The Environmental Management Plan (EMP) for the project was submitted in support of the PRA in terms of section 39 and regulation 52 of the Minerals and Petroleum Resources Development Act 2002 (Act 28 of 2002).

This included the Company's EMP which outlines the procedures for all site based fieldwork at Xolobeni. All staff and contractors will have to adhere to these procedures in order to minimise community and environmental disturbance and aim to achieve international best practice.

The EMP was submitted to the regional offices of the DME in Port Elizabeth on 26 April 2005. The document will now be reviewed by the regional office and sent for comment to all the associated and relevant government departments. According to the schedule

prescribed in the Act, the Company should be notified within 120 days (23 August 2005) if the EMP is approved.

According to media reports the SA National Roads Agency has confirmed that the application for the new N2 toll road has been re-submitted to Department of Environmental Affairs and Tourism (DEAT). This is a positive move by the developers and local government who want to see meaningful projects initiated, that will bring long term benefits to an impoverished area. Development of this improved infrastructure is positive for the ultimate development of the Xolobeni Mineral Sands Project.

#### Xolobeni Black Empowerment and Consultation.

The local Amadiba community have continued to lobby local and national government departments as well as ministers in relation to the lack of transformation and economic development in the Pondoland area. They have now formed a representative consultative forum whereby the communities can voice their opinion on development projects in the area. This positive move will allow the community to openly support the project.

Community support continues with the adult education programme, bursary for a Xolobeni student to study environmental science as well as a community member participating in a work experience programme in Johannesburg.

#### **TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)**

The activity level at Tormin has been tempered in line with the permitting approval process with the major event being receipt of the first draft of the feasibility capital cost estimates from Bateman Minerals.

#### Prospecting Right Application.

The 120 day statutory review period for the DME to respond to the EIA/EMP for prospecting came up on 25 April 2005. No response has been received to date from the DME who are now technically in breach of the Act. The Company and Bateman Africa as our BEE partner have written to the Regional Director of the DME in Cape Town requesting clarity on the reasons for the delays in the application and future timing of responses from the department.

#### Bankable Feasibility Study (BFS)

The preliminary report from Bateman Minerals with the first estimates of capital costs to accuracy of +/- 25-30% was received.

The primary wet concentration plant (WCP) has been designed in modular form. The process facilities will consist of a feed preparation area, including a spiral beneficiation circuit, a water recovery system, de-watering and stacking system, a tails disposal system and a system to handle the MSP tailings. The plant is skid mounted and less than 6 metres wide. The nominal feed to the plant will be 340 tph.

Heavy mineral concentrate (HMC) from the WCP will be trammed to the mineral separation plant (MSP) by articulated dump trucks. HMC will be fed into the plant at 40 tph, the plant

will have a dry non-mag cleaning circuit, non-mag wet gravity circuit, a rutile and zircon dry and wet cleaner circuits.

Also included in the costs are fixed and mobile infrastructures.

These preliminary costs estimates are currently being reviewed to produce a 10% accurate model for capex and opex that meets the Company's investment criteria.

TZMI of Perth has been commissioned to undertake a market research on the Hi Ti and zircon products.

The Tormin Feasibility Study is currently undergoing a final technical review and assessment with the Company hopeful that the results can be released in due course to the market.

### **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 an 85% interest in the Simberi Oxide Gold Project and 100% interest in all other exploration and mineral properties on the Tabar Islands. ALD is working towards the completion of an Optimised Feasibility Study for development of the Simberi Oxide Gold Project.

MRC holds a direct interest in 12.8% of ALD's issued shares and 12.4% of its options. The market value of MRC's share and option holdings at 28 July 2005 was \$4.2 million.

#### **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 approximately 20% at listing. MRC has been advised the listing of Erebus is now scheduled for September 2005 (previously advised June 2005).

**CASH AND MARKETABLE SECURITIES**

At 30 June 2005 MRC had \$1.0 million in cash with a further \$4.4 million in marketable securities (ALD and others). In aggregate this represents 10 cents per MRC share.

**SECURITIES ON ISSUE**

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

54,029,124 fully paid ordinary shares  
18,008,607 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

30 June 2005

### Consolidated statement of cash flows

|                                                                                                                         | Current quarter<br>\$'000 | Year to date<br>(6 months)<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------|
| <b>Cash flows related to operating activities</b>                                                                       |                           |                                      |
| 1.1 Receipts from product sales and related debtors                                                                     |                           |                                      |
| 1.2 Payments for (a) exploration and evaluation<br>(b) development<br>(c) production<br>(d) administration              | (165)                     | (340)                                |
| 1.3 Dividends received                                                                                                  |                           |                                      |
| 1.4 Interest and other items of a similar nature received                                                               | 26                        | 38                                   |
| 1.5 Interest and other costs of finance paid                                                                            |                           |                                      |
| 1.6 Income taxes paid                                                                                                   |                           |                                      |
| 1.7 Other                                                                                                               |                           |                                      |
| <b>Net Operating Cash Flows</b>                                                                                         | <b>(473)</b>              | <b>(852)</b>                         |
| <b>Cash flows related to investing activities</b>                                                                       |                           |                                      |
| 1.8 Payment for purchases of (a) prospects<br>(b) equity investments<br>(c) investment in associate<br>(d) fixed assets | (352)                     | (880)                                |
| 1.9 Proceeds from sale of: (a) prospects<br>(b) equity investments<br>(c) other fixed assets                            | (3)                       | (3)                                  |
| 1.10 Loans to other entities                                                                                            |                           |                                      |
| 1.11 Loans repaid by other entities                                                                                     | 71                        | 1,722                                |
| 1.12 Repayment of term deposits                                                                                         |                           |                                      |
| <b>Net investing cash flows</b>                                                                                         | <b>(284)</b>              | <b>839</b>                           |
| 1.13 Total operating and investing cash flows (carried forward)                                                         | <b>(757)</b>              | <b>(13)</b>                          |

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |                                                            |            |            |
|------|------------------------------------------------------------|------------|------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (757)      | (13)       |
|      | <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                                                      |            |            |
|      | <b>Net financing cash flows</b>                            | -          | -          |
|      | <b>Net increase (decrease) in cash held</b>                | (757)      | (13)       |
| 1.20 | Cash at beginning of quarter/year to date                  | 1,775      | 1,041      |
| 1.21 | Exchange rate adjustments to item 1.20                     | (21)       | (31)       |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>997</b> | <b>997</b> |

**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<br>\$'000 |
|------|------------------------------------------------------------------|---------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 24                        |
| 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.  
\$9,000 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<br>\$'000 | Amount used<br>\$'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                | -          |
| <b>Total</b>                   | <b>300</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<br>\$'000 | Previous quarter<br>\$'000 |
|--------------------------------------------------|---------------------------|----------------------------|
| 5.1 Cash on hand and at bank                     | 997                       | 1,775                      |
| 5.2 Deposits at call                             | -                         | -                          |
| 5.3 Bank overdraft                               | -                         | -                          |
| 5.4 Bank Bill                                    | -                         | -                          |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>997</b>                | <b>1,775</b>               |

**Changes in interests in mining tenements**

|     | Tenement<br>reference | Nature of interest<br>(note (2))                              | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>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**

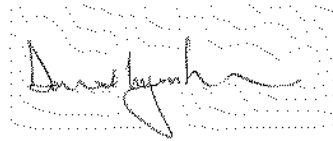
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

|                                                                                                                                        | Total number | Number Quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|-----------------------------------------------|--------------------------------------------------|
| 7.1 <b>Preference +securities</b><br><i>(description)</i>                                                                              |              |               |                                               |                                                  |
| 7.2 Changes during quarter<br>(a) Increases – issues<br>(b) Decreases through returns of capital, buy-backs, redemptions               |              |               |                                               |                                                  |
| 7.3 <b>+Ordinary securities</b>                                                                                                        | 54,029,124   | 54,029,124    |                                               |                                                  |
| 7.4 Changes during quarter<br>(a) Increases through issues – option conversions<br>(b) Decreases through returns of capital, buy-backs | 364          | 364           | \$0.30                                        | \$0.30                                           |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>                                                                        |              |               |                                               |                                                  |
| 7.6 Changes during quarter<br>(a) Increases - issues<br>(b) Decreases through securities matured, converted                            |              |               |                                               |                                                  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>                                                                       | 18,008,607   | 18,008,607    | <i>Exercise price</i><br>\$0.30               | <i>Expiry date</i><br>30/6/2007                  |
| 7.8 Issued during quarter                                                                                                              |              |               |                                               |                                                  |
| 7.9 Exercised during quarter                                                                                                           | 364          | 364           | \$0.30                                        | 30/6/2007                                        |
| 7.10 Expired during quarter                                                                                                            |              |               |                                               |                                                  |
| 7.11 <b>Debentures</b>                                                                                                                 |              |               |                                               |                                                  |
| 7.12 <b>Unsecured notes</b>                                                                                                            |              |               |                                               |                                                  |



## 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: 29 July 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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