



Mineral Commodities Ltd

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Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2005

MINERAL COMMODITIES LIMITED (“MRC” or “the Company”)

HIGHLIGHTS

- R45 million empowerment agreement signed with Ehlobo Heavy Minerals
- Xolobeni EMP signed by the DME officially allowing work to commence on the EIA.
- Sale of Trekelano project to Placer completed
- Investment in Allied Gold Limited increases in value
- Placement to raise \$960,000 working capital completed

SOUTH AFRICAN BLACK ECONOMIC EMPOWERMENT (BEE)

During the quarter the Company signed a Heads of Agreement with Ehlobo Heavy Minerals (EHM) that will lead to EHM paying a purchase consideration of R10.0 million and committing to fund up to R35.0 million for a 50.5% interest in wholly owned South African subsidiary, MRC Resources (Pty) Ltd, the holding company for the Xolobeni and Tormin projects.

The Heads of Agreement provides for a period of due diligence prior to entering into a formal Shareholders Agreement. Due diligence has been completed in respect of the Tormin project and the parties have agreed due diligence on the Xolobeni project is to be completed by 31 March 2006. The Shareholders Agreement will include, among other things, an agreed expenditure programme for the R35 million commitment, to be spent within a three year term, commencing in March 2006.

The sole shareholder of EHM is Umcebo Holdings (Pty) Ltd. EHM is a fully compliant BEE company (30% of its shareholdings being held by broad-based women groupings) in terms of the Mineral and Petroleum Resources Development Act as well as the Broad-based Socio Economic Empowerment Charter of South Africa.

Umcebo Holdings and Umcebo Mining are involved in and have interests in mining activities in the Witbank Coal Fields with major deposits in the Wonderfontein and Delmas area of South Africa.

The formation of this alliance with EHM will establish MRC Resources (Pty) Ltd as a fully compliant BEE company, and compliments the Xolobeni local empowerment alliance formed with XoCo (Xolobeni Empowerment Company).

The BEE agreement with Bateman Africa (Pty) Ltd in relation to the Tormin Mineral Sands project was terminated by consent.

With completion of due diligence on the Tormin project, and as partial fulfilment of the empowerment alliance with EHM, the parties have agreed for EHM to invest up to R11.0 million to acquire a 50% direct investment in the Tormin project company, Mineral Sands Resources (Pty) Ltd. This represents the first R11.0 million out of the total R45 million, and is subject only to the grant of the new order Prospecting Right for Tormin.

BEE compliance is a pre-condition to obtaining mining right approval under the South African Mineral and Petroleum Resources Development Act and the Charter.

PROJECT DEVELOPMENT

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

Prospecting Right.

The Xolobeni Prospecting Right was formally approved and registered in early November 2005.

The Environmental Management Plan (EMP) for the project was also approved by the Department of Minerals and Energy in terms of the Mineral Resources and Petroleum Resources Development Act 2002 (Act 28 of 2002).

The EMP outlines the procedures for all site based fieldwork at Xolobeni. All project 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 project's environmental consultants GCS (Pty) Ltd have been instructed to commence the socio-economic condition determination early in 2006. This will involve open discussions with all interested and affected parties within the local and regional communities, provincial authorities, researchers and consultants who have worked in the area.

A report will be compiled outlining the social and economic conditions of the area including the identification of key needs, such as infrastructure, water, health care, education and employment. This information is critical in developing the social and labour plan for the Mining Right Application.

Xolobeni Black Empowerment and Consultation.

The local Amadiba community and XoCo, the project's community based BEE partner, have continued to support the project. Various meetings between community leaders, committees and the Wild Coast Development Forum have been held to update all parties

on the recent Prospecting Right approvals and the planned work programme for the EIA in 2006. The regional and local municipalities have expressed their satisfaction that the approvals have come through.

Community support by the Company 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. This will continue during 2006.

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Prospecting Right Application.

The Prospecting Right Application for the Tormin project is pending approval subject to the Ehlobo agreement being accepted by the DME. Approval of the Prospecting Right will allow preparation of the Mining Right Application to commence. Environmental consultants GCS (Pty) Ltd have a prepared work programme for 2006 to undertake the necessary studies to prepare the document for submission later this year.

Feasibility Study

The initial independent technical review of the Bateman feasibility study has indicated that opportunities exist for considerable savings in engineering costs. The independent reviewer has made some valuable recommendations concerning production rates and plant capacity as well as spiral loadings. Their report and recommendations are currently being reviewed by the Company.

The TZMI market report reviewed product quality and market suitability as well assessment of potential markets for the proposed products from the project. TZMI indicated several market options that would be readily available for the products.

TREKELANO COPPER PROJECT, QUEENSLAND AUSTRALIA

During the quarter the Company completed the sale of the Trekelano Copper Project to Placer Pacific (Osborne) Pty Ltd. After having earlier paid option fees of \$200,000, Placer paid \$750,000 at settlement to complete the purchase.

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 the Simberi Oxide Gold Project and all exploration property on the Tabar Islands. ALD has completed an Optimised Feasibility Study for of the Simberi Oxide Gold Project and is now working towards securing project finance and the appointment of an EPCM engineer to undertake construction and development of the project.

ALD has announced mineable reserves at the Simberi Oxide project of 616,000 ozs, with a further 96,000 ozs of in-pit resource.

MRC is the largest shareholder in ALD holds a direct interest in 12.4% of ALD's issued shares and 12.2% of its listed options.

The market value of MRC's share and option holdings at 30 January 2006 was \$9.5 million (previous quarter reported \$5.5 million).

INVESTMENT IN EREBUS PLC (to be listed London AIM)

MRC has continued its support for the development of Erebus PLC as a seed capital investor during the quarter. Erebus was 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 old mining operation, and exploration of diamondiferous gravels in the upper Moinde River in Sierra Leone.

Erebus is in the final stages of its listing on the London AIM market. Placing letters have been dispatched and a Completion Meeting is scheduled for Thursday 2 February, 2006 with listing to occur soon afterwards. At listing MRC expects to have a shareholding of approximately 9.7% of the expanded issued capital of Erebus.

INVESTMENT IN BLACKHAWK OIL & GAS LIMITED

During the quarter the Company advised that, via its wholly owned subsidiary Blackhawk Oil & Gas Limited, it had entered into an exclusive Participation Purchase Option Agreement with Chasel Energy of Salt Lake City, Utah, USA . The Agreement provides Blackhawk with drill rights over 1,800 acres in the Green River, Wasatch and Mesaverde-Blackhawk formations in the Monument Butte Oil Field on well lease J&J 29-2 including Sections 23, 25, 26 and 27 .

Blackhawk shall also have a first right of refusal to participate in future developments on approximately 3,200 drillable acres in the Altamont and Bluebell Oil & Gas Fields subject to any existing right to participate which may exist under previous agreements or by regulation.

Blackhawk has the right to acquire a 50% participating interest in lease J&J 29-2 and all participants shall share in 75% of lifetime net revenues (50% of 75%) in the Green River, Wasatch and Mesaverde-Blackhawk Formations to the total depth drilled on a completed turnkey basis.

Interpretation of original electric logs from a well drilled in this location in 1954 has identified over 30 zones bearing natural gas. It is proposed to drill a new well adjacent to the original well to target the same and deeper zones.

The formation of Blackhawk was undertaken to take advantage of the emerging growth in oil and gas prices in the USA by drill testing the leases in the Monument Butte Field which previously may have been lacking in geological information or were previously considered uneconomic due to poor drilling, development and well stimulation techniques.

Subject to the Chasel assets meeting strict due diligence criteria it is the Company's intention to seek a listing of Blackhawk Oil & Gas Limited on ASX to raise the funds required to undertake the drill program, provide working capital and meet the costs of the issue.

The Company has engaged independent experts to undertake an initial due diligence and to prepare an independent technical expert's report. The Company awaits the results from that report before proceeding.

CASH AND MARKETABLE SECURITIES

At 31 December 2005 MRC had \$0.9 million in cash with a further \$9.0 million in marketable securities (ALD and others). In aggregate this represents 16.0 cents per MRC share.

SECURITIES ON ISSUE

MRC issued 8,000,000 new shares in the quarter, and currently has on issue;

62,029,124 fully paid ordinary shares

18,008,607 options expiring 30 June 2007 exercisable at \$0.30

Mark Caruso
Managing Director
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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 December 2005

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	(128)	(603)
(b) development	-	-
(c) production	-	-
(d) administration	(243)	(1,017)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	59
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	(6)	6
Net Operating Cash Flows	(370)	(1,555)
Cash flows related to investing activities		
1.8 Payment for purchases of		
(a) prospects	(150)	(150)
(b) equity investments	(5)	(55)
(c) investment in associate	(805)	(1,829)
(d) fixed assets	(2)	(8)
1.9 Proceeds from sale of:		
(a) prospects	750	750
(b) equity investments	137	1,874
(c) other fixed assets	-	-
1.10 Loans to other entities	(67)	(67)
1.11 Loans repaid by other entities	-	-
1.12 Repayment of term deposits	-	-
Net investing cash flows	(142)	515
1.13 Total operating and investing cash flows (carried forward)	(512)	(1,040)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(512)	(1,040)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	960	960
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	960	960
	Net increase (decrease) in cash held	448	(80)
1.20	Cash at beginning of quarter/year to date	466	1,041
1.21	Exchange rate adjustments to item 1.20	23	(24)
1.22	Cash at end of quarter	937	937

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	26
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$16,350 is directors' fees for non-executive directors.
\$9,600 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	200
4.2 Development	-
Total	200

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	937	466
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Bank Bill	-	-
Total: cash at end of quarter (item 1.22)	937	466

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

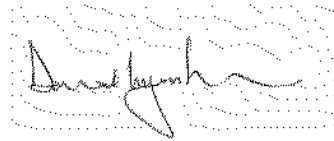
Issued and quoted securities at end of current quarter

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	62,029,124	62,029,124		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,000,000	8,000,000	\$0.12	\$0.12
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>	18,008,607	18,008,607	<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: 30 January 2006

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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