



Mineral Commodities Limited

ABN 39 008 478 653

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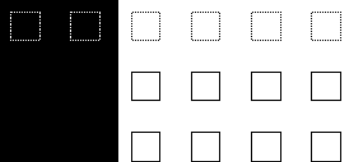
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31 DECEMBER 2005

Annual Report

Corporate Directory

Directors	Joseph Anthony Caruso – Non-Executive Chairman Mark Victor Caruso – Managing Director Gregory Hugh Steemson – Non-Executive Director
Company Secretary Registered Office	David Andrew Lymburn Level 1 Unit 15 51-53 Kewdale Road Welshpool Western Australia 6106 Telephone: (61 8) 9353 4890 Facsimile: (61 8) 9353 4894 Email: info@mncom.com.au Website: www.mncom.com.au
Solicitors	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000
Auditors	BDO Chartered Accountants 256 St Georges Terrace Perth, Western Australia 6000
Share Registry	Security Transfer Registrars Pty Limited 770 Canning Highway Applecross, Western Australia 6953 Telephone: (61 8) 9315 0933 Facsimile: (61 8) 9315 2233
Bankers	Australia & New Zealand Banking Group Ltd 77 St Georges Terrace Perth WA 6000
Stock Exchange Listing	The Company is Listed on the Australian Stock Exchange Limited under ASX Code – MRC



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Chairman's Letter

Dear Shareholders,

Last year I wrote of the frustration the Company had experienced throughout 2004 as we and the South African Department of Minerals and Energy grappled with the transitional provisions of the new Minerals and Petroleum Resources Development Act.

I am now pleased to say that two of the highlights of the past 12 months have been the granting of new order Prospecting Rights for the Xolobeni and Tormin projects.

The other significant development affecting both projects is the formation of the BEE alliance with Ehlobo Heavy Minerals (EHM). Once settled EHM will own 50.1% of the company which controls ownership of the two projects and we will have agreed on a funding program of up to Rand 35.0 million (approximately A\$8.0 million), to be spent over three years. This amount of funding should enable both projects to reach the stage of submitting Mining Right Applications within the three year expenditure timeframe.

BEE compliance is a pre-condition to obtaining mining right approval under the South African Mineral and Petroleum Resources Development Act and the Charter. As it affects our projects this means a minimum of 50.1% ownership by historically disadvantaged South Africans.

Having secured legal tenure under the new legislation, and a BEE compliant alliance partner with funding to move both project's development to the Mining Right stage, I can report with more confidence this year that we are taking real steps towards the goal of mining these projects.

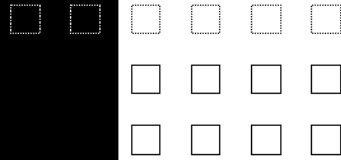
In terms of other corporate and investment activity it also gives me pleasure to report on the continued success of the Company's investment in Allied Gold Limited. Whilst our percentage interest has fallen to 7.6% as a result of ALD's expanding shareholder base, I am pleased to report that our investment has risen to \$9.59 million at the date of writing. Mineral Commodities Limited is still one of the larger shareholders and this represents a strategic stake in a highly regarded emerging gold producer.

In the project development pipeline we also have interests in a diamond tailings dump re-treatment project in Sierra Leone, and in a potential onshore gas exploration project in Utah, USA. By this time next year I look forward to reporting on further success in these new ventures.

Overall, we have made good progress this year in developing shareholder value. Our core projects are moving forward, and our main investment asset has increased in value more than 100%. On top of this we are planting the seeds of other new and exciting prospects.

In closing, as always I would like to express my appreciation and thank my fellow Board members and staff for their perseverance and dedication.

Joseph A. Caruso
Chairman



Review of Operations

XOLOBENI MINERAL SANDS PROJECT, SOUTH AFRICA

Location and resource description

The Xolobeni mineral sands deposit is located in the Eastern Cape Province of South Africa approximately 300 kilometres north of East London and 200 kilometres south of Durban. The area is the home of the Xhosa speaking Amadiba Tribal Community, the traditional landowners.

Through its South African subsidiary Transworld Energy and Minerals Resources (SA) (Pty) Limited (TEM), Mineral Commodities Limited is the holder of a granted Prospecting Right issued under the Minerals and Petroleum Resources Development Act 2002.

The current tenement area is approximately 22 kilometres long and 1,500 metres wide and covers approximately 3,000 hectares within the Xolobeni area. The area consists of three main dune systems which range from 25m to 95m above sea level. The resource is divided into five blocks bounded by the Mzamba, Mpahlane, Mnyameni, Kwanyana, Sikombe and Mtentu Rivers that dissect the permit area. Each block is named after the river defining the southern boundary. The current extent of mineralisation proposed to be mined takes in about 855ha of the tenement area.

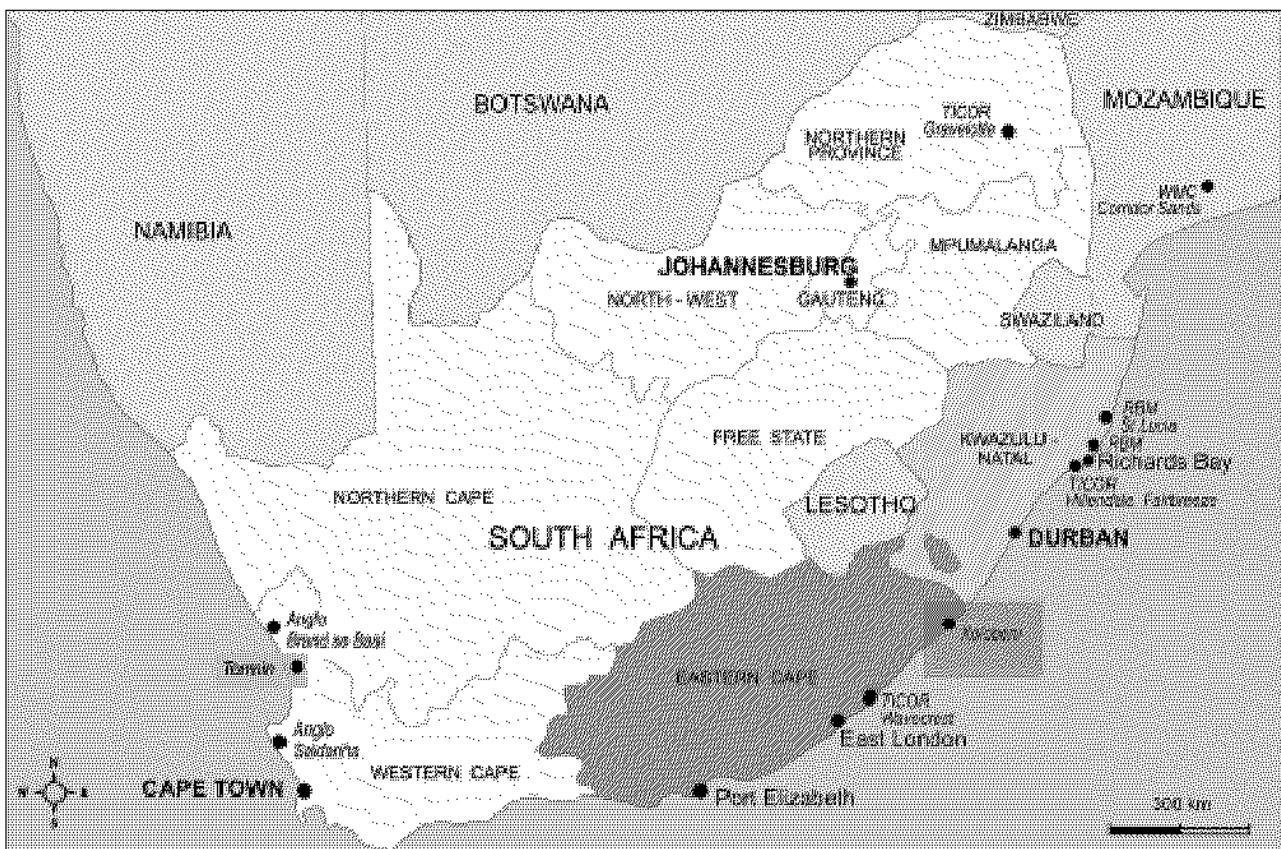


Figure 1. Location of Xolobeni and Tormin projects.

Review of Operations (continued)

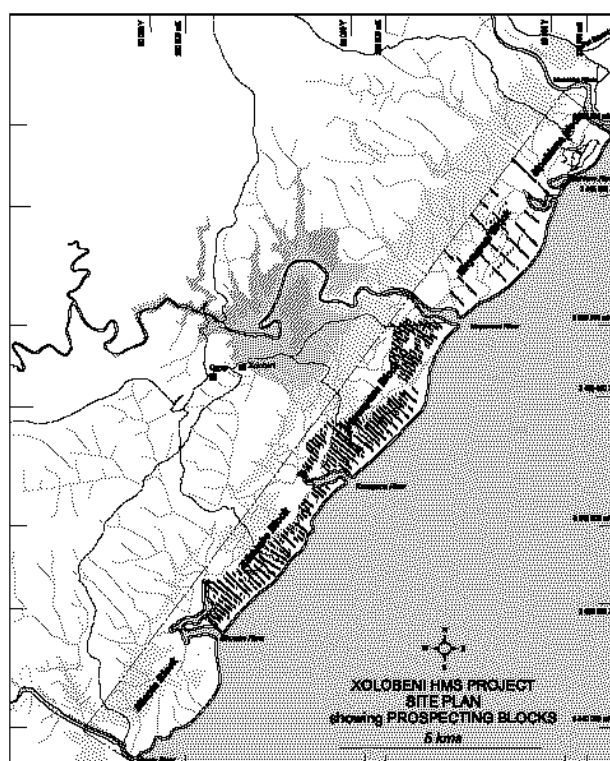


Figure 2. Xolobeni Project Site Plan.

The mineralised sands occur within recent sands and remnant red beds of Pleistocene Berea Formation. The predominant valuable heavy mineral is ilmenite, the feedstock for titanium slag production. Rutile, zircon and leucoxene add significantly to the value of the deposit.

Between June and November 2002 a detailed drilling programme over the Sikombe, Kwanyana and Mnyameni blocks was completed. The results were assessed according to the JORC code by SRK Consulting, and used to complete a Resource Estimation Report and Desktop Mining Study. The Xolobeni mineral resource is estimated to be 346 million tonnes of sand containing nine million tonnes of ilmenite. Of this total resource 65% is in the measured category. It is the tenth largest mineral sands resource in the world. The mining study concluded that the Xolobeni mineral sand deposit is economically viable with a mine life of some 25 years.

Project status and development

The Company prepared and lodged a new order Prospecting Right Application in February 2005, and an environmental management programme (EMP) to cover the prospecting and socio-environmental activities was submitted in April 2005.

The Prospecting Right was granted in October 2005, for a 5 year term, and the EMP was also approved.

TABLE 1 RESOURCE ESTIMATE SUMMARY

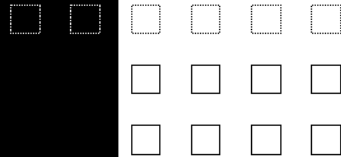
Resource Classification	Tonnes (Mt)	HM Grade (HM%)
Measured	224	5.7
Indicated	104	4.1
Inferred	18	2.3
TOTAL RESOURCE	346	5.0

TABLE 2 XOLOBENI BLOCK RESOURCE DATA

Area	Resource Status	Tonnes (Mt)	% HM	% Fines	% Ilm ⁽²⁾
Mtentu	Not drilled				
Sikombe	Measured	85	5.5	17.9	3.1
Kwanyana	Measured	139	5.8	19.6	3.1
Mnyameni	Indicated	104	4.1	28.1	2.2
Mpahlane	Inferred	18	2.3	28.0	1.6
TOTAL		346	5.0	22.2	2.7

(1) All tonnages are based on a 1% HM cut-off grade.

(2) The reported percentage of ilmenite is a magnetic fraction of the THM.



Review of Operations (continued)

Since granting of the Prospecting Right work has commenced on the Social and Labour Plan and other components of the Environmental Impact Assessment (EIA). The EIA will form part of a Mining Right Application in due course.

The Company has appointed the South African environmental consultants GCS (Pty) Ltd to carry out the necessary environmental and social studies as required by the MPRD Act, and has also appointed Australian based RPS Bowman Bishaw Gorman to ensure the environmental works meet international best practice standards.

There was no new exploration activity undertaken in the year.

In summary the Xolobeni Mineral Sands Project is an advanced exploration project with a defined resource, and is in the process of establishing the socio-economic benefits and environmental impacts of development.

In November 2005 the Company entered a Heads of Agreement with Ehlobo Heavy Minerals (EHM) to form a corporate Black Economic Empowerment (BEE) alliance, further details of which are provided below.

In terms of this alliance EHM have agreed to match Mineral Commodities Limited historical expenditure on its two South African projects, up to a limit of Rand 35.0 million.

For Xolobeni, this expenditure commitment means the Company will be enabled to proceed with a full feasibility study and Mining Right Application (MRA). The Company and EHM envisage this next development phase (to achieve a granted MRA) may take 2 to 3 years.

Socio-economic aspects

Because of the impoverished nature of the area, any potential new development is viewed with great interest and the Xolobeni Mineral Sands Project is no exception.

Consultation is ongoing with local, regional and national governmental departments in order to link common development plans for the area.

In October 2003 the Company formed an empowerment partnership with Xolobeni Empowerment Company (Pty) Ltd (XolCo) a community based company. XolCo has hosted many of the visits to the area and represented the Company at most meetings. Upon settlement of the corporate BEE arrangement with EHM (further details below) XolCo will retain the right to acquire a 10% direct interest in the project company TEM for US\$8 million.

The local Amadiba community has been briefed regularly on developments with the project and continues to actively support the Company and XolCo in their efforts to secure the mining rights.

Key issues facing the local community are the creation of jobs, reduction in poverty, elimination of illiteracy, provision of water, power and transport and the determination of sustainable land use. The community's continued concern over the accelerating degradation of the area in terms of top soil erosion, wet land destruction and uncontrolled indigenous bush clearing for firewood has been brought to the attention of key government departments. All parties agree that mining is one activity than can stop the degradation and bring in the required infrastructure, jobs and wealth.

Xolobeni resource statement

The Xolobeni resource statement included in this report was prepared by Mr Daniel Guibal (SRK Consulting), a competent person as defined under the JORC code.

Review of Operations (continued)

TORMIN MINERAL SANDS PROJECT

Location and resource description

The Tormin mineral sands prospect is a small beach deposit located on the rugged west coast of South Africa, approx 400km north of Cape Town. The deposit is situated approx 14km north of the Olifants River and south of the Anglo Base Metals' Namakwa Sands operation at Brand se Baai (Figure 3). The heavy mineral deposits have accumulated along the ~ 12km long, 100m wide beach, to a maximum depth of 12m, and are still being supplemented through erosion of a heavy mineral enriched, 25m thick paleo-beach terrace situated 35m above current sea level. The predominant heavy mineral is garnet with ilmenite, pyroxene, zircon, rutile, and leucoxene contained in the heavy mineral assemblage.

As the heavy mineral placer deposits overlie diamond bearing gravel beds a feasibility study into mining the beach deposits and extracting both diamonds and heavy minerals was undertaken by Trans Hex Operations (Pty) Ltd (THG), a South African diamond producer in 1992. In 2002 the Company signed an agreement with THG that allows the Company to apply for a mineral sands Prospecting Permit. Under this agreement THG agreed to support the Company's application for the Permit and in turn THG will retain the rights to any diamond production from the area. Preliminary assessment based on the THG resource estimate indicates a resource that would yield a high quality (ceramic grade) zircon and high Ti product.

Mineral Commodities Limited holds its interest in the Tormin project through South African subsidiary Mineral Sands Resources (Pty) Ltd (MSR).

Project status and development

In late 2003 the Company applied for a Prospecting Permit over the available area of the known resources and following the introduction of the MRPD Act a revised Prospecting Right Application (PRA) was submitted in August 2004. An environment management plan (EMP) was submitted in December 2004.

The Prospecting Right was granted in March 2006 and the related EMP was also approved.

The Company has an agreement with the holder of a Mining Permit that covers part of the heavy mineral sand resource and will allow the Company to purchase those rights. This will consolidate the Company's rights over the full extent of the deposit.

Bateman Minerals (Pty) Ltd was engaged in a prior period to undertake a feasibility study for the project, and this was delivered in the June 2005 quarter. It then became the subject of internal review and independent technical review. The independent review indicated that opportunities exist for cost savings, and has also indicated possible changes to the configuration of processing plant.

Similarly to the Xolobeni project, the BEE arrangement with EHM and the commitment of funding to match Mineral Commodities Limited's historical expenditure, underpins the completion of feasibility study reviews and preparation for Mining Right Application, leading to project development.

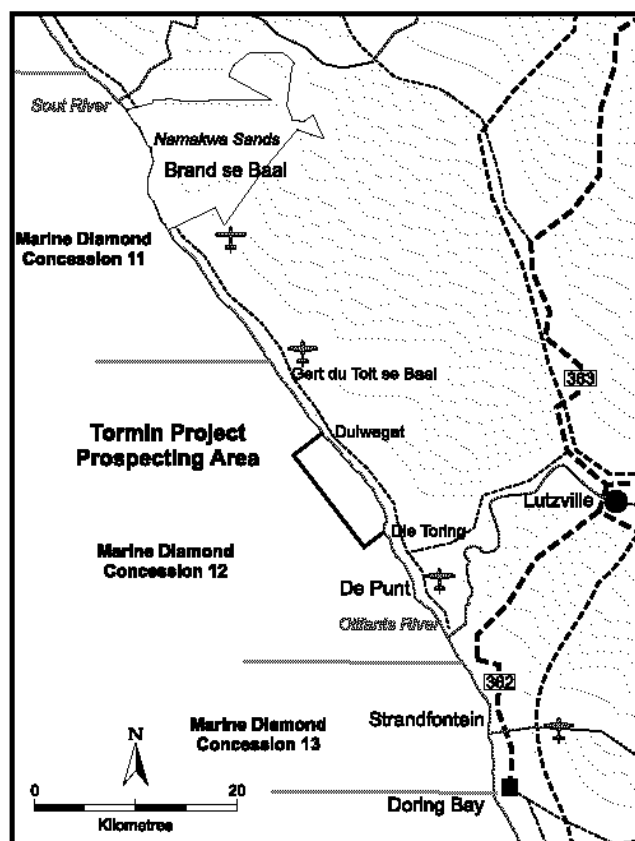
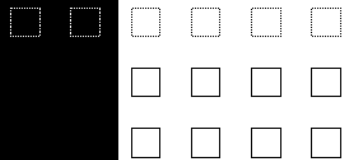


Figure 3. Location of the Tormin prospecting permit application in relation to existing regional infrastructure.



Review of Operations (continued)

Environmental matters

The approach to mine and plant design has been to optimise the mineral resource and minimise damage to ecologically sensitive areas. This approach has been well received by the local Department of Environmental Affairs and Tourism.

Socio-economic aspects

The Company will undertake a detailed social and labour plan as part of the feasibility study and local communities have been identified that would benefit from the project.

The Company had previously entered into an option agreement with Bateman Africa (Pty) Limited, a 51% BEE-owned affiliate of South African-based international engineering group Bateman Minerals (Pty) Ltd, in which Bateman Africa could acquire a 15% interest in MSR, the entity that holds the Tormin project. In October 2005 this option agreement was terminated by mutual consent.

SOUTH AFRICAN BLACK ECONOMIC EMPOWERMENT (BEE) ALLIANCE WITH EHLOBO HEAVY MINERALS (EHM)

In November 2005 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 50.1% interest in wholly owned South African subsidiary, MRC Resources (Pty) Ltd, the holding company for the Xolobeni and Tormin projects.

On 31 March 2006 EHM submitted a Continuation Notice, signifying the successful conclusion of due diligence and formalising the constitution of the BEE Alliance. The relationship between the parties will be documented in a Shareholders Agreement which 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 XolCo (Xolobeni Empowerment Company).

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

OTHER PROJECTS AND INVESTMENTS

INVESTMENT IN ALLIED GOLD LIMITED

At the beginning of the 2005 financial year the Company held a 16.7% investment in emerging gold producer Allied Gold Limited, at a market value of \$3.35 million. The Company has continued its support of Allied Gold during 2005, purchasing additional shares on market. At the date of this Annual Report the Company's interest in Allied Gold is 7.6% (reduction due to issue of shares to others) with a market value of \$9.59 million.

Review of Operations (continued)

INVESTMENT IN KARIBA KONO DIAMONDS, SIERRA LEONE

Mineral Commodities Limited is a seed capital investor in Erebus plc, a UK based company with plans to develop and re-treat an oversize tailings dump of a former 23 year diamond mining operation in the Kariba Kono district of Sierra Leone. That company also has plans to explore diamondiferous gravels in the upper Moinde River in Sierra Leone. Erebus had planned to list on the UK Alternative Investment Market of the London Stock Exchange but due to repeated delays that listing was abandoned. Mineral Commodities Limited is a major shareholder in Erebus, owning 26.3%, and with Erebus having shelved its IPO plans, Mineral Commodities Limited is reviewing other possibilities for this investment.

INVESTMENT IN BLACKHAWK OIL AND GAS LIMITED

During the second half of the year the Company, via its wholly owned subsidiary Blackhawk Oil & Gas Limited, entered into an exclusive Participation Purchase Option Agreement with Chasel Energy of Salt Lake City, Utah, USA. The Agreement provides Blackhawk with drill rights and rights to acquire participating interests in properties in the Monument Butte region of Utah, USA.

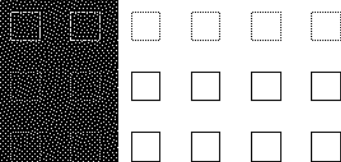
The formation of Blackhawk was undertaken to take advantage of the emerging growth in oil and gas prices in the USA by drill testing the leases in the Monument Butte Field which previously may have been lacking in geological information or were previously considered uneconomic due to poor drilling, development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

TREKELANO COPPER PROJECT, QUEENSLAND, AUSTRALIA

During the second half of the year 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.



Directors' Report

The Directors present their report together with the financial report of Mineral Commodities Limited ("the Company") and its controlled entities for the year ended 31 December 2005.

DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

- Mr Joseph A Caruso – Chairman
- Mr Mark V Caruso – Non Executive Director
- Gregory Hugh Steemson – Non Executive Director

DIRECTORS' INFORMATION

Joseph Anthony Caruso

Chairman

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Construction Manager of Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts. Mr Caruso has been a director of Mineral Commodities Limited since September 2000.

Mark Victor Caruso

Non Executive Director

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has been a director of Mineral Commodities Limited since September 2000. He is also a Director of Allied Gold Limited and CI Resources Limited. Former directorships of public listed companies in the last 3 years are Fortescue Metals Group Limited from June 2002 until November 2003 and ORT Limited from August 2003 until August 2005.

Gregory Hugh Steemson

Non Executive Director

Mr Steemson is a qualified Geologist and Geophysicist with an extensive background in exploration, development and management of mining projects. Mr Steemson has been a Director of the Company since April 2001. Mr Steemson is also a Director of Allied Gold Limited and Sandfire Resources Limited. Former directorships of public listed companies in the last 3 years is Fortescue Metals Group Limited from June 2002 until July 2003.

COMPANY SECRETARY

David Andrew Lymburn ACA

Mr Lymburn has been the Company Secretary of Mineral Commodities Limited since December 2001. He is a Chartered Accountant with over twenty years experience in accounting and corporate management roles, both in the accounting profession and in the commercial sector. He has served as company secretary and CFO of a number of small to medium sized public listed companies.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was exploration for mineral sands and other mineral resources. This has mainly involved exploration and evaluation of the Xolobeni Mineral Sands Project in the Eastern Cape Province of South Africa, and the Tormin Mineral Sands Project in the Western Cape Province of South Africa.

CONSOLIDATED RESULTS

The loss of the consolidated entity after income tax and outside equity interests was \$618,413 (2004: Loss of \$1,139,406).

DIVIDENDS

No dividends have been paid, declared or recommended for payment, in respect of the current financial year.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Review of Operations is included elsewhere in this Annual Financial Report.

ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities, the Company adheres to environmental regulations imposed upon it by the relevant regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements up to the date of this report.

Directors' Report (continued)

SCHEDULE OF MINING TENEMENTS

Mining tenements currently held by the economic entity are:

Area	Entity holding the interest	% Held	Title	Status
Xolobeni – South Africa	Transworld Energy & Minerals Resources	100	New order Prospecting Right	Granted
Tormin – South Africa	Mineral Sands Resources	100	New order Prospecting Right Geelwal Karoo 262	Granted

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Share Capital

In November 2005 the Company issued 8,000,000 shares in a placement, to raise \$960,000.

Options

The total number of unissued ordinary shares under option at the date of this report is 18,008,607. There were no new options granted, or options converted in the period.

DIRECTORS' SHAREHOLDING INTERESTS

The relevant interest of each director in the share capital of the Company, shown in the Register of Directors' Shareholding at the date of the Directors' Report is:

Director	Number of Shares	Number of Options
J A Caruso	9,256,015	3,085,338
M V Caruso	9,268,642	3,089,547
G H Steemson	210,000	53,333

J A Caruso and M V Caruso are both directors of Zurich Bay Holdings Pty Ltd, which holds 9,256,015 shares and 3,085,338 options in the Company.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's directors held during the year and the number of meetings attended by each director are:

Directors	Directors Meeting	
	Attended	Maximum Possible
J A Caruso	2	2
M V Caruso	2	2
G H Steemson	2	2

DIRECTORS' AND EXECUTIVE'S REMUNERATION

The Board determines remuneration packages applicable to the Board members and senior executives of the Company. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Non-executive directors do not receive any performance related remuneration. None of the directors are engaged under formalised employment contracts.

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emolument are shown in the following table.

There were no other specified executive officers or key management personnel of the Company.

Further details of the remuneration of the Directors are given in note 23 to the financial statements.

Directors' Report (continued)

	Directors' fees	Salary & benefits	Superannuation contributions	Consulting	Termination payments	Total
	\$	\$	\$	\$	\$	\$
Directors						
J A Caruso	30,000	~	2,700	~	~	32,700
M V Caruso	22,500	~	2,025	8,250	~	32,775
G H Steemson	~	~	~	40,000	~	40,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the year, the Company has paid an insurance premium in respect of a contract indemnifying the parent entity's directors. This contract prohibits disclosure of the nature of the liability and the amount of the premium.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mineral Commodities Limited adhere to strict principles of corporate governance. The Company's Corporate Governance statement is included before the Additional ASX Information section of the Annual Financial Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings, other than to the extent the Company's insurers have certain interests and rights in respect of insurance policies in relation to the matter of a train derailment as described in note 28 to the accounts.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS.

This financial report has been prepared under Australian equivalents to IFRS. A reconciliation between previous GAPP and Australian equivalents to IFRS has been included in note 30 of this report.


AUDITORS' INDEPENDENCE DECLARATION

The Auditors' Independence Declaration on page 49 forms part of the Directors' Report for the year ended 31 December 2005. This relates to the audit report, where they state that they have issued an Independent Declaration.

NON-AUDIT SERVICES

The Company's auditors have not provided any non-audit services during or since the end of the financial year.

This report has been made in accordance with a resolution of the Directors.



Mark V Caruso
Managing Director
 Perth, Western Australia
 31 March 2006

Income Statements

for the year ended 31 December 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue	2	1,395,889	753,080	1,799,975	646,230
Exploration and evaluation costs		(266,483)	(273,486)	(208,833)	(223,486)
General & administration expenses		(1,308,483)	(1,306,430)	(991,577)	(1,087,981)
Share of net result of associates using the equity method	11	(423,712)	(326,631)	--	--
Profit/(Loss) before income tax expense	3	(602,789)	(1,153,467)	599,565	(665,237)
Income tax expense	4	--	--	--	--
Profit/(Loss) after income tax expense		(602,789)	(1,153,467)	599,565	(665,237)
(Profit)/Loss attributable to attributable to minority equity interest	12	(15,624)	14,061	--	--
Profit/Loss after income tax expense attributed to members of the parent entity	19	(618,413)	(1,139,406)	599,565	(665,237)
Overall operations					
Basic (loss) earnings per share (cents)	20	(1.1)	(2.2)		
Diluted earnings per share (cents)	20	n/a	n/a		

At 31 December 2005 there are no potentially dilutive ordinary shares and therefore diluted earnings per share has not been calculated.

The income statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets

as at 31 December 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	937,261	1,040,763	906,967	1,012,103
Trade and other receivables	6	283,296	655,609	2,199,217	1,198,000
Financial assets	7	465,409	1,578,521	465,409	1,578,521
Other current assets	8	12,889	68,944	12,889	68,944
Total Current Assets		1,698,855	3,343,837	3,584,482	3,857,568
NON-CURRENT ASSETS					
Trade and other receivables	13	-	-	3,461,020	2,696,597
Investments accounted for using the equity method	11(a)	3,218,232	1,813,430	4,028,141	2,199,627
Financial assets	11(b)	-	-	100,003	3
Property, plant and equipment	9	52,825	99,687	47,230	62,442
Exploration & development expenditure	10	7,749,010	7,305,511	-	781,947
Total Non-Current Assets		11,020,067	9,218,628	7,636,394	5,740,616
Total Assets		12,718,922	12,562,465	11,220,876	9,598,184
CURRENT LIABILITIES					
Trade and other payables	14	191,577	215,339	179,547	122,824
Short term provisions	15	25,361	18,957	25,361	18,957
Total Current Liabilities		216,938	234,296	204,908	141,781
NON-CURRENT LIABILITIES					
Long term borrowings	16	-	54,710	-	-
Deferred tax liabilities	15	89,488	93,760	-	-
Total Non Current Liabilities		89,488	148,470	-	-
Total Liabilities		306,426	382,766	204,908	141,781
NET ASSETS		12,412,496	12,179,699	11,015,968	9,456,403
EQUITY					
Issued capital	17	23,001,718	22,041,718	23,001,718	22,041,718
Reserves	18	2,743,593	2,613,651	-	-
Accumulated losses	19	(13,467,155)	(12,848,742)	(11,985,750)	(12,585,315)
Parent interest		12,278,156	11,806,627	11,015,968	9,456,403
Minority equity interest	12	134,340	373,072	-	-
TOTAL EQUITY		12,412,496	12,179,699	11,015,968	9,456,403

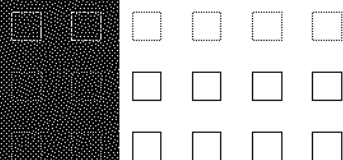
The balance sheets are to be read in conjunction with the notes to the financial statements.

Cash Flow Statements

for the year ended 31 December 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Exploration expenditure	10	(760,342)	(1,741,614)	(103,556)	(431,108)
Interest received		43,681	118,856	43,206	109,756
Payments to suppliers & employees		(1,001,597)	(943,702)	(530,933)	(693,391)
Sundry Income		690	103,437	690	13,437
Net cash generated from (used in) operating activities	25(a)	(1,717,568)	(2,463,023)	(590,593)	(1,001,306)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment	9	(8,044)	(52,253)	(7,768)	(39,308)
Purchase of equity investments		(50,133)	(1,062,929)	(50,133)	(1,062,929)
Purchase of further investment in associate	11(a)	(1,828,514)	(516,089)	(1,828,514)	(516,089)
Proceeds from sales of investments		1,874,042	140,466	1,874,042	140,466
Proceeds from sale of mining project		860,001	-	-	-
Investment in controlled entities	11(b)	-	-	(100,000)	-
Loans advanced to controlled entities		-	-	(220,756)	(1,210,534)
Loan advance to associate		-	(500,000)	-	(500,000)
Loans to other entities		(141,414)	(527,569)	(141,414)	(300,000)
Net cash generated by (used in) investing activities		705,938	(2,518,374)	(474,543)	(3,488,394)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of shares	17	960,000	2,114,415	960,000	2,114,415
Net cash generated by financing activities		960,000	2,114,415	960,000	2,114,415
Net increase (decrease) in cash held		(51,630)	(2,866,982)	(105,136)	(2,375,285)
Cash at beginning of financial year		1,040,763	3,845,888	1,012,103	3,387,388
Difference arising from movements in foreign currency		(51,872)	61,857	-	-
Cash at end of financial year	5	937,261	1,040,763	906,967	1,012,103

The cash-flow statements are to be read in conjunction with the notes to the financial statements.



Statement of Changes in Equity

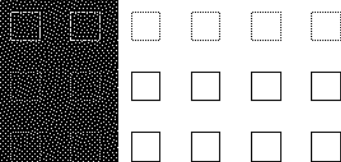
Consolidated entity	Issued capital	Accumulated losses	Share premium reserve	Foreign currency translation reserve	Minority interests	Total equity
For the year ended 31 December 2005	\$	\$	\$	\$	\$	\$
At the beginning of the year	22,041,718	(12,848,742)	2,242,034	371,617	373,072	12,179,699
Loss for the period	-	(618,413)	-	-	15,624	(602,789)
Issue of share capital	960,000	-	-	-	-	960,000
Exercise of options	-	-	-	-	-	-
Share issue to minority interests	-	-	-	-	54,710	54,710
Acquisition of minority interests	-	-	309,066	-	(309,066)	-
Movement for the year	-	-	-	(179,124)	-	(179,124)
At the end of the year	23,001,718	(13,467,155)	2,551,100	192,493	134,340	12,412,496

Parent entity	Issued capital	Accumulated losses	Total equity
For the year ended 31 December 2005	\$	\$	\$
At the beginning of the year	22,041,718	(12,585,315)	9,456,403
Profit for the period	-	599,565	599,565
Issue of share capital	960,000	-	960,000
Exercise of options	-	-	-
At the end of the year	23,001,718	(11,985,750)	11,015,968

Statement of Changes in Equity (continued)

Consolidated entity	Issued capital	Accumulated losses	Share premium reserve	Option reserve	Foreign currency translation reserve	Minority interests	Total equity
For the year ended 31 December 2004	\$	\$	\$	\$	\$	\$	\$
At the beginning of the year	19,691,552	(11,709,336)	2,242,034	235,751	-	387,133	10,847,134
Loss for the period	-	(1,139,406)	-	-	-	(14,061)	(1,153,467)
Issue of share capital	423,471	-	-	-	-	-	423,471
Exercise of options	1,690,944	-	-	-	-	-	1,690,944
Transfer from option reserve upon conversion of options	235,751	-	-	(235,751)	-	-	-
Movement for the period	-	-	-	-	371,617	-	371,617
At the end of the year	22,041,718	(12,848,742)	2,242,034	-	371,617	373,072	12,179,699

Parent entity	Issued capital	Accumulated losses	Option reserve	Total equity
For the year ended 31 December 2004	\$	\$	\$	\$
At the beginning of the year	19,691,552	(11,920,078)	235,751	8,007,225
Loss for the period	-	(665,237)	-	(665,237)
Issue of share capital	423,471	-	-	423,471
Exercise of options	1,690,944	-	-	1,690,944
Transfer from option reserve upon conversion of options	235,751	-	(235,751)	-
At the end of the year	22,041,718	(12,585,315)	-	9,456,403



Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This financial report is for Mineral Commodities Limited as the parent entity, and Mineral Commodities Limited and controlled entities, as the consolidated entity. Mineral Commodities Limited is an Australian domiciled public listed company.

This general purpose financial report for the year ended 31 December 2005 has been prepared in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report is the first Mineral Commodities Limited financial report to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. Financial statements of the Company until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Company's financial report for the year ended 31 December 2005, management has amended certain accounting valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. Where applicable the comparative figures were restated to reflect these adjustments. Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the consolidated entity's equity and its net income are given in note 30.

The financial report of Mineral Commodities Limited and controlled entities, and Mineral Commodities Limited as an individual parent entity, comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB1 relating to AASB:132 Financial Instruments Disclosure and Presentation, and AASB 139: Financial Instruments Recognition and Measurement. Refer to note 30 for further details.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all controlled entities of Mineral Commodities Ltd ("Company" or "parent entity") as at 31 December 2005 and the results of its controlled entities for the year then ended. Mineral Commodities Ltd and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Notes to the Financial Statements (continued)

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest and other income is recognised as it accrues.

(d) Taxes

Income taxes

The charge for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

The income tax expense for the year is calculated using the 30% tax rate.

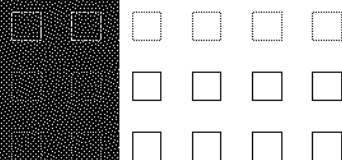
Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



Notes to the Financial Statements (continued)

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows;

- Assets and liabilities translated at year-end exchange rates prevailing at that reporting date.
- Income expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(f) Acquisitions of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

Where the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated.

Notes to the Financial Statements (continued)

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Acquisition

Items of plant and equipment are initially recorded at cost and depreciated as outlined below.

Depreciation of Plant and Equipment

Plant and equipment are depreciated at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3-10 years.

Disposal of Assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profit reserve.

(h) Exploration and Development Expenditure

Costs incurred during the exploration and development stages of specific areas of interest are accumulated. Such are only carried forward if they are expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves. Costs are written off as soon as an area has been abandoned or considered to be non-commercial or provided against where an area is considered non-commercial at the period end.

Once production commences, expenditure accumulated in respect of areas of interest is amortised on a unit of production basis over the life of the total proven economically recoverable reserves. Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration and evaluation expenditure. Costs recognised after the commencement of production in areas of interest will be charged to the profit and loss statement.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the asset concerned.

Notes to the Financial Statements (continued)

(i) Investments

Interests in – Controlled Entities

Investments in controlled entities are carried in the Company's financial report at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Company's profit and loss statement when they are declared by the controlled entities.

Other Financial Assets

Investments in listed companies held for re-sale are marked to market value at the end of the financial period, and the resultant net gain or loss is recognised in the Income Statement.

Investments in associates

Associates are those entities over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associate's net profit or loss is recognised in the consolidated statement of financial performance from the date the significant influence commences until the date the significant influence ceases.

(j) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Notes to the Financial Statements (continued)

(k) Financial Instruments (continued)*Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

Derivative Instruments

Derivative Instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instructions and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

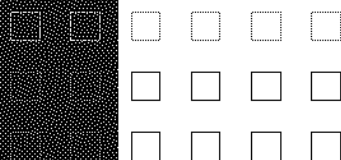
(l) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Cash

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.



Notes to the Financial Statements (continued)

(n) Earnings per Share

Basic Earnings per Share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Mineral Commodities Ltd by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share would arise from the exercise of options outstanding at the end of the financial year.

(o) Employee Entitlements

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. These benefits include wages and salaries annual leave. Sick leave is non-vesting and has not been provided for. Employee entitlements expected to be settled within one year have been measured at their nominal amount.

The contributions made to superannuation funds by entities within the consolidated entity are charged against profits when due.

(p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(q) Segment reporting

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

(r) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

CHANGE IN ACCOUNTING POLICY

The consolidated entity has adopted the following accounting standards for application on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation; and
- AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the consolidated entity's financial instruments. The group has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this standard. As such, previous Australian accounting standards have been applied to comparative information.

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
2. REVENUE				
Option fees received	-	90,000	-	-
Gain from sales of investments in listed companies	440,548	-	440,548	-
Gain on sale of mining project	754,924	-	-	-
Reversal of provision for non-recovery of loan to controlled entity	-	-	842,130	-
Interest revenue from unrelated entities	43,681	170,478	43,206	109,756
Interest revenue from associated company	-	-	-	34,399
Interest revenue from controlled entity	-	-	181,023	114,357
Management fees	112,242	141,000	248,574	280,167
Unrealised foreign exchange gain	-	338,165	-	94,114
Reversal of provision for impairment of investment in listed securities	43,804	-	43,804	-
Other income	690	13,437	690	13,437
Total Revenue	1,395,889	753,080	1,799,975	646,230

3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Profit/(Loss) from ordinary activities before income tax has been arrived at after charging the following:

Exploration expenditure written off	266,483	273,486	208,833	223,486
Provision for impairment of investment in listed securities	-	125,398	-	125,398
Operating lease rentals	47,838	57,668	47,838	57,668
Depreciation – plant and equipment	54,906	85,331	22,980	22,137
Impairment of plant and equipment	-	-	49,244	-
Movement in provision for employee entitlements	6,404	(6,180)	6,404	(6,180)
Loss on disposal of investments in listed companies held for resale	-	15,995	-	15,995
Unrealised foreign exchange loss	132,107	-	49,946	-

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
4. INCOME TAX				
The components of current income tax expense comprise:				
Current tax	264,914	27,310	6,697	--
Deferred tax	--	--	--	--
Recoupment of prior year tax losses	(264,914)	(27,310)	(6,697)	--
	--	--	--	--
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows.				
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities @ 30%	(180,837)	(346,039)	179,870	(199,571)
Tax effect of permanent differences	515,446	204,883	78,044	65,144
Net future income tax benefits not brought to account	(69,695)	168,466	(251,217)	134,427
Benefit of losses not previously brought to account	(264,914)	(27,310)	(6,697)	--
Income tax expense/ (benefit) attributable to operating profit/(loss)	--	--	--	--
Future income tax benefit arising from un-recouped deductions at balance date, for Australian tax resident entities.				
Revenue losses	2,923,764	3,188,678	1,488,392	1,495,090
Capital losses	4,643,254	4,643,254	4,643,254	4,643,254

The estimate of income tax benefit arising from unconfirmed tax losses (trading and capital) and accumulated exploration expenditure has not been brought to account at balance date, as realisation of the benefit is not regarded as virtually certain.

The benefit of these losses will only be realised if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the economic entity in realising the benefit.

In addition the economic entity has unconfirmed tax losses and accumulated exploration expenditure that gives rise to potential carry forward tax benefits in South Africa amounting to approximately Rand 21 million (approximately A\$4.7 million). The benefit of these potential future tax benefits has not been brought to account, and will only be realised if circumstances similar to those described above, also apply to the economic entity's future operations in South Africa.

There are no franking credits available.

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
5. CASH AND CASH EQUIVALENTS				
Cash at bank	937,261	240,763	906,967	212,103
Deposits at call	-	800,000	-	800,000
	937,261	1,040,763	906,967	1,012,103
The effective interest rate on cash at bank was 4.5%.				
6. TRADE AND OTHER RECEIVABLES – CURRENT				
Trade receivables	54,407	38,267	9,845	4,865
Term deposits	40,279	34,312	-	-
Other debtors	47,196	38,238	12,742	37,684
Loans receivable from other entities	141,414	544,792	141,414	300,000
Loans and advances – controlled entities	-	-	2,035,216	855,451
	283,296	655,609	2,199,217	1,198,000
7. FINANCIAL ASSETS – CURRENT				
Available for sale financial assets				
Investments in companies listed on a recognised stock exchange – shares at cost	-	1,757,333	-	1,757,333
Provision for impairment	-	(178,812)	-	(178,812)
	-	1,578,521	-	1,578,521
Investments in companies listed on a recognised stock exchange – shares at fair value	238,966	-	238,966	-
Total available for sale investments in companies listed on a recognised stock exchange	238,966	1,578,521	238,966	1,578,521
Available for sale investment in companies not listed on a recognised stock exchanges – at cost	226,443	-	226,443	-
Total Financial Assets – Current	465,409	1,578,521	465,409	1,578,521
Market value of investments in companies listed on a recognised stock exchange at balance date	238,966	1,578,521	238,966	1,578,521
Available for sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.				
8. OTHER – CURRENT				
Prepayments	12,889	68,944	12,889	68,944

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
9. PROPERTY, PLANT AND EQUIPMENT				
Plant and office equipment -- at cost	126,445	301,064	113,533	110,573
Accumulated depreciation	(73,620)	(201,377)	(66,303)	(48,131)
Total property, plant and equipment	52,825	99,687	47,230	62,442
Reconciliation of the carrying amount of plant & equipment at the beginning and end of the current and previous financial year.				
Plant and office equipment				
Carrying amount at beginning of year	99,687	132,765	62,442	45,271
Additions	8,044	52,253	57,012	39,308
Disposal	--	--	--	--
Impairment	--	--	(49,244)	--
Depreciation	(54,906)	(85,331)	(22,980)	(22,137)
Carrying amount at end of year	52,825	99,687	47,230	62,442
10. EXPLORATION & DEVELOPMENT EXPENDITURE				
Exploration expenditure -- costs carried forward in respect of areas of interest in:				
Exploration and evaluation phases	7,749,010	7,305,511	--	781,947
Total exploration and development expenditure	7,749,010	7,305,511	--	781,947
Reconciliation of the carrying amount of mining tenements at the beginning and end of the current and the previous financial year				
Carrying amount at beginning of year	7,305,511	5,189,457	781,947	574,325
Expenditure outlaid in cash	760,342	1,741,614	103,556	431,108
Expenditure outlaid other than in cash	544,792	--	--	--
Costs of project transferred to controlled entity	--	--	(450,227)	--
Cost of project disposed in period	(105,077)	--	--	--
Costs of project transferred to investment in unlisted entity	(226,443)	--	(226,443)	--
Foreign exchange translation reserve	(263,632)	647,926	--	--
Write off discontinued projects	(266,483)	(273,486)	(208,833)	(223,486)
Carrying amount at end of year	7,749,010	7,305,511	--	781,947

Recoupment of carried forward exploration and development expenditure is dependent upon the successful development and commercial exploitation of each area of interest, or otherwise by their sale at an amount not less than the carrying value.

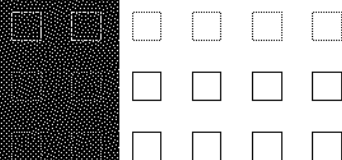
Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
11 (A) INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD				
Investment in companies accounted for using the equity method – at cost	4,028,141	2,199,627	4,028,141	2,199,627
Equity accounting adjustments	(809,909)	(386,197)	–	–
	<u>3,218,232</u>	<u>1,813,430</u>	<u>4,028,141</u>	<u>2,199,627</u>

	Consolidated	
	2005	2004
	\$	\$
Details of the investment in associated entities is as follows:		
Name	Allied Gold Ltd	
Principal activity	Mineral Exploration	
Balance date	30 June	
Ownership interest at balance date	14.7%	16.7%
Investment carrying amount	3,218,232	1,813,430
Number of options held at balance date	3,047,493	3,047,493
Movements in carrying amount of investment in associated entities	\$	\$
Carrying amount at beginning of year – Allied Gold Ltd	1,813,430	885,002
Investments in associate acquired during the year, at cost	1,828,514	1,255,059
Share of associate's net loss	(393,340)	(306,081)
Goodwill amortisation arising from equity accounting	(30,372)	(20,550)
Carrying amount at end of year – Allied Gold Ltd	<u>3,218,232</u>	<u>1,813,430</u>

Although Mineral Commodities Limited owns less than 20% of Allied Gold Limited it is in a position of significant influence because it is the largest shareholder and two of the Mineral Commodities Limited directors are also directors of Allied Gold, amounting to 50% Board representation.

	Allied Gold Limited	
	2005	2004
	\$	\$
The consolidated entity's share of aggregate assets and liabilities of the associated company is as follows:		
Current assets	409,557	157,969
Non current assets	3,034,916	1,692,646
Total assets	3,444,473	1,850,615
Current liabilities	185,940	107,607
Non current liabilities	–	–
Total liabilities	185,940	107,607
Net assets as reported by associate	<u>3,258,533</u>	<u>1,743,008</u>
Share of net profit from ordinary activities after income tax as reported by the associate	<u>(393,340)</u>	<u>(306,081)</u>



Notes to the Financial Statements (continued)

11 (A) INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The market value of this investment in Allied Gold at balance date was \$7,283,609 based on a price per share of 40 cents and an option price of 23.5 cents.

Subsequent to the year end the company has purchased a further 252,861 shares in Allied Gold. The Company's interest in the shares of Allied Gold at the date of these accounts is 11.25% and the market value of the investment is \$9,100,197 based on a share price of 45 cents and an option price of 26 cents.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Unquoted investments - at cost				
Shares in controlled entities	--	--	100,003	3
	--	--	100,003	3

11 (B) FINANCIAL ASSETS - NON CURRENT

Unquoted investments - at cost

Shares in controlled entities	--	--	100,003	3
	--	--	100,003	3

Controlled entities	Class of share	Place of incorporation	Equity Holding		Cost to Company	
			2005	2004	2005	2004
			%	%	\$	\$
Parent Entity						
Mineral Commodities Limited		Australia	--	--	--	--
Controlled Entities						
Rexelle Pty Ltd	Ord	Australia	100	100	1	1
Queensland Minex NL	Ord	Australia	100	100	4,718,302	4,718,302
Provision for diminution in value					(4,718,302)	(4,718,302)
Q Smelt Pty Ltd	Ord	Australia	100	100	--	--
Mincom Waste Pty Ltd	Ord	Australia	100	100	2	2
MRC Resources (Pty) Ltd	Ord	South Africa	100	90	--	--
Blackhawk Oil & Gas Limited (formerly East Asian Oil Limited)	Ord	Australia	100	100	100,000	--
					100,003	3

Controlled entities of MRC Resources (Pty) Ltd	Class of share	Place of incorporation	Equity Holding		Cost to Company	
			2005	2004	2005	2004
			%	%	\$	\$
Transworld Energy & Minerals Resources (SA) (Pty) Limited	Ord	South Africa	75	75	2,500,000	2,500,000
Mineral Sands Resources (Pty) Ltd	Ord	South Africa	100	100	--	--
Nyati Titanium Eastern Cape (Pty) Ltd	Ord	South Africa	100	100	--	--
MRC Metals (Pty) Ltd	Ord	South Africa	100	100	--	--
Skeleton Coast Resources (Pty) Ltd	Ord	Namibia	100	100	--	--

Notes to the Financial Statements (continued)

	Consolidated	
	2005	2004
	\$	\$
12. MINORITY EQUITY INTEREST		
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in the entities acquired during the financial year	(15,624)	(1,565)
Interest in operating loss and extraordinary items after tax	15,624	(14,061)
Interest in share capital	54,710	2
Interest in reserves	79,630	388,696
Total outside equity interests	134,340	373,072

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
13. TRADE AND OTHER RECEIVABLES – NON CURRENT				
Loans and advances – controlled entities	–	–	3,622,586	3,700,293
Less provision for nonrecovery	–	–	(161,566)	(1,003,696)
	–	–	3,461,020	2,696,597

Recovery of the loans to controlled entities is dependent upon the commercial exploitation of mining tenements held by the controlled entities.

14. TRADE AND OTHER PAYABLES – CURRENT

Trade payables – unsecured	149,855	60,178	90,439	60,160
Other payables and accruals – unsecured	41,722	155,161	89,108	62,664
	191,577	215,339	179,547	122,824

15. SHORT TERM PROVISIONS – CURRENT

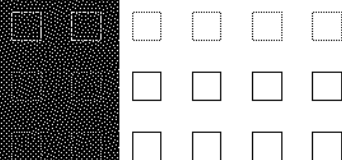
Provision for employee entitlements				
Opening balance	18,957	19,516	18,957	19,516
Movement for the period	6,404	(559)	6,404	(559)
Closing balance	25,361	18,957	25,361	18,957

Average number of employees during the financial year	4	5	3	4
---	---	---	---	---

15. DEFERRED TAX LIABILITIES NON – CURRENT

Deferred tax liability				
Opening balance	93,760	84,403	–	–
Movement – effect of change in exchange rate used in translating accounts of foreign controlled entities	(4,272)	9,357	–	–
Provision for deferred income tax	89,488	93,760	–	–

The deferred tax liability arises as a result of an unrealised foreign exchange gain in the accounts of a foreign controlled entity.



Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
16. LONG TERM BORROWINGS NON-CURRENT				
Other loans – unrelated entity	–	54,710	–	–

The loan to an unrelated entity bears no interest, is unsecured and has no fixed term of repayment.

	2005	2004	2005	2004
	Number	Number	\$	\$
	of shares	of shares		
17. ISSUED CAPITAL				
(a) Ordinary shares fully paid				
Balance at beginning of financial year	54,029,124	46,522,212	22,041,718	19,691,552
Placement of shares, November 2005	8,000,000	–	960,000	–
Placement of shares, March 2004	–	743,209	–	423,471
31 May 2004 options exercised	–	6,763,339	–	1,690,835
Transfer from option premium reserve	–	–	–	235,751
30 June 2007 options exercised	–	364	–	109
Balance at end of financial year	62,029,124	54,029,124	23,001,718	22,041,718

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote.

(b) Options over fully paid ordinary shares at balance date

There were no options exercised in the year and no new options were granted.

Category	No of Options	Exercise Price Cents per share	Expiry Date
Listed options	18,008,607	30	30 June 2007

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
18. RESERVES				
Share premium reserve	2,551,100	2,242,034	--	--
Foreign currency translation reserve	192,493	371,617	--	--
	2,743,593	2,613,651	--	--
Option premium reserve				
Balance at the beginning of year	--	235,751	--	235,751
Transfer to contributed equity upon exercise of options	--	(235,751)	--	(235,751)
Balance at end of year	--	--	--	--
Share Premium				
Balance at the beginning of year	2,242,034	2,242,034	--	--
Movement in period; acquisition of residual 10% minority interest in controlled entity	309,066	--	--	--
Balance at end of year	2,551,100	2,242,034	--	--
Foreign currency translation				
Balance at the beginning of year	371,617	--	--	--
Exchange difference on net investment in foreign operations	(179,124)	371,617	--	--
Balance at end of year	192,493	371,617	--	--

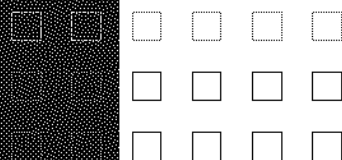
Nature and purpose of reserves

Share Premium

The share premium arose from the issue of shares in MRC Resources Pty Ltd to an entity outside the economic entity. This entity's holding gives rise to an outside equity interest.

Foreign Currency

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of self sustaining foreign operations and the translation of foreign currency monetary items forming part of the net investment in a self sustaining operation. Refer to accounting policy note 1 (e).



Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
19. ACCUMULATED LOSSES				
Accumulated losses at beginning of the year	(12,848,742)	(11,709,336)	(12,585,315)	(11,920,078)
Net profit (loss) attributable to members	(618,413)	(1,139,406)	599,565	(665,237)
Accumulated losses at end of the year	(13,467,155)	(12,848,742)	(11,985,750)	(12,585,315)
			Consolidated	
			2005	2004
			\$	\$
20. EARNINGS (LOSS) PER SHARE				
Basic earnings per share (cents per share)			(1.1)	(2.2)
Diluted earnings per share (cents per share)			n/a	-
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share			54,905,836	51,117,115
Weighted average number of options outstanding			18,008,607	-
Weighted average number of ordinary shares on issue used in calculation of diluted earnings (loss) per share			n/a	51,117,115
Net profit/(loss) used in the calculation of basic and diluted earnings per share			(618,413)	(1,139,406)

There are 18,008,607 options with an exercise price of 30 cents and an expiry date 30 June 2007 on issue as at 31 December 2005. These have not been classified as potential ordinary shares and are not included in determination of dilutive earnings per share.

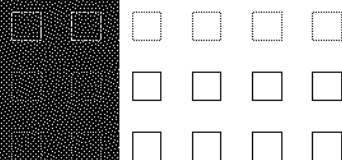
Notes to the Financial Statements (continued)

21. SEGMENT INFORMATION**Geographical Segments**

The consolidated entity has two geographical segments, Australia and South Africa.

(a) Geographical

	Australia		South Africa		Total	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Revenue						
External segment revenue	1,395,889	483,738	-	269,342	1,395,889	753,080
Total segment revenue	1,395,889	483,738	-	269,342	1,395,889	753,080
Total Revenue					1,395,889	753,080
Result						
Segment result	(256,667)	(1,154,360)	(346,122)	893	(602,789)	(1,153,467)
Income Tax	-	-	-	-	-	-
Loss after tax	(256,667)	(1,154,360)	(346,122)	893	(602,789)	(1,153,467)
Outside equity interest in result for year	-	-	(15,624)	14,061	(15,624)	14,061
Net Profit	(256,667)	(1,154,360)	(361,746)	14,954	(618,413)	(1,139,406)
Assets						
Segment assets	9,669,467	9,298,868	3,049,455	3,263,597	12,718,922	12,562,465
Segment liabilities	157,693	196,509	148,733	186,257	306,426	382,766
Net segment assets	9,511,773	9,102,359	2,900,722	3,077,340	12,412,496	12,179,699
Net entity assets					12,412,496	12,179,699
Investment in equity method associates included in segment assets	3,218,232	1,813,430	-	-	3,218,232	1,813,430
Share of net loss of associate	393,340	306,081	-	-	393,340	306,081
Acquisition of property plant & equipment	7,768	39,308	276	12,945	8,044	52,253
Depreciation	22,980	22,317	31,926	63,194	54,906	85,511



Notes to the Financial Statements (continued)

21. SEGMENT INFORMATION (CONTINUED)

Secondary reporting

Business segments

The consolidated entity principally operates in the field of exploration for gold and other mineral resources. The Company has also participated in the trading of listed securities.

(b) Industry	Mineral Exploration & Development		Investment		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
External segment revenue	911,660	753,080	484,229	–	1,395,889	753,080
Total segment revenue	911,660	753,080	484,229	–	1,395,889	753,080
Total Revenue					1,395,889	753,080
Assets						
Segment assets	12,253,513	10,983,944	465,409	1,578,521	12,718,922	12,562,465
Total entity assets					12,718,922	12,562,465
Acquisition of property, plant & equipment	8,044	52,253	–	–	8,044	52,253
			Consolidated		Company	
			2005	2004	2005	2004
			\$	\$	\$	\$

22. AUDITORS' REMUNERATION

Amounts received or due and receivable by auditors for:

Auditors of the parent entity

Auditing – the financial report	26,295	32,700	26,295	32,700
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Other auditors

Auditing – the financial report	14,781	6,303	–	6,303
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	41,076	39,003	26,295	39,003
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Notes to the Financial Statements (continued)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) The directors of Mineral Commodities Ltd during the year were:

- Mr Joseph Anthony Caruso
- Mr Mark Victor Caruso
- Mr Gregory Hugh Steemson

Other than the above there were no key management personnel.

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows.

The Board of Directors of Mineral Commodities Limited is responsible for determining and reviewing compensation arrangements for the directors, managing director and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

(b) Remuneration of directors

	Short term remuneration benefits			Post employment benefits		Total
	Directors' fees	Salary incl. benefits	Consulting fees	Super-annuation	Termination benefits	
2005						
Joseph Caruso	30,000	--	--	2,700	--	32,700
Mark Caruso	22,500	--	8,250	2,025	--	32,775
Greg Steemson	--	--	40,000	--	--	40,000
Total remuneration paid to directors	52,500	--	48,250	4,725	--	105,475
2004						
Joseph Caruso	30,000	--	--	2,700	--	32,700
Mark Caruso	30,000	--	--	2,700	--	32,700
Greg Steemson	--	--	30,400	--	--	30,400
Alan Luscombe	--	152,336	--	15,687	32,000	200,023
Total remuneration paid to directors and specified executives	60,000	152,336	30,400	21,087	32,000	295,823

Notes to the Financial Statements (continued)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Shares or Options granted as remuneration

No shares or options have been granted to directors as remuneration in the current or previous financial years.

(d) Option holdings of directors

Director	Balance at 31 Dec '04	Options lapsed or sold	Options exercised	Balance at 31 Dec '05	Total vested 31 Dec '05	Total exercisable 31 Dec '05
Joseph Caruso	3,085,338	-	-	3,085,338	3,085,338	3,085,338
Mark Caruso	3,089,547	-	-	3,089,547	3,089,547	3,089,547
Greg Steemson	53,333	-	-	53,333	53,333	53,333

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 3,085,338 options.

(e) Shareholdings of directors

Director	Balance at 31 Dec '04	Received as remuneration	Options exercised	Net change other	Balance 31 Dec '05
Joseph Caruso	9,256,015	-	-	-	9,256,015
Mark Caruso	9,268,642	-	-	-	9,268,642
Greg Steemson	210,000	-	-	-	210,000

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 9,256,015 shares.

24. RELATED PARTY TRANSACTIONS

There were no transactions with directors or director related entities during the financial period other than the payment of directors' remuneration as is disclosed on note 23.

Mineral Commodities Limited is the major shareholder in Allied Gold Limited owning 18,209,023 shares or 14.7% of the Allied Gold's issued capital at balance date, and 18,461,886 shares or 11.25% at the date of this financial report. Mineral Commodities Limited has supported Allied Gold throughout the financial period by entering into the following transactions, which have been conducted on an arms length basis. Mark Caruso and Greg Steemson are also directors of Allied Gold Limited.

- Pursuant to a services agreement the Company has agreed to provide Allied with services including, accounting, clerical, secretarial and fully serviced office accommodation for a fixed monthly fee of \$11,000. This agreement has no fixed term. The total amount charged for the period was \$132,000.

Directors' remuneration is reported in note 23.

Wholly owned group

The group consists of Mineral Commodities Limited and its wholly owned controlled entities. Details of entities in the wholly owned group are set out in Note 11.

Transactions between Mineral Commodities Limited and other entities in the wholly owned group during the years ended 31 December 2005 and 31 December 2004 consisted of loans advanced and payments received and made on intercompany accounts. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Company provided management, accounting and administration services to other entities in the whollyowned group.

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
25.(A) RECONCILIATION OF OPERATING PROFIT/(LOSS)				
FROM ORDINARY ACTIVITIES TO NET CASH				
OUTFLOW FROM OPERATING ACTIVITIES				
Operating profit/(loss) before income tax and outside equity interest	(602,789)	(1,153,467)	599,565	(665,237)
Depreciation	54,906	85,331	22,980	22,137
Unrealised foreign exchange loss/(gain)	132,107	(338,165)	49,946	(94,114)
Non bank interest income not in cash	-	(51,622)	(181,023)	(148,756)
Reversal of provision for impairment of loan receivable from controlled entity	-	-	(842,130)	-
(Profit) on disposal of mining project	(754,924)			
(Profit)/loss on sale of investment in listed companies	(440,549)	15,995	(440,549)	15,995
Provision for impairment of investments in listed companies	(43,804)	125,398	(43,804)	125,398
Provision - employee entitlements	6,404	(559)	6,404	(559)
Equity accounting adjustments	423,712	326,631	-	-
Exploration expenditure written off	266,483	273,486	208,833	223,486
Exploration expenditure capitalised	(760,342)	(1,741,614)	(103,556)	(431,108)
Changes in assets and liabilities during the year:				
Increase (decrease) in trade payables and other liabilities	(23,760)	15,411	56,724	(37,268)
(Increase) decrease in trade and other receivables	(31,065)	189	19,962	8,757
(Increase) decrease in prepayments	56,055	(20,037)	56,055	(20,037)
Net cash generated by (outflow) from operating activities	(1,717,567)	(2,463,023)	(590,593)	(1,001,306)

25. (B) OTHER FINANCING DISCLOSURES

The group has no available finance facilities as at balance date.

There were no non-cash financing and investing activities during the financial year.

26. FINANCIAL INSTRUMENTS**Financial risk management**

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans to controlled entities. The main risks the group is exposed to through its financial instruments are credit risk and interest rate risk.

(a) Credit Risk Exposures

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

Notes to the Financial Statements (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

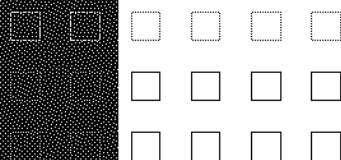
2005 Financial Assets Australia	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	4.5%	929,398	-	-	929,398
Receivables	4.5%	-	23,000	178,947	201,947
Listed Shares	-	-	-	465,409	465,409
Equity accounted investment	-	-	-	3,218,232	3,218,232
		929,298	23,000	3,862,588	4,814,986
Financial Liabilities					
Payables	-	-	-	157,693	157,693
Net financial assets		929,298	23,000	3,704,895	4,657,293
2005 Financial Assets South Africa	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	4.5%	7,863	-	-	7,863
Receivables	-	-	-	94,238	94,238
		7,863	-	94,238	102,101
Financial Liabilities					
Payables	-	-	-	59,245	59,245
Net financial assets		7,863	-	34,993	42,856
Combined Australian and South African net financial assets					4,700,149

Notes to the Financial Statements (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest Rate Risk

2004 Financial Assets Australia	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	3.12%	212,103	-	-	212,103
Short Term deposit	4.28%	800,000	-	-	800,000
Receivables	4.49%	-	23,000	412,047	435,047
Listed Shares		-	-	1,578,521	1,578,521
Equity accounted investment		-	-	1,813,430	1,813,430
		1,012,103	23,000	3,803,998	4,839,101
Financial Liabilities					
Payables		-	-	177,552	177,552
		1,012,103	23,000	3,626,446	4,661,549
2004 Financial Assets South Africa	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	4.6%	28,660	-	-	28,660
Receivables		-	-	289,506	289,506
		28,660	-	289,506	318,166
Financial Liabilities					
Payables		-	-	92,497	92,497
Net financial assets		28,660	-	197,009	225,669
Combined Australian and South African net financial assets					4,887,218
				2005 \$	2004 \$
Reconciliation of Net Financial Assets to Net Assets					
Net financial assets as above				4,700,149	4,887,218
Non financial assets and liabilities					
Property, plant and equipment				52,825	99,687
Exploration & development				7,749,010	7,305,511
Provisions				(89,488)	(112,717)
Net assets per statement of Financial Position				12,412,496	12,179,699



Notes to the Financial Statements (continued)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

(d) Unrecognised financial instruments

The Company and controlled entities do not have any unrecognised financial instruments.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
27. COMMITMENTS				
(a) Leasing Commitments				
Operating leases				
Office premises due within 1 year	41,658	38,160	41,658	38,160
Office premises due greater than 1 year and less than 5	45,461	81,090	45,461	81,090
Total	87,119	119,250	87,119	119,250

The operating lease is a rental agreement for the Company's office premises for a term expiring 15 February 2008.

(b) Exploration Tenement Leases – Commitments for Expenditure.

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity is required to outlay lease rentals and to meet the minimum expenditure requirements of an estimated \$10,000 over the next financial year (2004: \$10,000). Financial commitments for subsequent periods are contingent upon future exploration results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the exploration leases or when application for a mining licence is made and have not been provided for in the accounts. These obligations are not provided for in the accounts.

28. CONTINGENT LIABILITIES

The company has provided bank guarantees with a total value of \$31,471 to the Department of Minerals & Energy (Queensland) and Department of Minerals & Energy South Africa) as security on tenements. These guarantees are backed by term deposits.

In October 2002 the Company engaged contractors to conduct exploration drilling near Kalgoorlie. In turn these contractors engaged Marathon Tyres (WA) Pty Ltd ("Marathon") to conduct repairs to some equipment at the exploration drilling site. On 5 November 2002 a train operated by Pacific National (ACT) Ltd ("Pacific National") collided with a vehicle operated by Marathon which had become disabled whilst attempting to traverse the railway line.

As a result of the collision the train was derailed, Marathon's vehicle was destroyed and railway infrastructure was damaged. The Company subsequently announced that it was being sued by the operator of the railway line ("ARTC") for damages in the sum of \$160,000 together with interest and costs and by Marathon for damages in the sum of \$285,000 together with interest and costs. The Company also announced the possibility of a further claim being made against the Company.

Pacific National has now made a claim against the Company and the other parties claiming damages in the sum of \$2.4 million together with interest and costs.

Notes to the Financial Statements (continued)

28. CONTINGENT LIABILITIES (CONTINUED)

In addition to claiming that the Company is liable to ARTC in negligence, ARTC also contends that the Company is liable to it for damages for breach of contract and liable to indemnify ARTC pursuant to a contractual indemnity for any loss that ARTC may suffer.

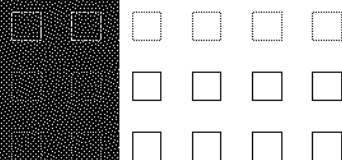
The Company sought indemnity from its insurers who subsequently informed the Company in writing that they will indemnify the Company against any liability in negligence or for breach of duty which the Company may have to ARTC, Marathon, Pacific National or any other party arising out of the train derailment.

The Board's lawyers have been instructed to vigorously defend the claim and to pursue the Company's insurers and the other parties involved in the train derailment.

The directors consider that any liability that the Company may have arising from the train derailment ought to be met by a combination of contributions from the other parties to the action or from the Company's insurers.

29. SUBSEQUENT EVENTS

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years.



Notes to the Financial Statements (continued)

30. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

(a) At the date of transition to AIFRS: 1 January 2004

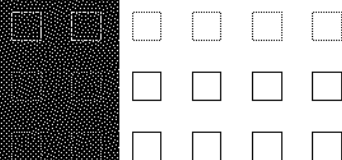
	Previous AGAAP 1 January 2004 \$	CONSOLIDATED Adjustments on introduction of AIFRS \$	AIFRS 1 January 2004 \$
CURRENT ASSETS			
Cash and cash equivalents	3,845,888	--	3,845,888
Trade and other receivables	111,006	--	111,006
Financial assets	797,452	--	797,452
Other current assets	48,907	--	48,907
Total Current Assets	4,803,253	--	4,803,253
NON-CURRENT ASSETS			
Trade and other receivables	204,571	--	204,571
Investments accounted for using the equity method	885,002	--	885,002
Financial assets	--	--	--
Property, plant and equipment	132,765	--	132,765
Exploration & development expenditure	5,189,457	--	5,189,457
Total Non-Current Assets	6,411,795	--	6,411,795
Total Assets	11,215,048	--	11,215,048
CURRENT LIABILITIES			
Trade and other payables	209,285	--	209,285
Short term provisions	19,516	--	19,516
Total Current Liabilities	228,801	--	228,801
NON-CURRENT LIABILITIES			
Long term borrowings	54,710	--	54,710
Deferred tax liabilities	84,403	--	84,403
Total Non Current Liabilities	139,113	--	139,113
Total Liabilities	367,914	--	367,914
NET ASSETS	10,847,134	--	10,847,134
EQUITY			
Issued capital	19,691,552	--	19,691,552
Reserves	1(a) 2,975,744	(497,959)	2,477,785
Accumulated losses	1(a) (12,207,295)	497,959	(11,709,336)
Parent interest	10,460,001	--	10,460,001
Minority equity interest	387,133	--	387,133
TOTAL EQUITY	10,847,134	--	10,847,134

Notes to the Financial Statements (continued)

30. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

(a) At the date of transition to AIFRS: 1 January 2004

	Previous AGAAP 1 January 2004 \$	PARENT ENTITY Adjustments on introduction of AIFRS \$	AIFRS 1 January 2004 \$
CURRENT ASSETS			
Cash and cash equivalents	3,387,388	--	3,387,388
Trade and other receivables	51,306	--	51,306
Financial assets	797,452	--	797,452
Other current assets	48,907	--	48,907
Total Current Assets	4,285,053	--	4,285,053
NON-CURRENT ASSETS			
Trade and other receivables	2,337,614	--	2,337,614
Investments accounted for using the equity method	944,568	--	944,568
Financial assets	3	--	3
Property, plant and equipment	45,271	--	45,271
Exploration & development expenditure	574,325	--	574,325
Total Non-Current Assets	3,901,781	--	3,901,781
Total Assets	8,186,834	--	8,186,834
CURRENT LIABILITIES			
Trade and other payables	160,093	--	160,093
Short term provisions	19,516	--	19,516
Total Current Liabilities	179,609	--	179,609
NON-CURRENT LIABILITIES			
Long term borrowings	--	--	--
Deferred tax liabilities	--	--	--
Total Non Current Liabilities	--	--	--
Total Liabilities	179,609	--	179,609
NET ASSETS	8,007,225	--	8,007,225
EQUITY			
Issued capital	19,691,552	--	19,691,552
Reserves	1(a) 235,571	--	235,571
Accumulated losses	1(a) (11,920,078)	--	(11,920,078)
TOTAL EQUITY	8,007,225	--	8,007,225



Notes to the Financial Statements (continued)

30. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004

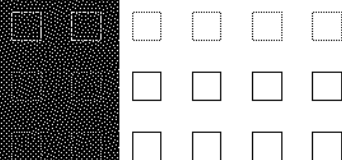
	CONSOLIDATED		
	Previous AGAAP 31 December 2004 \$	Adjustments on introduction of AIFRS \$	AIFRS 31 December 2004 \$
CURRENT ASSETS			
Cash and cash equivalents	1,040,763	--	1,040,763
Trade and other receivables	655,609	--	655,609
Financial assets	1,578,521	--	1,578,521
Other current assets	68,944	--	68,944
Total Current Assets	3,343,837	--	3,343,837
NON-CURRENT ASSETS			
Trade and other receivables	--	--	--
Investments accounted for using the equity method	1,813,430	--	1,813,430
Financial assets	--	--	--
Property, plant and equipment	99,687	--	99,687
Exploration & development expenditure	7,305,511	--	7,305,511
Total Non-Current Assets	9,218,628	--	9,218,628
Total Assets	12,562,465	--	12,562,465
CURRENT LIABILITIES			
Trade and other payables	215,339	--	215,339
Short term provisions	18,957	--	18,957
Total Current Liabilities	234,296	--	234,296
NON-CURRENT LIABILITIES			
Long term borrowings	54,710	--	54,710
Deferred tax liabilities	93,760	--	93,760
Total Non Current Liabilities	148,470	--	148,470
Total Liabilities	382,766	--	382,766
NET ASSETS	12,179,699	--	12,179,699
EQUITY			
Issued capital	22,041,718	--	22,041,718
Reserves	3,111,610	(497,959)	2,613,651
Accumulated losses	(13,346,701)	497,959	(12,848,742)
Parent interest	11,806,627	--	11,806,627
Minority equity interest	373,072	--	373,072
TOTAL EQUITY	12,179,699	--	12,179,699

Notes to the Financial Statements (continued)

30. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004

	Previous AGAAP 31 December 2004 \$	PARENT ENTITY Adjustments on introduction of AIFRS \$	AIFRS 31 December 2004 \$
CURRENT ASSETS			
Cash and cash equivalents	1,012,103	--	1,012,103
Trade and other receivables	342,549	--	342,549
Financial assets	1,578,521	--	1,578,521
Other current assets	68,944	--	68,944
Total Current Assets	3,002,117	--	3,002,117
NON-CURRENT ASSETS			
Trade and other receivables	3,552,048	--	3,552,048
Investments accounted for using the equity method	2,199,627	--	2,199,627
Financial assets	3	--	3
Property, plant and equipment	62,442	--	62,442
Exploration & development expenditure	781,947	--	781,947
Total Non-Current Assets	6,595,067	--	6,595,067
Total Assets	9,598,184	--	9,598,184
CURRENT LIABILITIES			
Trade and other payables	122,824	--	122,824
Short term provisions	18,957	--	18,957
Total Current Liabilities	141,781	--	141,781
NON-CURRENT LIABILITIES			
Long term borrowings	--	--	--
Deferred tax liabilities	--	--	--
Total Non Current Liabilities	--	--	--
Total Liabilities	141,781	--	141,781
NET ASSETS	9,456,403	--	9,456,403
EQUITY			
Issued capital	22,041,718	--	22,041,718
Reserves	--	--	--
Accumulated losses	(12,585,315)	--	(12,585,315)
TOTAL EQUITY	9,456,403	--	9,456,403



Notes to the Financial Statements (continued)

30. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

(c) Reconciliation of Income Statements for the year ended 31 December 2004.

CONSOLIDATED ENTITY				
		Previous AGAAP 2004 \$	Adjustment on introduction of AIFRS \$	AIFRS 2004 \$
Revenue	1(b)	893,546	(140,466)	753,080
Exploration and evaluation costs		(273,486)	-	(273,486)
General & administration expenses	1(b)	(1,306,430)	(15,995)	(1,306,430)
Other expenses from ordinary activities	1(b)	(156,461)	156,461	-
Share of net result of associates using the equity method		(326,631)	-	(326,631)
Profit/(Loss) before income tax expense		(1,153,467)	-	(1,153,467)
Income tax expense		-	-	-
Profit/(Loss) after income tax expense		(1,153,467)	-	(1,153,467)
(Profit)/Loss attributable to attributable to minority equity interest		14,061	-	14,061
Profit/Loss after income tax expense attributed to members of the parent entity		(1,139,406)	-	(1,139,406)

PARENT ENTITY				
		Previous AGAAP 2004 \$	Adjustment on introduction of AIFRS \$	AIFRS 2004 \$
Revenue	1(b)	786,696	(140,466)	646,230
Exploration and evaluation costs		(223,486)	-	(223,486)
General & administration expenses	1(b)	(1,087,981)	(15,995)	(1,087,981)
Other expenses from ordinary activities		(156,461)	156,461	-
Share of net result of associates using the equity method	1(b)	-	-	-
Profit/(Loss) before income tax expense		(665,237)	-	(665,237)
Income tax expense		-	-	-
Profit/(Loss) after income tax expense		(665,237)	-	(665,237)
(Profit)/Loss attributable to attributable to minority equity interest		-	-	-
Profit/Loss after income tax expense attributed to members of the parent entity		(665,237)	-	(665,237)

1(a) As a result of adoption of AIFRS the Foreign Currency translation reserve was reset to nil at 1/1/04.

1(b) As a result of adoption of AIFRS companies should only recognise net gain/loss on investment.

Directors' Declaration

The Directors of the Company declare that:

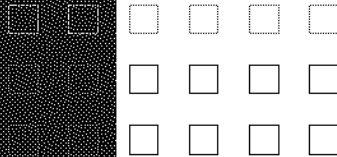
1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and;
 - a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 December 2005 and of the performance for the year ended on that date of the Company and the consolidated entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

Signed in accordance with a resolution of the Directors:



Mark V Caruso
Managing Director

Dated at Perth, Western Australia this 31st of March 2006



Chartered Accountants
& Advisers

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www.bdo.com.au

31 March 2006

The Directors
Mineral Commodities Ltd
PO Box 135
WELSHPOOL WA 6106

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF MINERAL
COMMODITIES LTD**

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

BDO

Chartered Accountants

BG McVeigh
Partner





Chartered Accountants
& Advisers

Level 5, 216 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9380 4300
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MINERAL COMMODITIES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Mineral Commodities Limited (the company) and the consolidated entity, for the year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

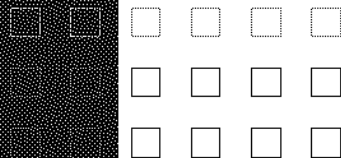
We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



BDO is a national association of
independent member firms.



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Mineral Commodities Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2005 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO

Chartered Accountants

BG McVeigh

Partner

Perth, Western Australia

Dated this 31st day of March 2006

Statement of Corporate Governance

The Board of Directors of Mineral Commodities Limited has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders and were in place throughout the financial year.

THE BOARD OF DIRECTORS

Role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Mineral Commodities Limited and the consolidated entity. It is responsible for overseeing the financial position, and for monitoring the business and affairs of the Company and the consolidated entity on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues related to internal controls and approaches to risk management.

Composition of the Board

The directors' report contains details of the directors' qualifications, experience and special responsibilities.

Under the Constitution the minimum number of directors is three and the maximum is ten. Directors are not appointed for a fixed term. At each annual general meeting one third of the directors other than the Managing Director must resign by rotation, with those serving the longest resigning first. Resigning directors may stand for re-election.

As a general principle the Company considers that the number of non-executive directors must exceed the number of executive directors. This has been the case throughout this financial year. The Board considers Mr Gregory Steemson to be an independent director in accordance with the definition used in ASX Principles of Good Corporate Governance.

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity based compensation of directors is required to be approved in advance by shareholders.

CHAIR AND MANAGING DIRECTOR

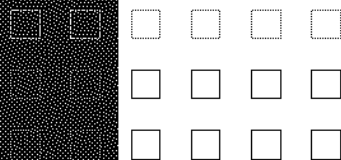
The Company maintains that there must be a separation between the roles of Chairman and the Managing Director. The Chairman is an independent person who is not involved in any executive management. The Managing Director is responsible for day to day operations and supervising the management of the business as designated by the Board. This ensures the appropriate independent functioning of the Board and management.

INDEPENDENT PROFESSIONAL ADVICE

The Company has procedures enabling any director or committee of the Board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

CONFLICT OF INTEREST

In the event that a potential conflict of interest may arise, involved directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.



Statement of Corporate Governance (continued)

TRADING IN THE COMPANY'S SECURITIES

The Company has adopted a policy that imposes certain restrictions on directors and employees trading in the securities of the Company. Key aspects of the policy are:

- All directors and employees are to formally notify the Company Secretary of their beneficial shareholdings in the Company and any changes to this within 2 days of such change occurring. The Company Secretary maintains a register of interests in the Company held by directors.
- No director or employee or any entities controlled by them is allowed to trade in the securities of the Company without notifying the Chairman.
- No director or employee or any entity controlled by them is allowed to engage in the business of active dealing in the Company's securities.
- A director or employee or any entities controlled by them must not trade at any time when he or she is in possession of information which if generally available would materially affect the price or value of the Company's securities.

SHAREHOLDERS RELATIONS AND COMMUNICATIONS

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Advising the market of matters requiring disclosure under Australian Stock Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporations Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meeting are encouraged to communicate issues or ask questions by writing to the Company.

BOARD COMMITTEES

The entire Board undertakes the function of an Audit Committee. The duties of this committee include:

- to be the focal point of communication between the Board, management and the external auditor;
- to recommend and supervise the engagement of the external auditor and monitor auditor performance;
- review the effectiveness of management information and other systems of internal control;
- review all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- review significant transactions that are not a normal part of the Company's business;
- review the year end and interim financial information and ASX reporting statements;
- to monitor the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- review the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

The Board has not formally constituted a Nomination Committee or a Remuneration Committee. The whole Board conducts the functions of a Nomination Committee and Remuneration Committee.

Statement of Corporate Governance (continued)

INTERNAL CONTROL FRAMEWORK AND BUSINESS RISK MANAGEMENT

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that includes the following.

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act and ASX Listing Rules.
- The Managing Director and the Company Secretary are required to confirm in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
- The Company has written policies covering health, safety and the environment.

ETHICAL STANDARDS

The Board adopts a proactive approach to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company, in the following areas;

- professional conduct,
- dealings with suppliers, advisers and regulators,
- dealings with the community and specifically in dealings with traditional landowners, and
- dealings with other employees.

PRIVACY

The company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Mineral Commodities Limited.

ASX GUIDELINES ON CORPORATE GOVERNANCE

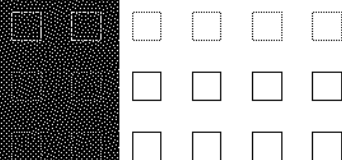
Pursuant to ASX Listing Rules the Company must provide a statement disclosing the extent to which the ASX best practice recommendations have been not been followed in the reporting period. Below the Company provides an explanation of any areas where Mineral Commodities Limited does not presently comply with ASX best practice recommendations.

A majority of the Board of directors is not comprised of independent directors under the ASX definition of independent, and the Chairman is not an independent director.

Mr Joseph Caruso and Mr Mark Caruso both have a relevant interest in Zurich Bay Holdings Pty Ltd a company that controls 14.92% of the issued shares of the Company. ASX considers that a person with an interest in a company with a substantial shareholding in the reporting company is not independent.

Each individual member of the Board is satisfied that whilst the Company may not comply with this particular best practice recommendation, the Board always acts with independence and in accordance with the Statement of Corporate Governance.

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.



Shareholder Information

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report.
This information is current as at 18 April 2006.

TWENTY LARGEST SHAREHOLDERS

Name	Number of ordinary shares	Percentage of issued shares
Zurich Bay Holdings Pty Ltd	9,256,015	14.92%
International Mining Services Ltd	3,000,000	4.84%
Kathryn Yule	2,430,000	3.92%
Robert Cameron Galbraith	1,705,560	2.75%
Keng Heng Goh	1,575,000	2.54%
C3D Holdings Pty Ltd	1,400,000	2.26%
Joseph M Cervelli and Deborah B Cervelli	1,014,000	1.63%
IEC Investments Pty Ltd	1,001,675	1.61%
Nathan Strickland	1,000,000	1.61%
Kevin Anthony Leo and Leticia Leo	907,223	1.46%
Anthony Grant Melville	800,000	1.29%
Bateman International BV	743,209	1.20%
Nicholas Charles Richards	708,906	1.14%
David Philip Whitehead	508,053	0.82%
Elaine Sandra Melville	500,000	0.81%
Kingarth Pty Ltd	500,000	0.81%
Bradley Nicholson	500,000	0.81%
Hayden Robert Aspinall	461,641	0.74%
Ian Thompson	450,000	0.73%
John Robert Leo	434,964	0.71%
	28,896,246	46.58%

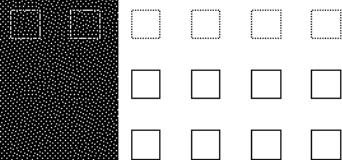
Shareholder Information (continued)

TWENTY LARGEST OPTION HOLDERS

Name	Number of options	Percentage of issued options
Zurich Bay Holdings Pty Ltd	3,085,338	17.13%
Kathryn Yule	826,666	4.59%
Robert Cameron Galbraith	404,195	2.24%
Nicholas Charles Richards	403,835	2.24%
Joseph M Cervelli and Deborah B Cervelli	338,000	1.88%
Kevin Anthony Leo and Leticia Leo	282,505	1.57%
Bradley Nicholson	254,664	1.41%
Bateman International BV	247,736	1.38%
Peter Massey	240,000	1.33%
Keng Heng Goh	223,333	1.24%
Desmic Investments Ltd	209,367	1.16%
Gerald Magree	200,000	1.11%
Patrick Francis Caruso	191,666	1.06%
OHS Global Pty Ltd	177,331	0.98%
Andrew Roles & Associates	170,373	0.95%
Mark Nevill	168,768	0.94%
Jodie McAuliffe	168,021	0.93%
Edenshine Nominees Pty Ltd	159,624	0.89%
Alan Dredge & Company Pty Ltd	150,500	0.84%
Craig Douglas Whitehead	150,000	0.83%
Michael Kipling Mazalevskis	138,862	0.77%
	8,190,784	45.47%

DISTRIBUTION OF SHAREHOLDERS AND OPTIONHOLDERS

Range of holdings	Number of shareholders	Number of shares	Number of optionholders	Number of options
1 – 1,000	129	45,973	379	218,214
1,001 – 5,000	494	1,764,730	685	1,704,139
5,001 – 10,000	240	2,026,413	169	1,288,259
10,001 – 100,000	473	16,778,474	190	6,402,132
100,001 – and over	84	41,413,534	23	8,395,863
Total holders	1,420	62,029,124	1,446	18,008,607



Shareholder Information (continued)

MARKETABLE PARCELS

Number of shareholders holding less than a marketable parcel of ordinary shares is 164.

VOTING RIGHTS

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders have the right to attend meetings but have no voting rights until the options are exercised.

SUBSTANTIAL SHAREHOLDERS

Zurich Bay Holdings Pty Ltd is a substantial shareholder with 14.92 % of the issued ordinary shares.

RESTRICTED SECURITIES

There are no restricted securities.

SHARE BUY BACKS

There is no current on market share buy back.

