



Mineral Commodities Ltd

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31 July, 2006

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 JUNE 2006

HIGHLIGHTS

- **Successful takeover bid completed for all unrelated shares in Erebus PLC.**
- **Placement of 30,000,000 shares at \$0.30 each to institutional and sophisticated investor clients of UK based broker Mirabaud Securities Limited.**
- **Acquisition of remaining 50% in Small Scale Mining Lease No.5**
- **173 Diamonds recovered from initial pilot plant sampling at Dump No.11**
- **Allied Gold Ltd Lists on London's Alternative Investment Market ("AIM")**

TAKEOVER OF EREBUS PLC

On 22 May 2006, Mineral Commodities Limited (MRC) announced an offer for all the shares in Erebus PLC (Erebus) that it did not already own. The offer consisted of 1.5 MRC shares plus half an option for every 1 Erebus share. The options have an exercise price of \$0.40 and expire on 30 June 2007. On 16 June 2006, MRC announced that the offer had been accepted by holders representing 100% of the ordinary shares of Erebus. The takeover was successfully completed on 23 June, 2006 with the total number of shares and options issued being 9,406,878 and 3,135,626 respectively.

SIERRA LEONE DIAMOND OPERATIONS UPDATE

Erebus's principle activity through its 100% wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, is diamond tailings dump re-treatment, diamond mining and mineral exploration in Sierra Leone. Kariba Kono's principal asset is the No. 11 Oversize Tailings Dump at Koidu.

The No.11 tailings dump resulted from alluvial diamond operations in the 1960's by the Sierra Leone Diamond Trust ("SLDT"). Although the plant was advanced for its time, investigation into the operating history of the plant after the fortuitous discovery of the 969.8 carat "Star of Sierra Leone" diamond indicated that the initial plant design was flawed and it is believed the operating efficiency would have reduced with time, leading to the loss of diamonds to tailings.

During the June Quarter, MRC also awarded the contract for the manufacture, supply, delivery and commissioning of an 80tph ROD Diamond Pan Plant for the No.11 tailings dump to ProMet Engineers Africa (Pty) Ltd. The plant includes 1 x 16 foot pan complete with 2 x 16m Scrubber, Recovery, single stage Flow Sort and diesel generated power supply.

The total cost of the manufacture and delivery of the plant is ZAR 9,985,218 (approx AUS\$1,997,043) and it is expected that delivery to Freetown will be no later than 17 September, 2006 and commissioning of the plant will be on or before 13 November, 2006.

During the quarter the company successfully mobilised ex-pat plant operators provided by ProMet Engineers under the terms of their agreement, to site whereby housing, communications, infrastructure and earthmoving site works have been established together with and in conjunction with sustainable processing operations in close co-operation and consultation with the Gbense Chiefdom. ProMet have extensive experience operating in Sierra Leone and accordingly bring to the project a broad knowledge of local customs and goods and services procurement. The programme of bulk sampling will test the dump as well as selected basal gravels underneath to establish the grade and size analysis.

173 DIAMONDS RECOVERED FROM BULK SAMPLING

At present the Company has an 8tph jig in operation at the No.11 dump and work will continue as a bulk sampling operation until the diamond pan plant is commissioned and operating. As at 26 July, 2006, the jig had recovered 173 diamonds for a combined weight of 52.13 cts from an estimated throughput of 2,109 tonnes of material.

The directors are confident preparations are advancing on schedule in anticipation and readiness for the arrival of the new 80tph Pan Plant.

ACQUISITION OF SMALL CLAIM MINING LEASE NO. 5 ("DUMP NO. 5")

During the quarter MRC entered into an agreement with Mohagib Enterprises Limited (Mohagib) and Leonaust Mining Company Limited (Leonaust) to acquire Monagib's 50% interest in Leonaust.

Leonaust is the legal and beneficial owner of the Dump No.5 mining area which is located within 1km of Dump No.11. On settlement, Leonaust will become a 100% owned subsidiary of MRC.

Between 1961 and 1963, bulk sampling of the No.5 mining area by the National Diamond Mining Corporation was undertaken with three mining cuts along the east/west axis following approximately the course of the old Koyie River/stream which enters the mining lease from the south west. Approximately 2,500 cubic metres of gravel was mined. Of this volume, records indicate that 1,713 cubic metres of gravel was processed to produce 2,298 carats giving a grade of 1.34 carats / cubic metre. While the Company is not relying on these figures in terms of resources, the Company does take comfort from the reported recoveries.

The acquisition of Dump No.5 will provide MRC with further latitude to expand its diamond production within the Kono District and can report that a quantity of diamonds were recovered by the previous owners from hand mining of the No.5 area. The diamonds are currently being registered with the Government Diamond Office for weighing and valuation.

PROJECT DEVELOPMENT

Xolobeni Mineral Sands Project (South Africa)

Prospecting Right.

In October 2005, MRC through its subsidiary TEM was granted a new order prospecting right at Xolobeni which is valid for 5 years. As part of a Prospecting and Socio-Environmental Work Plan the EIA has commenced work with environmental consultants GCS (Pty) Ltd on a comprehensive socio-economic study. This involves a demographic survey and meetings with communities, government and key stakeholders as part of the overall assessment. This information will be used in the project impact and mitigation assessment and will form the basis of the Xolobeni Social and Labour Plan. A Mining Right Application is to be lodged on completion of the EIA.

Xolobeni Black Empowerment and Consultation.

As advised in the March 2006 Quarter, Ehlobo Heavy Minerals ("EHM") completed due diligence and issued a Continuation Notice as prescribed under the Heads of Agreement dated 11 November 2005. Mineral Commodities Limited, through its wholly owned subsidiary Rexelle Pty Ltd now formally grants to EHM the right to acquire a 50.1% shareholding interest in MRC Resources (Pty) Ltd.

The Venture is constituted on signing of the Shareholders Agreement, payment by EHM of Rand 2.0 million, the issue by EHM of a bond for Rand 8.0 million and the issue to EHM of such number of shares in MRC Resources which represents a 50.1% interest.

Both parties are still in the process of finalising the Shareholders Agreement with execution thereof expected in the short term.

Subject to the Venture being formally constituted, EHM will commence funding project development costs for Xolobeni and Tormin up to the agreed Rand 35.0 million.

BEE compliance is a pre-condition to obtaining mining right approval under the South African Mineral and Petroleum Resources Development Act and the Charter. Completion of this transaction with EHM will mean that MRC Resources (Pty) Ltd will be a compliant BEE entity, and therefore the Xolobeni and Tormin projects will both be compliant in terms of this legislation.

Under the new South African Mineral and Petroleum Resources Development Act 2002 and the Socio-Economic Empowerment Charter, BEE Compliance is now essential to obtain new order mineral tenements. With the existing XolCo Bee arrangement in place at project level for Xolobeni and completion of a corporate BEE transaction, MRC Resources (Pty) Ltd will become a majority owned BEE entity.

Tormin Mineral Sands Project (South Africa)

Prospecting Right Application.

A Prospecting Right Application for the Tormin project was granted in April 2006 for a period of 2 years. The related Environmental Management Plan (EMP) was also approved enabling the group to commence work on the Prospecting and Socio-Environmental Work Plan. As part of the EIA, a social study of the area has commenced.

The Company has an agreement in place with a Western Cape landowner to acquire the existing Old Order Mining Permit area adjacent to the Company's recent New Order prospecting areas. It is planned to consolidate these areas and a single tenement under a new Mining Right Application to be submitted

The Company's current programme anticipates a Mining Right Application to be submitted by October, 2006.

Feasibility Study

The 2005 Bateman feasibility study pilot processing test work produced high quality zircon (ceramic grade) and Hi Ti product samples from the Tormin material. The Company subsequently commissioned an independent review to be undertaken by South African engineering consultants RSV K'enyuka to further refine efficiencies including investigating the viability of only producing a non-magnetic zircon enriched heavy mineral concentrate which would not require a Mineral Separation Plant there-by significantly reducing the capital and operating costs. The study by RSV K'enyuka is well advanced and incorporates a simplified mining operation supplying feed to a semi mobile wet concentrator. The findings and economic outcomes from the study will be reported upon in the next quarter.

CORPORATE

Placement of 30 million shares

MRC completed a placement of 30 million shares at \$0.30 each to clients of UK broker Mirabaud Securities Limited to raise \$9,000,000. The funds raised are being applied to develop the No 11 Oversize Tailings Dump and No 5 Dump as well as provide funds for project development on the company's Xolobeni and Tormin Mineral Sands projects.

Investment in Allied Gold Limited (ASX listed : ALD)

Allied Gold Limited (ALD) is a listed gold exploration company whose principal asset is the Tabar Islands Gold Project in Papua New Guinea. This comprises the Simberi Oxide Gold Project and all exploration property on the Tabar Islands. ALD has completed an Optimised Feasibility Study for of the Simberi Oxide Gold Project, has secured project finance and the appointment of an EPCM engineer to undertake construction and development of the project.

ALD has announced Measured, Indicated and Inferred Inventory of 1.255 million ounces of gold at the Simberi Oxide Project.

On 3 May 2006, ALD announced the commencement of trading of its securities on London's Alternative Investment Market.

Following the 3 May announcement, ALD also announced that it placed 21,800,000 ordinary shares at \$0.60 per share with International institutional clients of UK based Mirabaud securities Limited to raise \$13,080,000. That placement brought the total amount raised in equity markets since December 2005 to \$64.8 million.

In June 2006, ALD announced that it had expanded its gold exploration in offshore PNG with a decision to commence drilling a second island in the Tabar group, that of Tatua Island. It also announced in June 2006 that there will be an increase in the estimated capital cost of the Simberi Oxide Gold Project and that the market would be informed once the revised estimates were finalised.

MRC is the one of largest shareholders in ALD and holds a direct interest in 6.96% of ALD's issued ordinary shares and 13.98% of its listed options.

The market value of MRC's share and option holdings at 28 July, 2006 was \$7.3 million (previous quarter reported \$10.1 million).

Investment in Blackhawk Oil & Gas Limited

During previous quarters, the Company advised that, via its wholly owned subsidiary Blackhawk Oil & Gas Limited, it had entered into an exclusive Participation Purchase Option Agreement with Chasel Energy of Salt Lake City, Utah, USA. The Agreement provided Blackhawk with certain drill rights over formations in the Monument Butte Oil Field in Utah USA, as well as certain participating interests in lifetime net revenues.

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.

On 2 June 2006, MRC advised that it had received a preliminary report on the Utah oil and gas project whereby the independent expert was unable to assign any reserves to the Monument Butte properties which were the subject of the Chasel Energy Participation Purchase Option Agreement and accordingly resolved not to proceed with the agreement with Chasel Energy.

The Company is reviewing other oil and gas opportunities.

CASH AND MARKETABLE SECURITIES

At 30 June 2006, MRC had \$6.6 million in cash with a further \$7.7 million in marketable securities (ALD and others). In aggregate this represents 14 cents per MRC share.

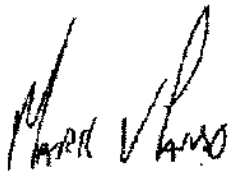
SECURITIES ON ISSUE

There were 39,406,878 shares issued during the quarter along with 3,135,626 unlisted options with an exercise price of \$0.40 to be exercised on or before 30 June 2007.

Current issued securities comprise;

101,436,002 fully paid ordinary shares
18,008,607 options expiring 30 June 2007 exercisable at \$0.30
3,135,626 unlisted options expiring 30 June 2007 exercisable at \$0.40.

Yours faithfully



Mark Caruso
Managing Director

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The information in this report that relates to Exploration Results is based on information compiled by Greg Steemson who is a Fellow of the Australian Institute of Geoscientists. Greg Steemson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Greg Steemson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended

30 June 2006

Consolidated statement of cash flows

	Current quarter \$'000	Year to date (6 months) \$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(218)	(341)
1.3 Dividends received	(434)	(519)
1.4 Interest and other items of a similar nature received	34	43
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
Net Operating Cash Flows	(618)	(817)
Cash flows related to investing activities		
1.8 Payment for purchases of (a) prospects (b) equity investments (c) investment in associate (d) fixed assets (e) Investments in controlled entities	(229)	(339)
	(966)	(966)
	(88)	(88)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		129
1.10 Loans to other entities	(636)	(699)
1.11 Loans repaid by other entities		
1.12 Repayment of term deposits		
Net investing cash flows	(1,919)	(1,963)
1.13 Total operating and investing cash flows (carried forward)	(2,537)	(2,780)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,537)	(2,780)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8,437	8,437
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	Net financing cash flows	8,437	8,437
	Net increase (decrease) in cash held	5,900	5,657
1.20	Cash at beginning of quarter/year to date	694	937
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	6,594	6,594

Payments to directors of the entity and associates of the directors

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

		Current quarter \$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	28
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$16,425 is directors' fees for non-executive directors.
\$12,000 is consulting fees paid to Mr Greg Steemson.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$'000
4.1 Exploration and evaluation	200
4.2 Development	-
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$'000	Previous quarter \$'000
5.1 Cash on hand and at bank	594	694
5.2 Deposits at call	6,000	-
5.3 Bank overdraft	-	-
5.4 Bank Bill	-	-
Total: cash at end of quarter (item 1.22)	6,594	694

Changes in interests in mining tenements

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

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number Quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases – issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	101,436,002	101,436,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	39,406,878	39,406,878		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases - issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	21,144,233	18,008,607	<i>Exercise price</i> \$0.30	<i>Expiry date</i> 30/6/2007
7.8 Issued during quarter	3,135,626	-	\$0.40	30/6/2007
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures				
7.12 Unsecured notes				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company Secretary)

Date: 31 July 2006

Print name:

Peter Torre

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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