



## **Mineral Commodities Ltd**

ACN 008 478 653  
ABN 39 008 478 653

Unit 15, Level 1, 51-53 Kewdale Road  
Welshpool, Western Australia 6106  
PO Box 235, Welshpool DC 6986  
Telephone: 61 8 9353 4890  
Facsimile: 61 8 9353 4894  
Email: [info@mncom.com.au](mailto:info@mncom.com.au)  
Web: [www.mncom.com.au](http://www.mncom.com.au)

31 January, 2007

Australian Stock Exchange  
Company Announcements Office

### **QUARTERLY ACTIVITIES REPORT**

#### **FOR THE PERIOD ENDED 31 DECEMBER 2006**

#### **HIGHLIGHTS**

- **The company is well advanced in the preparation of Mining Right Applications for both the Tormin and Xolobeni mineral sands projects in South Africa.**
- **Negotiations for product offtake from the Tormin Mineral Sands project are at an advanced stage with several parties.**
- **The 80 tonne per hour Diamond Pan Plant is due to be commissioned at the Koidu No. 11 Oversize Tailings Dump site in the current quarter. This plant is designed to lift diamond output ten-fold from the company's 100% owned Sierra Leone diamond project.**
- **On completion of commissioning of the new Diamond Pan Plant, plans are well advanced to process fresh gravels contained on the lease area.**

#### **SIERRA LEONE DIAMOND OPERATIONS UPDATE**

The Company's principal activity for the quarter through its 100% wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, has been diamond tailings dump re-treatment of 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 December quarter, the erection of the Diamond Pan Plant by Promet Engineers Africa (pty) Ltd ("Promet") was delayed due to logistical and bureaucratic issues. The plant includes 1 x 16 foot pan complete with 2 x 16m Scrubber, recovery circuit, single stage x-ray flow sort and diesel generated power supply plus spares. The plant is designed to treat 80 tonnes per hour, tenfold the current rate achieved from bulk sampling.

Despite the delays in receiving clearance to access the equipment, project costs remain within budget. However, mining activity in Sierra Leone is currently high due to the fact that it is the dry season. This has put pressure on the availability of earthmoving equipment and the ability of Promet to complete plant wet commissioning and performance testing in a timely fashion.

During the quarter bulk sampling operations continued under the guidance and management of the ProMet team. Expatriate housing, communications, infrastructure and site works have been completed in conjunction with sustainable processing operations in close co-operation and consultation with the Gbense Chiefdom. The Directors are of the view that a successful operation at No 11 Oversize Tailings Dump will enhance the Company's standing in the Chiefdom and could lead to participation in joint ventures with other operators or land owners.

ProMet have extensive experience operating in Sierra Leone and accordingly bring to the project a broad knowledge of local customs and experience with goods and services procurement. The programme of bulk sampling will test the dump as well as the basal gravels which will establish the grade and size of diamonds present. The new diamond recovery plant has the throughput capacity to derive favourable project economics and the Company looks forward to completion of the commissioning of the 80 tonnes per hour plant and the subsequent uplift in output and the ability to process fresh gravels.

## **PROJECT DEVELOPMENT**

### **Xolobeni Mineral Sands Project (South Africa)**

#### **Prospecting Right.**

MRC through its subsidiary TEM is finalising the detailed documentation required for Mining Right Application (MRA) which will be submitted to the Department of Minerals and Energy (DME) early in the next quarter. The MRA includes;

- Detailed description of the project
- Mining work programme
- Financial and Technical competency
- Social and Labour Plan
- Black Economic Empowerment (BEE) option agreements
- Mine Plan
- Marketing Review
- MRC Company and environmental policies
- Previous prospecting activity report

This documentation has been prepared in consultation with the DME, Black Economic Empowerment (BEE) partner XolCo, the community and local government agencies and municipalities.

The forthcoming application has been discussed in detail at all levels with all the key institutions and the community. Once the MRA is lodged it follows a set process and timing as follows;

- Application submission in Port Elizabeth
- Approval of MRA - 14 days
- Scoping Study for the EIA - 30 days involving public participation
- Authorities Review - 30 days
- Environmental Impact Assessment (EIA)/ Environmental Management Programme (EMP) - 120 days
- Approval - 120 days

Notice has also been given to the DME that TEM is planning to construct a Mineral Separation Plant (MSP) and Smelter facility in the area.

In line with recommendations from the DME, XolCo, the projects community based BEE partner, has appointed four new directors who represent and reside in different areas within and adjacent to, the tenement area. The shareholders agreement between TEM and XolCo has been modified to reflect the 26% option agreement specified by the DME to meet BEE compliance for the project. Presentations on the MRA process and its implications have been given by the directors of both XolCo and TEM to the community and all the relevant authorities.

As part of the planned environmental monitoring programme, sixteen community members have been employed to assist with the activities. TEM continues to support the local adult education programmes and junior schools in the area. The company's bursary student has successfully completed another year of his studies at university.

MRC is confident that the MRA will be well received by the Eastern Cape and National Government as well as the local and district municipalities. The project will have significant economic benefits in both the short and long term as a catalyst to investment in the area.

### **Tormin Mineral Sands Project (South Africa)**

#### **Prospecting Right Application.**

The Tormin Mineral Sands project Mining Right Application (MRA) and Mining Permit conversion is due to be submitted during the March 2007 (current) quarter. The MRA is for the northern area of the tenement and will include;

- Detailed description of the project
- Mining work programme
- Financial and Technical competency
- Social and Labour Plan

- BEE option agreements
- Mine Plan
- Marketing Review
- MRC Company and environmental policies
- Previous prospecting activity reports

The existing Mining Permit to the south of the tenement will be converted to a New Order Mining Right as required by the South African Minerals and Petroleum Resource Development Act. This will require the submission of the conversion application and then the Environmental Management Programme (EMP) will be modified to reflect the same mining and processing method to the northern area.

These applications will be processed simultaneously and the two rights will be consolidated into a single mining tenement.

In terms of BEE compliance, a new shareholders agreement is being drafted to meet the requirements of the DME.

The mine works plan which includes the mine plan has been completed and included in the MRA document.

Timing of the mining right process follows a set schedule;

- Application submission in Cape Town.
- Approval of MRA - 14 days.
- Scoping Study for EIA - 30 days involving public participation.
- Authorities Review - 30 days.
- EIA/EMP - 120 days
- Approval - 120 days.

Because most of the scoping work and EIA studies have been completed the application process should proceed quickly but still meet the stringent requirements of the DME.

The company continues to field expressions of interest from parties that wish to secure the rights to the non magnetic heavy mineral concentrates likely to be produced from the Tormin project. Negotiations have reached an advanced stage with marketing samples dispatched to the various parties for assessment.

## **CORPORATE**

### **Investment in Allied Gold Limited (ASX listed : ALD)**

Allied Gold Limited (ALD) is a listed gold development and exploration company with the Tabar Islands Gold Project in Papua New Guinea as its principal asset. This project consists of the Simberi Oxide Gold Project and all exploration property on the Tabar Islands. ALD has committed over 50% of the budgeted AUD\$80m construction and development programme to build a 2.2 million tonne per annum gold mining operation. First gold production is anticipated in October 2007.

ALD currently has Measured, Indicated and Inferred Resources of 2.389 million ounces of gold at the Simberi Oxide Gold Project and associated sulphide extensions.

MRC is one of the largest shareholders in ALD and holds a direct interest in 7.15% (approximately 19.4 million shares) of ALD's issued fully paid ordinary shares and 13.98% (approximately 3.1 million options) of its listed options.

The market value of MRC's share and option holdings at 31 December, 2006 was \$7.5 million (previous quarter reported \$8.8 million).

### **CASH AND MARKETABLE SECURITIES**

At 31 December 2006, MRC had **\$2.5** million in cash with a further \$7.7 million in marketable securities (ALD and others). In aggregate this represents **9.6** cents per MRC share.

### **NEW PROJECT EVALUATION**

The company continues to entertain approaches to engage in business opportunities in Southern Africa. MRC has been established in South Africa for a significant period of time and is considered a desirable business partner in the region. Opportunistic project acquisitions remain part of the corporate strategy.

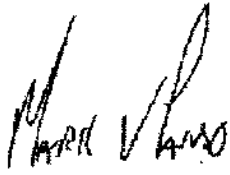
### **SECURITIES ON ISSUE**

There were no securities issued during the quarter.

Current issued securities comprise;

- 106,436,002 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
- 1,350,000 unlisted options expiring 11 May 2008 exercisable at \$0.35

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Caruso', written in a cursive style.

**Mark Caruso**  
**Managing Director**

**For enquiries in connection with this release please contact:**

**Mineral Commodities Limited**  
**+61 8 9353 4890 telephone**  
**+61 8 9353 4894 facsimile**  
**e-mail: [info@mineralcommodities.com.au](mailto:info@mineralcommodities.com.au)**

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

**MINERAL COMMODITIES LTD**

ABN

39 008 478 653

Quarter ended

31 December 2006

### Consolidated statement of cash flows

	Current quarter \$'000	Year to date (12 months) \$'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(407)   (343)	(914)   (1,064)
1.3 Dividends received	43	166
1.4 Interest and other items of a similar nature received	-	(13)
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
<b>Net Operating Cash Flows</b>	<b>(707)</b>	<b>(1,825)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of (a) prospects (b) equity investments (c) investment in associate (d) fixed assets (e) Investments in controlled entities	    (879)	   (399) (587) (2,522)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	  438	  567
1.10 Loans to other entities	(181)	(1,995)
1.11 Loans repaid by other entities		
1.12 Repayment of term deposits		
<b>Net investing cash flows</b>	<b>(622)</b>	<b>(4,936)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,329)</b>	<b>(6,761)</b>

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

1.13	Total operating and investing cash flows (brought forward)	(1,329)	(6,761)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	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		
	<b>Net financing cash flows</b>	-	<b>8,437</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,329)</b>	<b>1,676</b>
1.20	Cash at beginning of quarter/year to date	3,882	937
1.21	Exchange rate adjustments to item 1.20	8	(52)
1.22	<b>Cash at end of quarter</b>	<b>2,561</b>	<b>2,561</b>

**Payments to directors of the entity and associates of the directors**

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

		Current quarter \$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	34
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$16,500 is directors' fees for non-executive directors.  
\$17,000 is consulting fees paid to Mr Greg Steemson.

**Non-cash financing and investing activities**

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

Nil

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

Nil



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

### Estimated cash outflows for next quarter

	\$'000
4.1 Exploration and evaluation	300
4.2 Development	400
<b>Total</b>	<b>700</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$'000	Previous quarter \$'000
5.1 Cash on hand and at bank	2,561	3,882
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,561</b>	<b>3,882</b>

### 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases – issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	106,436,002	106,436,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases - issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	18,008,607 3,135,626 1,350,000 <u>22,494,233</u>	18,008,607 - - -	<i>Exercise price</i> \$0.30 \$0.40 \$0.35	<i>Expiry date</i> 30/6/2007 30/6/2007 11/5/2008
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b>				
7.12 <b>Unsecured notes</b>				

## Compliance statement

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

Sign here:



(Company Secretary)

Date: 31 January 2007

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.

====