



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
Web: www.mncom.com.au

30 April, 2007

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 MARCH 2007

HIGHLIGHTS

- **Mining Right Application submitted for the Xolobeni Mineral Sands Project, together with formalisation of Black Economic Empowerment (BEE) arrangements with a local community based group, Xolco. Xolobeni remains regarded as one of the largest undeveloped mineral sands resources in the world.**
- **Mining Right Application submitted for the Tormin Mineral Sands Project.**
- **Negotiations for product off-take from the Tormin Project are at an advanced stage with several parties.**
- **The 80 tonne per hour Diamond Recovery Plant was delivered to the Koidu site in Sierra Leone, erected and commissioned in late February. Processing run of dump material and a small amount of diamondiferous virgin gravels contained on the lease area commenced with initial encouraging recovery rates averaging 9.70 carats per 100 tonnes.**
- **Mineral Commodities Limited (MRC) continues to advance monetising its investment in Blackhawk Oil and Gas Limited.**

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

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.

Between June and November 2002 a detailed drilling programme over the Sikombe, Kwanyana and Mnyameni blocks within the tenement was completed. The results were assessed according to the JORC code by SRK Consulting, and used to complete a Resources Estimation Report and Desktop Mining Study.

The Xolobeni mineral resource is estimated to be 346 million tonnes of 5.0% heavy mineral, with 65% of this resource in the measured category.

Area	Status	Tonnes (million)	% HM	% Ilmenite
Sikombe	Measured	85	5.5	3.1
Kwanyana	Measured	139	5.8	3.1
Mnyameni	Indicated	104	4.1	2.2
Mpahlane	Inferred	18	2.3	1.6
TOTAL		346	5.0	2.7

Table 1: Xolobeni Mineral Resource, 2003 at 1% Heavy Mineral Cut off Grade

It is regarded as **the tenth largest mineral sands resource in the world containing in excess of 9,000,000 tonnes of Ilmenite**. The mining study concluded that the Xolobeni mineral sands deposit is economically viable with a mine life of some 22 years, producing some 250,000 tonnes per annum (tpa) of Ilmenite as well as 19,000 tpa of Rutile, 15,000 tpa of zircon and 15,000 tpa of leucoxene.

Mining Right Application

In March 2007 MRC's South African subsidiary Transworld Energy and Minerals Resources SA Pty Ltd (TEM) lodged the Mining Right Application for the Xolobeni Heavy Mineral Sands Project with the Department of Minerals and Energy in Port Elizabeth.

Subsequent to quarter-end, the Department of Minerals and Energy has confirmed acceptance of the application. One of the pre-requisites for obtaining a Mining Right is the completion of an Environmental Impact Assessment and the formulation and submission of an Environmental Management Programme to the Department. Work on this has already commenced with both South African and Australian environmental consultants being engaged to ensure best practise guidelines are used. This is due for completion and lodgement on or before October 2007.

The Board considers the lodgement of the Mining Right as a significant milestone in the future commercialisation of the Xolobeni Project.

Black Economic Empowerment (BEE) Partner

In October 2003 the Company formed an empowerment partnership with Xolobeni Empowerment Company (Pty) Ltd (Xolco), a community based company. Underpinning the above mentioned Mining Right Application is the execution of a Shareholders Agreement with Xolco which provides for them to subscribe for a 26% interest in TEM. This will establish TEM as a fully compliant BEE company.

BEE compliance is a pre-condition to obtaining Mining Right approval under the South African Mineral and Petroleum Resources Development Act and the Broad-Based Socio Economic Empowerment Charter of South Africa.

Under the Shareholders Agreement and associated agreements, Xolco will effectively pay a subscription price of US\$18 million for its 26% interest in TEM. The subscription price will be paid by way of a preferred dividend payment to the existing shareholders through intermediary companies once mining commences.

All future funding of the project will be contributed by MRC by way of shareholder loans which are to be repaid as a priority over any other distribution by TEM.

The Xolobeni project extends to more than just a mining operation and when the mining right is granted it will bring socio – economic upliftment to the impoverished local communities. The benefits will include;

- a solution to the environmental degradation of the area
- the provision of basic infrastructure and services which are currently severely lacking
- a significant impact on the local and regional economies
- maintaining South Africa's position as one of the top 3 mineral sands producers in the world

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

The Tormin mineral sands prospect is a beach deposit located on the rugged west coast of South Africa, approximately 400km north of Cape Town. The deposit is strategically situated near the mouth of the Olifants River close to Trans Hex Group's ("THG") diamond mining operations and approximately 50km south of Anglo's Namakwa Sands large scale heavy mineral sands mining operation located at Brand se Baai.

The Project is in close proximity to Anglo's mineral separation plant at Koekenaap from where the project's planned output of mineral concentrate can be transported by existing inland rail some 200kms to the export port at Saldanha Bay.

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

In 2005 Bateman Engineers conducted a feasibility study where 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 by South African engineering consultants RSV K'enyuka to further refine the flow sheet including investigating the viability of only producing a non-magnetic Zircon enriched heavy mineral concentrate which would not require a Mineral Separation Plant (MSP) there-by significantly reducing the capital and operating costs.

The Tormin project has been scoped to produce some 44000 tpa of enriched non magnetic concentrate containing predominately Zircon and Rutile. The results of the study by RSV K'enyuka are currently undergoing final review.

The Tormin project was previously investigated by THG who estimated the Mineral resource at 3.43Mt containing 81,300t Zircon and 20,200 of Rutile in Measured (Proven), indicated (Probable) and Inferred categories based on RC drilling.

As part of the current review, the mineral resource has been re-estimated using the THG RC drilling data and results of the MSR bulk sampling program. The MSR estimate is 2.71Mt containing 76,100t Zircon and 18,300t Rutile.

Due to the nature of the deposit, the MSR resource estimate has been classified as Inferred. However, the correlation between the THG and the MSR work is very high leading to the conclusion that, with minimal check drilling, the resource category could be upgraded.

The final volumes calculated by THG were based in part on large diameter casing drilling which resulted in a 22% increase in volumes. Such an increase would also apply to the MSR estimate.

Mining Right Application

The Tormin Mineral Sands Project tenement area covers 120ha of mineralized beach which has accumulated along the approximate 12 km long x 100m wide beach zone. The project tenement areas are held under a granted Prospecting Permit covering the area to the north and an Old Order Mining Permit incorporating the area to the south which the company has purchased.

On 20 February 2007 MSR lodged its Mining Right Application (MRA) for the northern area of the Tormin Mineral Sands Project with the Department of Minerals and Energy.

In addition, the conversion of the existing Old Order Mining Permit to the south of the Prospecting Permit to a New Order Mining Right was lodged simultaneously. Once processed, the two rights will be consolidated into a single mining tenement.

An Environmental Impact Assessment and Environmental Management Programme are currently being undertaken and will be submitted in the next quarter of 2007. The company is well advanced in all areas of statutory and legislative studies and compliance which should see the MRA move through the Department of Minerals and Energy's due process in a timely manner. Under the current schedule, the company is confident that it will have a granted MRA in the second half of 2007.

Black Economic Empowerment Partner

Underpinning the Mining Right Application is a new Black Economic Empowerment (BEE) arrangement with Morodi Mining Resources (Proprietary) Limited (Morodi). Morodi is a 100% black owned mining company based in Johannesburg. It has its portfolio interest in Platinum, Diamonds and Platinum Group minerals in the Southern African region.

BEE compliance is a pre-condition to obtaining mining right approval under the South African Mineral and Petroleum Resources Development Act and the Broad-Based Socio Economic Empowerment Charter of South Africa.

MRC Resources and MSR have entered into a Shareholders Agreement with Morodi which will establish MSR as a fully compliant BEE company. Morodi will be participating as both shareholder and in the management of MSR activities.

Under the Shareholders Agreement, Morodi will pay a subscription price of R5,531,636 for a 50% interest in MSR, it being agreed that, of the subscription price an amount of R3,531,636 shall be deferred until no later than the granting of the Mining Right, or such earlier date as Morodi may in its sole discretion elect. Against payment of the deferred amount Morodi will be entitled to subscribe for an additional share in MSR which will take its total shareholding to 50.25%.

The subscription price represents 50% of the value expended to date on the Project by MSR plus R2,000,000.

All future funding of the project will be contributed on an equal basis by both parties from the date of signing of the agreement.

MSR and MRC Resources have also entered into a mining management agreement whereby MSR will be engaged to manage the Tormin Mineral Sands Project.

MSR has the right to increase its economic interest in the project by up to a further 23.75% to 74% in the event that Morodi cannot meet its funding obligations.

The alliance with Morodi was formed following the discontinuation of the BEE alliance with Ehlobo Heavy Minerals (Ehlobo) due to the parties not being able to arrive at mutually agreeable terms in the Shareholders Agreement.

Concentrate Off-take Negotiations

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 review.

SIERRA LEONE DIAMOND OPERATIONS UPDATE

The Company's principle activity for the quarter through its 100% wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, has been 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 March quarter, ProMet Engineers Africa (Pty) Ltd erected and commissioned the Diamond Recovery Plant that it designed and supplied from South Africa. The plant was designed to treat 80 tonnes of material per hour, however metallurgical constraints have impeded production to less than half this rate. These constraints have been identified and evaluated and Promet and MRC are currently revising the project plan.

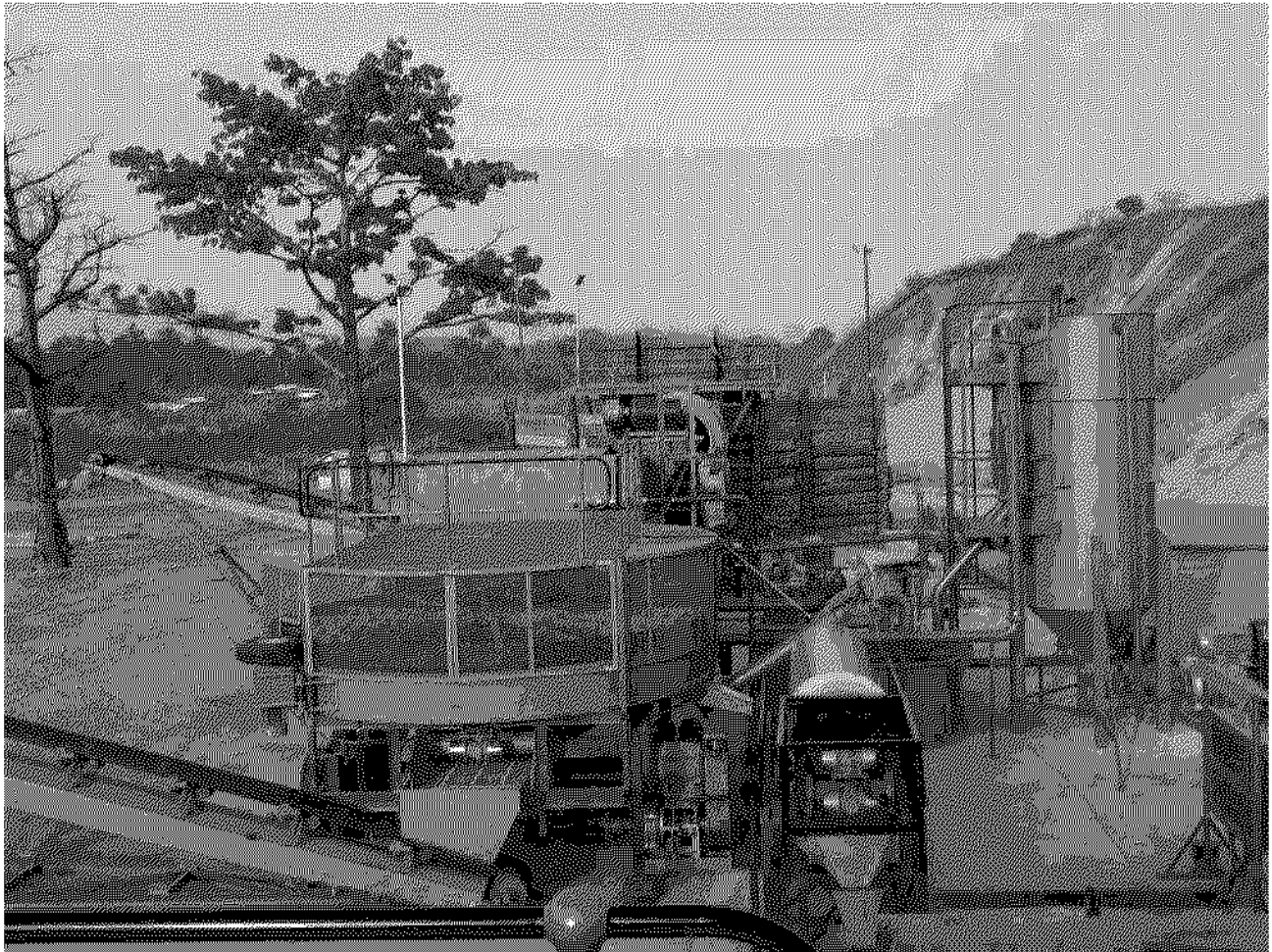


Figure 1: Kariba Kono diamond recovery plant

Diamond Production

The metallurgical constraints adversely impacted plant throughput. For the quarter 5,393 tons were treated from the No. 11 Tailings dump and from the diamondiferous virgin gravels stockpile. 523.06 carats were recovered in 2,884 stones, with the largest stone being 2.58 carats. The average head grade was 9.70 carats per 100 tonnes.

Grades derived from processing of Run of Dump tailings were initially very encouraging with some daily batches exceeding 20 carats per hundred tons. The average head grade is in excess of the budgeted projected head grade of 6 carats per 100 tonne and the company is investigating an initial Stage 1 upgrade of the current 80 tonne per hour Pan processing plant with the introduction of an integrated Dense Media Separation (DMS) plant with a 120 tonne per hour capacity.

At this stage, no diamond sales have occurred as MRC is awaiting granting of a Diamond Export Licence which is imminent. The company is encouraged by the high portion of gem quality diamonds from the processing recovery to date.

Business Development

MRC, through its wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Limited, has forged solid relations with the Chiefdom Council of the Gbense Council, Kono District. The company is pursuing opportunities to leverage off its operational experience recently gained in Sierra Leone and the goodwill of the local Chiefdom to expand its interest in the region in a cost-effective manner.

BLACKHAWK OIL & GAS LIMITED - INVESTMENT

During the quarter the company entered into a Share Swap Agreement to roll all of its shareholding in Blackhawk Oil & Gas Limited into London based Petro Ventures Plc. On completion, Blackhawk will become a wholly owned subsidiary of Petro Ventures International Limited with Mineral Commodities owning 99.5% of Petro Ventures shareholding. MRC's final equity in Petro Ventures Plc will be subject to dilution in due course following completion of various seed and equity raisings to fund Petro Ventures Plc activities.

The company is required to obtain an independent valuation for the transaction to comply with the UK Companies legislation.

It is the intention to seek a listing of Petro Ventures International Limited on the Australian Stock Exchange in due course.

Together with partners FX Energy and Sterling Resources, Blackhawk has applied for a 15% equity interest in Block P1, which is located in the western part of the Dutch North Sea, 75 kilometres northwest of the port of Umuiden. The surface area of the block is 209km² and is situated in shallow water of between 25-30 metres. Block P1 contains proven gas discoveries FA and FB. Independent experts estimate that the P1 licence area has 16.6 BCM of gas initially in place with expected ultimate recovery to be in the order of 11.61 BCM.

Advances in development and production technologies, together with higher oil and gas prices, have created an excellent opportunity to develop and optimise oil and gas production from stranded reserves in the Dutch sector of the Southern North Sea. Petro plans to undertake a progressive multi-staged appraisal and development of the P1 field. Objectives will be to achieve substantially increased production rates by utilising modern drilling and recovery stimulation techniques. The latest technology is planned to be employed to process the produced gas, which contains a high level of inerts. In addition Petro is currently reviewing other fallow blocks in the area with stranded reserves for application and potential acquisition.

Grant of the Exploration Licence is imminent.

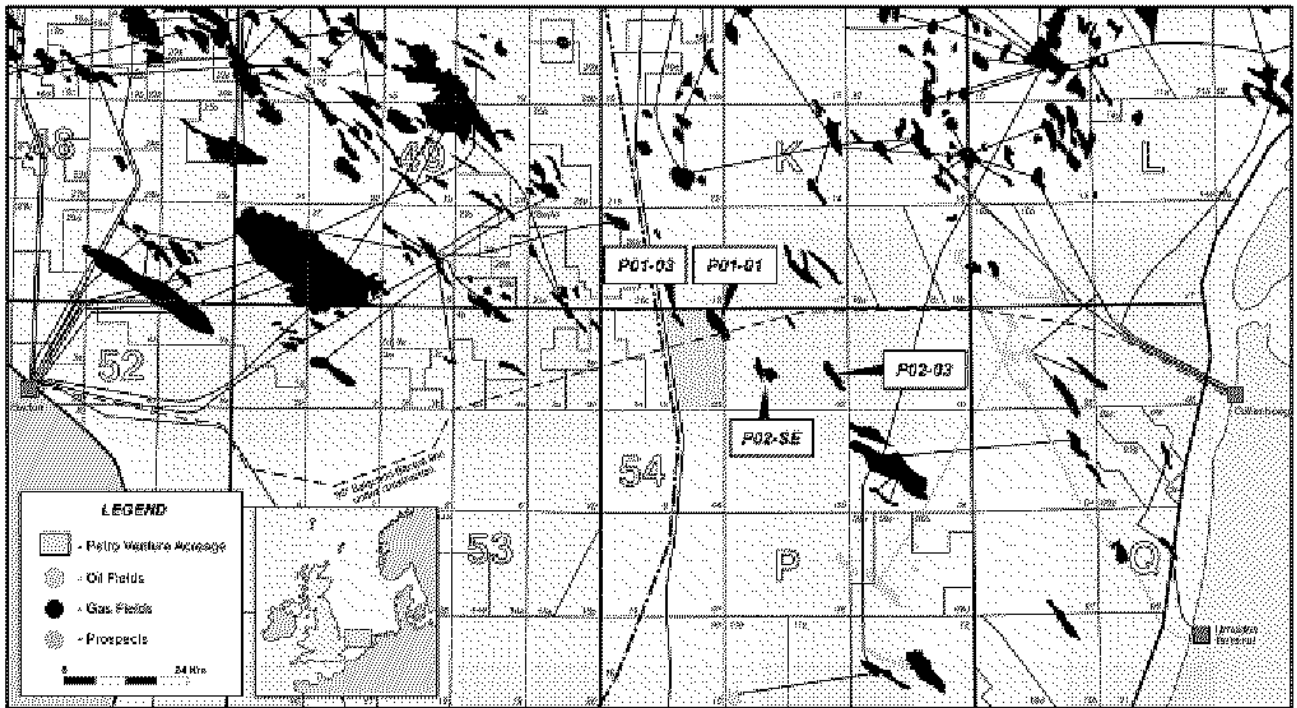


Figure 2: Petro Ventures Southern North Sea – Dutch Section – Proposed Project Acreage

In the UK sector of the Southern North Sea, Petro Ventures has also negotiated to earn a 5% working interest in Sterling Resources-operated Blocks 42/12 and 13 by paying 10% of the dry hole cost of a well to appraise the Breagh gas discovery. This has estimated most likely reserves of around 200 Bcf and significant upside potential. Sterling has sourced a jack-up drilling rig and plans to drill the well in the 3rd quarter of 2007. In the event of success the field could be in production by 2010.

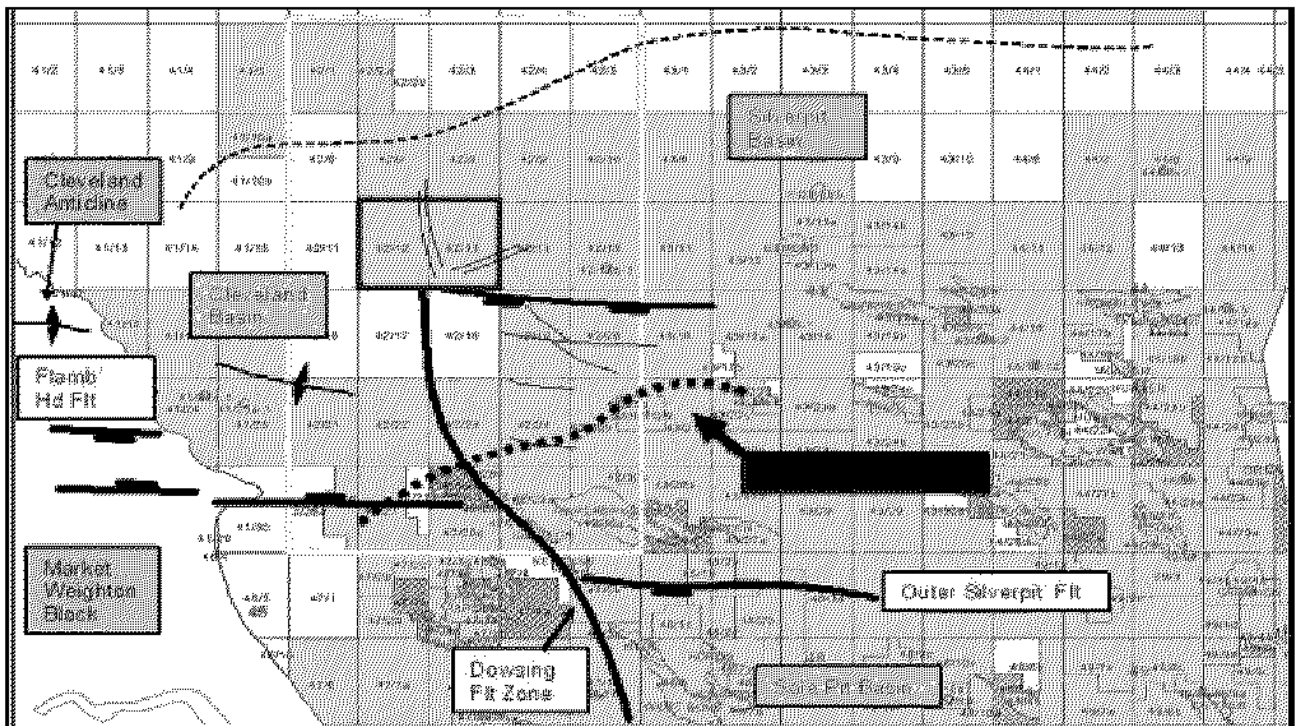


Figure 3: Petro Ventures Southern North Sea – UK Section – Proposed Project Acreage

In a further relationship with Sterling Resources, Petro Ventures is farming-in to two attractive blocks in the Romanian sector of the Black Sea, Block XIII (Pelican) and Block XV (Midia), where Sterling has recently acquired the non-strategic equity of its former operator and partner Talisman Energy. Under the terms of the farm in agreement, Petro Ventures will contribute 30% of the dry hole costs of two wells in order to earn 15% working interests in the blocks. The two wells are planned to be drilled back to back beginning 4th quarter of 2007.

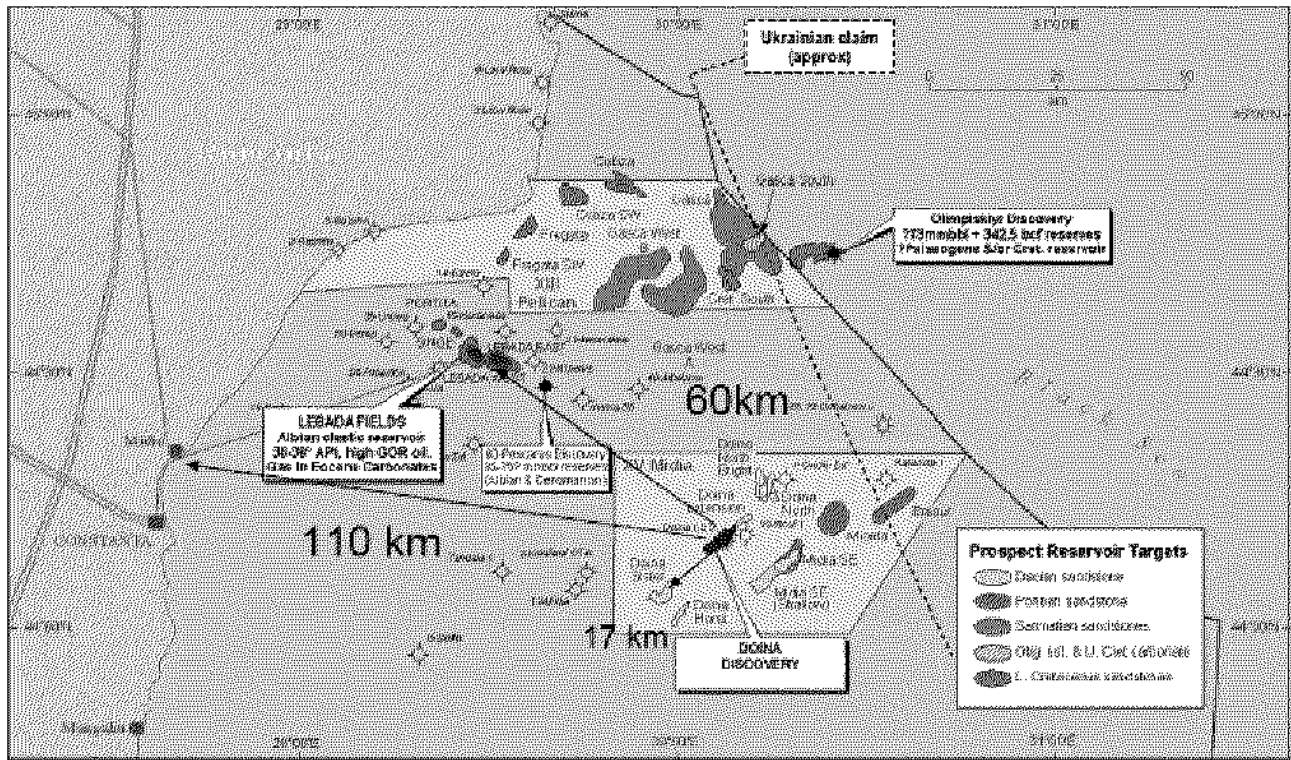


Figure 4: Petro Ventures Proposed Project Area, Offshore Romania

The first well is planned to be in the Midia Block on the Doina Sister structure, which is on-trend and possibly contiguous with the estimated 80 Bcf Doina gas accumulation in the same block, whose discovery well flowed at 17 mmscfd. In the event of success further appraisal drilling will be undertaken in order to accelerate Doina Area development.

The second well in the programme is planned to be an exploration well, in the Pelican Block, on the Gasca South prospect, considered to be analogous to a recent nearby discovery in the Ukrainian sector

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 comprises the Simberi Oxide Gold Project and all exploration property on the Tabar Islands. ALD has committed around 66% of the budgeted AUD\$82m 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 Project.

MRC is one of the largest shareholders in ALD and currently holds a direct interest in 6.18% (approximately 19.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's share and option holdings at 31 March 2007 was **\$7.43** million (previous quarter reported \$7.8 million).

CASH AND MARKETABLE SECURITIES

At 31 March 2007, MRC had **\$1.068** million in cash with a further **\$7.56** million in marketable securities (ALD and others). In aggregate this represents **8.1** cents per MRC share.

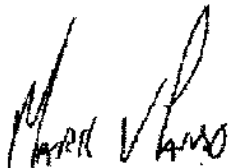
SECURITIES ON ISSUE

There were no securities issued during the quarter.

Current issued securities comprise;

106,436,002 fully paid ordinary shares listed on the ASX
18,008,607 listed 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



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

The information in this report that relates to Exploration Results for the Tormin Mineral Sands Project 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.

The information in this report that relates to Exploration Results of the Xolobeni Project is based on information compiled by Mr Daniel Guibal (SRK Consulting) a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

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 March 2007

Consolidated statement of cash flows

	Current quarter \$'000	Year to date (3months) \$'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	(234)	(234)
1.3 Dividends received	(389)	(389)
1.4 Interest and other items of a similar nature received	26	26
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
Net Operating Cash Flows	(597)	(597)
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	(310)	(310)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	(572)	(572)
1.11 Loans repaid by other entities		
1.12 Repayment of term deposits		
Net investing cash flows	(882)	(882)
1.13 Total operating and investing cash flows (carried forward)	(1,479)	(1,479)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,479)	(1,479)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,479)	(1,479)
1.20	Cash at beginning of quarter/year to date	2,561	2,561
1.21	Exchange rate adjustments to item 1.20	(14)	(14)
1.22	Cash at end of quarter	1,068	1,068

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	31
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$16,000 is directors' fees for non-executive directors.
\$15,000 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	450
4.2 Development	400
Total	850

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	1,068	2,561
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
Total: cash at end of quarter (item 1.22)	1,068	2,561

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	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 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases - issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	18,008,607 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 Debentures				
7.12 Unsecured notes				

Compliance statement

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

Sign here:


(Company Secretary)

Date: 30 April 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.

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