



Mineral Commodities Ltd

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31 July, 2007

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 June 2007

HIGHLIGHTS

- **The Environmental Impact Assessment (EIA) scoping report for the Xolobeni project commenced with full public participation. The final scoping document was submitted to the Department of Minerals and Energy (DME) in Port Elizabeth on 25th May 2007. Xolobeni remains regarded as one of the largest undeveloped mineral sands resources in the world.**
- **Mineral Commodities Limited (MRC) received comment on the Tormin Mining Right and Steenvas Conversion EIA scoping report from various government departments.**
- **Negotiations for product off-take from the Tormin Project continue.**
- **The company has leveraged off its operational experience in Sierra Leone and its strong business relationship with the Chiefdom Council of the Gbense Council, Kono District by applying for additional Mining Leases and Concessions in the region. MRC considers these new project areas prospective for diamonds.**

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.

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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 **one of the largest undeveloped mineral sands resources 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 75% owned 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 (DME) in Port Elizabeth. The Board considers the lodgement of the Mining Right as a significant milestone in the future commercialisation of the Xolobeni Project.

During the quarter, the DME confirmed acceptance of the application. One of the prerequisites for obtaining a Mining Right is the completion of an Environmental Impact Assessment (EIA) and the formulation and submission of an Environmental Management Programme.

The EIA scoping report commenced in May with full public participation. At each meeting, held in English and Xhosa, the project was explained and the EIA process described. Comments were recorded and added to the scope. The final scoping document was submitted to the DME in Port Elizabeth on 25th May 2007. Copies of the document have been left at key schools, halls and libraries in the area.

The DME and other government departments will review the scope and are due to make recommendations concerning the EIA very soon. Once the scoping report has been accepted the EIA for the project must be finalized and submitted by 24th October 2007.

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 also 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.

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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) thereby significantly reducing the capital and operating costs.

The Tormin project has been scoped to produce some 44,000 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, Indicated 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 from Steenvas.

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 EIA and Environmental Management Programme are currently being undertaken. MSR received comment on the Tormin Mining Right and Steenvas Conversion EIA Scoping Report from various government departments. The comments received required some areas of the EIA to be modified to meet their requirements. At the request of the DME, a meeting was held on the project site to discuss the proposed operations.

The final EIA will be submitted in the September 2007 quarter. The DME must respond within 120 days of submission.

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Black Economic Empowerment Partner

Underpinning the MRA 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 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 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 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.

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SIERRA LEONE DIAMOND OPERATIONS UPDATE

The Company's 100% wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, continued with diamond tailings dump re-treatment, diamond mining and mineral exploration in Sierra Leone during the quarter. Kariba Kono's principal asset is the No. 11 Oversize Tailings Dump at Koidu however additional exploration within the Gbense Chiefdom has commenced as described later.

Historically 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 significant quantities of diamonds to tailings.

During the previous quarter, ProMet Engineers Africa (Pty) Ltd had erected and commissioned the Diamond Recovery Plant that it designed and fabricated from South Africa. The plant was designed to treat 80 tonnes of material per hour, however metallurgical constraints during that quarter impeded production to less than half this rate. These constraints were identified and evaluated and Promet and MRC commenced discussions to deliver the 80tph or to revise the project plan.

During the quarter, the company suspended operations and put the diamond plant under care and maintenance pending an engineering and design review. The company held discussions with ProMet Engineering Africa to deliver the 80 tph throughput pursuant to the contractual performance guarantee. These discussions continue together with the assistance and co-operation of parent company ProMet Australia and its senior management.

In addition to the above, MRC have engaged independent consultants Consulmet (Pty) Limited from South Africa to undertake an audit of the engineering design and configuration of the existing plant. They have concluded that considering the parameters surrounding the dump, the dump material would be more suited to being treated through a Dense Media Separation ("DMS") plant which has better recovery efficiencies than a pan plant. A DMS can also treat the full spectrum of feed size distribution at this higher efficiency. The present recommendation is to split the coarse fraction at +10mm and divert the oversize direct to the DMS and the -10mm would report to the pan thus increasing feed tonnage and efficiencies and falling in line with sound diamond value management practices.

In addition to the above, Consulmet have recommended to change the pan underflow screen to a larger size to achieve better drainage and incorporate a separate puddle densification circuit.

By the end of the quarter MRC had identified a number of new DMS plants available for purchase and is presently finalising negotiations to acquire a 50tph DMS with a view to mobilising the unit to site and introducing the new item of plant into the existing circuit together with other minor engineering changes as identified by Consulmet. The company expects to be in full production in the December 2007 quarter.

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Diamond Production

During the quarter 320 tons were treated from the No. 11 Tailings dump and virgin ground. 16.88 carats were recovered in 115 stones, with the largest stone being 0.96 carats.

The average head grade is in excess of the budgeted head grade of 6 carats per hundred tonne (cpht) and the company continued to investigate project optimisation initiatives with a view to increasing diamond production.

No diamond sales have occurred however a parcel of 516.64 carats of diamond rough was sent to London for valuation and a gross valuation of US\$45,209 was achieved. This included 259.73 carats of gem quality stones and 256.91 carats of near-gem stones. No “specials” have yet been recovered from the operations however the directors are encouraged by the grade of 9.7cpht achieved to date and have a high expectation of recovering some larger stones once operations are upgraded to achieve the required throughput and economies of scale.

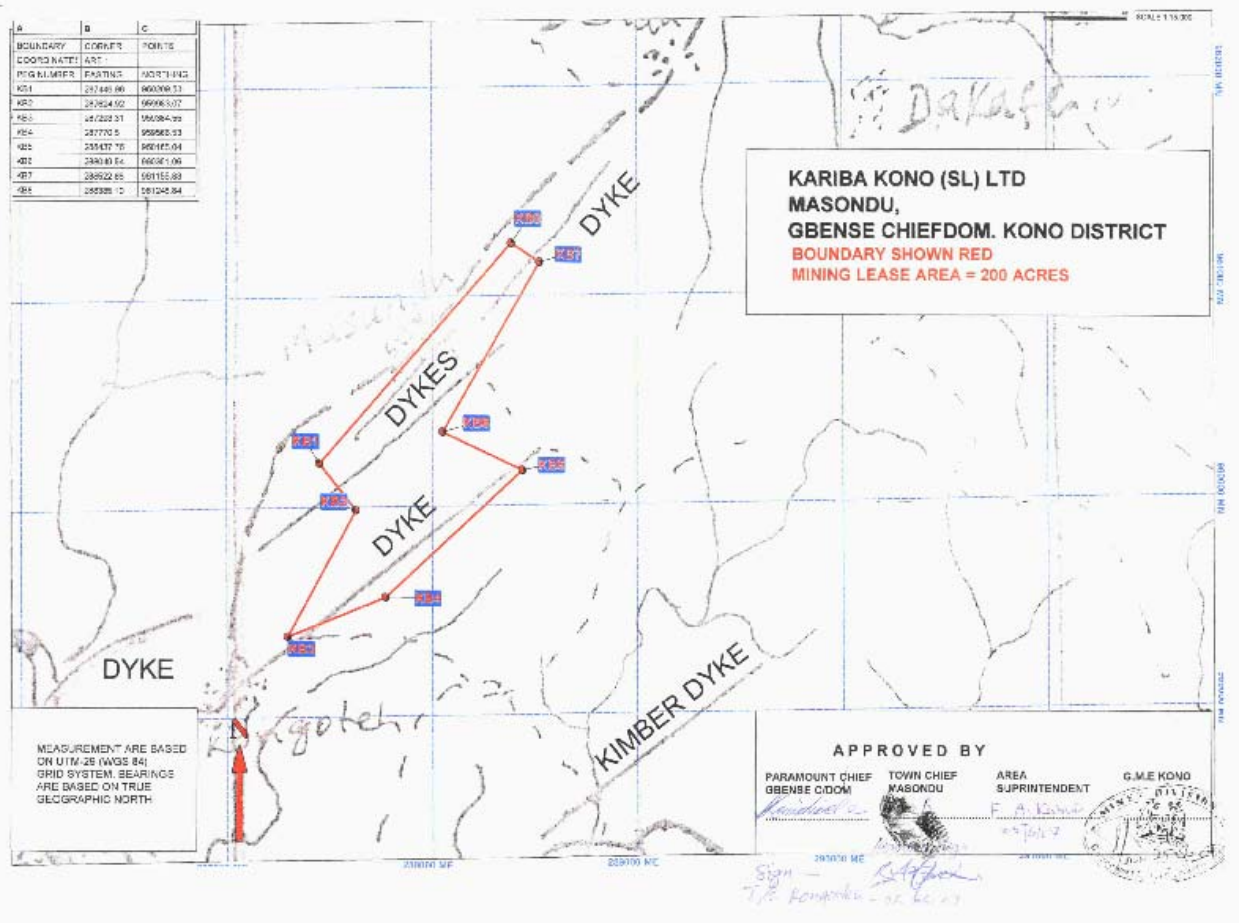
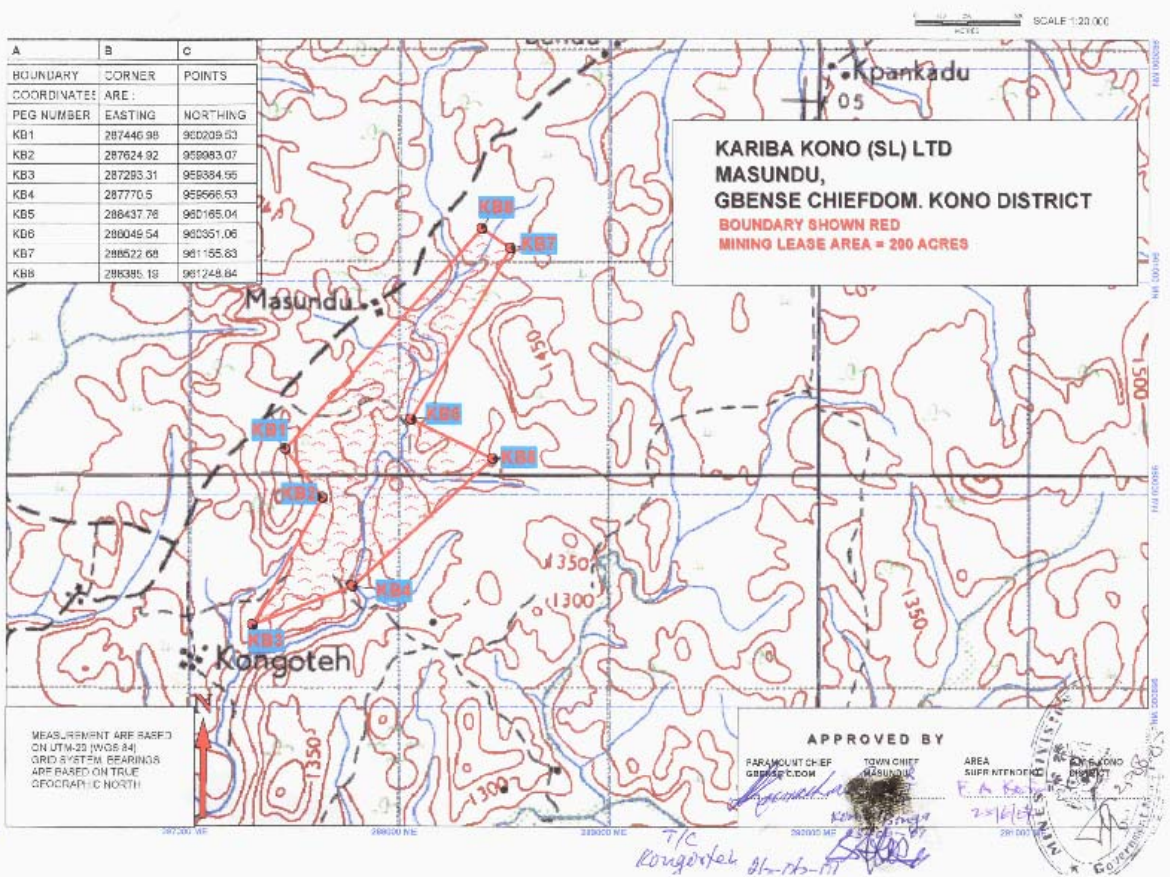
Business Development

In consultation with the Chiefdom Council of the Gbense Council, Kono District the company examined a number of areas for exploration so as to leverage off its operational experience gained thus far in Sierra Leone.

This has resulted in the company's Sierra Leone subsidiary, Kariba Kono (SL) Ltd applying for a Mining Lease of some 200 acres at Masondu located approximately 4½ kilometres north east of Koidu. The licence has previously been mapped and indicates the presence of four large kimberlite dykes traversing the property in a north easterly direction, some in excess of 1.25 kilometres in length.

Upon grant of the Mining Lease the company will design and initiate a programme of work to test the dykes for diamonds and diamond indicator minerals.

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During the quarter the company was also granted a small concession at Bayama, along the banks of the Baya and Konsuyi streams. This was evaluated by minor excavations using hand tools, then hand sieved and screened, however results were not encouraging.

BLACKHAWK OIL & GAS LIMITED - INVESTMENT

During the quarter the company was advised by the Dutch Mining Ministry that it had awarded the offshore licence P1 to a competing bidding consortium headed by Elko Energy. Accordingly the roll-up of the company's shareholding in subsidiary, Blackhawk Oil & Gas Limited, to Petro Ventures Plc has not proceeded.

However, MRC remains a significant seed capitalist investor in Petro Ventures Plc and it is the intention to support a listing of Petro Ventures International Limited on the Australian Stock Exchange instead of the Alternative Investment Market in due course.

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 80% of the budgeted AUD\$83m construction and development programme to build a 2.2 million tonne per annum gold mining operation. First gold production is anticipated in the December 2007 quarter.

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 5.75% (approximately 19.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's share and option holdings at 30 June 2007 was **\$8.4** million (previous quarter reported \$7.43 million).

Other Projects and Opportunities

Cognisant of the current level of activity and development within the global resource sector, the Board of MRC actively pursued and explored various opportunities during the quarter with the aim of securing additional projects which would further enhance shareholder value.

The Board will continue to pursue such opportunities in the current quarter.

Cash and Marketable Securities

At 30 June 2007, MRC had **\$1.557** million in cash with a further **\$8.5** million in marketable securities (ALD and others). In aggregate this represents 9 cents per MRC share.

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Securities on Issue

There were 183,500 options at \$0.40 and 3,178,403 options at \$0.30 converted into ordinary fully paid shares during the quarter.

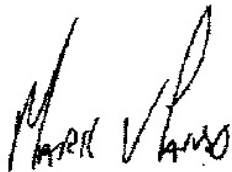
There were a further 1,195,116 options at \$0.30 converted immediately following the quarter end.

Current issued securities comprise;

110,993,021 fully paid ordinary shares listed on the ASX
1,350,000 unlisted options expiring 11 May 2008 exercisable at \$0.35

Subsequent to the quarter-end, MRC completed a private placement of 12,000,000 ordinary shares at a subscription price of \$0.26 per share to clients of UK based broker Mirabaud Securities Limited. This raises approximately \$3 million to fund the company's resources project developments.

Yours faithfully



Mark Caruso
Managing Director

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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.

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Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended

30 June 2007

Consolidated statement of cash flows

	Current quarter \$'000	Year to date (6months) \$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(284)	(518)
(b) development	(114)	(687)
(c) production		
(d) administration	(730)	(1,119)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	14	40
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
Net Operating Cash Flows	(1,114)	(2,284)
Cash flows related to investing activities		
1.8 Payment for purchases of		
(a) prospects		
(b) equity investments		
(c) investment in associate	(619)	(619)
(d) fixed assets	(6)	(316)
(e) Investments in controlled entities		
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments	1,226	1,226
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Repayment of term deposits		
Net investing cash flows	601	291
1.13 Total operating and investing cash flows (carried forward)	(513)	(1,993)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(513)	(1,993)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,027	1,027
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	1,027	1,027
Net increase (decrease) in cash held			
		514	(966)
1.20	Cash at beginning of quarter/year to date	1,068	2,561
1.21	Exchange rate adjustments to item 1.20	(25)	(38)
1.22	Cash at end of quarter	1,557	1,557

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	32
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.
\$16,000 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	400
4.2 Development	200
Total	650

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	1,557	1,068
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
Total: cash at end of quarter (item 1.22)	1,557	1,068

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		

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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	109,797,905	109,797,905		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,178,403 183,500	3,178,403 183,500	\$0.30 \$0.40	\$0.30 \$0.40
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>	1,195,116 <u>1,350,000</u>		<i>Exercise price</i> \$0.30 \$0.35	<i>Expiry date</i> These options were converted to ordinary shares immediately following quarter end. 11/5/2008
7.8 Issued during quarter				
7.9 Exercised during quarter	3,178,403 183,500	3,178,403	\$0.30 \$0.40	30/6/2007 30/6/2007
7.10 Expired during quarter	13,635,088 2,952,126		\$0.30 \$0.40	30/6/2007 30/6/2007
7.11 Debentures				
7.12 Unsecured notes				

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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 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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