



## Mineral Commodities Ltd

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31 January, 2008

Australian Stock Exchange  
Company Announcements Office

### QUARTERLY ACTIVITIES REPORT

### FOR THE PERIOD ENDED 31 DECEMBER 2007

#### HIGHLIGHTS

- The Environmental Impact Assessment (EIA) for the Xolobeni project was revised during the quarter and the final report was lodged with the Department of Minerals and Energy in December 2007. Xolobeni remains regarded as one of the largest undeveloped mineral sands resources in the world.
- A decision on the Mining Right Application for the Tormin project is imminent. All documentation has been submitted to the Department of Minerals and Energy in Cape Town after a rigorous review process. Tormin has the potential to produce some 44,000 tpa of enriched non magnetic concentrate containing predominately Zircon and Rutile within a development timeframe of less than 12 months.
- Legal proceedings commenced in the Federal Court of Australia on 12 October 2007 against Promet Engineers Africa (Pty) Ltd, Promet Engineers Pty Ltd, James Dinsdale Cribbes, Robert John Bennett and Richard George Ford. Mineral Commodities Limited claims damages for breach of Contract, as well as damages for contravention of the Trades Practises Act plus interest and costs, relating to a diamond pan plant at the company's No. 11 Oversize Tailings Dump at Koidu in the Republic of Sierra Leone.
- Mineral Commodities Limited's investment in Allied Gold Limited appreciated in market value to \$14.2 million.

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## **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.

<b>Area</b>	<b>Status</b>	<b>Tonnes (million)</b>	<b>% HM</b>	<b>% Ilmenite</b>
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
<b>TOTAL</b>		<b>346</b>	<b>5.0</b>	<b>2.7</b>

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

The Project 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 Leucosene.

### **Mining Right Application**

In March 2007 MRC's majority 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.

TEM has since completed the Environmental Impact Assessment (EIA), which was submitted to the DME on 22 October 2007. After a series of government department and public meetings aimed at reviewing the scope and outcomes of the EIA and accompanying Environmental Management Programme (EMP), an updated report was resubmitted on 20 December 2007.

The documents are currently under final review by the DME. The Minister of Minerals and Energy is due to announce a decision on the Mining Right Application during the June 2008 quarter.

The project area was visited by the South African Government Minister of Minerals and Energy and the Minister of Social Development on 14 December 2007. The delegation was accompanied by the newly appointed Chief Director of the DME for the Eastern Cape region and was met by a large community gathering including Directors of Black Economic Empowerment (BEE) partners, Xolobeni Empowerment Company (Pty) Ltd (Xolco).

The Department of Land Affairs also visited the project area to ascertain independently the communities understanding and support of the project.

### **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 American Group'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.

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

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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. 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.

The final Environmental Impact Assessment (EIA) and Environmental Management Programme (EMP) for the project were submitted to the DME in Cape Town on 23 July 2007. This was a revised document after public and government department requests for additional specialist studies were completed.

Underpinning the MRA is a 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.

The EIA and EMP are currently under final review by the DME and the Minister of Minerals and Energy is imminently due to make a decision on the Mining Right Application.

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

The Company's 100% wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, continued to review its diamond tailings dump re-treatment project in Sierra Leone during the quarter. Kariba Kono's principal asset is the No. 11 Oversize Tailings Dump at Koidu. The Company has also secured two additional small scale mining leases within the Gbense Chiefdom, the most promising of which is the Masundu lease, which contains the Baya and Konsuyi streams as well as a number of dyke structures which the company plans to test for diamonds and diamond indicator minerals in due course.

During the previous quarter, the company suspended operations and put the diamond plant under care and maintenance pending an engineering and design review following the failure of the 80tph plant supplied by ProMet Engineers Africa (PTY) Ltd.

### Legal Proceedings

During the quarter, the company commenced legal proceedings in the Federal Court of Australia against Promet Engineers Africa (Pty) Ltd (Promet), Promet Engineers Pty Ltd, James Dinsdale Cribbes, Robert John Bennett and Richard George Ford for breach on contract, misleading and deceptive conduct and breaches of the Trade Practices Act.

Proceedings were listed for a further directions hearing on 6 December, 2007 however the judge is yet to deliver judgement on MRC's application for leave to serve the proceedings in South Africa. The directions hearing has been adjourned until 5 February for the judge to deliver his decision.

Assuming the court grants the application, MRC will arrange for proceedings to be served on ProMet Engineers Africa, Ford and Bennett following which programming orders will be issued for the filing of a defence by those respondents.

### Plant on Care and Maintenance

Since the national elections in Sierra Leone during August and September 2007 and the swearing in of the new government, civil unrest has now abated and the Company is considering its options which include mobilising further equipment to site to replace and/or upscale the operational capacity. Such plant would include a Dense Media Separation (DMS) plant and ancillary equipment.

Negotiations commenced during the quarter with a company in South Africa, to acquire a second-hand diamond plant with a name plate capacity of 200tph, which includes a modular 65tph DMS and associated diamond X-Ray sorting plant. Negotiations are continuing.

### **PETRO VENTURES INTERNATIONAL LIMITED - INVESTMENT**

During the quarter the company continued as a seed capital investor in Petro Ventures International Limited (Petro Ventures).

Petro Ventures was formed by a number of senior industry professionals in the UK and Australia with a view to securing oil & gas opportunities primarily in the UK and Europe (including Former Soviet Union satellites) on low risk appraisal/ pre-development acreage in the vicinity of upstream infrastructure.

Petro Ventures has presently secured three project areas in the UK, offshore Romania and onshore Hungary. The company is also continuing its investigations on a number of advanced oil & gas plays in Morocco, Holland and Ukraine.

Petro Ventures has been successful to date in raising \$4,200,000 in seed capital to fund its objectives and has also secured loan facilities of US\$6,000,000 from Gemini Oil & Gas Fund II LLP to fund the drilling of the Breagh property in the UK North Sea and the Doina Sister property in the Black Sea.

During the quarter two successful wells were drilled:

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### Breagh – UK Southern North Sea

On 21 November 2007, TSX listed Sterling Resources announced that *“the Breagh appraisal well, in UK Southern North Sea Block 42/13, has successfully tested gas at rates up to 17.6-million standard cubic feet per day (mmscfd) through a 56/64-inch choke.*

*Following a further 12-hour flow period at a controlled rate of 14.3-mmscfd against a circa 1,550-psi wellhead flowing pressure, the well is currently shut in for a pressure build up survey. The test interval in 42/13-3 is within the Carboniferous with perforations from 7,332 feet to 7,447 feet and the rates recorded are at the top end of pre-well estimates.*

*Based on preliminary analysis completed since the well results were obtained, the correlation of certain geological features between the original discovery well 42/13-2 well drilled in 1997 and the 42/13-3 well is encouraging. In particular, the presence of good quality sand in the more crestal 42/13-3 location is significant and may suggest that this upper sand-prone section, which has better reservoir quality, has a widespread distribution. The net thickness noted in the 42/13-2 and 42/13-3 wells, which are 1.5-kilometres apart, is consistent with the potential for significant gas volumes within the area currently mapped as West Breagh. Further significant potential is still mapped in the East Breagh part of the structure and initial planning is underway to drill and evaluate this part of the structure as part of a multi-well appraisal program in 2008. As with the current 42/13-3 well, all future wells will be planned to be retained for re-entry and possible production.”*

### Doina Sister – Offshore Romania

On 31 December, 2007 Sterling Resources reported that *“the Doina Sister well reached the current total depth of 1,275-metres on the 30 December 2007. The top of the main Doina reservoir was encountered at 1,139-metres, approximately 8-metres deep to prognosis. A 12-metre core was cut in the reservoir section before drilling to total depth and commencing logging operations. Good indications of gas were recorded during drilling of the Doina main interval. Initial results from the first log indicate a high quality 21.5-metre net reservoir section between 1,139 and 1,167 metres with average porosity of 26-percent. Further gas indications are noted down to 1,200 metres and this lower section is being evaluated by the ongoing logging program.”*

Since the end of the quarter testing of Doina Sister has been completed. Sterling announced on 15 January, 2008 that *“the Doina Sister well has tested at stabilized rates up to 19.2-million standard cubic feet per day (Mmscf/d) for four hours from perforations across the interval 1,139-metres to 1,168-metres. The well was then tested for 14-hours at a fixed rate of 6.5-million standard cubic feet per day through a 48/64th inch choke with a stable wellhead flowing pressure of 1,160-psi. The well is currently shut in to record pressure build up information. As with the discovery well on the neighbouring Doina prospect, the test rates do not reflect the full production potential for a development well due to the limitations of the test equipment. These limitations also resulted in the decision not to perforate the lower 12-metre net pay interval. Performance of the Doina Sister well during test indicates that it has superior reservoir qualities compared to the original Doina well, as expected from the electric open hole log data, and this will be quantified on recovery of the pressure gauges. Following conclusion of the test the well will be suspended for possible future re-entry and the Prometeu rig released.”*

It is expected that a public listing of Petro Ventures will be undertaken during 2008, thereby realizing a tangible return on the company's modest investment.

## **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 Group. ALD is well advanced in the commissioning of its gold processing operation with first production imminent.

MRC is one of the largest shareholders in ALD and currently holds a direct interest in 5.5% (approximately 19.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's shareholding at 31 December 2007 was \$14.2 million (previous quarter reported \$13.5 million).

### **Cash and Marketable Securities**

At 31 December 2007, MRC had \$2.2 million in cash with a further \$14.3 million in marketable securities (ALD and others). In aggregate this represents 13.4 cents per MRC share.

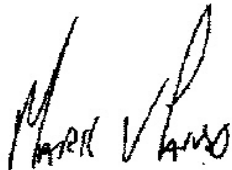
### **Securities on Issue**

Issued securities at quarter-end comprise;

122,993,021 fully paid ordinary shares listed on the ASX

1,350,000 unlisted options expiring 11 May 2008 exercisable at \$0.35; 1,750,000 unlisted options exercisable at \$0.30 and 500,000 unlisted options exercisable at \$0.40 expiring 30 September 2009

Yours faithfully



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

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## **Competent Persons**

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

31 December 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$'000	Year to date (12months) \$'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(727)	(1,646)
(b) development	(208)	(1,167)
(c) production		
(d) administration	(227)	(1,878)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	45	133
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
<b>Net Operating Cash Flows</b>	<b>(1,117)</b>	<b>(4,558)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of		
(a) prospects		
(b) equity investments	-	(495)
(c) investment in associate	-	(619)
(d) fixed assets	(3)	(355)
(e) Investments in controlled entities		
1.9 Proceeds from sale of: (a) prospects	-	
(b) equity investments	118	1,344
(c) other fixed assets		
1.10 Loans to other entities	-	(450)
1.11 Loans repaid by other entities	450	450
1.12 Repayment of term deposits		
<b>Net investing cash flows</b>	<b>565</b>	<b>(125)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(552)</b>	<b>(4,683)</b>

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

1.13	Total operating and investing cash flows (brought forward)	(552)	(4,683)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	4,349
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>-</b>	<b>4,349</b>
<b>Net increase (decrease) in cash held</b>			
		<b>(552)</b>	<b>(334)</b>
1.20	Cash at beginning of quarter/year to date	2,919	2,561
1.21	Exchange rate adjustments to item 1.20	(197)	(59)
1.22	<b>Cash at end of quarter</b>	<b>2,170</b>	<b>2,170</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	51
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$36,000 is directors' fees for non-executive directors.  
\$14,800 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	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

**Estimated cash outflows for next quarter**

	\$'000
4.1 Exploration and evaluation	784
4.2 Development	180
<b>Total</b>	<b>964</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	2,170	2,919
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>2,170</b>	<b>2,919</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		

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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 <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>	122,993,021	122,993,021		
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>	Unlisted 1,350,000 1,750,000 500,000	-	<i>Exercise price</i> \$0.35 \$0.30 \$0.40	<i>Expiry date</i> 11/5/2008 30/09/2009 30/09/2009
7.8 Issued during quarter	1,750,000 500,000		\$0.30 \$0.40	30/09/2009 30/09/2009
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b>				
7.12 <b>Unsecured notes</b>				

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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 January 2008

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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