



Mineral Commodities Ltd

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30 July 2008

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2008

HIGHLIGHTS

- **The Mining Right Application for the Tormin Zircon and Rutile Project has been conditionally approved and formal execution is expected on the 29th August 2008.**
- **The Mining Right Application for the Xolobeni Project is currently being assessed by the Department of Minerals and Energy. Xolobeni remains regarded as one of the largest undeveloped mineral sands resources in the world**
- **Heads of Agreement was executed with ROK Diamonds Ltd which, if completed will enable the Company to sell the No 11 diamondiferous gravel dump at Koidu, Sierra Leone for US\$2 million.**

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

Background

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.

A Resource Estimate was completed by SRK Consulting using the data. 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. A Desktop Mining Study was then undertaken by SRK using the resource estimate.

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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

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 Leucoxene.

Mining Right Application

In March 2007, Mineral Commodities Limited's (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. This report addressed the various matters arising from the consultation process.

During the June quarter TEM attended meetings at the DME's head offices in Pretoria and regional office in Port Elizabeth to clarify various aspects of the application. Briefing sessions with XoIco (MRC's BEE partner) and the Tribal Authority also continued during the quarter to update the community on the Mining Right Application process and position.

All documentation remains under final review by the DME. The Directors of MRC maintain their confidence in the project and await the decision by the Minister of Minerals and Energy regarding the Mining Right Application.

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Background

The Tormin Prospect is based on a beach sand deposit located on the west coast of South Africa, approximately 400km north of Cape Town. The deposit is strategically situated 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 located close to Koekenaap from where Tormin's planned output of mineral concentrate can be transported by existing inland rail some 200kms to the export port at Saldanha Bay.

In 2005 Bateman Engineers conducted a feasibility study on the Project including pilot processing test work which demonstrated that high quality Zircon (ceramic grade) and Hi Ti product could be produced 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 an enriched non magnetic concentrate containing predominately Zircon and Rutile. The results of the study by RSV K'enyuka are being refined and various engineering firms have been approached to undertake the final design and construction of the processing plant and the mining operations.

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.

Mining Right Application

The Tormin deposit is covered by two tenements, one held by the Company and the other held in the name of Steenvas Pty Ltd but under option to the Company.

On 15 February 2008 the Company received notification from the (DME) that its Mining Right had been granted to its South African subsidiary Mineral Sands Resources Pty Ltd.

The Steenvas Mining Right conversion is currently awaiting approval by the DME and is expected in the near future.

The Company announced during the quarter that it is currently reviewing its options regarding its Black Economic Empowerment (BEE) partner for the Tormin project due to the failure of its existing partner to meet its contractual and funding obligation.

Once approved, the two Mining Rights will be amalgamated.

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The company has received interest from major industry participants and end users for the Tormin product and we are confident once the Tormin Project mining right is fully approved and executed, offtake agreements will be finalised.

SIERRA LEONE DIAMOND OPERATIONS UPDATE

The Company's wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, owns the No. 11 Oversize Tailings Dump at Koidu. The operations remain under care and maintenance pending an engineering and design review following the failure of the 80tph diamond pan plant supplied by ProMet Engineers Africa (Pty) Ltd.

The MRC Board has resolved to divest either Kariba Kono (SL) Ltd or its assets. On 4 June 2008 the Company announced that it had entered into a Heads of Agreement with ROK Diamonds Ltd to sell the No 11 diamondiferous gravel dump at Koidu, Sierra Leone.

Consideration for the sale is US\$2M apportioned as follows:

- (1) US\$1.5M payable at settlement
- (2) The balance of US\$0.5M may be converted to ordinary seed shares in ROK Diamonds Limited at MRC's election within 12 months or the float of ROK Diamonds Limited whichever occurs first.

Since the announcement the Company has been satisfying due diligence enquiries from the purchaser and settlement is expected shortly.

The sale does not include the Diamond Pan Plant.

Legal Proceedings

On 12 October 2007 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 of contract, misleading and deceptive conduct and breaches of the Trade Practices Act.

On 10 April 2008 leave was granted to MRC and Kariba Kono (SL) Ltd to serve an amended Application and Statement of Claim on Messrs Ford and Bennett. Following a directions hearing on 17 June 2008 orders were made that MRC and Kariba Kono provide discovery by 31 July 2008.

PETRO VENTURES INTERNATIONAL LIMITED - INVESTMENT

Background

During the quarter the Company continued as a seed capital investor in Petro Ventures International Limited (Petro Ventures). Petro Ventures has presently secured three project areas in the UK, offshore Romania and onshore Hungary.

In April, Macquarie Bank Limited ("MBL") participated in a US\$1M Private Placement of Ordinary shares in Petro Ventures and advanced Petro Ventures US\$4M as part of a larger US\$10M Convertible Facility. Further funds have been advanced under this facility to meet the operator cash calls.

In early June 08, Petro Ventures was notified that MBL's Credit Committee had approved a contribution of \$10M towards Petro Venture's forthcoming \$25m equity financing.

United Kingdom

During the quarter Petro Ventures concluded a farm-in with Sterling Resources on the greater Breagh area comprising 10 Blocks with Working Interest ranging from 15-20%. Block 42/19 is part of the greater Breagh area and contains Triassic Bunter Sandstone prospect and this will be drilled following the drilling of East Breagh well.

Beginning late April, Petro Ventures participated in an infill seismic program for the area just north of Breagh in Blocks 42/8 and 42/9 (Petro Ventures 20% after farm-in) and this acquisition is a closely spaced 2-D seismic survey which will be processed as 3-D. Petro Ventures, with Sterling Resources as a partner, applied for 6 Blocks in UK Offshore 25th Licensing Round. This round closed in May and the awards are expected to be announced by year-end.

Romania

Activity planned for 2008 on the Doina trend (Offshore Romania in the Black Sea) includes appraisal wells on both Doina and Doina Sister (now renamed as Ana). The jack-up rig Prometeu has been contracted for operations commencing around 20 July. The contract is for one firm well (Doina IV plus contingent test) and one option well (Ana II). The partnership is required to exercise its option by the commencement date of the first well. In all likelihood the option will be exercised.

Hungary

To fulfill farm-in obligations, Petro Ventures participated in the drilling of two exploration wells and the acquisition of 130 sq kms of 3D seismic programme. Unfortunately both wells were unsuccessful.

Given the disappointing results, Petro Ventures has reduced its working interest from 27.5% to 10%. Under the farm down terms the project partner will reimburse Petro Ventures its share of the 3D seismic acquisition costs. This reimbursement is sufficient for Petro Ventures to remain in the license at 10% Working Interest and participate in the drilling of two further exploration wells and the acquisition of 150 sq kms of 3D seismic with this work programme scheduled for the current quarter.

CORPORATE

Investment in Allied Gold Limited (ASX listed : ALD)

Allied Gold Limited (ALD) is a listed gold production 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 exploration property on the Tabar Islands Group. ALD successfully commissioned its processing plant operation and poured its first gold in February 2008.

MRC is one of the largest shareholders in ALD and currently holds a direct interest in 4.92% (approximately 18.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's shareholding at 30 June 2008 was \$10.93 million (previous quarter reported \$14.5 million).

Cash and Marketable Securities

At 30 June 2008, MRC had \$0.67 million in cash with a further \$10.93 million in marketable securities (ALD and others). In aggregate this represents 9.4 cents per MRC share.

MRC sold 1 million ALD shares during the June quarter realising approximately \$0.6m to fund general working capital requirements.

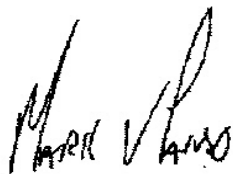
Securities on Issue

Issued securities at quarter-end comprise;

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

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 Mineral Resources and 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 Mineral Resources and Exploration Results of the Xolobeni Project is based on information compiled by 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 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$'000	Year to date (6months) \$'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(258)	(492)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	12	29
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (discontinued operations costs)	(191)	(415)
Net Operating Cash Flows	(947)	(1,589)
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	-	(4)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	658	658
1.10 Loans to other entities	-	(1,070)
1.11 Loans repaid by other entities	570	570
1.12 Repayment of term deposits		
Net investing cash flows	1,228	154
1.13 Total operating and investing cash flows (carried forward)	281	(1,435)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	281	(1,435)
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	281	(1,435)
1.20	Cash at beginning of quarter/year to date	411	2,178
1.21	Exchange rate adjustments to item 1.20	(18)	(69)
1.22	Cash at end of quarter	674	674

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	49
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.
\$12,800 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	700
4.2 Development	0
Total	700

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	674	411
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
Total: cash at end of quarter (item 1.22)	674	411

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	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 +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>	1,750,000 500,000	- -	<i>Exercise price</i> \$0.30 \$0.40	<i>Expiry date</i> 30/09/2009 30/09/2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	1,350,000		\$0.35	11/5/2008
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: 30 July 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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