



Mineral Commodities Ltd

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31 October 2008

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2008

HIGHLIGHTS

- **Conditional approval of the Mining Right Application for a significant portion of the Xolobeni Project was granted by the Department of Minerals and Energy in August 2008. However, an appeal has been lodged against his decision thereby delaying final approval**
- **Progress on the formal granting of the Mining Right Application for the Tormin Zircon and Rutile Project is continuing after conditional approval was received in February 2008**

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 ("Study") was then undertaken by SRK using the resource estimate.

The Xolobeni 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 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.

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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

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 EIA was resubmitted on 20 December 2007. This report addressed the various matters arising from the consultation process.

On 4 August 2008 MRC announced that it had received notification from the DME that the DME will proceed to grant the Mining Right to TEM for the Kwanyana block within the Xolobeni mineral sands tenement area. The remaining blocks (Sikombe, Mnyameni and Mpahlane) will be held under a Prospecting Right valid to 2010 which can be extended until applications are made to convert each block into a Mining Right.

The Kwanyana block represents approximately 30% of the mining area and contains around 46% of the total insitu ilmenite resource (see above Table 1).

Initial indications were that the Xolobeni Mining Right would be signed on 31 October 2008. However in September 2008, the Company was advised that on behalf of the AmaDiba Crisis Committee (the ACC) and its members, the Grahamstown office of the Legal Resources Centre filed a Notice of Appeal ("the Appeal") with the Minister of Minerals and Energy (the Minister). The ACC requested the Minister to suspend and then appeal the decision to grant the Mining Right.

The Minister and a high level delegation visited the Xolobeni Project in August and in an open meeting with the AmaDiba community members addressed by the Minister in their native language "Xhosa", advised that the Xolobeni Mining Right would be granted.

MRC believes that due to the socio-economic importance of the Xolobeni Project to the area, the Minister and the Department of Minerals and Energy will continue to support the issuing of the Xolobeni Mining Right, however the issue date has been deferred pending the outcome of the Appeal.

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TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Background

The Tormin Project 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 the Tormin 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 to occur at the same time as final sign off of the Tormin Mining Right. Final sign off has been delayed due to some inconsistencies in the documentation provided for execution.

The Company is awaiting feedback from the DME, which should be forthcoming in the current quarter.

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KARIBA KONO DIAMOND OPERATIONS (SIERRA LEONE)

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.

In the June quarter the MRC Board 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.

Consideration for the sale was US\$2M. However, the Company reported on 25 August 2008 that the Heads of Agreement with ROK Diamonds had been terminated due to certain legal impediments in place in Sierra Leone which prevented the asset divestment.

MRC are working to clear these legal impediments so that an asset sale can proceed at a later date.

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.

Discovery of documentation took place during the quarter and a statement of claim has now been advised to the plaintiff's solicitors. A mediation conference has been ordered by the Federal Court for 10 December 2008 and if the parties cannot reach a mutual settlement then the matter will proceed to trial.

PETRO VENTURES INTERNATIONAL LIMITED - INVESTMENT

Background

During the quarter the Company continued as a seed capital investor in Petro Ventures International Limited (Petro Ventures) holding a 9.34% stake. Petro Ventures has secured three project areas in the UK, offshore Romania and onshore Hungary. Petro Ventures working interest in the projects is 5%, 20% and 10% respectively.

United Kingdom

During the quarter Sterling Resources Limited completed the East Breagh well on Block 42/19, which Petro Ventures has a 5% interest.

After detecting the presence of gas and sand while drilling at 7,500 feet (7,363 feet of true vertical depth (tvd)), a 110 foot core was taken. Drilling was then resumed and the well reached a final depth of 8,000 feet tvd subsea on 30 September, with gas shows of up to 20% while coring and drilling.

Preliminary analyses of both the core and the well logs indicate two gas bearing intervals with approximately 72 feet net sand in total. The upper section shows 30 feet of high quality reservoir with porosity of up to 18% and permeability up to 50 millidarcy (md), confirmed from core data. Preliminary geological analysis indicates that these upper gas sands correlate with the sands encountered in the previously drilled West Breagh well (42/13-3) four kilometres away.

Testing of the upper and lower reservoir sections and a complete evaluation of the field is planned for the December quarter.

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Romania

The Ana-2 appraisal well was completed in mid September (Petro Ventures 20% working interest). Ana-2 was drilled as a follow up appraisal well following the Ana-1 discovery well which was drilled and tested earlier in 2008.

The Ana-2 well encountered gas within the Doina Main Sand Formation at 1,121 metres true vertical depth subsea (TVDss), some 10 metres shallower than originally mapped. The well has been extensively evaluated with electric logs, MDT pressure tests and a collection of wireline gas samples. These results confirm the presence of a 39 metre gas column with a net pay of 23 metres in high quality reservoir sands with porosity of up to 32% and good permeability.

The pressure data also confirms a gas water contact consistent with the earlier Ana-1 well. The reservoir sands encountered in the Ana-2 well are equivalent to, or slightly better, than those encountered in Ana-1. The original Ana-1 well tested gas, at rates up to 20 million cubic feet of gas per day (MMcf/d) under conditions restricted by equipment. Under unrestricted conditions, a final completed rate in excess of 30 MMcf/d per well is anticipated.

The Ana-2 well also encountered a 5 metre gas bearing reservoir in a shallower horizon at 766 metres TVDss. This shallower horizon was also present in the Ana-1 well and will be further evaluated, in order to determine its feasibility as a new reservoir.

These positive results indicate that the Operator should be able to upgrade the gas in place estimates for the field.

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 4.27% (approximately 17.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's shareholding at 30 September 2008 was \$5.35 million (previous quarter reported \$10.93 million).

Cash and Marketable Securities

At 30 September 2008, MRC had \$0.54 million in cash with a further \$5.35 million in marketable securities. In aggregate this represents 4.8 cents per MRC share.

MRC sold 1 million ALD shares during the September quarter realising approximately \$0.32 million to fund general working capital requirements.

As mentioned above, the Company holds approximately 17.5 million shares in Allied Gold. If the Directors deem it necessary, this investment can be sold down to fund the future working capital requirements of MRC.

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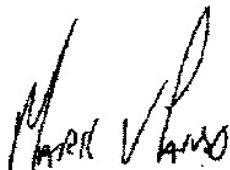
Securities on Issue

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

For enquiries in connection with this release please contact:

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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 September 2008

Consolidated statement of cash flows

	Current quarter	Year to date (9months)
Cash flows related to operating activities	\$'000	\$'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(578)	(1,329)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	50	79
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (discontinued operations cost)	(125)	(540)
Net Operating Cash Flows	(946)	(2,537)
<hr/>		
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	(15)	(15)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	(4)
1.10 Loans to other entities	-	(1,070)
1.11 Loans repaid by other entities	319	977
1.12 Repayment of term deposits	-	1,070
Net investing cash flows	804	958
1.13 Total operating and investing cash flows (carried forward)	(142)	(1,579)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(142)	(1,579)
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	(142)	(1,579)
1.20	Cash at beginning of quarter/year to date	674	2,178
1.21	Exchange rate adjustments to item 1.20	6	(61)
1.22	Cash at end of quarter	538	538

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	41
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.
\$ 4,600 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	200
4.2 Development	-
Total	200

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	538	674
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
Total: cash at end of quarter (item 1.22)	538	674

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>	Unlisted 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				
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:



Date: 31 October 2008

(Company Secretary)

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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