



## Mineral Commodities Ltd

ACN 008 478 653  
ABN 39 008 478 653

Unit 15, Level 1, 51-53 Kewdale Road  
Welshpool, Western Australia 6106  
PO Box 235, Welshpool DC 6986  
Telephone: 61 8 9353 4890  
Facsimile: 61 8 9353 4894  
Email: [info@mncom.com.au](mailto:info@mncom.com.au)  
Web: [www.mncom.com.au](http://www.mncom.com.au)

29 July 2009

Australian Stock Exchange  
Company Announcements Office

### **QUARTERLY ACTIVITIES REPORT**

### **FOR THE PERIOD ENDED 30 JUNE 2009**

#### **HIGHLIGHTS**

- K'Enyuka awarded the contract to update the existing feasibility study on the Tormin Mineral Sands Project.
- Drilling at Africa Uranium's Hoasib Project intersects shallow calcrete uranium mineralisation.

#### **TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)**

##### **Background**

The Tormin Project is located on the west coast of South Africa, approximately 400km north of Cape Town. The main minerals of interest are zircon and rutile which are contained in a high grade beach placer deposit north of the Oliphants River outfall. Previous studies have demonstrated that the Tormin Project can produce an enriched non-magnetic saleable concentrate containing predominately zircon and rutile. The base case production model consists of an annual production of 30,000 to 40,000 tonnes of concentrate grading up to 80% zircon and 10% rutile.

During the quarter tenders were received from three engineering groups to update the existing project information and to complete a Definitive Feasibility Study. The tender was awarded to RSV Misym Engineering Services (Pty) Ltd trading as K'Enyuka, an independent South African engineering company.

Assuming a positive outcome to this phase of the Project, the Company will then let a tender for the construction phase of the Project with scheduled production commencing by the end of calendar 2010.

The Company is currently assessing various options for offtake agreements for the zircon/rutile concentrate and investigating operational improvements including producing final zircon and rutile product.

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## **XOLOBENI PROJECT (SOUTH AFRICA)**

### **Background**

The Xolobeni Project is located in the Eastern Cape Province of South Africa approximately 300 kilometres north of East London and 200 kilometres south of Durban.

The Xolobeni Mineral Resource is 346 million tonnes of 5.0% heavy mineral, with 65% of this resource in the Measured category (Table 1).

<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 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.**

### **Mining Right Application**

As noted in previous ASX announcements, the Company is awaiting the outcome of an appeal lodged with the Minister of the Department of Minerals and Energy ("DME") against the grant of the Mining Right over the Kwanyana block. This appeal was lodged in September 2008.

## **AFRICA URANIUM AGREEMENT**

As announced on 27 April 2009, the Company has entered into an agreement with Africa Uranium Limited ("AUL") whereby MRC can earn up to a 50% equity in AUL by funding US\$7.0 million of exploration work. MRC must spend a minimum of US\$1.0 million for which it will earn 10% equity in AUL in addition to its existing holding in AUL.

AUL's main exploration assets are located in Namibia and South Africa.

AUL's Namibian interests are located in the area east of Swakopmund in the same general area as the Langer Heinrich uranium mine operated by Paladin Energy and the Rossing uranium mine operated by Rio Tinto.

Since signing the agreement, AUL has completed approximately 2,500m of RC drilling, mainly in the southern part of the tenement area. This drilling has outlined an area measuring approximately 10 square km where shallow uranium mineralisation has been intersected. The uranium is contained in sub-horizontal calcrete horizon generally a few metres thick and shallower than 10m. Grades are only routinely known from downhole gamma logging and are generally less than 200ppm eU3O8. The attached plan shows the distribution of the recent drilling and the drill sections for the mineralised area.

Africa Uranium is assessing the results from the program. Mineral Commodities has substantially met its minimum commitment and is awaiting the outcome of the assessment by Africa Uranium before making a final decision whether to provide any further funding.

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## **SIERRA LEONE DIAMOND OPERATIONS UPDATE**

During the quarter the Company retrieved the diamond pan plant and associated equipment and earth moving equipment from Koidu, Sierra Leone. Some of these items are now being shipped from Sierra Leone to South Africa and Australia for sale. The remaining equipment is being offered for sale in Sierra Leone.

## **CORPORATE**

### **Investment in Petro Ventures International Limited**

The Company holds a 9.31% interest in Petro Ventures International Limited ("Petro Ventures"). Petro Ventures has interests in three project areas which are located in the UK Southern North Sea, offshore Romania and onshore Hungary. Petro Ventures' working interest in the projects is 5%, 20% and 10% respectively.

Petro Ventures has entered into a conditional Sale and Purchase Agreement to sell all the issued capital of its UK wholly owned subsidiary, Petro Ventures Limited for A\$48,217,821. Proceeds from the sale will be applied to repaying outstanding loans and provide working capital.

### **Investment in Allied Gold Limited (ASX listed : ALD)**

Allied Gold Limited owns and operates the Simberi Gold Project in New Ireland Province of PNG. During the quarter, Allied announced an increase in its gold resources and gold reserves to 4.7Moz and 1 Moz respectively.

As at 30 June 2009, MRC held approximately 13.5 million shares of ALD's issued fully paid ordinary shares.

The market value of MRC's shareholding at 30 June 2009 was approximately \$5.6 million (previous quarter reported \$7.13million).

### **Cash and Marketable Securities**

At 31 March 2008, MRC had \$0.5 million in cash with a further \$5.6 million in marketable securities. In aggregate this represents 4.6 cents per MRC share.

The Company is positioning itself to divest various small investments which should result in a positive return.

### **Securities on Issue**

Issued securities at quarter-end comprise;

143,393,021 fully paid ordinary shares listed on the ASX. During the quarter, 2,000,000 fully paid ordinary shares were issued to Africa Uranium Limited in accordance with the subscription agreement.

1,750,000 unlisted options exercisable at \$0.30 and 500,000 unlisted options exercisable at \$0.40 expiring 30 September 2009.

Subsequent to 30 June 2009, the Company has announced a non-renounceable entitlement issue on the basis of 2 options for every 5 shares held at the record date. The options have an issue price of \$0.005, an exercise price of \$0.20 and expire on 31 December 2012.

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Yours faithfully



**Greg Steemson**  
**Managing Director**

**For enquiries in connection with this release please contact:**

**Mineral Commodities Limited**  
**+61 8 9353 4890 telephone**  
**+61 8 9353 4894 facsimile**  
**e-mail: [info@mineralcommodities.com.au](mailto:info@mineralcommodities.com.au)**

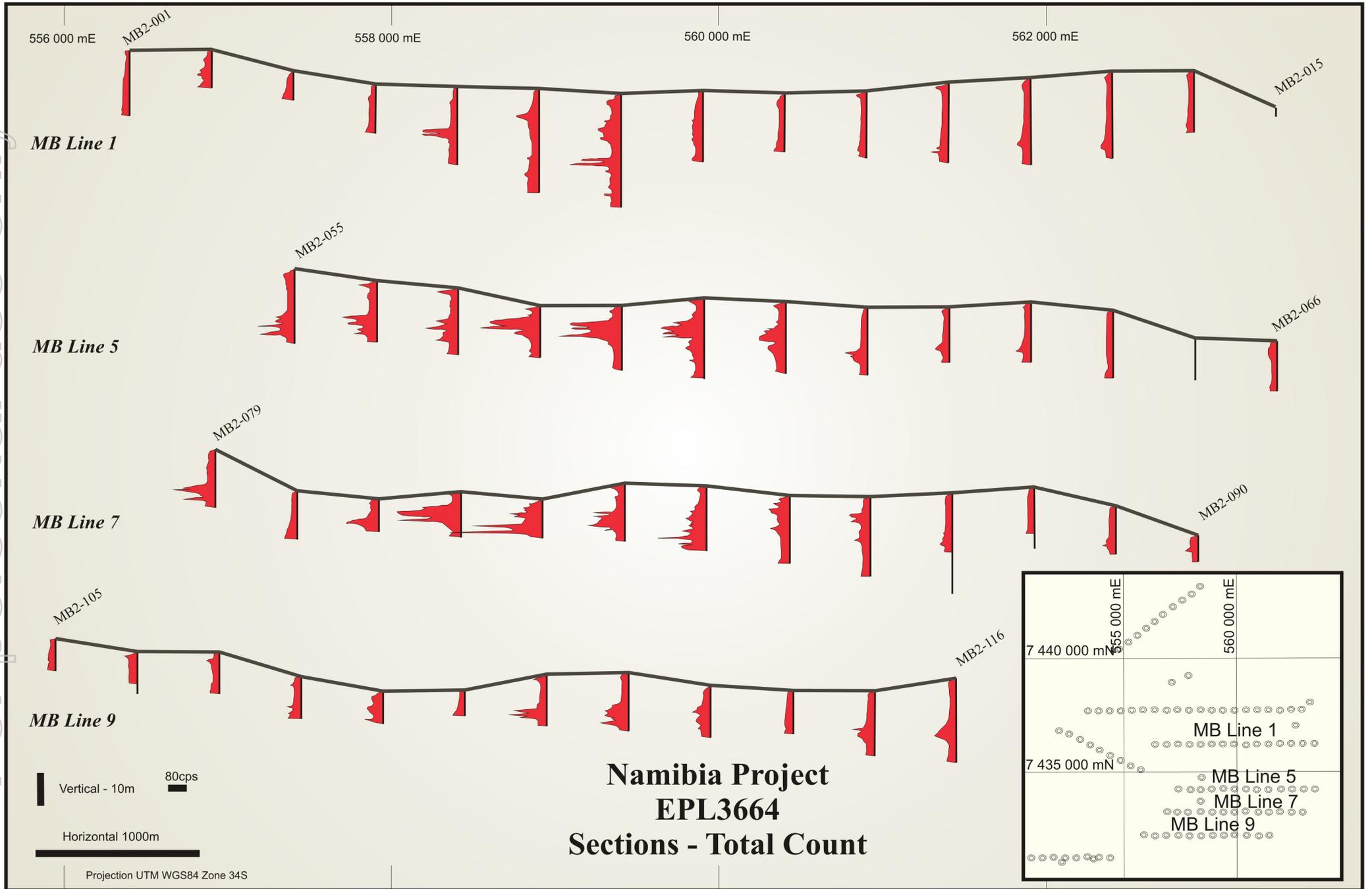
**Competent Persons**

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 2009

### 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 (b) development and evaluation (c) production (d) administration	(542)	(931)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	32
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (discontinued operations cost)	(165)	(303)
1.7.1 Other – Pro Met Settlement	-	2,000
1.7.2 Other – Costs on Pro Met Settlement	-	(94)
<b>Net Operating Cash Flows</b>	<b>(839)</b>	<b>330</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of (a) prospects (b) equity investments (c) investment in associate (d) fixed assets (e) Investments in controlled entities	(839)	(839)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	728	728
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Deposit of Bonds	(423)	(423)
<b>Net investing cash flows</b>	<b>(541)</b>	<b>(541)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,380)</b>	<b>(211)</b>

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

1.13	Total operating and investing cash flows (brought forward)	<b>(1,380)</b>	<b>(211)</b>
<b>Cash flows related to financing activities</b>			
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		(123)
1.18	Dividends paid		
1.19	Other		
	<b>Net financing cash flows</b>		<b>(123)</b>
<b>Net increase (decrease) in cash held</b>		<b>(1,380)</b>	<b>(334)</b>
1.20	Cash at beginning of quarter/year to date	1,843	797
1.21	Exchange rate adjustments to item 1.20		-
1.22	<b>Cash at end of quarter</b>	<b>463</b>	<b>463</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	80
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$24,000 is directors' fees for non-executive directors.  
 \$56,200 in executive director fees.

**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

2,000,000 fully paid ordinary shares were issued to Africa Uranium Limited (AUL) as part consideration to acquire an equity interest in AUL.

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	0
4.2 Development and Evaluation	600
<b>Total</b>	<b>600</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	463	1,843
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
<b>Total: cash at end of quarter</b> (item 1.22)	463	1,843

**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>	143,393,021	143,393,021		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,000,000	2,000,000	Nil	N/A
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 1,750,000 500,000	-	<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	<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: 29 July 2009

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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