



Mineral Commodities Ltd

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30 July 2010

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 JUNE 2010

SUMMARY

- Discussion with parties interested in acquiring an interest in the Tormin Mineral Sands Project ceased and decision to proceed with development has been made.
- Perth based MSP Engineering Pty Ltd engaged to prepare a preliminary conceptual design of a beach concentrator for the Tormin Project.
- Funding initiatives for the development of the Tormin Mineral Sands Project including discussions with off-take partners commenced.
- Meetings held with the Department of Mineral Resources to progress discussions on both the Xolobeni and Tormin Projects.
- Final Decision from the Director-General on the Mining Right at Xolobeni still pending.

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Background

The Tormin Mineral Sands 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 concentrates grading up to 80% zircon and 10% rutile.

As announced on the 24th of June 2009, the Company commissioned K'Enyuka, a South African engineering firm, to undertake a Definitive Feasibility Study for the Project. The results of the study have been incorporated in a financial model developed on behalf of the Company by MSP Engineering Pty Ltd, a Perth based resource consultancy firm specialising in industrial minerals.

The Base Case investigated by K'Enyuka is based on hydraulic mining of the beach deposits and hydraulically transferring the sand from the beach to a stockpile ahead of a primary gravity circuit. Mining operations are to be conducted on a day shift basis only and surplus mining and stockpile capacity has been incorporated to accommodate for tidal and adverse weather events.

The primary spiral plant is designed for a nominal throughput capacity of 1.6 Mtpa and comprises a primary spiral circuit for removal of silica and light heavies followed by a wet high intensity magnetic separation (WHIMS) circuit for removal of magnetic minerals including ilmenite and garnet which are subsequently hydraulically transferred back to the beach for deposition as tailings with the silica fraction.

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The resultant non-magnetic concentrates, rich in zircon and rutile, are exported as a combined concentrate.

The salient results of the K'Enyuka study were released in previous quarterly reports and are shown again in Table 1.0 below. During the course of the study there was a number of value adding opportunities identified which have been modeled at desktop level by MSP as part of trade off and optimisation studies.

The trade off and optimisation studies considered the following two primary opportunities. The Project also has substantial garnet resources. The plant design allowed for the extraction of the +200 micron garnet but this aspect was not included in the operating costs ("OPEX") and the operating synergies arising.

Table 1.0 – Project Development Option

Parameter	Unit	Study Base Case	Optimised Base Case	Beach Processing Option
Mining method		Mining DOP pump in excavator	Mining DOP pump on excavator	Mining suction pump on floating pontoon
Primary beach upgrade		None	None	Rougher & Scavenger spirals on beach
Ore transport method		5 stage pumping (5km)	2 stage pumping (1km)	Truck haul to De Punt (15km)
Secondary processing		4 stage spirals, LIMS, WHIMS	4 stage spirals, LIMS, WHIMS, wet tabling	2 stage spirals, LIMS, WHIMS, wet tabling
Plant throughput	Mtpa	1.60	1.60	1.42
Concentrate throughput	tpa	25 – 40,000	40-60,000	16-50,000
Concentrate grade	% zircon	~75	~80	~80
	% rutile	~10	~10	~10
Concentrate transportation		Truck to Cape Town. Shipped	Truck to Cape Town. Shipped	Truck to Cape Town. Shipped
CAPEX ⁽¹⁾	US\$	\$21M	\$21M	\$9.0M
OPEX	US\$ per t ore	\$8.57	\$9.57	\$6.48
OPEX	US\$ per t concentrate	\$588	\$417	\$283

(1) Capital Expenditure – includes owner's costs

(2) Operating costs – excludes depreciation and amortisation

Both the optimised and beach processing study showed favorable economics.

The Company furthered discussions with potential investors and its existing Black Empowerment Partner to determine the economics of an upfront divestment of this Project versus the risk/reward to the Company of its development.

Those discussions did not result in any offers, which were acceptable by the Board of MRC. As such, a decision to proceed to develop the project has been made as this presents as the best alternative.

Perth based MSP Engineering Pty Ltd were engaged to prepare a preliminary conceptual design of a beach concentrator for the Tormin Project.

The Company also initiated discussions to assess various funding options, which include discussions with potential off-take partners.

Meetings were held with the DMR to ensure all stakeholders are fully consulted and informed as development progresses.

XOLOBENI PROJECT (SOUTH AFRICA)

Background

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

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 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 was 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.

The appeal was scheduled to be heard between 8 and 10 February, however the Company was informed that the hearing was deferred due to the committee that was appointed by the Mining and Minerals Board to oversee this matter, not receiving all necessary documentation by the Department of Mineral Resources.

The Company is aware that the task team established to advise the Mineral Resources Minister in South Africa on the Mining Right has submitted its report and recommendations to the Director-General without a public hearing as was initially anticipated.

The Department of Mineral Resources has advised the Company in meetings that consultation with various government departments is required prior to handing down a final decision. This process is expected to take approximately six months.

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CORPORATE

Investment in Africa Uranium Limited

The Company holds an approximate 12% interest in Africa Uranium Limited.

Cape Lambert Resources Limited subsequently obtained a 10% beneficial interest in AUL and in late 2009 undertook two drilling programmes on AUL's Hoasib Uranium Project. In its ASX release on 20 January 2010, Cape Lambert Resources Limited advised that the results from the programmes were promising and in line with expectations.

In March 2010, Oklo Uranium Limited announced that it had entered into a transaction with Africa Uranium Limited to acquire its 70% interest in the Hoasib Project for an estimated value of approximately \$20 million.

On 31 May 2010, Oklo Uranium Limited announced that following due diligence, Oklo formed the view that whilst the project remained prospective for uranium mineralisation, it was unable to support the key commercial terms of the acquisition and consequently terminated the transaction with Africa Uranium Limited. Oklo noted that it was in discussions with Africa Uranium Limited on the basis that it recognises the potential in the project and these discussions may or may not result in a new agreement with Africa Uranium Limited.

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 two project areas which are located in offshore Romania and onshore Hungary. Petro Ventures' working interest in the projects is 20% and 10% respectively.

Petro Ventures and its partners continue to develop these projects. Based on results to date, the Romanian project is likely to be commercial. The project in Hungary is in the early stages of exploration.

Petro Ventures provided an update to its shareholders in May 2010. Petro advised that on 30 April it engaged First Energy Capital LLP to assist with a US\$30m capital raising as well as development and formalisation of a schedule leading to listing on the Alternative Investment market in London.

In addition Petro requested First Energy to create a secondary liquidity event by way of a pre-IPO offer to acquire the Australian investors interests. The board of Petro is seeking to obtain a fair and reasonable offer to those Petro investors who wish to dispose of their holdings prior to admission to AIM.

The Company awaits further progress on these matters.

Investment in Allied Gold Limited (ASX listed: ALD)

MRC currently holds approximately 8.5 million shares of ALD's issued fully paid ordinary shares.

Allied Gold has commenced the re-development of the Gold Ridge Project in the Solomon Islands following its successful takeover of Australian Solomons Gold in the last quarter of 2009. Allied has also appointed consultants to proceed with the expansion of its oxide processing facilities on Simberi Island PNG.

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The market value of MRC's shareholding at 30 June 2010 was \$3.1 million (previous Quarter reported \$3 million). During the quarter, 1 million shares were divested to assist with working capital funding.

Cash and Marketable Securities

At 30 June 2010, MRC had \$0.4 million in cash with a further \$3.2 million in marketable securities. In aggregate this represents 2.5 cents per MRC share.

Securities on Issue

Issued securities at quarter-end comprise;

143,393,021 fully paid ordinary shares listed on the ASX.
57,357,208 listed options exercisable at \$0.20 expiring 31 December 2012.

Yours faithfully

Mark Caruso
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, 01/06/10.

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (six months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(51) (170)	(231) (319)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	8	13
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(213)	(537)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) available for sale fixed assets	- 370 3	- 679 72
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	373	751
1.13 Total operating and investing cash flows (carried forward)	160	214

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	160	214
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 (provide details if material)		
Net financing cash flows			
Net increase (decrease) in cash held		160	214
1.20	Cash at beginning of quarter/year to date	207	153
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	367	367

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 \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	42
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.
 \$18,000 is secretarial and administration 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

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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

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	40
4.2 Development	70
4.3 Production	
4.4 Administration	183
Total	293

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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	367	207
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	367	207

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 through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	143,393,021	143,393,021		
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 through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	57,357,208	57,357,208	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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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 /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date 30 July 2010
(Director/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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