



Mineral Commodities Ltd

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29 October 2010

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

SUMMARY

- Development to Tormin Project proceeding with various meetings with stakeholders held.
- Amended EMP for Tormin Project submitted to Department of Minerals and Resources for approval.
- Designs were received from Perth based MSP Engineering Pty Ltd for a beach concentrator for the Tormin Project.
- Funding initiatives for the development of the Tormin Project including discussions with potential managers and off-take partners progressed.
- Net increase in value of Investment in Allied Gold Limited.
- Realization of Investment in Petro Ventures progressed.

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Development

Significant work was undertaken to further the development of the Tormin Mineral Sands Project during the quarter.

Designs were received from Perth based MSP Engineering Pty Ltd for a beach concentrator for the project. These have been fine tuned in order to meet requirements stipulated by the Department of Minerals and Resources in South Africa (Department).

Amendments to the Environment Management Plan were submitted to the Department during the quarter and are expected to be well received by the Department.

Meetings were held with Water Affairs officials in Cape Town. Confirmation was received that the Company has clearance to use sea water and a General Authorization Certificate is expected to be received shortly.

Further meetings were also held with the new Regional Manager of the Western Cape Department of Minerals and Resources. The Manager was briefed on the project history and appeared content with the Company's decision to proceed to develop and mine.

The Company has held discussions with parties to assist with the management and development of the Project to ensure it is undertaken in the most expeditious and efficient manner. The Company hopes to finalise these discussions which will see the appointment of a contractor to assist with the development, mining, processing, marketing and administration associated with this Project.

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Background

Tormin is located on the west coast of South Africa, approximately 400km north of Cape Town. The predominant minerals of value are zircon and rutile which are contained in a high grade beach placer deposit north of the Oliphants River outfall.

A Definitive Feasibility Study (DFS) commissioned by MRC demonstrated that Tormin can produce an enriched non-magnetic saleable concentrate containing predominately zircon and rutile. The base case derived from the DFS provided for hydraulic mining of the beach deposits and hydraulically transferring the sand from the beach to a stockpile. The primary spiral plant followed by a wet high intensity magnetic separation (WHIMS) circuit was designed for a nominal throughput capacity of 1.6 Mtpa producing 30,000 to 40,000 tonnes of concentrates per annum grading up to 80% zircon and 10% rutile. The tailings, totaling in excess of 1.5Mtpa, were to be subsequently hydraulically transferred back to the beach for deposition.

The results of the DFS were incorporated into a financial model developed on behalf of the Company by MSP Engineering. During the course of trade-off and optimisation studies two additional opportunities were identified. The first of these involved primary concentration on the beach. Locating the primary gravity circuit on the beach reduces the volume of sand and tailings to be hydraulically transferred off and back to the beach with an associated reduction in operating costs (Opex), capital expenditure (Capex) and the environmental impact of the project.

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

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.

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.

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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 still pending.

CORPORATE

Investment in Allied Gold Limited (ASX listed: ALD)

MRC currently holds 8 million shares of ALD's issued fully paid ordinary shares.

Allied Gold Limited's gold production and exploration development portfolio is centred on Simberi and the Tabar Islands of Papua New Guinea and the Gold Ridge Project located on the Island of Guadalcanal in the Solomon Islands. Simberi is approximately 60 kilometres from Lihir Island which hosts a plus 40 million ounce gold resource, (see diagram below).

In 2009-2010, Allied produced 64,327 ounces of gold. Construction has commenced on expansion of the oxide plant at Simberi from 2Mtpa to 3.5Mtpa to increase life of mine annualised production to 95,000 oz. Redevelopment of the Gold Ridge Mine in the Solomon Islands will be completed first quarter 2011 and contribute additional life of mine annualised production of approximately 125,000 oz. A study focused on the feasibility of development of the sulphide resources at Simberi is looking at the optional configuration for an additional 90,000 oz pa sulphide operation.

Total group combined Measured, Indicated and Inferred Resources stand at 7.8Moz. Simberi currently hosts Measured, Indicated and Inferred mineral resources of approximately 5.7 million ounces of gold. Gold Ridge hosts approximately 2.11Moz of Measured, Indicated and Inferred resources. Group Reserves (Proven and Probable) total 3.43 million ounces including 2.15 million ounces at Simberi and 1.28 million ounces at Gold Ridge respectively.

Allied Gold currently owns 100% of Simberi and 100% of the EL on the nearby Tatau and Big Tabar Islands covering a total area of 170km². Allied holds an additional 130km² of exploration tenure in the Solomon Islands.

The market value of MRC's shareholding at 30 September 2010 was \$3.88 million (previous Quarter reported \$3 million). During the quarter, 0.5 million shares were divested to assist with working capital funding.

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.

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The Company understands that AUL is still in discussions with Oklo in respect to a new transaction but has not been provided with any further information to date.

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 advised that it was still waiting for a definitive outcome on the Romanian licence assignment but have maintained momentum by pursuing new business opportunities in order to continue to build a valuable portfolio.

Lobbying various stakeholders for the grant of the Romanian licence assignment continued during the quarter. In early August, Petro were informed that the National Agency for Mineral Resources (NAMR) recommendation on assignment was considered by the Romanian Cabinet but the Prime Minister wanted further 'clarification' prior to issuing his final instructions to NAMR.

The directors of Petro have advised that they are confident that the assignment will be granted.

Petro have advised that is has entered into a Deed of Termination with Macquarie Bank which will provide for the conclusion of all outstanding rights and obligations arising from the Option Deed and Subscription Agreement that was entered into between Petro and Macquarie.

Petro will issue 8,876,329 fully paid ordinary share (at a deemed issue price of \$0.51 per share) as consideration for the transaction.

The Board of Petro have advised that this transaction will be extremely beneficial to Petro Ventures whereby:

- MBL finance facility has been repaid in full;
- all charges and liens against the company's assets discharged;
- The share option overhang and restrictive Subscription Agreement covenants have been eliminated.

The above actions will allow Petro Ventures more effective access to the capital markets and removes any impediments for future development and expansion.

The board of Petro is seeking to obtain a fair and reasonable offer to those Petro investors who wish to dispose of their holdings. At the deemed value of the transaction with Macquarie noted above, MRC;s holding in Petro is valued at approximately \$2.7 million.

The Company awaits further progress on these matters.

Cash and Marketable Securities

At 30 September 2010, MRC had \$0.3 million in cash with a further \$3.9 million in marketable securities. In aggregate this represents 2.9 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 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (nine months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(154)	(385)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	19
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	(333)	(870)
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	- 246 84	- 925 156
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	330	1,081
1.13 Total operating and investing cash flows (carried forward)	(3)	211

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3)	211
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		(3)	211
1.20	Cash at beginning of quarter/year to date	367	153
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	364	364

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

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Appendix 5B
Mining exploration entity quarterly report

	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	50
4.2 Development	53
4.3 Production	
4.4 Administration	185
Total	288

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	364	367
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	364	367

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:
(Director/Company secretary)

Date: 29 October 2010

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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