



## 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)

31 January 2011

Australian Stock Exchange  
Company Announcements Office

### **QUARTERLY ACTIVITIES REPORT**

### **FOR THE PERIOD ENDED 31 DECEMBER 2010**

#### **SUMMARY**

- Development of Tormin Project proceeding with process engineering completed by Perth based MSP Engineering Pty Ltd.
- Hearing in respect to the Xolobeni appeal expected in mid February 2011.
- Net increase in value of Investment in Allied Gold Limited.

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

##### **Development**

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

Perth based MSP Engineering Pty Ltd completed most of the process engineering, including PFD's, P&ID's, Mass Balances and Process Design Criteria, and submitted initial designs for a primary wet concentrator based on the beach and the secondary concentration plant. These have been fine tuned to meet the requirements of the South African Department of Mineral Resources (DMR), scope specifications prepared and tender documents distributed.

Amendments to the Environment Management Plan were submitted to the DMR during the quarter. Subsequent meetings were held with the DMR's Regional Manager of the Western Cape. The DMR appeared content with the Company's progress to finalise outstanding regulatory matters to enable it to proceed to develop and mine.

Meetings were also held with the Department of Water Affairs and confirmation of the Company's water use licence permitting the use of sea water obtained. A General Authorization Certificate in this regard is expected to be received shortly.

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, and administration associated with the Project.

Morodi Mining Resources (Pty) Ltd (Morodi), the Company's previous local partner in the Project and which was lawfully replaced when it did not fulfill its contractual obligations, has brought an application against the DMR to set aside the registration of the mining right for the Project. The action follows Morodi's previously unsuccessful appeal to the Minister of Mineral Resources. The Company will support the DMR in opposing the matter which, on the basis of legal advice received, is expected to fail for the same reasons as the appeal and will not affect the current progress being made on the development of the Tormin 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).

<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**

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.

The Department of Mineral Resources then advised the Company in meetings that consultation with various government departments is required prior to handing down a final decision.

In response to the Company's request for clarity over the appeal, the DME has responded by informing the Company that the Minister has appointed a Task Team, consisting of the Mining and Minerals development Board. The term of office of this Board expired and a new board is yet to be appointed.

The Director-General has issued an instruction that the appeal be finalized by the establishment of a new panel, which will hear oral arguments by the relevant parties and then make a recommendation to the Minister. It is envisaged that the hearing will be arranged at the DME Durban regional Office in mid February 2011.

## **CORPORATE**

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

MRC currently holds 7.5 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 and has produced in excess of 37,000 ounces year to date. 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 in the current quarter 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 170km<sup>2</sup>. Allied holds an additional 130km<sup>2</sup> of exploration tenure in the Solomon Islands.

The market value of MRC's shareholding at 31 December 2010 was \$5.1 million (previous Quarter reported \$3.88 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. 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.

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.

The Company understands that discussions with Oklo have now ceased and AUL may seek to raise capital itself to further the exploration and development of its assets.

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

The Company maintains a significant investment in Petro Ventures International Ltd (“PVIL”) an E & P company operating in the Northern Hemisphere. Petro has strategic oil & gas working interests in Romania (20%), Hungary (11.4%), Holland 30%) and France (between 25% to 50%).

The Company has been informed that drilling of the Eugenia (Pelican NE) and Ioana (Midia SE) has been approved by NAMR and assignment of the Romanian licences has been indicated by the Romanian Government to occur at the end of January 2011.

Following assignment, the value of Petro’s Romanian assets has been independently valued by RPS Energy at US\$109m.

Following the Annual General Meeting of PVIL on 15 December, 2010 the Company settled the Deed of Termination with Macquarie Bank Ltd and consequently, 45,269,280 Options held by Macquarie were cancelled, PVIL issued 8,876,329 ordinary shares to Macquarie at a deemed issue price of 51 cents per share and:

- the Option Deeds were terminated;
- the Heads of Agreement dated 7 July, 2010 was terminated; and
- the Subscription Agreement was terminated.

Following the transaction, PVIL had 67,038,938 ordinary shares on issue and A\$10.3m cash at bank.

In a recent shareholder newsletter PVIL has advised shareholders that it has commenced action to transfer the Company to the UK. This will involve the formation of a limited company in the UK then undertaking a share exchange on a share for share basis. There will be no tax consequences for this transaction and expert tax advice is being obtained to assist shareholders in understanding the transaction. A General Meeting is expected to be convened shortly to approve the transaction.

It is noteworthy that First Energy Capital LLP, PVIL’s investment bankers in London, have recommended PVIL move to the UK not only because all the company’s assets are in the northern hemisphere but to attract the institutional capital required by PVIL to fund its financial commitments plus provide valuable working capital.

Following the share exchange, PVIL has advised that a prospectus will be submitted to seek admission to the Alternative Investment Market in London (“AIM”). A listing on AIM will provide the necessary platform to recognise the value of PVIL and its assets.

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**Cash and Marketable Securities**

At 31 December 2010, MRC had \$0.2 million in cash with a further \$5.1 million in marketable securities. In aggregate this represents 3.7 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:**

**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, 01/06/10.

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended ("current quarter")

31 December 2010

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(276)   (184)	(661)   (688)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	25
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(454)</b>	<b>(1,324)</b>
<b>Cash flows related to investing activities</b>		
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	- 264 17	- 1,189 173
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>281</b>	<b>1,362</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(173)</b>	<b>38</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(173)	38
<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		
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>			
<b>Net increase (decrease) in cash held</b>		(173)	38
1.20	Cash at beginning of quarter/year to date	364	153
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	191	191

**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	28
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$16,000 is directors' fees for non-executive directors.  
 \$12,000 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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	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	450
4.2 Development	
4.3 Production	
4.4 Administration	150
<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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	191	364
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>191</b>	<b>364</b>

### 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 through 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				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>				

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7.12	Unsecured notes (totals only)		
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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: 31 January 2011

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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