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**MINERAL COMMODITIES LIMITED**

ABN 39 008 478 653

**ANNUAL FINANCIAL REPORT**

**31 DECEMBER 2010**

## Corporate Directory

<b>Directors</b>	Joseph Anthony Caruso - Non-Executive Chairman Mark Victor Caruso - Non-Executive Director Peter Patrick Torre - Non-Executive Director
<b>Company Secretary</b>	Peter Patrick Torre
<b>Registered Office</b>	Unit 27, Level 1 133 Kewdale Road Kewdale, Western Australia 6105  Telephone: (61 8) 9353 4890 Facsimile: (61 8) 9353 4894 Email: info@mncom.com.au Website: www.mncom.com.au
<b>Solicitors</b>	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000
<b>Auditors</b>	BDO Audit (WA) Pty Ltd 38 Station St Subiaco, Western Australia 6008
<b>Share Registry</b>	Link Market Services Limited Ground Floor, 178 St Georges Terrace PERTH WA 6000 Telephone 1300 554 474
<b>Stock Exchange Listing</b>	The Company is listed on the Australian Stock Exchange Limited under ASX Code - MRC

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## Directors Report

The Directors present their report together with the financial report of Mineral Commodities Limited ("the Company") and its controlled entities (the "Group") for the year ended 31 December 2010.

### DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

- . Mr Joseph A Caruso – Non Executive Chairman
- . Mr Mark V Caruso – Non Executive Director
- . Gregory Hugh Steemson – Managing Director (resigned 31 March 2010)
- . Peter Patrick Torre – Non Executive Director and Company Secretary (appointed as a director on 1 April 2010)

### DIRECTORS' INFORMATION

#### **Joseph Anthony Caruso (65 Years of Age)** Non-Executive Chairman

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Construction Manager of Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts. Mr Caruso has been a director of Mineral Commodities Limited since September 2000.

#### **Mark Victor Caruso (49 Years of Age)** Managing Director

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has been a director of Mineral Commodities Limited since September 2000. He is also Executive Chairman of Allied Gold Limited. Former directorships of public listed companies in the last 3 years are CI Resources Limited from October 2003 to May 2007.

#### **Peter Torre CA, ACIS, MAICD (38 Years of Age)**

Mr Torre was appointed Company Secretary of Mineral Commodities Limited in July 2006, and as a director of the Company on 1 April 2010. He is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Mr Torre is the Company Secretary of several ASX listed companies and is a Director of Neo Resources Limited and Mission New Energy Limited.

Due to the size of the Company, all directors consider matters which would normally be dealt with by Audit and Remuneration Committees.

### PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was undertaking procedures for the development of mineral sands projects and investigations into other mineral resources. This has mainly involved the evaluation of the Xolobeni Mineral Sands Project in the Eastern Cape Province of South Africa and the Tormin Mineral Sands Project in the Western Cape Province of South Africa.

There were no significant changes in the nature of activities of the Group during the year.

### CONSOLIDATED RESULTS

The loss of the group after income tax and non-controlling interests was \$1,625,021 (2009: \$642,991).

### DIVIDENDS

No dividends have been paid, declared or recommended for payment, in respect of the current financial year.

## Directors Report (continued)

### REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Highlights of the Company's operations for the period under review are as follows:

#### *South African Projects*

##### Tormin Mineral Sands Project

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.

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

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.

Amendments to the Environment Management Plan were submitted to the DMR during the last quarter of the year. 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.

The Company 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. At the date of this report, the Company is finalising these discussions which will see the appointment of a contractor to assist with the development, mining, processing, and administration associated with the Project.

##### Xolobeni Mineral Sands Project

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 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 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.

## Directors Report (continued)

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 then issued an instruction that the appeal be finalised 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 was envisaged that the hearing would be arranged at the DME Durban regional Office in mid February 2011.

In March the Director General of Mineral Resources (DG) in South Africa advised MRC's subsidiary Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM) that the Department of Mineral Resources in South Africa (DMR) no longer intends to embark on oral hearings in respect of the appeal against the Xolobeni mining right awarded to TEM on the Kwanyana Block as previously advised. The DG has advised that the DMR will now proceed to advise the Minister on the appeals based on the available documentation. TEM has been advised that the Minister will consider the appeals towards the end of March 2011. To this date of this report, the Company still awaits the outcome from the Minister.

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

MRC currently holds 6.5 million shares of ALD's issued fully paid ordinary shares.

Allied Gold is an emerging 200,000 ounce per annum gold producer with production and exploration assets in Papua New Guinea and the Solomon Islands approximately 3 hours by plane from Brisbane, Australia. The company's 100%-owned Simberi gold mine is 85 kilometres from Lihir Island in the Tabar Islands group in Papua New Guinea. Simberi commenced gold production in 2008, produced 64,000 ounces in 2009-10 and its process plant is being expanded to a throughput of 3.5 Mtpa to produce 100,000 ounces per annum by late 2011. Allied Gold acquired Gold Ridge in the Solomon Islands in late 2009 when it acquired Toronto-listed Australian Solomons Gold. Allied has invested \$150 million to refurbish and redevelop Gold Ridge which is expected to produce an average 120,000 ounces per annum for a minimum ten years. Allied Gold Limited is listed on the ASX, TSX and the London AIM exchanges.

The market value of MRC's shareholding at 31 December 2010 was \$5.1 million.

### 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 was informed in the last quarter of the year 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.

## Directors Report (continued)

In February 2011, the Company received a Notice of Meeting from Petro whereby it sought shareholder approval 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.

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.

The Company received a further update from PVIL in March 2011 advising that the general meeting of shareholders would be deferred due to PVIL receiving notification from the Romanian Authorities that the assignment of the Romanian Licenses had not been granted.

The Directors of PVIL have advised that they are considering their options in this regard and will update their shareholders accordingly.

### 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.

### FINANCIAL POSITION

The net assets of the group have increased from \$19,844,256 at 31 December 2009 to \$20,371,853 at 31 December 2010.

### FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The company will continue the process of development of both the Tormin and Xolobeni projects in South Africa. The Board will continue to review other projects and opportunities in the interest of increasing shareholder value.

### ENVIRONMENTAL REGULATIONS

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use in Australia. For the first measurement period the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

In the course of its normal mining and exploration activities, the Company adheres to environmental regulations imposed upon it by the relevant regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna.

## Directors Report (continued)

### SCHEDULE OF MINING TENEMENTS

Mining tenements currently held by the economic entity are:

Area	Entity holding the interest	% Held	Title	Status
Xolobeni – South Africa	Transworld Energy & Minerals Resources	100	New order Prospecting Right and Mining Right over Kwinyana Block	Granted – subject to appeal
Tormin – South Africa	Mineral Sands Resources	100	Mining Right	Granted

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS AND LIKELY DEVELOPMENTS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

#### OPTIONS

- In July 2009, 57,357,208 listed options to acquire shares at 20cents with an expiry date of 31 December 2012 were issued under the terms of a non-renounceable entitlement issue at an issue price of \$0.005 per option to raise \$286,786 excluding costs.

Options do not entitle the holder to receive a dividend paid to ordinary shareholders.

New issues of options and options exercised in the period are as follows:

Listed options	No of Options	Exercise Price	Expiry date
Opening Balance 1 January 2010	57,357,208	20 cents	31 December 2012
- Options issued	-	-	-
- Options Exercised	-	-	-
Balance at 31 December 2010	57,357,208	20 cents	31 December 2012

### DIRECTORS' SHAREHOLDING INTERESTS

The relevant interest of each director in the share capital of the Company, shown in the Register of Directors' Shareholding at the date of the Directors' Report is:

2010	Balance at 1 January 2010	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 2010
Ordinary Shares					
Mark Caruso -Indirect	19,050,988	-	-	2,519,000	21,569,988
- Direct	12,627	-	-	-	12,627
Joseph Caruso	19,050,988	-	-	2,519,000	21,569,988
Peter Torre	-	-	-	500,000	500,000

J A Caruso and M V Caruso are both directors of and have a relevant interest in Zurich Bay Holdings Pty Ltd, which holds 21,569,988 shares and 7,380,396 listed options in the Company.



## Directors Report (continued)

2010	Balance at 1 January 2010	Granted as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2010
Listed Options						
Mark Caruso	7,380,396	-	-	-	-	7,380,396
Joseph Caruso	7,380,396	-	-	-	-	7,380,396
Peter Torre	-	-	-	-	200,000	200,000

### MEETINGS OF DIRECTORS

The number of directors meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings Held	Meetings Attended
J A Caruso	2	2
M V Caruso	2	2
G H Steemson	0	0
P P Torre	2	2

Other matters of board business have been resolved by circular resolutions of directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the Company's activities throughout the year.

### REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service Agreements
- D. Share-based compensation
- E. Additional Information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

#### A. Principles used to determine the nature and amount of remuneration

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and executive officers, if any, on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages may contain the following key elements:

- (a) Directors Fees;
- (b) Salary & Consultancy; and
- (c) Benefits – including provision of motor vehicle, superannuation.

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. The Board reviews non-executive directors' fees and payments annually.

## Directors Report (continued)

### REMUNERATION REPORT (Continued)

Executives are offered a competitive base pay that consists of fixed components. Base pay for senior executives, if any, is reviewed annually to ensure the executives pay is competitive with the market. Total Base Pay can be structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

There were no short or medium term cash incentives provided to any executives of the Company during the financial year. Short or medium term cash incentives are not incorporated into any executives salary packages at the time of this report.

The directors are not required to hold any shares in the company under the constitution of the Company; however, to align directors' interests with shareholders interests the directors are encouraged to hold shares in the company.

Remuneration is not directly related to company performance or key performance indicators.

The board has no separate remuneration committee due to the size of the Company. The directors perform the role of a remuneration committee as disclosed in the Corporate Governance statement.

#### B. Details of Remuneration

The key management personnel of Mineral Commodities Ltd Group are the directors of Mineral Commodities Ltd and the Company Secretary Mr Peter Torre who reports directly to the Director's of the Company. The amounts disclosed are therefore applicable for both Mineral Commodities Limited and the Mineral Commodities Limited Group.

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Mineral Commodities Limited and the Mineral Commodities Limited Group are set out in the following tables.

There are no long term benefits amounts due to Directors and key management personnel.

		Cash benefits	Post employment benefits	Share-based payments	Totals \$	Percentage performance based
		\$	\$	\$		
<i>Non Executive Directors</i>						
Joe Caruso	2010	44,037	3,963	-	48,000	-
	2009	44,037	3,963	-	48,000	-
Mark Caruso	2010	48,000	-	-	48,000	-
	2009	48,000	-	-	48,000	-
Peter Torre	2010	54,000			54,000	-
	2009	N/A	N/A	N/A	N/A	
<i>Sub-total non executive directors</i>	2010	146,037	3,963	-	150,000	-
	2009	92,037	3,963	-	96,000	-
<i>Executive Directors</i>						
Greg Steemson	2010	60,000	-	-	60,000	-
	2009	188,200	-	-	188,200	-
<i>Other Key Management Personnel</i>						
Peter Torre	2010	18,000	-	-	18,000	-
	2009	72,000	-	-	72,000	-
<b>Total Key management personnel compensation</b>	2010	224,037	3,963	-	228,000	-
	2009	352,237	3,963	-	356,200	-

## Directors Report (continued)

No options were issued to Directors or other Key Management Personnel during 2010 or the previous year as part of their remuneration.

### C. Service Agreements

In accordance with the terms of the agreement with Mr Steemson, he was paid a fixed sum of \$20,000 per month from 1 January 2010 until he resigned on 31 March 2010. There were no short or long term incentives to be provided to Mr Steemson.

There were no payments upon termination of the contract.

There are no other service agreements.

### D. Share Based Compensation

No options or shares were issued to Directors or other Key Management Personnel during 2010 or the previous year as part of their remuneration.

### E. Additional Information

There is no additional information to be provided in respect to the remuneration of the directors.

### *End of the Audited Remuneration Report*

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mineral Commodities Limited adhere to strict principles of corporate governance. The Company's Corporate Governance statement will be included before the Additional ASX Information section of the Annual Financial Report.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

### Share Capital

In March 2011, the Company raised \$1.2 million via a placement of 10,000,000 fully paid ordinary shares at \$0.12 cents per share. The placement was made to M&G Investments Limited a UK based Institution.

### Xolobeni Project

The Director General of Mineral Resources (DG) in South Africa advised MRC's subsidiary Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM) that the Department of Mineral Resources in South Africa (DMR) no longer intends to embark on oral hearings in respect of the appeal against the Xolobeni mining right awarded to TEM on the Kwanyana Block as previously advised. The DG has advised that the DMR will now proceed to advise the Minister on the appeals based on the available documentation. TEM has been advised that the Minister will consider the appeals towards the end of March 2011.

### Sale of Investments

A further 1,000,000 Ordinary Shares in Allied Gold Ltd were sold in February 2011 net proceeds received were \$577,993.

### Petro Ventures International Ltd (PVIL)

The Company received a further update from PVIL in March 2011 advising that the general meeting of shareholders would be deferred due to PVIL receiving notification from the Romanian Authorities that the assignment of the Romanian Licenses had not been granted. The Directors of PVIL have advised that they are considering their options in this regard and will update their shareholders accordingly.

No other event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, other than what has been disclosed elsewhere in this financial report, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years unless otherwise disclosed in this Directors Report.

## Directors Report (continued)

### PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### INSURANCE OF OFFICERS

During the financial year the Group has paid an insurance premium to insure the directors and secretaries of the company and its controlled entities. The premium paid was \$31,500 representing \$10,500 per director. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act 2001 is set out on page 46 and forms part of this report.

### NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Non audit services totalling \$6,670 were charged by a BDO Audit (WA) Pty Ltd related entity, BDO Tax (WA) Pty Ltd.

There were no further non-audit services provided by BDO Audit (WA) Pty Ltd in the year.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related firms:

<b>Audit Services:</b>	<b>\$</b>
BDO Audit (WA) Pty Ltd	
Audit and review of financial reports	39,492
Non BDO audit firm (Tuffias Sandberg)	6,558
<b>Total remuneration for audit services</b>	<b>46,050</b>

BDO Audit (WA) Pty Ltd continues in office.

This report has been made in accordance with a resolution of the Directors.



Mark Caruso  
Perth, Western Australia  
31 March 2011

## Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	Consolidated	
		2010 \$	2009 \$
Revenue from continuing operations	2	525,700	995,439
Administration expenses		(455,071)	(567,677)
Employees and consultants remuneration		(205,117)	(270,906)
Exploration and evaluation costs	13	(10,564)	(133,783)
Depreciation and amortisation	12 (a)	(11,250)	(14,356)
Loss on disposal of assets	12 (a)	(8,588)	-
Impairment of Investments	10	(1,488,644)	-
Finance costs		(5,413)	(16,239)
		<u>(2,184,647)</u>	<u>(1,002,961)</u>
<b>Loss before income tax</b>		<b>(1,658,947)</b>	<b>(7,522)</b>
Income tax expense	4	-	-
(Loss) from continuing operations		(1,658,947)	(7,522)
Profit from discontinued operations	5	33,926	(635,469)
<b>(Loss) for the year</b>		<b>(1,625,021)</b>	<b>(642,991)</b>
<b>Other comprehensive income</b>			
Changes in the fair value of available-for- sale financial assets	10	2,390,277	(1,165,147)
Exchange differences on translation of foreign operations		(237,660)	(173,901)
Other comprehensive income for the year net of tax		<u>2,152,617</u>	<u>(1,339,048)</u>
<b>Total comprehensive income for the year</b>		<b>527,596</b>	<b>(1,982,039)</b>
Loss / Profit is attributable to:			
Owners of Mineral Commodities Ltd		(1,625,021)	(642,991)
Non-controlling interest		-	-
		<u>(1,625,021)</u>	<u>(642,991)</u>
Total comprehensive income for the year is attributable to			
Owners of Mineral Commodities Ltd		527,596	(1,982,039)
Non-controlling interest		-	-
		<u>527,596</u>	<u>(1,982,039)</u>
Earnings/(Loss) per share from continuing operations attributable to the ordinary equity holders of the company.			
<b>Basic Loss per share</b>		<b>cents</b>	<b>cents</b>
From continuing operations attributable to the ordinary shareholders of the company (cents per share)		(1.158)	(0.005)
From discontinued operations (cents per share)		0.024	(0.445)
Total basic loss per share attributable to the ordinary equity holders of the company (cents per share)		(1.134)	(0.045)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 31 December 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	191,506	153,566
Trade and other receivables	9	527,986	539,358
Available for sale financial assets	10	6,277,651	6,070,777
Other current assets	11	10,376	13,351
Non-Current asset held for sale		-	165,639
<b>Total Current Assets</b>		<b>7,007,519</b>	<b>6,942,691</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	7,377	26,515
Exploration & development expenditure	13	13,928,167	13,159,249
Other financial assets		-	6
<b>Total Non-Current Assets</b>		<b>13,935,544</b>	<b>13,185,770</b>
<b>Total Assets</b>		<b>20,943,063</b>	<b>20,128,461</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	541,540	251,699
Provisions		29,670	32,506
<b>Total Current Liabilities</b>		<b>571,210</b>	<b>284,205</b>
<b>Total Liabilities</b>		<b>571,210</b>	<b>284,205</b>
<b>NET ASSETS</b>		<b>20,371,853</b>	<b>19,844,256</b>
<b>EQUITY</b>			
Contributed equity	17	40,004,350	40,004,350
Reserves	18	5,825,595	3,672,977
Accumulated losses		(25,636,941)	(24,011,920)
Parent entity interest		20,193,004	19,665,407
Non-controlling interest	15	178,849	178,849
<b>TOTAL EQUITY</b>		<b>20,371,853</b>	<b>19,844,256</b>

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

For the year ended 31 December 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Exploration and development expenditure		(661,773)	(1,307,142)
Interest received		25,711	50,937
Payments to suppliers & employees		(678,586)	(494,625)
Interest paid		(5,413)	(16,239)
Sundry income		4,789	100
<b>Net cash (outflows) / inflows from operating activities</b>	23(a)	<b>(1,315,272)</b>	<b>(1,766,969)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment	12 (a)	(700)	(28,942)
Purchase of investments		-	(1,488,644)
Proceeds from sales of investments		1,189,361	2,154,216
Proceeds from sale of assets held for resale	12 (b)	164,551	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,353,212</b>	<b>636,630</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of shares and options	17	-	486,578
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>486,578</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>37,940</b>	<b>(643,761)</b>
Cash and cash equivalents at beginning of financial year		153,566	797,328
<b>Cash and cash equivalents at end of financial year</b>	8	<b>191,506</b>	<b>153,566</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

Consolidated Entity	Contributed Equity	Listed options reserve	Accumulated Losses	General Reserve	Currency Translation Reserve	Financial Asset Revaluation Reserve	Total	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
For the year ended 31 December 2010									
Balance at 1 January 2010	40,004,350	286,578	(24,011,920)	2,437,582	(758,112)	1,706,929	19,665,407	178,849	19,844,256
Loss for the year	-	-	(1,625,021)	-	-	-	(1,625,021)	-	(1,625,021)
Exchange differences on translation of foreign operations	-	-	-	-	(237,660)	-	(237,660)	-	(237,660)
Changes in the fair value of available for sale financial assets	-	-	-	-	-	2,390,277	2,390,277	-	2,390,277
<b>Total comprehensive income for the year</b>	-	-	(1,625,021)	-	(237,660)	2,390,277	527,596	-	527,596
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-
Contributions of equity net of transaction costs	-	-	-	-	-	-	-	-	-
Issue of listed options net of costs	-	-	-	-	-	-	-	-	-
Increase in non controlling interest	-	-	-	-	-	-	-	-	-
<b>Balance at the end of the year</b>	<b>40,004,350</b>	<b>286,578</b>	<b>(25,636,941)</b>	<b>2,437,582</b>	<b>(995,772)</b>	<b>4,097,206</b>	<b>20,193,003</b>	<b>178,849</b>	<b>20,371,852</b>

## Statement of Changes in Equity

Consolidated Entity	Contributed Equity	Listed options reserve	Accumulated Losses	General Reserve	Currency Translation Reserve	Share Based Payments Reserve	Financial Asset Revaluation Reserve	Total	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
For the year ended 31 December 2009										
Balance at 1 January 2009	39,804,350	-	(23,516,438)	2,551,100	(584,211)	78,500	2,872,076	21,205,377	134,340	21,339,717
Loss for the year	-	-	(642,991)	-	-	-	-	(642,991)	-	(642,991)
Exchange differences on translation of foreign operations	-	-	-	-	(173,901)	-	-	(173,901)	-	(173,901)
Changes in the fair value of available for sale financial assets	-	-	-	-	-	-	(1,165,147)	(1,165,147)	-	(1,165,147)
Transfer from reserve – on expiry of options	-	-	78,500	-	-	(78,500)	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	(564,491)	-	(173,901)	(78,500)	(1,165,147)	(1,982,039)	-	(1,982,039)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-
Contributions of equity net of transaction costs	200,000	-	-	-	-	-	-	200,000	-	200,000
Issue of listed options net of costs	-	286,578	-	-	-	-	-	286,578	-	286,578
Increase in non controlling interest	-	-	69,009	(113,518)	-	-	-	(44,509)	44,509	-
<b>Balance at the end of the year</b>	<b>40,004,350</b>	<b>286,578</b>	<b>(24,011,920)</b>	<b>2,437,582</b>	<b>(758,112)</b>	<b>-</b>	<b>1,706,929</b>	<b>19,665,407</b>	<b>178,849</b>	<b>19,844,256</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Accounting

These financial statements are for Mineral Commodities Limited and its controlled entities, as the consolidated entity (group). Mineral Commodities Limited is an Australian domiciled public listed company.

The general purpose financial statements for the year ended 31 December 2010 have been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

##### *Compliance with IFRS*

The financial statements of Mineral Commodities Limited and controlled entities also comply with International Financial Reporting Standards (IFRS).

##### *Historical Cost Convention*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of available for sale financial assets for which the fair value basis of accounting has been applied.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements and have been consistently applied to all the years presented, unless otherwise stated.

#### (b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Mineral Commodities Ltd ("Company" or "parent entity") as at 31 December 2010 and the results of its subsidiaries for the year then ended. Mineral Commodities Ltd and its subsidiaries together are referred to in this financial report as the group.

Intercompany transactions, balances and unrealised gains on transactions between parent and or subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent company.

Subsidiaries are those entities over which the Parent company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Where control of an entity is obtained during a financial year, its results are included in the statements of comprehensive income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The purchase method of accounting is used to account for the acquisition of subsidiaries – refer to note (h).

The Consolidated entity applies a policy of treating transactions with non-controlling interests as transactions with external parties to the entity. Disposals to non-controlling interests result in gains and losses for the Consolidated entity are recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Interest Income*

Interest and other income is recognised as it accrues on a time proportion basis using the effective interest method.

#### (d) Taxes

##### *Income taxes*

The charge for current income tax expense or revenue is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the date of the Statements of Financial Position. Income tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this has no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

The income tax expense for the year is calculated using the 30% tax rate (2009: 30%).

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the Statements of Financial Position.

Cash flows are included in the Statements of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Foreign Currency Transactions and Balances

##### *Functional and presentation currency*

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit for the year except where deferred in equity as a qualifying net investment hedge.

##### *Subsidiary Companies*

The financial results and position of subsidiary companies whose functional currency is different from the consolidated entities presentation currency are translated into the presentation currency as follows;

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

##### **Hedge of a net investment in a foreign operation**

The group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (AUD), regardless of whether the investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

#### (f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Items of plant and equipment are initially recorded at cost and includes any expenditure that is directly attributable to acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate. All other repairs and maintenance are charged to the profit for the year in which they are incurred.

##### *Depreciation of Plant and Equipment*

Plant and equipment are depreciated at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3-10 years.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Disposal of Assets*

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in profit for the year of disposal.

#### (g) Exploration and Development Expenditure

Costs incurred during the exploration and development stages of specific areas of interest are accumulated. Such costs are only carried forward if they are expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves, otherwise this expenditure is recognised in the profit for the year. Costs are written off as soon as an area has been abandoned or considered to be non-commercial or impaired where an area is considered non-commercial at the period end.

Once production commences, expenditure accumulated in respect of areas of interest is amortised on a unit of production basis over the life of the total proven economically recoverable reserves. Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration and evaluation expenditure. Costs recognised after the commencement of production in areas of interest will be charged to the profit for the year.

#### (h) Investments

##### *Interests in Subsidiaries*

Investments in subsidiaries are carried in the Company's financial report at cost less any impairment losses. Dividends and distributions are brought to account in profit when they are declared by the subsidiaries.

##### *Investments in associates*

Associates are all entities over which the Consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20%-50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Consolidated entity's share of its associates post acquisition profits or losses is recognised in profit for the year, and its share of post acquisition movements in reserves is recognised directly in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

#### (i) Impairment of Assets

At each reporting date, the Consolidated entity reviews the carrying values of its tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (j) Financial Instruments

The Consolidated entity classifies its financial instruments on initial recognition. The classification depends on the purpose for which the financial instrument was acquired.

##### *Recognition and de-recognition*

Regular purchases and sales of financial assets are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (k) Financial Instruments (continued)

##### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and other pricing models.

##### *Loans and receivables*

Loans and receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included within current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are recognised at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity until the instrument is sold at which time any balance in equity relating to the instrument is recycled to profit or loss as part of the profit or loss on sale.

##### *Financial Liabilities*

Financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principle payments and amortisation of transaction costs.

##### *Impairment*

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Impairment losses recognised on equity instruments classified as available for sale are not reversed through the income statement.

#### (l) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### (m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

#### (n) Earnings /(Loss) per Share

##### *Basic Earnings /(Loss) per Share*

Basic earnings per share is determined by dividing the profit after income tax attributable to members of Mineral Commodities Ltd by the weighted average number of ordinary shares outstanding during the financial year.

##### *Diluted Earnings /(Loss) per Share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share would arise from the exercise of options outstanding at the end of the financial year.

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Employee Benefits

##### *Wages and Salaries, Annual Leave, Long Service and Sick Leave*

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. These benefits include annual and long service leave. Sick leave is non-vesting and has not been provided for. Employee entitlements expected to be settled within one year have been measured at the amounts expected to be paid when the liabilities are settled and are recognised in other payables.

The contributions made to defined contribution superannuation funds by entities within the consolidated entity are charged against profits when due.

##### *Share-Based Payments*

Share-based compensation benefits were provided to employees via the Mineral Commodities Employee Incentive Option Scheme approved by shareholders in 2006. This Scheme has now expired. The fair value of options granted under the Mineral Commodities Employee Incentive Option Scheme were recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

#### (p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised on a straight line basis.

#### (q) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Directors that make strategic decisions. There is no goodwill attached to any of the segments. There has been no impact on the measurement of the assets and liabilities reported for each segment.

#### (r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

#### (s) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

#### (t) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale or transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property and non-current biological assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

A discontinued operation is a component of the entity that has been disposed of or has been abandoned, or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

#### (u) Critical accounting estimates and judgements

The Group makes significant estimates and judgements concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Critical Accounting Estimates*

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

##### *Significant judgements and critical estimate in applying the entity's accounting policies*

#### **Impairment**

During the previous year, the consolidated entity impaired its property, plant and equipment (Note 12), in relation to the Sierra Leone assets as the directors assessed that these amounts were no longer recoverable.

#### **Available for sale financial assets**

During the year, the company sold 3 million shares in Allied Gold Limited (2009 5 million shares). The Directors classify the investment in Allied Gold as "available for sale" financial assets because (they intend to hold the investments to earn benefits in the medium to long term increases in the value of these investments) or (they do not meet the criteria to be held as financial assets through profit and loss as they are not monitored and evaluated on a fair value basis).

#### **Exploration and development expenditure**

Recoupment of the capitalised exploration and evaluation expenditure is dependant on the successful development and commercial exploitation of the Xolobeni Mineral Sands and the Tormin Mineral Sands areas of interest in South Africa. The capitalised expenditure in relation to the Xolobeni project is \$9,610,919 (2009: \$9,722,704) is expected to be fully recoverable once the grant of the mining right has been affirmed by the Minister of Minerals and Energy in South Africa and the Company proceeds to further develop this project.

#### **Investment in Unlisted Entities**

The investments in Africa Uranium Ltd has been fully impaired \$1,488,643 (2009: nil) The remaining investment in an unlisted entity Petro Ventures International Ltd has been valued by using information provided by the Company together with information from an independent source. Assumptions and estimates have been used in this valuation. Should any of these assumptions or estimates change, this could significantly effect the carrying value of this investment.

## Notes to the Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Accounting Standards not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 31 December 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 31 December 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvement Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2012 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 December 2012 financial statements, are not expected to have a significant impact on the financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 31 December 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

No other standards, interpretations or amendments which have been issued are expected to have an impact on the group.



## Notes to the Financial Statements (continued)

### 2. OTHER REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2010 \$	2009 \$
<b>Interest</b>		
Interest revenue from unrelated entities	25,711	50,937
<b>Other Income</b>		
Profit from sales of investments in listed companies	495,200	944,402
Miscellaneous and other income	4,789	100
<b>Total Other Revenue from Continuing Operations</b>	<b>499,989</b>	<b>944,502</b>
Total Revenue from continuing operations	525,700	995,439
<b>From discontinued operations</b>		
Other income (refer note 5)	45,209	-
	45,209	-

### 3. EXPENSES

	Consolidated	
	2010 \$	2009 \$
Loss before income tax has been arrived at after charging the following:		
Exploration expenditure written off	10,564	133,783
Operating lease rentals	76,444	70,133
Depreciation - plant and equipment	11,250	14,356
Superannuation contributions	18,927	14,329
Movement in provision for employee entitlements	(2,836)	4,359
Impairment of investments	(1,488,644)	-

## Notes to the Financial Statements (continued)

### 4. INCOME TAX

	Consolidated	
	2010	2009
	\$	\$
The components of current income tax expense comprise:		
Current taxation	-	-
Income tax (benefit) reported in the income statement	-	-
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
(Loss) / Profit before income tax	(1,625,021)	(642,991)
Prima facie tax payable / (benefit) on loss @ 30% (2009:30%)	(487,506)	(192,897)
Non allowable items	3,167	(542,252)
Non-assessable income	611,818	(43,110)
Net deferred tax assets not brought to account	(127,479)	778,259
Income tax expense / (benefit)	-	-
Future income tax benefit arising from un-recouped deductions at balance date, for Australian tax resident entities.		
Revenue losses	4,152,853	3,984,681
Capital losses	4,689,637	4,689,637

In addition the economic entity has unconfirmed tax losses and accumulated exploration expenditure that gives rise to potential carry forward tax benefits in South Africa amounting to approximately Rand 97 million (approximately A\$14million (2009:13 million). The benefit of these potential deferred tax assets has not been brought to account, and will only be realised if circumstances similar to those described above, also apply to the economic entity's future operations in South Africa.

There are no franking credits available.

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## Notes to the Financial Statements (continued)

### 5 DISCONTINUED OPERATIONS

#### (a) Description

##### Kariba Kono (SL) Ltd

Operations ceased in 2008, mining equipment was removed and sold during 2009-10.

#### (b) Financial performance and cash flow information

	Consolidated	
	2010	2009
	\$	\$
<b>Revenue</b>		
Other income	45,209	-
<b>Total revenue</b>	-	-
<b>Expenses</b>		
Site Operating expenses	-	(314,220)
General & administration expenses	10,196	(125,758)
Loss on disposal of fixed assets (refer note 12)	1,088	-
Impairment of fixed assets	-	(195,491)
<b>Total expenses</b>	11,283	(635,469)
Loss before income tax		
Income tax expense	-	-
<b>Profit /(Loss) after income tax from discontinued operations</b>	33,926	(635,469)
Net cash inflow/(outflow) from operating activities	33,926	(439,978)
Net cash inflow /(outflow) from investing activities	-	(195,491)
<b>Net Cash generated (used) by discontinued operations</b>	33,926	(635,469)

#### (c) Carrying amounts of assets and liabilities

Cash and cash equivalents		-
Property plant and equipment		-
Non – current assets held for sale	-	165,639
Receivables & Prepayments	5	5
<b>Total Assets</b>	5	165,644
Trade Creditors	(46,024)	(46,024)
<b>Total Liabilities</b>	(46,024)	(46,024)
<b>Net Assets</b>	(46,019)	119,620

## Notes to the Financial Statements (continued)

### 6. SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors which makes strategic decisions.

There is no goodwill attaching to any of the segments. There has been no impact on the measurement of the assets and liabilities reported for each segment.

There are two operating segments for South Africa, these are exploration and development projects one Tormin Mineral Sands held in Minerals Sands Resources Ltd and located on the West coast. The other is the Xolobeni Mineral Sands projected held in Transworld Energy and Minerals located on the East coast.

In Australia the Group operates in two segments, investing in the securities of unrelated entities and interest on the deposit of surplus funds. The other segment is the corporate overhead associated with the management and administration of the company's projects and corporate administration.

2010	Africa		Australia		Discontinued operations	Totals
	Tormin	Xolobeni	Investing	Unallocated		
Revenue from operations	\$	\$		\$	\$	\$
Gain from sales of investments in listed companies	-	-	495,200	-	-	495,200
Interest earned from unrelated entities	16,348	860	8,503	-	-	25,711
Interest earned from controlled entity	-	-	-	560,657	-	560,657
Management fees from controlled entity	-	-	-	97,787	-	97,787
Other revenue	-	-	-	4,789	45,209	49,998
Inter segment revenue	-	-	-	(658,444)	-	(658,444)
<b>Total segment revenue</b>	<b>16,348</b>	<b>860</b>	<b>503,703</b>	<b>4,789</b>	<b>45,209</b>	<b>570,909</b>
<b>Segment results</b>						
(Loss) / Profit before income tax	(1,411)	(75)	(984,941)	(672,520)	33,926	(1,625,021)
Included in segment results is the following:						
Impairment of Investment	-	-	(1,488,644)	-	-	(1,488,644)
<b>Total segment assets</b>	<b>4,751,504</b>	<b>9,610,919</b>	<b>6,277,651</b>	<b>254,846</b>	<b>48,143</b>	<b>20,943,063</b>
<b>Total segment liabilities</b>	<b>19,137</b>	<b>4,259</b>	<b>-</b>	<b>501,790</b>	<b>46,024</b>	<b>571,210</b>

## Notes to the Financial Statements (continued)

### SEGMENT INFORMATION (CONTINUED)

2009	South Africa		Australia		Discontinued operations	Totals
	Tormin \$	Xolobeni \$	Investing	Unallocated \$		
<b>Revenue from operations</b>						
Profit from sales of investments in listed companies	-	-	944,402	-	-	944,402
Interest earned from unrelated entities	26,594	1,400	22,943	-	-	50,937
Interest earned from controlled entity	-	-	-	553,453	-	553,453
Management fees from controlled entity	-	-	-	100,641	-	100,641
Other income	-	-	-	100	-	100
Inter segment revenue	-	-	-	(654,094)	-	(654,094)
<b>Total segment revenue</b>	<b>26,594</b>	<b>1,400</b>	<b>967,345</b>	<b>100</b>	<b>-</b>	<b>995,439</b>
<b>Segment results</b>						
Profit / (Loss) before income tax	2	-	967,345	(974,869)	(635,469)	(642,991)
<b>Total segment assets</b>	<b>3,953,063</b>	<b>9,722,704</b>	<b>6,070,777</b>	<b>216,278</b>	<b>165,639</b>	<b>20,128,461</b>
<b>Total segment liabilities</b>	<b>23,922</b>	<b>1,087</b>	<b>-</b>	<b>213,172</b>	<b>46,024</b>	<b>284,205</b>

### 7. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Mineral Commodities Limited, at 31 December 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2010 \$	2009 \$
Current assets	6,572,260	6,430,030
Non-current assets	17,242,283	15,712,689
<b>Total assets</b>	<b>23,814,543</b>	<b>22,142,719</b>
Current liabilities	501,772	213,154
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>501,772</b>	<b>213,154</b>
<b>Net Assets</b>	<b>23,312,771</b>	<b>21,929,565</b>
Contributed equity	40,004,350	40,004,350
Retained earnings / (accumulated losses)	(20,792,991)	(19,827,900)
Option reserve	286,578	286,578
Other reserves	3,814,834	1,466,537
<b>Total equity</b>	<b>23,312,771</b>	<b>21,929,565</b>
(Loss) / Profit for the year	(965,091)	91,707
Other comprehensive income / (loss) for the year	2,348,297	(1,193,263)
<b>Total comprehensive income / (loss) for the year</b>	<b>1,383,206</b>	<b>(1,101,556)</b>

## Notes to the Financial Statements (continued)

### PARENT ENTITY INFORMATION (Continued)

#### TRADE AND OTHER RECEIVABLES – NON-CURRENT

	Parent Entity	
	2010	2009
Opening Balance	14,240,022	11,841,568
Loans and advances - controlled entities	984,224	2,203,374
Interest on Loans	560,657	553,453
Less impairment	-	(358,373)
Total Trade and other receivables	<u>15,784,903</u>	<u>14,240,022</u>

Recovery of the loans to controlled entities is dependent upon the commercial exploitation of mining tenements held by the controlled entities.

#### (a) Impaired receivables and receivables past due

As at 31 December 2010 non current loans and advances with a nominal value of \$1,804,651 (2009: \$1,804,651) were impaired.

This related to the following loans:

- (i) \$1,773,619 (2009:1,773,619) advanced to Kariba Kono (SL) Ltd. This company has been struck off the register refer note 14
- (ii) \$31,033 (2009: \$31,033) advanced to Blackhawk Oil & Gas Ltd and Queensland Minex NL were also considered to be impaired.

#### (b) Risk Exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 24.

### 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2010	2009
	\$	\$
Cash at Bank	191,506	153,566
	<u>191,506</u>	<u>153,566</u>

The effective interest rate on cash at bank in 2010 was 3.50% (2009:3.00%)

#### (a) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 24.

#### (b) Reconciliation to cash at the end of the year

The above figures represent the cash at the end of the financial year as shown in the Statement of Cash Flows.

## Notes to the Financial Statements (continued)

### 9. TRADE AND OTHER RECEIVABLES – CURRENT

	Consolidated	
	2010	2009
	\$	\$
Trade receivables	145	167
Security deposits <sup>1</sup>	409,569	423,352
Other receivables	118,272	115,839
	<u>527,986</u>	<u>539,358</u>

<sup>1</sup> Includes a secured deposit of \$397,037 (2009 \$410,574) with First Rand bank held as security for a performance guarantee issued by the Bank in favour of the South African Department of Minerals and Energy in respect of Mineral Sands Resources (Pty) Ltd obligations under the Tormin Mining right.

There are no receivables past due and impaired

#### (a) Fair Values and credit risk

Due to the short term nature of these receivables the carrying values represent their respective fair values as at 31 December 2010 and 2009

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 24 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

#### (b) Foreign Exchange and Interest Rate Risk

Information about the Group's exposure to foreign exchange and interest rate Risk in relation to trade and other receivables is provided in Note 24.

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## Notes to the Financial Statements (continued)

### 10. FINANCIAL ASSETS - CURRENT

	Consolidated	
	2010	2009
	\$	\$
<b>Available for sale Investments</b>		
Investments in companies listed on a recognised stock exchange - shares at fair value		
At the beginning of the year	3,477,483	6,580,870
Cost of Allied Gold Ltd Shares sold	(694,760)	(1,144,814)
Disposal of other listed shares	-	(65,000)
Fair value movement	2,390,277	(1,893,573)
Total available for sale investments in companies listed on a recognised stock exchange	5,173,000	3,477,483
<b>Available for sale investment in companies not listed on a recognised stock exchanges</b>		
At the beginning of the year	2,593,294	376,224
Investment this year	-	1,488,643
Fair value movement	-	728,427
Impairment	(1,488,643)	-
Total available for sale investments in companies not listed on a recognised stock exchange	1,104,651	2,593,294
<b>Total Financial Assets - Current</b>	<b>6,277,651</b>	<b>6,070,777</b>

Available for sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)



## Notes to the Financial Statements (continued)

### 10. FINANCIAL ASSETS – CURRENT (Continued)

2010	Level 1	Level 2	Level 3	Total
Available for sale financial assets	5,173,000	-	1,104,651	6,277,651
<b>Total</b>	<b>5,173,000</b>	<b>-</b>	<b>1,104,651</b>	<b>6,277,651</b>
2009	Level 1	Level 2	Level 3	Total
Available for sale financial assets	3,477,483	-	2,593,294	6,070,777
<b>Total</b>	<b>3,477,483</b>	<b>-</b>	<b>2,593,294</b>	<b>6,070,777</b>

#### Fair Value of Investment in Allied Gold Limited

The market value of the investment in Allied Gold at balance date was \$5,100,000 based on a price of 68 cents per share. The remaining available for sale assets had a market value of \$73,000 at balance date.

The level 3 investment in an unlisted entity has been valued by using information provided by the Company together with information from an independent source. Assumptions and estimates have been used in this valuation. Should any of these assumptions or estimates change, this could significantly effect the carrying value of this investment.

#### (a) Risk Exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 24.

### 11. OTHER – CURRENT

	Consolidated	
	2010	2009
	\$	\$
Prepayments	10,376	13,351

### 12. PROPERTY, PLANT AND EQUIPMENT

(a)	2010	2009
Plant and office equipment - at cost	72,147	307,753
Accumulated depreciation	(64,770)	(281,238)
<b>Total property, plant and equipment</b>	<b>7,377</b>	<b>26,515</b>

Reconciliation of the carrying amount of plant & equipment at the beginning and end of the current and previous financial year

Plant and office equipment

Carrying amount at beginning of year	26,515	373,060
Additions	700	28,942
Impairment	-	(195,491)
Depreciation	(11,250)	(14,356)
Loss on disposal of fixed assets	(8,588)	-
Transferred to Available for sale assets	-	(165,639)
<b>Carrying amount at end of year</b>	<b>7,377</b>	<b>26,515</b>

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## Notes to the Financial Statements (continued)

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Non-current asset held for sale	2010 \$	2009 \$
Available for sale plant and equipment 31 December 2009	165,639	-
Transferred from fixed assets	-	165,639
Proceeds of sale	(164,551)	-
Loss on disposal (refer note 5)	(1,088)	-
Available for sale plant and equipment 31 December 2010	<u>-</u>	<u>165,639</u>

In 2009 adjustments to impairment losses of \$195,491 were brought to account in respect of the available for sale Plant and Equipment ex Sierra Leone. The impairment value was calculated to write off the full carrying value less the estimated net sale value.

### 13. EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2010 \$	2009 \$
Exploration expenditure - costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	13,928,167	13,159,249
Total exploration and evaluation expenditure	<u>13,928,167</u>	<u>13,159,249</u>
Reconciliation of the carrying amount of exploration and development expenditure at the beginning and end of the current and the previous financial year.		
Carrying amount at beginning of year	13,159,249	12,026,008
Expenditure during the year	1,005,691	1,394,052
Impairment of exploration expenditure		-
Foreign exchange movements	(226,209)	(127,028)
Write off discontinued projects	(10,564)	(133,783)
Carrying amount at end of year	<u>13,928,167</u>	<u>13,159,249</u>

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## Notes to the Financial Statements (continued)

### 13. EXPLORATION AND DEVELOPMENT EXPENDITURE (Continued)

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 Project with the Department of Minerals and Energy ("DME").

On 4 August 2008 MRC announced that it had received notification from the DME that the Mining Right for the Kwanyana block within the Xolobeni Project area would be granted. The remaining blocks (Sikombe, Mnyameni and Mpahlane) would then be held under a Prospecting Right valid to 2010 which could 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.

However, in September 2008, the Company was advised that, on behalf of the AmaDiba Crisis Committee ("ACC") and its members, the Grahamstown office of the Legal Resources Centre filed a Notice of Appeal ("the Appeal") with the Minister of the DME. The ACC requested the Minister to suspend and then appeal the decision to grant the Mining Right.

The Company is awaiting the outcome of an appeal lodged with the Minister of the Department of Minerals and Energy ("DME").

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 then issued an instruction that the appeal be finalised 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 was envisaged that the hearing would be arranged at the DMR Durban regional Office in mid February 2011.

In March the Director General of Mineral Resources (DG) in South Africa advised MRC's subsidiary Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM) that the Department of Mineral Resources in South Africa (DMR) no longer intends to embark on oral hearings in respect of the appeal against the Xolobeni mining right awarded to TEM on the Kwanyana Block as previously advised. The DG has advised that the DMR will now proceed to advise the Minister on the appeals based on the available documentation. TEM has been advised that the Minister will consider the appeals towards the end of March 2011. To this date of this report, the Company still awaits the outcome from the Minister.

MRC believes that due to the importance of the Xolobeni Project to the area, the Minister will continue to support the issuing of the Xolobeni Mining Right. The Company has therefore taken steps to minimise expenditure on the project pending a resolution of the Appeal.

Recoupment of carried forward exploration and evaluation expenditure is dependent upon the granting of mining rights and successful development and commercial exploitation of each area of interest, or otherwise by their sale at an amount not less than the carrying value.

## Notes to the Financial Statements (continued)

### 14 SUBSIDIARIES

	Class of Share	Place of Incorporation	Equity Holding		Cost to Company	
			2010 %	2009 %	2010 \$	2009 \$
<b>Parent Entity</b>						
Mineral Commodities Limited		Australia				
<b>Controlled Entities</b>						
Rexelle Pty Ltd	Ord	Australia	100	100	1,450,001	1,450,001
Queensland Minex NL	Ord	Australia	100	100	4,718,302	4,718,302
Q Smelt Pty Ltd	Ord	Australia	90	90	-	-
Mincom Waste Pty Ltd	Ord	Australia	100	100	-	-
MRC Resources (Pty) Ltd	Ord	South Africa	100	100	-	-
MRC Africa Pty Ltd	Ord	Australia	100	100	1,000	1,000
Kariba Kono (S.L.) Ltd <sup>1</sup>	Ord	Sierra Leone	-	100	-	-
Blackhawk Oil & Gas Ltd	Ord	Australia	100	100	100,000	100,000
					6,269,303	6,269,303
Less Impairment					(4,818,302)	(4,818,302)
					1,451,001	1,451,001

<sup>1</sup> The Company received confirmation from the Registrar of Companies in Sierra Leone that in accordance with a request from the shareholder Mineral Commodities Ltd Kariba Kono (S.L.) Ltd had been struck off the Register of companies on 27th October 2010.

	Class of Share	Place of Incorporation	Equity Holding		Cost to Company	
			2010 %	2009 %	2010 \$	2009 \$
Transworld Energy & Minerals Resources (SA) (Pty) Limited	Ord	South Africa	56	56	2,500,000	2,500,000
Mineral Sands Resources (Pty) Ltd	Ord	South Africa	50	50	-	-
Nyati Titanium Eastern Cape (Pty) Ltd	Ord	South Africa	100	100	-	-
MRC Metals (Pty) Ltd	Ord	South Africa	100	100	-	-
Skeleton Coast Resources (Pty) Ltd	Ord	Namibia	100	100	-	-

## Notes to the Financial Statements (continued)

### 15. NON-CONTROLLING INTERESTS

	Consolidated Entity	
	2010	2009
	\$	\$
Non-controlling interests in subsidiaries comprise:		
Interest in retained earnings at the beginning of the financial year after adjusting for non-controlling equity interests in the entities acquired during the financial year	-	-
Operating loss	-	-
Share capital	54,748	54,748
Reserves	124,101	124,101
Total non-controlling interests	<u>178,849</u>	<u>178,849</u>

During 2008 two subsidiaries' ownership interests were restructured to comply with South African legislation. Ordinary shares were issued to the Black Empowerment Parties to effect these changes in accordance with the respective agreements entered into with the Black Empowerment partners.

### 16. TRADE AND OTHER PAYABLES - CURRENT

	Consolidated	
	2010	2009
		\$
Trade payables - unsecured	340,660	67,488
Other payables and accruals - unsecured	200,880	184,211
	<u>541,540</u>	<u>251,699</u>

#### (a) Fair Values and credit risk

Due to the short term nature of these payables the carrying values represent their respective fair values as at 31 December 2010 and 2009.

#### (b) Foreign Exchange and Interest Rate Risk

Information about the Group's exposure to foreign exchange and interest rate Risk in relation to trade and other payables is provided in Note 24.

### 17. CONTRIBUTED EQUITY

	2010	2009	2010	2009
	Number of shares	Number of shares	\$	\$
Balance at beginning of financial year	143,393,385	141,393,385	40,004,350	39,804,350
Consideration for shares in Africa Uranium Ltd	-	2,000,000	-	200,000
Costs of capital raising	-	-	-	-
Balance at end of financial year	<u>143,393,385</u>	<u>143,393,385</u>	<u>40,004,350</u>	<u>40,004,350</u>

In June 2009 the Company issued 2 million shares as part consideration to acquire a 10% interest in Africa Uranium Ltd.

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## Notes to the Financial Statements (continued)

### CONTRIBUTED EQUITY (Continued)

#### (a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### (b) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets in order to maintain sufficient funds necessary to continue its operations.

As a junior mineral explorer debt financing is not an option until such time at the Group's projects have reached a stage at which debt financing can be obtained, therefore the Company considers its contributed equity as it's capital during this period. Investments such as the shareholding in Allied Gold Ltd are also regarded as part of the capital base and sold as required to fund ongoing operations.

### 18. RESERVES

	Consolidated	
	2010	2009
	\$	\$
General Reserve	2,437,582	2,437,582
Financial asset revaluation reserve	4,097,207	1,706,929
Listed options reserve	286,578	286,578
Foreign currency translation reserve	(995,772)	(758,112)
	<u>5,825,595</u>	<u>3,672,977</u>

#### Nature and purpose of reserves

##### *General Reserve*

The General Reserve arose from the issue of shares in MRC Resources Pty Ltd to an entity outside the economic entity.

##### *Financial asset revaluation reserve*

The financial asset revaluation reserve arises from the revaluation at balance date of available for sale financial assets.

##### *Foreign Currency Translation reserve*

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentation currency of the group. Refer to accounting policy Note 1 (e).

##### *Share Based Payments Reserve*

The share based payments reserve was used to recognise the fair value of options issued to employees but not exercised and the fair value of shares issued to employees. These options were not exercised by the expiry date of 30 September 2009 and have thus lapsed.

##### *Listed Options Reserve*

Proceeds from the issue of 57,357,208 listed options pursuant to an entitlement issue.

## Notes to the Financial Statements (continued)

### 19. LOSS PER SHARE

	Consolidated	
	2010 cents	2009 cents
<b>(a) Basic loss per share</b>		
From continuing operations attributable to the ordinary shareholders of the company (cents per share)	(1.158)	(0.005)
From discontinued operations (cents per share)	0.024	(0.445)
Total basic loss per share attributable to the ordinary equity holders of the company (cents per share)	(1.134)	(.045)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	143,393,021	142,434,481
Loss used in the calculation of basic loss per share from continued operations	(1,660,034)	(7,522)
Profit / (Loss)Loss used in the calculation of basic loss per share from discontinued operations	35,013	(635,469)

There are 57,357,208 options with an exercise price of 20 cents and an expiry date of 31 December 2012 on issue as at 31 December 2010. These potential ordinary shares are not considered dilutive and accordingly have not been used to calculate dilutive earnings per share.

### 20. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and non-related audit firms:

	Consolidated	
	2010 \$	2009 \$
Amounts paid or due and payable to the auditors		
Auditors of the parent entity		
Audit and review	39,492	48,752
Non-related practice of the auditors		
Audit of subsidiaries	6,558	6,364
	<u>46,050</u>	<u>55,116</u>

### 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel Compensation

	Economic Entity	
	2010 \$	2009 \$
<b>Key Management Personnel</b>		
Short-term employee benefits	224,037	352,237
Post-employment benefits	3,963	3,963
	<u>228,000</u>	<u>356,200</u>

## Notes to the Financial Statements (continued)

### (c) Option holdings of key management personnel

The numbers of options over ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Consolidated entity are set out below:

2010								
Key Management Personnel	Balance at 1 January 2010	Granted as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2010	Vested and exercisable	Unvested
Mark Caruso	7,380,396	-	-	-	-	7,380,396	7,380,396	-
Joseph Caruso	7,380,396	-	-	-	-	7,380,396	7,380,396	-
Greg Steemson	604,000	-	-	-	-	604,000 <sup>1</sup>	604,000	-
Peter Torre	-	-	-	-	200,000	200,000	200,000	-
2009								
Key Management Personnel	Balance at 1 January 2009	Granted as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2009	Vested and exercisable	Unvested
Mark Caruso	-	-	-	-	7,380,396	7,380,396	7,380,396	-
Joseph Caruso	-	-	-	-	7,380,396	7,380,396	7,380,396	-
Greg Steemson	-	-	-	-	604,000	604,000	604,000	-
Peter Torre	250,000	-	-	(250,000)	-	-	-	-

The net change other above was the take up of the entitlement issued undertaken by the Company during the period.

<sup>1</sup> Options held on 31 March 2011 (date of resignation)

### (d) Shareholdings of key management personnel

The numbers of ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Consolidated entity are set out below:

2010					
Director	Balance at 1 January 2010	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 2010
Mark Caruso	19,063,615	-	-	2,519,000	21,582,615
Joseph Caruso	19,050,988	-	-	2,519,000	21,569,988
Greg Steemson	1,510,000	-	-	-	1,510,000 <sup>2</sup>
Peter Torre	-	-	-	500,000	500,000
2009					
Director	Balance at 1 January '09	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec '09
Mark Caruso	18,463,615	-	-	600,000	19,063,615
Joseph Caruso	18,450,988	-	-	600,000	19,050,988
Greg Steemson	1,510,000	-	-	-	1,510,000
Peter Torre	-	-	-	-	-



## Notes to the Financial Statements (continued)

### Shareholdings of key management personnel (Continued)

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 21,569,988 shares. The net change other above was the take up of the entitlement issue in 2009 undertaken by the Company during that period and acquisitions on market in 2010.

<sup>2</sup> Shareholding at 31 March 2010 (date of resignation)

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

#### (e) Loans to key management personnel

There were no loans to key management personnel during the period.

#### (f) Other transactions and balances with key management personnel

There were no transactions or balances with key personnel except as disclosed in this note and Note 22.

### 22. RELATED PARTY TRANSACTIONS

There were no transactions with directors or director related entities during the financial period other than the payment of directors' remuneration and the sale of an excavator retrieved from Sierra Leone to Zurich Bay holdings a company associated with Mark & Joseph Caruso for \$115,000.(2009:Nil)

Mineral Commodities Ltd is a shareholder in Allied Gold Ltd owning 7,500,000 shares (2009: 10,534,379) of the issued share capital at balance date. Mark Caruso, Greg Steemson and Peter Torre are also officers of Allied Gold Limited.

#### Wholly owned group

The group consists of Mineral Commodities Limited and its subsidiaries. Details of entities in the group are set out in Note 14.

Transactions between Mineral Commodities Limited and other entities in the group during the years ended 31 December 2010 and 31 December 2009 consisted of loans advanced and payments received and made on inter company accounts. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Company provided management, accounting and administration services to other entities in the wholly-owned group.

An impairment loss was booked on the receivable from Kariba Kono in 2009 all other inter company receivables are expected to be receivable in full.

#### Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

## Notes to the Financial Statements (continued)

### 23(a) RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2010	2009
	\$	\$
Profit/(loss) after income tax and outside equity interest	(1,625,021)	(642,991)
Depreciation	11,250	14,356
Impairment losses	1,488,644	195,491
Provision for Employee Entitlements	(2,836)	4,359
(Profit)/loss on sale of investment in listed companies	(495,200)	(944,402)
Loss on sale of available for sale assets	1,088	-
Loss on disposal of fixed assets	8,589	-
Exploration expenditure written off	10,564	133,783
Exploration expenditure capitalised	(1,015,529)	(1,394,052)
Other non-cash items	1,827	(46,866)
Changes in assets and liabilities during the year:		
Increase (decrease) in trade payables and other liabilities	287,005	(789,357)
(Increase) decrease in trade and other receivables	11,372	1,702,916
(Increase) decrease in prepayments	2,975	(206)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(1,315,272)</b>	<b>(1,766,969)</b>

### 23(b) Non-cash Investing and Financing Activities

The group has no available finance facilities as at balance date.

## Notes to the Financial Statements (continued)

### 24. FINANCIAL RISK MANAGEMENT

The Group and the Parent entity hold the following financial instruments:

	Consolidated	
	2010	2009
	\$	\$
<b>Financial Assets</b>		
Cash at bank and short term bank deposits		
AA1	188,895	151,739
BBB	2,611	1,827
Total Cash at bank and short term bank deposits	191,506	153,566
<b>Trade and other receivables</b>		
Counterparties with external credit rating (Moody's)		
AAA	46,535	21,353
BBB	431,645	509,837
	478,180	531,190
Counterparties without external credit rating		
Sundry trade receivables	49,806	8,168
Total Receivables	527,986	539,358
Available for sale investments	6,277,651	6,070,777
	6,997,143	6,763,701
<b>Financial Liabilities</b>		
Trade Creditors	340,660	67,488
Other payables	200,880	184,211
	541,540	251,699
	6,455,603	6,512,002

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. Risk management is carried out by the Board of Directors.

The Group does not hold any derivative financial instruments.

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## Notes to the Financial Statements (continued)

### 24. FINANCIAL RISK MANAGEMENT (Continued)

#### Financial Risk

The main risk the Group is exposed to through its financial instruments are exchange rate risk, interest rate risk, liquidity risk, credit risk and price risk.

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The primary exposure is in respect to the South African Rand arising from the investments in and loans to South African entities.

Foreign exchange risk arises from assets and liabilities denominated in a currency that is not the Reporting company's functional currency and net investments in foreign operations.

The Group does not hold any derivatives or foreign exchange contracts to hedge its foreign exchange risk exposure.

Based on the financial instruments held at the reporting date, the sensitivity of the Group's profits after tax for the year and equity at the reporting date to movements in the Australian Dollar to South African Rand was:

- Had the Australian Dollar weakened / strengthened by 5% against the South African Rand with all other variables remaining constant, the Group's profit after tax would have been \$755,946 lower / higher (2009: 678,702 lower / higher) and equity would have been \$755,946 lower / higher (2009: 678,702 lower / higher) The reasonable possible change is based on historical changes in rates estimated by management.

#### Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures including outstanding receivables and investments in unlisted entities.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables held are with related parties and within the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

#### Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to the Group's floating interest rate cash balance which is subject to movements in interest rates. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk. Interest is charged on the loans from the parent company to the South African subsidiaries at rates permitted by the South African reserve bank. This interest is eliminated on consolidation.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Board monitors rolling cash flow forecasts to manage liquidity risk. The only financial liabilities of the Group at balance date are trade and other payables, these amounts are unsecured.

As at reporting date the Group had sufficient cash reserves to meet its requirements. Should additional cash be required to fund operations this may be raised from the sale of listed equities held as available for sale. The Group therefore had no other credit standby facilities or arrangements for further funding in place.

The only financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30 day terms of creditor payments.

#### Price Risk

The Group has an exposure to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position as available for sale financial assets. The Group is not exposed to commodity price risk.

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## Notes to the Financial Statements (continued)

### FINANCIAL RISK MANAGEMENT (Continued)

The following table summarises the impact of any increases/decreases in the market price of available for sale equity investments. The percentage used is based on possible volatility of the share price and market value of the investments held. The 30% reasonable movement is based on managements estimate of historical changes.

2010	Carrying amount \$	Profit \$	Price Risk		Profit \$	Equity \$
			-30%	+30%		
Available for sale investments						
Listed Shares & Options	5,173,000	(1,551,900)				1,551,900
Unlisted shares	1,104,651	(331,395)				331,395
	<u>6,277,651</u>	<u>(1,883,295)</u>				<u>1,883,295</u>

2009	Carrying amount \$	Profit \$	Price Risk		Profit \$	Equity \$
			-30%	+30%		
Available for sale investments						
Listed Shares & Options	3,477,483	(1,043,245)	-	-	-	1,043,245
Unlisted shares	2,593,294	(777,988)	-	-	-	777,988
	<u>6,070,777</u>	<u>(1,821,233)</u>	-	-	-	<u>1,821,233</u>

### 25. SHARE BASED PAYMENTS (a) Employee Option Plan

The establishment of the Mineral Commodities Employee Incentive Option Scheme was approved by shareholders at the 2006 annual general meeting. The incentive scheme was designed to provide long term incentives for senior staff to deliver long term shareholder returns. Under the plan, participants were granted options which vested immediately but were not exercisable until 30 September 2009. Participation in the plan was at the Boards discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits. At the expiry date none of the options were exercised and consequently lapsed.

Options granted under the plan did not carry any dividend or voting rights. When exercisable, each option was convertible into one ordinary share within 10 business days.

Set out below are summaries of options granted under the plan:

2009	Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the 2009 year	Balance at end of the year	Vested and exercisable at end of the year
	16-Nov-07	30-Sep-09	\$0.30	1,250,000	-	-	(1,250,000)	-	-
	23-Nov-07	30-Sep-09	\$0.30	500,000	-	-	(500,000)	-	-
	23-Nov-07	30-Sep-09	\$0.40	500,000	-	-	(500,000)	-	-
				<u>2,250,000</u>	-	-	<u>(2,250,000)</u>	-	-

## Notes to the Financial Statements (continued)

### 26. COMMITMENTS

#### (a) Non- Cancellable Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	2010	2009
	\$	\$
Within one year	21,447	76,444
Later than one year but not later than five years	1,875	9,572
<b>Total</b>	<b>23,322</b>	<b>86,016</b>

The operating lease is a rental agreement for the Group's office premises in Welshpool. The previous lease expired in February 2011 and the Group relocated to smaller premises in Kewdale. The new lease is for a term of 1 year with an option to renew for a further year.

#### (b) Exploration Tenement Leases – Commitments for Expenditure.

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay lease rentals and to meet the minimum expenditure requirements which are not considered to be material.

### 27. CONTINGENT LIABILITIES

There are no Contingent Liabilities.

### 28. SUBSEQUENT EVENTS

#### Share Issue

In March 2011, the Company raised \$1.2 million via a placement of 10,000,000 fully paid ordinary shares at \$0.12 cents per share. The placement was made to M&G Investments Limited a UK based Institution.

#### Xolobeni Project

The Director General of Mineral Resources (DG) in South Africa advised MRC's subsidiary Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM) that the Department of Mineral Resources in South Africa (DMR) no longer intends to embark on oral hearings in respect of the appeal against the Xolobeni mining right awarded to TEM on the Kwanyana Block as previously advised. The DG has advised that the DMR will now proceed to advise the Minister on the appeals based on the available documentation. TEM has been advised that the Minister will consider the appeals towards the end of March 2011.

#### Investments

##### Allied Gold Ltd

A further 1,000,000 Ordinary Shares in Allied Gold Ltd were sold in February 2011 net proceeds received were \$577,993.

##### Petro Ventures International Ltd (PVIL)

The Company received a further update from PVIL in March 2011 advising that the general meeting of shareholders would be deferred due to PVIL receiving notification from the Romanian Authorities that the assignment of the Romanian Licenses had not been granted. The Directors of PVIL have advised that they are considering their options in this regard and will update their shareholders accordingly.

No other event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, other than what has been disclosed elsewhere in this financial report, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years unless otherwise disclosed in this Directors Report.

## Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 including;
  - (a) complying with Australian Accounting Standards and the Corporations Regulations 2001 and,
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The remuneration disclosures set out on pages 7 to 9 of the Directors Report as part of the audited remuneration report comply with S300A of the Corporations Act 2001 for the year ended 31 December 2010.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:



Mark Caruso  
Non Executive Director  
Dated at Perth, Western Australia this 31<sup>st</sup> day of March 2011

31 March 2011

Mineral Commodities Limited  
The Board of Directors  
Unit 15, Level 1  
51 - 53 Kewdale Road  
WELSHPOOL WA 6106

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF  
MINERAL COMMODITIES LIMITED

As lead auditor of Mineral Commodities Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mineral Commodities Limited and the entities it controlled during the period.



Peter Toll  
Director



BDO Audit (WA) Pty Ltd  
Perth, Western Australia

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERAL COMMODITIES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Mineral Commodities Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mineral Commodities Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of Mineral Commodities Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)

## Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to Note 13 in the financial statements regarding the Notice of Appeal filed in relation to the Mining Right over the Xolobeni area of interest. Pending the outcome of this appeal the issue date of the Mining Right has been deferred. Expenditure has been minimised until outcome of the appeal has been resolved. The ultimate outcome of the matter cannot presently be determined, and no impairment in respect of this area has been recognised. If the appeal by third parties is successful, the capitalised expenditure of \$9,610,919 in relation to the Xolobeni area of interest may not be recoverable at the amounts stated in the financial statements.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Mineral Commodities Limited for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Peter Toll  
Director

Perth, Western Australia  
Date this 31<sup>st</sup> day of March 2011

## Statement of Corporate Governance

The Board of Directors of Mineral Commodities Limited (MRC) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

### Role of the Board of Directors

The Board of MRC is responsible for setting the Company's strategic direction and providing effective governance over MRCs' affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

- chart the direction, strategies and financial objectives for MRC and monitor the implementation of those policies, strategies and financial objectives;
- monitor compliance with regulatory requirements, ethical standards and external commitments;
- appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer if in place or similar person acting in the executive capacity; and
- ensure that the Board continues to have the mix of skills and experience necessary to conduct MRCs' activities, and that appropriate directors are selected and appointed as required.

In accordance with MRCs' Constitution, the Board delegates responsibility for the day-to-day management of MRC to the Managing Director (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

### Board structure and composition

The Board currently is comprised of 3 directors, none of which are independent non-executive Directors. Details of each directors skill, expertise and background are contained within the directors report included with the company's annual financial statements.

Independence, in this context, is defined to mean a non-executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.1 is taken into account for this purpose.

It is the Board's intention to increase the size of the Board as the scale of activities develops, and such expansion will see an introduction of independent non-executive directors. In the absence of such scale, the Board does not believe that the existence of further independent non-executive directors would be of benefit to the Company.

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

## Statement of Corporate Governance (Cont'd)

Any equity based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and Managing Director have been separated.

The Managing Director is responsible for supervising the management of the business as designated by the Board. This ensures the appropriate independent functioning of the Board and management.

MRCs' non-executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re-election. Directors are elected or re-elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re-election. A Director appointed by the Directors (e.g., to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC but is eligible for re-election at that meeting.

Under MRCs' Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

### Board and management effectiveness

Responsibility for the overall direction and management of MRC, its corporate governance and the internal workings of MRC rests with the Board notwithstanding the delegation of certain functions to the Managing Director and management generally (such delegation effected at all times in accordance with MRC' Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual Directors and Company Executives has not taken place since the inception of the Company. Given the small scale of the Company's current activities, the performance of the executives and directors is easily monitored and discussed in Board meetings. Once the nature and scale of activities increases, the Company will initiate formal evaluation procedures.

### Financial reporting, Internal Control and Risk Management

The Board has overall responsibility for MRC's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulation, with a view to managing risk of failure to achieve business objectives. It must be recognized however that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of MRC on a weekly basis. For annual financial statements, the Managing Director and the Company Secretary are required to state in writing that:

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with the relevant accounting standards; and
- are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management has not formally reported to the Board on the effectiveness of the Company's management of material business risk. Management and the Board interact on a day to day basis and risk is currently being considered on an informal day to day basis across the financial, operational and organisation aspects of the Company's business.

### Committees of the Board of Directors

The Board has not established any permanent committees, namely an Audit and Risk Committee and a Remuneration and Nomination Committee. The Board and scale of activities is not of a sufficient size to warrant separate committees in this regard.

## Statement of Corporate Governance (Cont'd)

In the absence of an audit committee, the entire Board undertakes the function of an audit committee. The duties of this committee include:

- to be the focal point of communication between the Board, management and the external auditor;
- to recommend and supervise the engagement of the external auditor and monitor auditor performance;
- review the effectiveness of management information and other systems of internal control;
- review all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- review significant transactions that are not a normal part of the Company's business;
- review the year end and interim financial information and ASX reporting statements;
- to monitor the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- review the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

### Timely and balanced disclosure

MRC is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, MRC recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Preparing quarterly activity and cash flow reports.
- Advising the market of matters requiring disclosure under Australian Stock Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporation Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

### Ethical and responsible decision-making

#### Code of Conduct

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and Directors conduct themselves and MRCs' business, avoiding conflicts of interest and not misusing

## Statement of Corporate Governance (Cont'd)

company resources. A formal Code of Conduct has not been adopted for all employees and Directors of MRC due to the total number of employees and director's only being 6.

### Securities Trading Policy

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates MRC's commitment to ensuring awareness of the insider trading laws, and that employees and Directors comply with those laws. The Securities Trading Policy imposes additional share trading restrictions on Directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non-public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half-year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in MRC's securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

### Other Information

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 8 April 2011.

### Twenty Largest Shareholders

Rank	Name	Number of ordinary shares	Percentage of issued shares
1	HSBC Custody Nominees (Australia) Limited	22,999,858	14.99%
2	Zurich Bay Holdings Pty Ltd <Minesite Construction A/C>	20,605,988	13.43%
3	JP Morgan Nominees Australia Limited <Cash Income A/C> Mr Anthony Grant Melville & Mrs Elaine Sandra Melville < Melville Family Super A/C>	16,843,235	10.98%
4	Mr Keng Heng Goh <Keng Goh NO 1 A/C>	5,199,250	3.39%
5	Miss Kathryn Yule	5,175,000	3.37%
6	Mr Kevin Anthony Leo & Mrs Leticia Leo	4,800,000	3.13%
7	International Mining Services Limited	3,400,000	2.22%
8	Mr David Geoffrey Vincent & Mrs Giuseppina Antonina Vincent	2,750,000	1.79%
9	Iec Investment Pty Ltd	2,170,000	1.41%
10	National Nominees Limited	2,147,596	1.40%
11	International Mining Services Ltd	1,611,442	1.05%
12	Mr Robert Cameron Galbraith	1,500,000	0.98%
13	MS Kathryn Yule	1,459,221	0.95%
14	Mr David Geoffrey Vincent <The Cannella Family a/c>	1,282,500	0.84%
15	Mr Emanuel Richard Brian Dillon <The Complete a/c>	1,036,000	0.68%
16	Zurich Bay Holdings Pty Ltd <Mine Site Construction a/c> Mr Gregory Hugh Steemson & Mrs Barbara Fay Steemson <GH Steemson Family Super A/C>	1,000,000	0.65%
16	Naranda Falls Pty Ltd <Crabb Family a/c a/c>	1,000,000	0.65%
16	Mr William Davidson Meek	1,000,000	0.65%
16	Mr Ian Thompson	1,000,000	0.65%
16	Mr Ashwini Chandra	1,000,000	0.65%
16	Mr Ashley Walliss	1,000,000	0.65%
16	Kingarth Pty Ltd	1,000,000	0.65%
17	Mr Hayden Robert Aspinall	967,530	0.63%
18	Mr Donald Boyd	900,000	0.59%
19	Mr Harry Katsamakias	765,000	0.50%
20	Mr Christopher Victor Caruso	750,000	0.49%
	<b>TOTAL</b>	<b>105,362,620</b>	<b>68.69%</b>

### Twenty Largest Option Holders

Rank	Name	Number of Options	Percentage of issued Options
1	Zurich Bay Holdings Pty Ltd <Minesite Construction a/c>	6,980,396	12.17%
2	JP Morgan Nominees Australia Limited <Cash Income a/c>	6,246,636	10.89%
3	HSBC Custody Nominees (Australia) Limited	3,659,813	6.38%
4	Kathryn Yule	3,403,000	5.93%
5	Charliv Investments Pte Ltd	3,000,000	5.23%
6	Mr Christopher Victor Caruso	1,700,000	2.96%
7	Mr Anthony Grant Melville & Mrs Elaine Sandra Melville <Melville Family Super A/C>	1,500,000	2.62%
8	Dr Rosamund Julian Banyard & Mr Phillip Stanley Holten <R Banyard Super Fund a/c>	1,430,000	2.49%
9	Mr Emanuel Richard Brian Dillon <The Complete a/c>	1,400,000	2.44%
9	Kevin Leo	1,400,000	2.44%
9	International Mining Services Pty Ltd	1,400,000	2.44%
10	Mr Kevin Anthony Leo & Mrs Leticia Leo	1,360,000	2.37%
11	Goffacan Pty Ltd	1,251,874	2.18%
12	Mr David Geoffrey Vincent & Mrs Giuseppina Antonina Vincent	1,234,000	2.15%
13	National Nominees Limited	1,067,200	1.86%
14	Mr Gerald Magree	1,028,600	1.79%
15	Mr David Phillip Whitehead & Mrs Linda Susan Whitehead <Dalín Super Fund a/c>	616,000	1.07%
16	Mr Gregory Hugh Steemson & Mrs Barbara Fay Steemson <GH Steemson Family Super A/C>	604,000	1.05%
17	Mr Robert Cameron Galbraith	583,689	1.02%
18	Mr Ross Nicholaidis	500,000	0.87%
18	Ian Randal Thompson	500,000	0.87%
18	Arie Vrolijk	500,000	0.87%
19	Ms Janet Irene Foster & Mr Daniel Marino	429,213	0.75%
20	Ohs Global Pty Ltd	415,132	0.72%
<b>TOTAL</b>		<b>42,209,553</b>	<b>73.59%</b>

Range of holdings	Number of shareholders	Number of shares	Number of option holders	Number of Options
1 – 1,000	136	44,389	24	12,766
1,001 – 5,000	385	1,335,877	86	235,395
5,001 – 10,000	180	1,504,608	44	323,327
10,001 – 100,000	383	14,313,231	130	5,464,833
100,001 – and over	142	136,194,916	65	51,320,887
<b>Total holders</b>	<b>1,226</b>	<b>153,393,021</b>	<b>349</b>	<b>57,357,208</b>



### **Marketable Parcels**

Number of shareholders holding less than a marketable parcel of ordinary shares is 522.

### **Voting Rights**

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders have the right to attend meetings but have no voting rights until the options are exercised.

### **Substantial shareholders**

The following shareholders are considered substantial shareholders:

- M&G Investment Management Limited. 6.5% of the issued ordinary shares
- Mirabaud Investment Limited holding approximately 10.0% of the issued ordinary shares based on their disclosure in their last substantial interest notice to the Company.
- Zurich Bay Holdings Pty Ltd holding 13.43% of the issued ordinary shares.

### **Restricted securities**

There are no restricted securities.

### **Share buy backs**

There is no current on market share buy back.