



Mineral Commodities Ltd

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31 October 2011

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

SUMMARY

- Entered into binding agreements to acquire existing mineral sands producing assets to **transform MRC into the second largest vertically integrated mineral sands producer in Australia.**
- **Finalised formal agreements to acquire Simto Resources Limited at an independently assessed value of \$37.5 million**
- Development of Tormin Mineral Sands Project proceeding.

ACQUISITION OF CABLE SANDS

The Company announced at the commencement of the quarter that it had entered into binding agreements to acquire existing mineral sands producing assets, which will transform the Company into the second largest independent, vertically integrated and diversified Titanium and Zircon mineral sands producer in Australia.

In July 2011 the Company entered into a Share Sale Agreement with subsidiaries of Cristal Australia Pty Ltd (Cristal) pursuant to which the Company will acquire 100% of the issued capital in Cable Sands (W.A.) Pty Ltd and Cable Sands Pty Ltd (together Cable Sands) for a total consideration of A\$96 million, with a further A\$5 million payment contingent upon Zircon prices reaching US\$2,700 by the end of 2013.

In addition to the Share Sale Agreement, the following agreements were also entered into:

- **Right of First Refusal** - entered into a Right of First Refusal Deed to purchase all or a substantial part of Cristal's Murray Basin mineral assets, including the Ginkgo and Snapper mines and the Broken Hill mineral separation plant (MSP), if Cristal initiates a sale process for such assets in the next 5 years.
- **Toll Processing Agreement with Cristal** - as part of the acquisition of Cable Sands, MRC entered into a commercial arrangement to process at least 248K tonnes per annum of Cristal's non-magnetic mineral concentrate.
- **Proposed Acquisition of Simto Resources Limited (Simto)** - entered into a Heads of Agreement to acquire up to 100% of the issued capital in Simto. The Simto tenements include an estimated 1.96 million tonnes of Measured, Indicated and Inferred contained heavy minerals on granted mining leases located in close proximity to Cable Sands' existing operations and infrastructure in the south west of Western Australia.

Morgan Stanley Australia Limited has acted as the Company's lead advisor on these transactions and continues to act as lead manager for the equity raising.

The Company proceeded to ensure all conditions precedent to the transactions were met during the quarter.

On 20 September, the Company announced that it has entered into a formal Share Sale Agreement to acquire 100% of the issued capital of Simto Resources Limited (**Simto**) for a total consideration of A\$37.5 million (subject to the Company, in its discretion, receiving an independent expert's report confirming that the value is fair and reasonable).

The acquisition of Simto will expand MRC's resource base and extend the mine life of the Cable Sands operations in the south west of Western Australia. Moreover, Simto's tenements are in close proximity to the Bunbury MSP and the Cable Sands tenements (see map), making this a highly complementary addition to the acquisition of Cable Sands.

Simto owns 11 strategic, granted heavy mineral mining tenements, with total JORC compliant Measured, Indicated and Inferred Resources of 1.96 million tonnes of contained heavy minerals (see Resource Statement at the end of this Announcement), including Zircon (161K tonnes), Ilmenite (1,535K tonnes) and Rutile (32K tonnes). In addition, pursuant to the 1990 Wonerup Agreement between Simto and AMC Minerals Sands Ltd (now known as Iluka Midwest Limited (**Iluka Midwest**)), and a wholly owned subsidiary of Iluka Resources Limited (**Iluka**) Simto has a first right of refusal to acquire tenements currently held by Iluka and Iluka Midwest in the event that Iluka Midwest decides to surrender these tenements. These tenements are in the vicinity of those already owned by Simto. The area of the tenements that is the subject of the first right of refusal has been delineated on the below map as the "area of influence".

The total consideration of A\$37.5 million will be satisfied through the issue of MRC shares and up to \$500k in cash. The shares will be issued at the same price realised in the share placement to be conducted by MRC to fund the Cable Sands acquisition. The cash component represents a reimbursement of expenditure by Simto in developing its assets up to the settlement date. The final proportions to be paid in cash and MRC shares will be determined on the settlement date when the value of the tenement expenditure is known (as this is calculated up to the date of settlement).

The acquisition is conditional upon the receipt of all required shareholder approvals, settlement of the Cable Sands transaction and completion of due diligence by MRC.

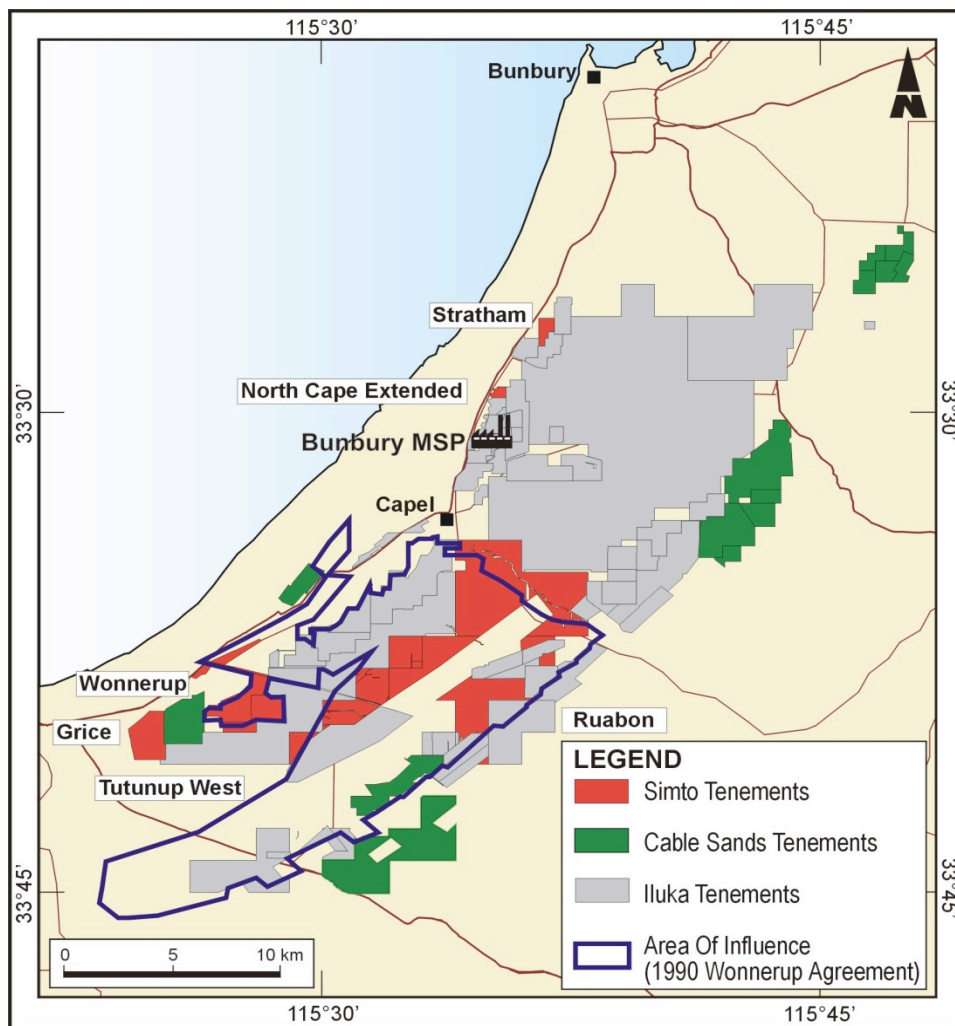
Simto is currently owned directly and indirectly by MRC Directors Messrs Joseph Caruso and Mark Caruso and the acquisition by MRC is therefore a related party transaction. As such, MRC will require approval from non-associated Shareholders for the purposes of ASX Listing Rules 10.1 and 10.11 and Section 208 of the Corporations Act. The Company will disregard any votes cast by Joseph and Mark Caruso and any of their associates.

On 29 September, the Company announced that it had received an Independent Experts Report from Ernst and Young which concluded that the acquisition of Simto Resources Limited was "fair and reasonable" to the non-associated shareholders of the Company.

The final condition, being the capital raising, had not been met by quarter end due to prevailing unfavorable market conditions. The Company was successful in negotiating a two-month extension under the Agreements in order to complete the transaction. As announced on 18 October, the Company will continue to work with the Vendors and advisors to proceed to satisfy the final condition precedent.

These highly strategic acquisitions are expected to deliver a number of important benefits to MRC and its shareholders:

- The strategically located Bunbury MSP has two independent processing routes which provide an annual processing capacity of 330K tonnes of ore body magnetic and non-magnetic concentrates to be treated through one processing circuit, and 250K tonnes of Murray Basin non-magnetic mineral sands concentrate to be treated through the second circuit, with a combined nameplate capacity to process close to 600K tonnes per annum of Titanium and Zircon concentrates.
- The Bunbury MSP provides a platform for processing MRC's existing high value, Zircon-rich mineral sands projects located in South Africa.
- Cable Sands adds existing production in excess of 100K tonnes per annum of Zircon, Ilmenite and Leucoxene. MRC intends to expand this to more than 320K tonnes per annum by running a two-mine strategy. Opportunity for operational efficiencies by increasing capacity utilisation and expanding the Bunbury MSP
- Attractive growth potential funded through strong expected cash flows and low-cost expansion potential at the Bunbury MSP
- The Toll Processing Agreement provides steady cash flows and significantly contributes to fixed cost coverage
- Cost saving opportunities from a combination of Cable Sands and Simto tenements through added scale and proximity
- Opportune time to acquire producing mineral sands assets given the current and expected continued favourable pricing environment
- Attractive Vendor financing for the Cable Sands acquisition



TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Development

Further work was undertaken during the quarter to progress the Tormin Mineral Sands Project (Tormin) towards construction and commissioning.

Previous reports confirmed that the South African Department of Mineral Resources (DMR) approved the Environmental Management Plan (EMP) for the Company's proposed mining operations at Tormin in June 2011. The EMP was one of the final material impediments to the Company proceeding to undertake accelerated development activities.

During the last quarter the Company has prepared the documentation required for and engaged with the relevant authorities in relation to the remaining regulatory matters. Final documentation is expected to be lodged before the end of the year and, based on the progress to date, MRC is confident it will have cleared all regulatory hurdles on or before the end of the second quarter of 2012.

Background

Tormin is a zircon and high titanium (Hi Ti) enriched deposit situated on the coast of the Western Cape, approximately 400km north of Cape Town.

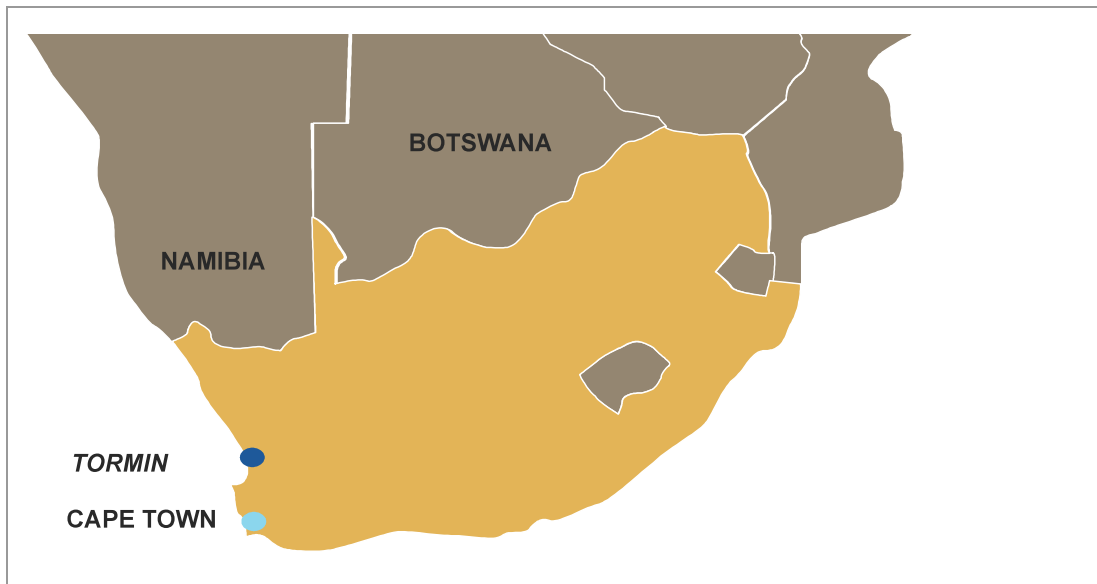
The prospect is a small beach deposit located on the rugged west coast of South Africa, approx 400km north of Cape Town. The deposit is situated approx 14km north of the Olifants River and south of Exxaro's Namakwa Sands operation at Brand se Baai. The heavy mineral deposits have accumulated along the ~12km long, 100m wide beach, to a maximum depth of 12m, and are still being supplemented through erosion of a heavy mineral enriched, 25m thick paleo-beach terrace situated 35m above current sea level. The predominant heavy mineral is garnet with ilmenite, pyroxene, zircon, rutile, and leucoxene contained in the heavy mineral assemblage.

As the heavy mineral placer deposits overlie diamond bearing gravel beds a feasibility study into mining the beach deposits and extracting both diamonds and heavy minerals was undertaken by Trans Hex Operations (Pty) Ltd (THG), a South African diamond producer in 1992. In 2002 the Company signed an agreement with THG that allowed the Company to apply for the rights to the mineral sands.

Subsequent to obtaining the mining rights for the mineral sands, 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 design derived from the DFS provides for a nominal throughput capacity of 1.6 Mtpa producing 40,000 to 50,000 tonnes of concentrates per annum grading up to 80% zircon and 10% rutile.

Tormin has an approved mining right, EMP and water use licence. Remaining hurdles include zoning permission for the secondary concentration plant from the local municipality, registration from the national nuclear regulator and environmental approval from the Dept Environmental Affairs. It is anticipated that the outstanding environmental approvals are likely to be completed in 6 to 8 months. First concentrate is therefore expected to leave Tormin in the second half of 2012.

Tormin has a mineral sands resource of 2.71Mt (93Kt contained zircon, 19Kt contained rutile). Its estimated annual production will be approximately 40Ktpa to 50Ktpa non-magnetic zircon/rutile concentrate for 3-5 years. It is estimated that cash costs of approximately A\$325per tonne of heavy mineral concentrate will be incurred over the life of the asset. This includes ~A\$175 per tonne of heavy mineral concentrate for transport and handling costs.

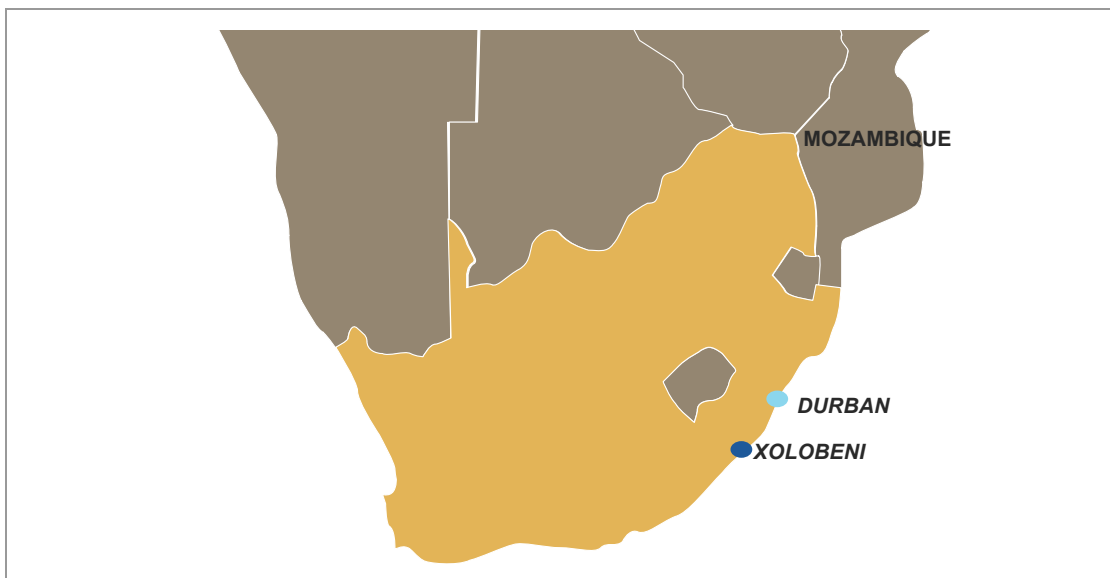


XOLOBENI PROJECT (SOUTH AFRICA)

The Xolobeni mineral sands deposit is the 10th largest heavy mineral deposit in the world and is located in the Eastern Cape Province of South Africa approximately 300 kilometres north of East London and 200 kilometres south of Durban. The area is the home of the Xhosa speaking Amadiba Tribal Community, the traditional landowners.

The tenement area is approximately 22 kilometres long and 1,500 metres wide and covers ~2,900 hectares within the Xolobeni area. The area consists of three main dune systems which range from 25m to 95m above sea level. The resource is divided into five blocks bounded by the Mzamba, Mpahlane, Mnyameni, Kwanyana, Sikombe and Mtentu Rivers that dissect the tenement area. Each block is named after the river defining the southern boundary. The current extent of mineralisation proposed to be mined takes in about 855ha of the tenement area.

The mineralised sands occur within recent sands and remnant red beds of Pleistocene Berea Formation. The predominant valuable heavy mineral is ilmenite, the feedstock for titanium slag production. Rutile, zircon and leucoxene add significantly to the value of the deposit. The Xolobeni Project is the 10th largest heavy mineral deposit in the world with a mineral sands resource of 346Mt @ 5.00% HM containing 9.3Mt ilmenite. The pre-feasibility study indicated additional rutile and zircon potential and overall estimated mine life of ~25 years.



The Company's subsidiary, Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM), received formal notification in June 2011 from the DMR that the previously granted Conditional Mining Right over the Kwanyana block of the Xolobeni Project has been withdrawn by the Minister. This decision was made subsequent to an appeal lodged in September 2008.

The DMR advised that the decision to grant the Conditional Mining Right was taken at a stage when several environmental issues were still outstanding. The Minister has directed that TEM address these environmental issues within 90 days of receipt of the aforementioned notification in order to proceed with a formal assessment of a permanent mining right.

TEM has addressed the issues as directed by the DMR and engaged with the department in relation to the process to complete the work required to satisfy the regulators that the project can be responsibly and sustainably developed. TEM is awaiting feedback from the DMR and Minister in relation to these matters.

CORPORATE

Investment in Allied Gold Mining PLC (ASX listed: ALD)

MRC currently holds 940K CDI's in Allied Gold Mining PLC (AGMPLC). AGMPLC is listed on the ASX, TSX and the Main Market of the London Stock Exchange.

AGMPLC is a Pacific Ring gold producer, developer and exploration company. It owns 100% of the Simberi Gold Project, located on Simberi Island, the northernmost island of the Tabar Islands Group, in the New Ireland Province of eastern PNG, and has a 100% interest in Australian Solomons Gold Limited, the owner of the Gold Ridge Gold Project, located on Guadalcanal Island in the Solomon Islands.

AGMPLC has resources of 8.3Moz and reserves of 3.4Moz and an extensive exploration programme is underway. The company is rapidly ramping up production and it is targeting in excess of 200,000oz in CY 2012.

The market value of MRC's shareholding at 30 September 2011 was \$2.78million (previous Quarter reported \$3.2 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. PVIL has strategic oil & gas working interests in Romania, Hungary, Holland and France.

In March 2011 the Company was advised by PVIL that a previously called shareholders' meeting to approve certain corporate initiatives would be deferred as PVIL had been notified by the Romanian Authorities that the assignment of the Romanian Licenses had not been approved.

In late June, PVIL's partner Sterling Resources lodged a Notice of Dispute under the Romania-Canada Bilateral Investment Treaty with the authorities.

In September the company entered into a farm out agreement with Sterling Resources for 5 Netherlands offshore blocks with Sterling Resources. RPS estimate 2C (P50) contingent resources of 31.5 MMbbl and prospective resources of 38.9 MMbbl (100%).

In early October Sterling Resources received an offer from the National Agency for Mineral Resources for resolution of the dispute relating to the Concession Agreement for Blocks XIII Pelican and XV Midia, Offshore Romania. Resolution of the dispute appears imminent wherein the partners can commence work again on the concessions.

During October, Block 25 in Romania was ratified by NAMR. The prospect has previous exploration wells, which tested for gas in the Ologocene limestone and in the younger Pontian sand overlaying. PVIL has advised that preliminary estimates of volumes are as follows:

	GIP	Recoverable
P90	129bcf	76bcf
P50	312bcf	186bcf
P10	747bcf	450bcf
Mean	390bcf	233bcf

In addition, in mid October The Romanian government passed an emergency ordinance effective on 11 October 2011 wherein the requirement for a construction permit for the offshore has been completely deleted.

Apart from the other assets currently held by PVIL, it continues to pursue opportunities to build up the company's portfolio to provide a platform for an IPO or back door listing of the Company.

Cash and Marketable Securities

At 30 September 2011, MRC had \$0.38 million in cash with a further \$2.8 million in marketable securities. In aggregate this represents 2.09 cents per MRC share.

Securities on Issue

Issued securities at quarter-end comprise:

153,393,021 fully paid ordinary shares listed on the ASX.
57,357,208 listed options exercisable at \$0.20 expiring 31 December 2012.

For enquiries in connection with this release please contact:

Mark Caruso - Managing Director

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Competent Persons

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves". (JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

MRC - Resource Statement

PROJECT	Category	Ore Mt	HM%	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (%in HM)	Garnet (%i HM)
Tormin	Indicated	2.7	49.4%	21.4%	6.9%	1.4%	51,2%
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
		346.0	5.0%	54.0%			
Total MRC		348.7	5.3%	51.7%	0.5%	0.1%	3.7%

Simto Resources - Resource Statement

			Overall	Ilmenite	Mag Leuc	NM Leuc	Rutile	Zircon	TiO2
PROJECT	TID	Category	HM%	Tonnes	tonnes	tonnes	tonnes	Tonnes	tonnes
TUTUNUP WEST	M70/1108	Indicated	64.5	470,592	23,347	45,965	8,026	48,883	264,002
COOLUP	M70/0942	Indicated	78.8	269,102	8,538	21,515	19,466	26,637	150,966
GRICE	M70/0785	Indicated	78.7	169,079	5,156	13,535	1,504	17,617	95,361
NORTH CAPEL	M70/1117	Inferred	87.5	26,740	367	642	367	1,192	14,466
STRATHAM	M70/0792	Measured	87.4	48,726	948	1,840		2,453	26,994
STRATHAM	M70/0792	Indicated	87.6	8,672	188	297		475	4,805
WONNERUP	M70/0360 ¹	Indicated	71.8	179,443	11,996	26,741	1,999	17,744	106,948
WONNERUP	M70/0569	Inferred	63.4	49,395	4,830	12,076	701	5,999	30,180
Cookernup	R70/0010	Indicated	78.0	181,100	9,752	15,556		19,271	107,211
Cookernup	R70/0010	Inferred	73.3	108,008	8,546	10,462		15,766	67,289
Cookernup	R70/0011	Inferred	57.5	24,317	3,722	7,189		4,821	15,101
				1,535,173	77,389	155,817	32,062	160,859	883,323

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (nine months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	-	(129)
	(b) development	(125)	(646)
	(c) production	-	-
	(d) administration	(135)	(806)
	(e) prepaid expenses	-	(250)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	5	25
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
Net Operating Cash Flows		(255)	(1,806)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(9)	(19)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	233	811
	(c) available for sale assets	-	10
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		224	802
1.13	Total operating and investing cash flows (carried forward)	(31)	(1,004)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(31)	(1,004)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	1,200
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	1,200
	Net increase (decrease) in cash held	(31)	196
1.20	Cash at beginning of quarter/year to date	418	191
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	387	387

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	30
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$24,000 is directors' fees for non-executive directors.
\$18,000 is secretarial and administration fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	225
4.3 Production	
4.4 Administration	200
Total	425

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	387	418
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	387	418

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	153,393,021	153,393,021		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	57,357,208	57,357,208	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2012
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 October 2011
(Director/Company secretary)

Print name: Peter Torre

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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