



## Mineral Commodities Ltd

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31 July 2012

Australian Stock Exchange  
Company Announcements Office

### **QUARTERLY ACTIVITIES REPORT**

### **FOR THE PERIOD ENDED 30 JUNE 2012**

#### **SUMMARY**

- Final Environmental Approval for Tormin received subsequent to quarter end
- Engineering design for Tormin completed
- Funding for development of Tormin approved by shareholders
- Construction of Tormin imminent
- Prospecting application for the Kwanyana block of Xolobeni submitted
- Allied Gold received an offer from St Barbara Limited at an implied premium of 92.3% to Allied Gold's closing price on 28 June 2012

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

##### **Development**

As previously reported, the company completed and submitted all the necessary documentation required for the remaining regulatory matters in relation to the Tormin Mineral Sands Project (Tormin) during the first quarter and, based on its engagement with the relevant regulators, remained optimistic that it would have cleared all regulatory hurdles by the end of the second quarter.

MRC had not received approval notification from the Department of Environmental Affairs and Development Planning (DEADP) that the Environmental Management Programme (EMP) for its proposed mining activities at Tormin had been approved by the Regional Director for the Western Cape by the end of the quarter. The EMP was the final material impediment to MRC proceeding to undertake accelerated development activities at Tormin.

However, in anticipation of approval of the EMP, MRC shareholders approved the placement of sufficient shares, if required, to raise up to \$20 million for the development of Tormin at the Annual General Meeting held on 31 May 2012.

As announced on 31 July 2012, MRC received notification of the approval of its EMP by DEADP. The Company is therefore now in a position to proceed to ensure appropriate financing is in place to develop Tormin for production to commence in the first half of 2013.

The company also completed and submitted all the necessary public participation and environmental documentation to the Department of Mineral Resources (DMR) in support of its prospecting right application (PRA) for the offshore area adjacent to Tormin during the first quarter. The DMR is still adjudicating this application and the Company is optimistic that this right will be approved within the following quarter. The offshore area has the potential to add significantly to the life of and value generated from Tormin.

## Background

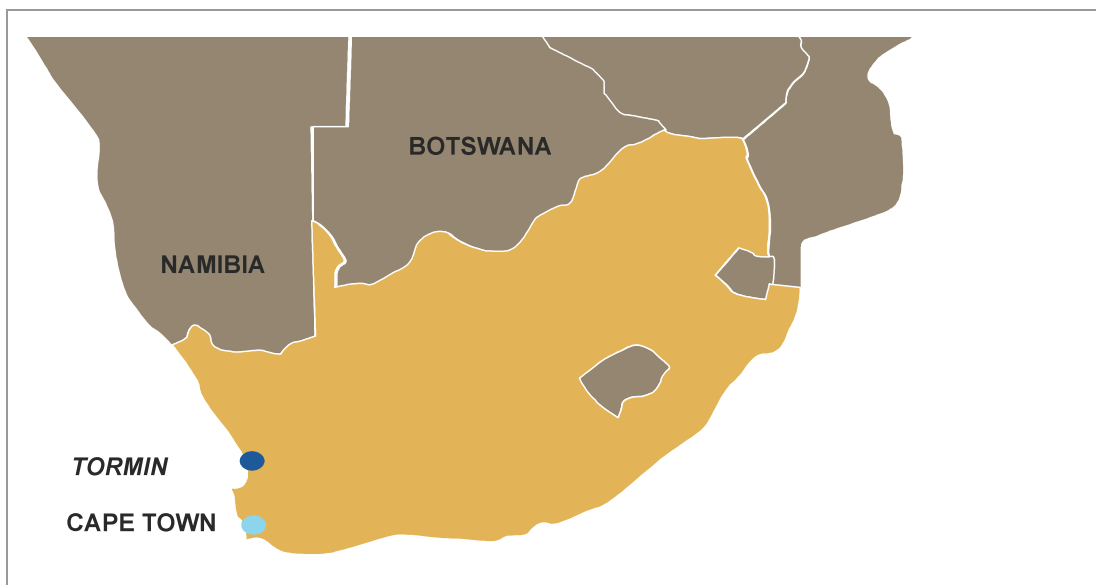
Tormin is located on the west coast of South Africa, approximately 400km north of Cape Town. The predominant minerals of value are zircon and rutile which are contained in a high grade beach placer deposit north of the Oliphants River outfall.

A Definitive Feasibility Study (DFS) commissioned by MRC demonstrated that Tormin can produce an enriched non-magnetic saleable concentrate containing predominately zircon and rutile. The base case derived from the DFS provides for hydraulic mining and primary concentration of the deposit through spiral plants on the beach. Thereafter, the concentrate will be transferred to a secondary concentration plant (SCP) where it will be further upgraded by spirals, wet magnetic separation (LIMS and WHIMS), and screens before being bagged prior to shipment to destination markets. Tailings from the SCP will be subsequently transferred back to the beach for deposition.

Perth-based MSP Engineering Pty Ltd (MSP Engineering) completed the process engineering, including PFD's, P&ID's, Mass Balances and Process Design Criteria based on the DFS and submitted designs for the primary wet concentrators based on the beach and the SCP. MSP Engineering also prepared scope specifications and distributed tender documents. The engineering design provides for primary beach concentration of 1.1 Mtpa producing 45,000 to 50,000 tonnes of non-magnetic concentrate grading up to 80% zircon and 10% rutile.

Funding for the Project is under review. Apart from equity, it may incorporate the sale of all non-core investments, assessment of product off-take finance, as well as debt with a view to minimizing the placement of equity and unnecessary dilution of the Company's issued share capital base.

Accordingly, the Company will commence construction, commissioning and operation of Tormin as soon as it has raised the necessary funds in accordance with the shareholder approval.



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

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

The Xolobeni mineral resource is 346 million tonnes of 5.0% heavy mineral, with 65% of this resource in the Measured category.

Xolobeni is therefore regarded as **one of the largest undeveloped mineral sands resources in the world containing in excess of 9,000,000 tonnes of ilmenite.**

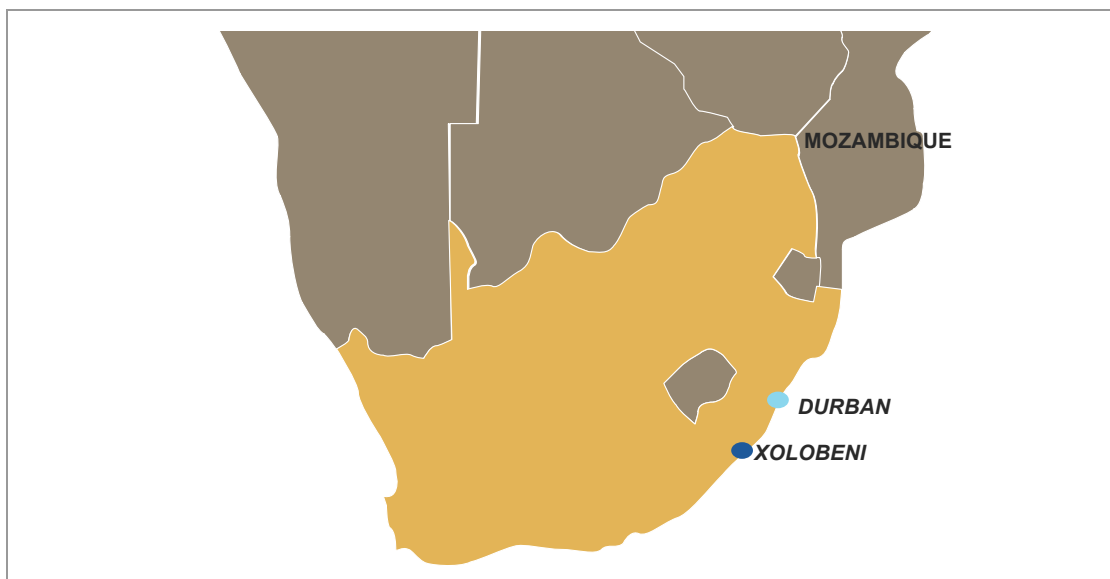
In November 2011 the DMR extended the prospecting rights over the Xolobeni project, excluding the Kwanyana block, for a further period of 3 years. During the first quarter of 2012, this right was executed and submitted for registration. The company is still awaiting confirmation of the registration by the DMR.

MRC had also previously advised that the DMR had withdrawn the previously granted Conditional Mining Right over the Kwanyana block and that it was engaging with the DMR and Minister in relation to these matters. Based on this, the company resolved to withdraw all previous applications in respect of the Kwanyana block and immediately file a new PRA over the same block.

The benefit of this approach is that the Kwanyana block will be re-aligned with the rest of the Xolobeni project which will enable the company to progress its application to develop Xolobeni in its entirety and, in so doing, demonstrate that this can be undertaken responsibly and sustainably in the interests of all stakeholders.

The DMR accepted the new PRA over the Kwanyana block and, in accordance with prevailing legislation, directed the Company to submit an EMP for the prospecting work and details of its engagement with all stakeholders with an interest in the project. The Company compiled an EMP for the Kwanyana prospecting work and undertook a comprehensive stakeholder engagement process (SEP) during the last quarter. The EMP and SEP report were also lodged with the DMR during the last quarter in accordance with the required timetable

The Company is awaiting the DMR's decision in relation to the Kwanyana PRA which should, under normal processes, be made during the last quarter of 2012. However, given that objections to the PRA have been received, it is possible that the DMR imposes additional requirements on the company before a decision is made, or that the decision is delayed into 2013.



## **CORPORATE**

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

At quarter end, MRC held 450,000 Shares (held as Chess Depository Interests –“CDI’s”) in Allied Gold Mining PLC (AGMPLC). AGMPLC is listed on the Australian Stock Exchange (ASX), Toronto Stock Exchange (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 (Simberi), located on Simberi Island, the northernmost island of the Tabar Islands Group, in the New Ireland Province of eastern Papua New Guinea (PNG), and has a 100% interest in Australian Solomons Gold Limited, the owner of the Gold Ridge Gold Project (Gold Ridge), located on Guadalcanal Island in the Solomon Islands.

On 29 June 2012, AGMPLC announced that it had reached an agreement with St Barbara Limited (St Barbara) on a recommended offer to combine the two companies through a scheme of arrangement.

The combination will create an international diversified gold mining and exploration company with forecast gold production of approximately 435,000 ounces in the financial year ending 30 June 2013.

Under the terms of the offer, AGMPLC shareholders will be entitled to receive A\$1.025 in cash and 0.8 St Barbara shares for each AGMPLC share held. Based on AGMPLC’s share price on 28 June 2012 (the day before the announcement), this represented a 92.3% premium.

St Barbara and AGMPLC advised the market that the combination has a clear strategic and financial rationale, is value enhancing, and provides benefits for shareholders of the combined group including:

- Participation in an international diversified gold mining and exploration company, with the largest gold reserves and resources portfolio of any mid-tier ASX listed peer;
- Complementary business, development and funding profiles, with the combined group enjoying a development profile spanning exploration to gold production, supported by [St Barbara’s strong cash flow generation;
- Proven operations management capabilities with significant experience in developing and operating both open pit and underground operations;
- Reduced investment risk profile through a more diversified asset portfolio;
- A number of organic growth and cost saving opportunities, including:
- Anticipated gold production growth from Allied Gold’s assets, including the Simberi Oxide expansion and potential development of the Simberi Sulphides project;
- Exploration upside opportunities in close proximity to current mining operations at both companies; and
- Improved production reliability and anticipated unit cost reductions for Allied Gold’s assets through the implementation of improved mine planning methodology, operating systems and cost management frameworks; and
- Stock market re-rating potential driven by increased market capitalisation, enhanced and more diversified asset portfolio and greater financial capabilities to invest in future growth and development opportunities.

The implied value of MRC’s holding as at 30 June 2012 based on the offer price was \$1.2 million.

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

The Company maintains a significant investment in Petro Ventures International Ltd ("PVIL") an Exploration & Prospecting company operating in the Northern Hemisphere. PVIL has strategic oil & gas working interests in Romania , Hungary , Holland and France.

During the quarter London broker Mirabaud Securities LLP withdrew from the IPO placing due to volatility in the capital markets.

Re-domiciliation has also been put on hold while alternative financing arrangements are concluded.

The company is maintaining its momentum and continues to make plans to drill two highly prospective wells at Ionna and Eugenia in The Mida and Pelican Blocks, offshore Romania in the third quarter.

### **Cash and Marketable Securities**

At 30 June 2012, MRC had \$0.1 million in cash with a further \$1.2 million in marketable securities. In aggregate this represents 0.08 cents per MRC share.

As announced on 16 May 2012, the Company obtained a short term bridging facility of \$1.2m from Zurich Bay Holdings Pty Ltd (Zurich Bay), a company associated with MRC directors Mark and Joseph Caruso, on the following arms length and commercial terms:

- The loan is unsecured;
- Interest is payable at a rate of 15% per annum;
- Repayment to take place at the earlier of the first capital raising undertaken by MRC after the drawdown, or 4 months after the date the funding is advanced, or such other time as agreed between the parties;and
- Zurich Bay has the right to demand that the Loan is repaid through a mandatory capital raising by MRC in the event repayment is not made on the repayment date.

The funds raised assisted in meeting short term commitments prior to the Company undertaking a capital raising to raise funds to develop Tormin. .

### **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:**

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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%			
		<b>346.0</b>	<b>5.0%</b>	<b>54.0%</b>			
<b>Total MRC</b>		<b>348.7</b>	<b>5.3%</b>	<b>51.7%</b>			

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

**MINERAL COMMODITIES LTD**

ABN

39 008 478 653

Quarter ended ("current quarter")

30 June 2012

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter	Year to date (six months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(48)	(80)
	(b) development	(70)	(187)
	(c) production		
	(d) administration	(255)	(498)
	(e) Discontinued acquisition - (Break Fee)	(950)	(950)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	3	7
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
<b>Net Operating Cash Flows</b>		(1,320)	(1,708)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	-	(74)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	84	537
	(c) available for sale assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
<b>Net investing cash flows</b>		84	463
1.13	Total operating and investing cash flows (carried forward)	(1,236)	(1,245)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(1,236)	(1,245)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	1,100	1,100
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	1,100	1,100
	<b>Net increase (decrease) in cash held</b>	(136)	(145)
1.20	Cash at beginning of quarter/year to date	240	249
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	104	104

**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	50
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$26,000 is directors' fees for non-executive directors.  
\$24,000 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.*

+ See chapter 19 for defined terms.



	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	300
4.3 Production	-
4.4 Administration	250
Discontinued Operations	
<b>Total</b>	<b>550</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	104	240
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>104</b>	<b>240</b>

### Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

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

**Issued and quoted securities at end of current quarter**

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

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

+ See chapter 19 for defined terms.

## 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 give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 July 2012  
(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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+ See chapter 19 for defined terms.