



Mineral Commodities Ltd

ACN 008 478 653
ABN 39 008 478 653

40 Murray Road North
Welshpool WA 6106, Australia
PO Box 235, Welshpool DC WA 6986, Australia
Telephone: 61 8 6253 1100
Facsimile: 61 8 9258 3601
Email: info@mncom.com.au
Web: www.mncom.com.au

31 October 2012

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

SUMMARY

- Final Environmental Approval for Tormin received during quarter
- Appointment of Mr Andrew Lashbrooke as CEO and Blastrite to manage Tormin Project
- Preparations for Capital Raising Undertaken during the quarter
- Capital Raising of A\$14.5 Million announced subsequent to quarter end

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Development

As announced on 31 July 2012, MRC received notification of the approval of its Environmental Management Programme (EMP) by the Department of Environmental Affairs and Development Planning. The EMP was the final material impediment to MRC proceeding to undertake accelerated development activities at the Company's Tormin Mineral Sands Project (Tormin). The Company was therefore positioned 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 the PRA and the Company remains optimistic that this right will be approved shortly. The offshore area has the potential to add significantly to the life of and value generated from Tormin.

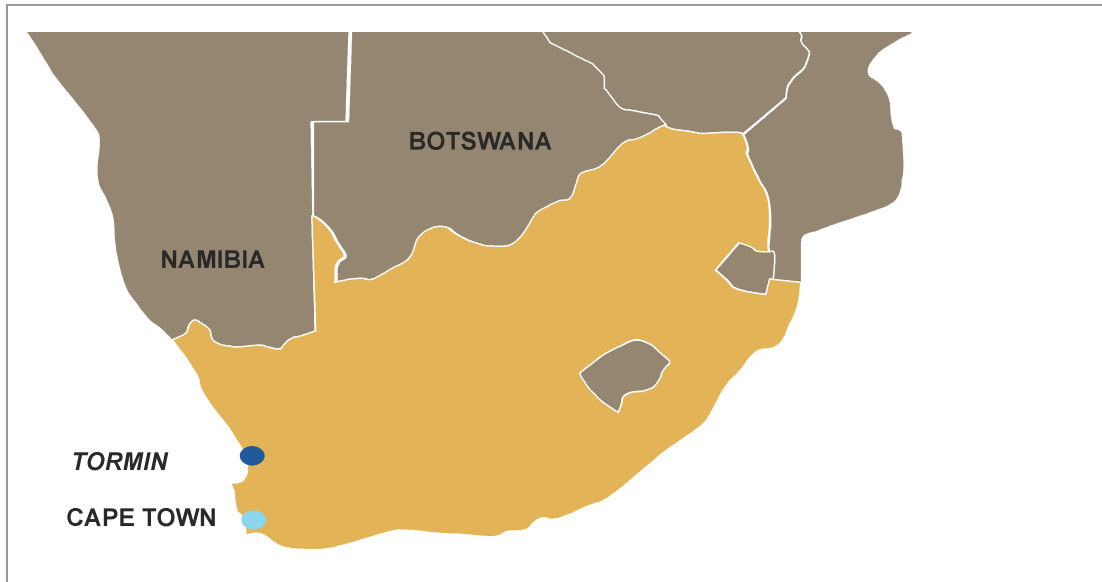
Background

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.



Project Economics and Development Costs

Current economic estimates based on the DFS for Tormin are robust. Based on an initial 5-year Life of Mine extracting zircon and rutile non-magnetic concentrate, economic models suggest an NPV of AUD\$68.9m with an IRR of 87.9%.

Engineering plans are substantially progressed for dry separation, which would enable further upgrading of non-magnetic concentrates as well as the separation and sale of ilmenite and garnet which will further enhance the project economics. The addition of these products increases the expected NPV of Tormin to \$94.7 million with an IRR of 97%.

The following capital cost summary estimate, including provisions for upgrading existing roads; bulk earthworks for the proposed SCP; all concrete works; fabrication and construction of the beach concentrators and the SCP; all equipment, storage and process facilities; installation of equipment and mechanical and piping services; and electrical and instrumentation and scope, has been developed for Tormin:

Capital Cost Summary	Total (\$)
Owner's Costs	2,500,000
Indirects	1,500,000
Construction Indirects	9,000,000
EPCM	3,000,000
Total (including EPCM)	16,000,000

MRC anticipates that the expenditure of \$16,000,000 on development or project expenditure will bring Tormin into production by the end of the first half in 2013. A further \$4m would be required to add the dry processing capacity to produce the ilmenite and garnet products.

Funding

As announced on 24 October 2012, MRC successfully completed the book build for a placement of new fully paid shares to institutional and sophisticated investors and related parties, to raise approximately A\$14.5 million (before costs) ("**Capital Raising**").

The shares under the Capital Raising will be issued at a price of A\$0.085 per share ("**Issue Price**"), which represents the closing price of MRC's shares on 22 October 2012.

London Based Mirabaud Securities LLP acted as Sole Broker and Bookrunner on the Capital Raising.

The Capital Raising is to be completed in three tranches: the first tranche of up to approximately A\$10.25 million to institutional and sophisticated investors ("**Placement**"); the second tranche of approximately A\$3.4 million is proposed to be issued to related parties of the Company, which will be subject to shareholder approval, and the third tranche will be issued by way of a private placement of approximately \$850,000 to a sophisticated investor who participated in the first tranche ("**Private Placement**").

MRC will issue approximately 170.5 million Shares in total pursuant to the Capital Raising. The first tranche of the Shares issued pursuant to the Placement of approximately 120.6 million Shares were admitted to trading on the ASX on 31 October 2012.

The first tranche of the Placement was completed in accordance with shareholder approval received on 31 May 2012.

Existing directors of MRC will subscribe for up to A\$3.4 million in Shares on the same terms as those issued to third party sophisticated and professional investors under the Placement. The issue of Shares to directors of MRC will be subject to shareholder approval at a general meeting of shareholders anticipated to be in early December 2012.

The issue of approximately 9.9 million Shares pursuant to the Private Placement will occur immediately following the issue to existing directors of MRC.

The Company is now positioned to proceed with the full scale development of Tormin, particularly as there is sufficient indication from continuing discussions that the capital required to complete the development will be available to the Company when required.

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.**

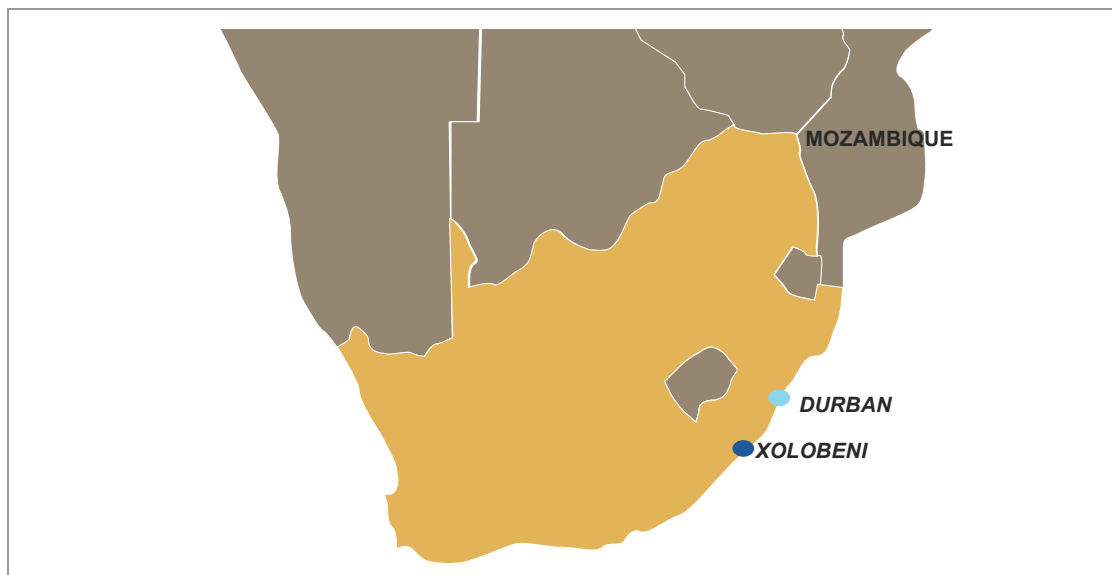
In November 2011 the DMR extended the prospecting rights over the Xolobeni project, excluding the Kwanyana block, for a further period of 3 years. During the first quarter of 2012, this right was executed and submitted for registration. These Rights were registered by the DMR during the last quarter.

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 block 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 in accordance with the required timetable

The Company is awaiting the DMR's decision in relation to the Kwanyana PRA, which would, under normal processes, have been made during the last quarter of 2012. However, given that objections to the PRA have been received, the DMR has called a meeting to consider the objections and a presentation to be made by the Company. This meeting will be held on 28 November 2012 and a decision will be issued thereafter. The Company remains confident in the merits of its application and that the PRA will be approved by the DMR in due course.



Black Empowerment Party Loan Agreement

The Company announced during the quarter that its wholly owned South African subsidiary, MRC Resources Pty Ltd (MRCR), has entered into a loan agreement (the Loan) with its Black Empowerment Partner in South Africa, Blue Bantry Investments 255 Pty Ltd (Blue Bantry).

MRC and Blue Bantry have concluded a number of agreements since 2006 with the objective of directly and indirectly uplifting the Xolobeni community through MRC's mining projects in South Africa. The Xolobeni community has an immediate need for investment and opportunity creation.

The Company, via MRCR, and Blue Bantry are both 50% shareholders in Mineral Sands Resources Pty Ltd (MSR), the entity which owns the Tormin Mineral Sands Project (Tormin).

MRC has agreed to provide Blue Bantry access to an amount of funding to support the original objective by advancing through the Loan certain benefits Blue Bantry would expect to receive from Tormin. The Loan consists of an upfront amount of ZAR1 million (approx AUD\$117K) which has already been paid with a further ZAR13 million (approx AUD\$1.53M) payable no later than 31 December 2012, subject to the successful capital raising for the development of Tormin. Blue Bantry will repay the Loan from distributions that it will receive in the future from MSR.

In addition to providing an immediate positive benefit to the AmaDiba Community who are the traditional landowners of and have a direct interest Xolobeni, provision of the Loan also provided the Company with greater flexibility to arrange the project finance and manage Tormin on an ongoing basis.

The Loan therefore represents a concerted effort by MRC and its South African partners to facilitate the development of the Company's interests in South Africa, and Tormin in particular, whilst also recognising the social objectives and specific needs of various stakeholders. The success of this is evident from the success of the capital raising indicated above which also means that the Loan has become unconditional. The balance of the Loan due to Blue Bantry will therefore be paid to them in accordance with the terms of that agreement.

CORPORATE

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, the Netherlands and France.

PVIL is currently seeking to divest its Romanian interests. Based on the implied valuations of the PVIL assets provided by its advisors, MRC would expect to realize between US\$5m – US\$10m from the divestment. The sale process is expected to conclude prior to the end of 2012.

In addition to the above:

- In August 2012 First Energy Capital were engaged by PVIL as financial advisors to manage the partial or complete divestment of the main assets of PVIL to create a liquidity event for shareholders;
- On 28 September 2012 PVIL entered into a US\$24m secured loan note credit facility with IND Energy Inc ("the Facility"). The Facility bears interest at 10% p.a. and is subject to certain commitment fees and repayment fees, which are dependent on potential proceeds from a sale of the PVIL assets. The Facility is secured over all the assets of PVIL. The

purpose of the loan is to fund PVIL's commitments in Romania and The Netherlands whilst a partial or complete divestment of the PVIL assets is being pursued; and

- On 19 October 2012 PVIL signed a sale and purchase agreement with ExxonMobil Exploration and Production Romania (EMEPR) and OMV Petrom for the sale of its 20% interest in a portion of the Block 15 Midia in the Romanian Black Sea (the Sale Portion). The Sale Portion is on the south-eastern margin of the block, in deeper waters and covers 125,000 gross acres, or 11% of the total area of the Midia and Pelican Concession. It contains the newly determined Anca and Maria prospects and is adjacent to EMEPR's and OMV Petrom's deep water Neptun block containing the Domino-1 gas discovery well some 35 kilometres to the southeast. As part of the same sale agreement, Sterling's partner Petro Ventures Europe BV is also selling its 20% interest in the Sale Portion. The consideration for the transaction payable to PVIL is USD9,000,000 upon completion, a contingent payment of USD9,000,000 upon satisfaction of certain conditions relating to a hydrocarbon discovery made on the Sale Portion, and a further contingent payment of USD6,000,000 upon first commercial production from the Sale Portion. Completion is subject, inter alia, to government approvals.

Cash and Marketable Securities

At 30 September 2012, MRC had \$0.52 million in cash. Approximately \$10.2 million was raised subsequent to quarter end pursuant to the capital raising noted previously in this quarterly report.

As announced on 16 May 2012, Mineral Commodities Limited (MRC) obtained a Short Term Bridging Facility (Facility) from Zurich Bay Holdings Pty Ltd (Zurich Bay).

In order to align the repayment of the facility with the current funding initiatives of the Company, MRC and Zurich Bay agreed to extend the repayment date to the earlier of the first capital raising undertaken by MRC or 31 October 2012. The Company will repay this facility using proceeds of the recent capital raising. Directors of the Company have agreed, subject to shareholder approval, to invest a further \$3.4 million on the same terms as the placement to institutional investors.

CEO and Project Manager Appointment

Early in the quarter, MRC was pleased to advise that it had appointed Mr Andrew Lashbrooke as its Chief Executive Officer.

Mr Lashbrooke took over from existing Managing Director, Mr Mark Caruso, who will assume the role of Executive Chairman. Mr Joe Caruso, the previous Non-Executive Chairman, will remain as a Non-Executive Director. Mr Lashbrooke will report directly to MRC's board of directors.

The Company's main operating assets and exploration are based in South Africa. Accordingly the Company has decided to domicile its Key Executive Management personnel in-country to support the planned development of the Tormin operations and exploration initiatives. Mr Lashbrooke is a resident of South Africa based in Cape Town, which is proximate to Tormin.

Mr Lashbrooke is a qualified attorney with a career spanning investment banking, manufacture of FMCG products as well as processing and distributing industrial minerals. He has been supporting MRC in South Africa for the past 18 months and played a significant role in the finalization and approval of the mining rights and environmental approvals for Tormin. His Executive appointment will therefore underpin and give continuity to the development and operation of Tormin as well as MRC's broader objectives, including the Company's Xolobeni Mineral Sands Project.

Mr Lashbrooke's service agreement provides for him to receive base remuneration of \$300,000 per annum. The agreement can be terminated by MRC by providing 4 weeks written notice and can be terminated by Mr Lashbrooke by providing 8 weeks written notice. Other than statutory leave entitlements, no payments accrue to Mr Lashbrooke on termination by either party. Mr Lashbrooke

is also entitled to receive 5,000,000 unlisted options exercisable at \$0.20 expiring on 31 December 2015 and 1 million unlisted options exercisable at \$0.35 expiring on 31 December 2015.

MRC also entered into a Memorandum of Understanding (MOU) with Blastrite (Proprietary) Limited (Blastrite) for it to project manage the development and operation of Tormin. Blastrite is South Africa's largest producer of industrial minerals for the local surface preparation industry. The company has its head office in Cape Town and operates 9 other processing and distribution facilities in the country. Included amongst these are wet and dry heavy mineral concentration plants adjacent to Tormin.

The key influencing factor to the appointment of Blastrite, other than an historical record of in-country experience in South Africa, performance in the management and processing of heavy industrial minerals and the role it has played with Mr Lashbrooke in the development and approval process for Tormin, is the clear economic benefit in optimizing existing MRC and Blastrite management and human resources and avoiding duplication.

Blastrite has the experience and capabilities required for the effective implementation and operation of Tormin, including mining, procurement, warehousing, logistics, human resource management and regulatory compliance. Accordingly this relationship will not only provide immediate and established support infrastructure for Tormin, but also be provided at a lower cost than the Company would be able to achieve as a stand-alone entity.

In addition, under the management of Mr Lashbrooke and Blastrite's Finance Director, Mr Gavin Kelman, Blastrite will provide management services such as accounting, administration and IT operations to MRC. Mr Kelman, a qualified Chartered Accountant, will assist Mr Lashbrooke on all financial matters relating to MRC.

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

120,615,000 new fully paid ordinary shares were issued on 31 October 2012 pursuant to the capital raising noted previously.

For enquiries in connection with this release please contact:

Andrew Lashbrooke - CEO

Mineral Commodities Limited

alashbrooke@mrc-res.co.za
+27 21 4171700

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)
Torrin	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%			

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 2012

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	(7)	(87)
	(b) development	(306)	(493)
	(c) production		
	(d) administration	(230)	(728)
	(e) Discontinued acquisition	-	(1,282)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	5	12
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		(538)	(2,578)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(2)	(76)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	958	1,495
	(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)		
Net investing cash flows		956	1,419

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (carried forward)	418	(1,159)
1.13	Total operating and investing cash flows (brought forward)	418	(1,159)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	1,432
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	1,432
	Net increase (decrease) in cash held	418	273
1.20	Cash at beginning of quarter/year to date	104	249
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	522	522

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

\$12,000 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

+ See chapter 19 for defined terms.

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	505
4.3 Production	-
4.4 Administration	300
Discontinued Operations	
Total	805

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	522	104
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	522	104

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	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	Exercise price \$0.20	Expiry date 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>				

+ 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 /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 October 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.

== == == == ==

+ See chapter 19 for defined terms.