



◀ QUARTERLY REPORT 2013

For personal use only



MINERAL COMMODITIES LTD

ACN 008 478 653
ABN 39 008 478 653

ADDRESS

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

30 April 2013

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 MARCH 2013

- ◀ TORMIN ENGINEERING DESIGN COMPLETED
- ◀ EQUIPMENT ORDERS FOR TORMIN PLACED AND FABRICATION COMMENCES
- ◀ TORMIN CAPITAL EXPENDITURE AND DEVELOPMENT TIMETABLES REMAIN ON TRACK
- ◀ OFF-TAKE DISCUSSIONS FOR TORMIN PRODUCT AT ADVANCED STAGE
- ◀ OFFSHORE PROSPECTING ACTIVITIES AT TORMIN PLANNED
- ◀ XOLOBENI PUBLIC PARTICIPATION PROCESS INITIATED
- ◀ COMPLETION ON \$14.5 MILLION CAPITAL RAISING

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Development

Tormin Engineering Design Completed and Construction Commences

Perth-based MSP Engineering Pty Ltd (MSP Engineering), as EPCM contractor, completed the final engineering design for the Tormin Mineral Sands Project ("Tormin"). Based on this, all major equipment orders were awarded during the last quarter.

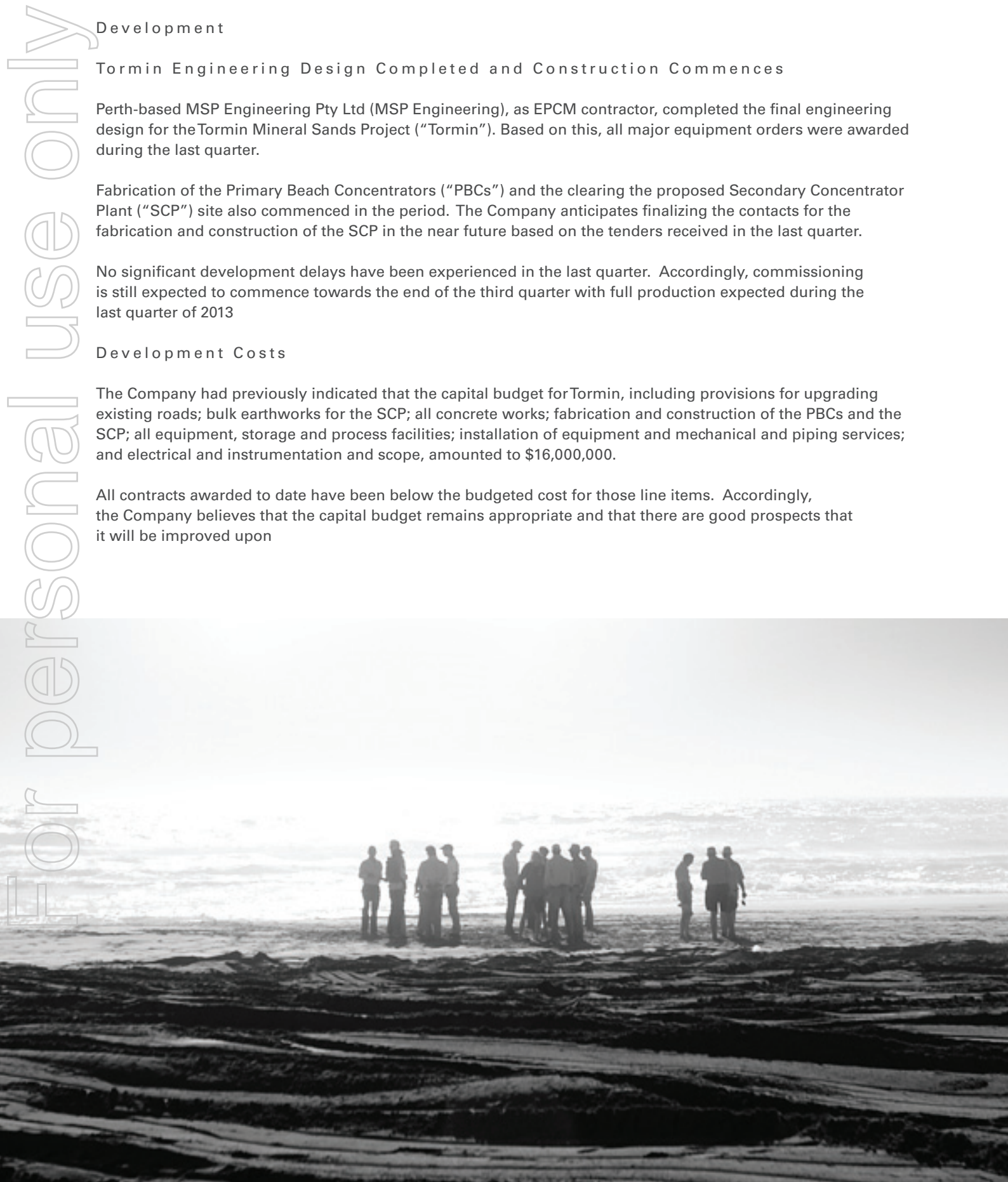
Fabrication of the Primary Beach Concentrators ("PBCs") and the clearing the proposed Secondary Concentrator Plant ("SCP") site also commenced in the period. The Company anticipates finalizing the contacts for the fabrication and construction of the SCP in the near future based on the tenders received in the last quarter.

No significant development delays have been experienced in the last quarter. Accordingly, commissioning is still expected to commence towards the end of the third quarter with full production expected during the last quarter of 2013

Development Costs

The Company had previously indicated that the capital budget for Tormin, including provisions for upgrading existing roads; bulk earthworks for the SCP; all concrete works; fabrication and construction of the PBCs and the SCP; all equipment, storage and process facilities; installation of equipment and mechanical and piping services; and electrical and instrumentation and scope, amounted to \$16,000,000.

All contracts awarded to date have been below the budgeted cost for those line items. Accordingly, the Company believes that the capital budget remains appropriate and that there are good prospects that it will be improved upon



Product Off-take Discussions

Tormin will produce approximately 48,000 tonnes pa of enriched Non-Magnetic Concentrate containing 38,000 tonnes of Zircon and 5,500 tonnes of Rutile. This material will require secondary treatment through a third party dry separation plant. In addition, the Company will produce approximately 100,000 tonnes to 125,000 tonnes of finished Ilmenite product once MRC installs its own dry processing infrastructure in early 2014. Garnet concentrate will also be sold to Blastrite for secondary treatment.

Based on the expected production and timetables, samples of the products were sent to potential off take partners. The samples were well received and demand for Tormin Ilmenite and Non-Magnetic concentrate has been strong.

During the first week of February the Company's board of directors attended the Mining Indaba in Cape Town, the majority of potential off take partners also attended. Coinciding with this, a trip to the Tormin site was arranged for the stakeholders and potential off take partners involved.

The trip was a great success and draft off-take proposals have subsequently been received. The Company short-listed potential off-take partners and held detailed discussions with each in respect to product pricing, supporting working capital and infrastructure finance if required. MRC is currently assessing all proposals submitted to the Company and all outstanding matters are expected to be finalised by the end of May 2013 to enable the Company to announce off-take agreements for 100% of the products to be produced at Tormin.

Offshore Prospecting Right

The established geology of the region confirms that the source of the Tormin beach deposits is a Heavy Mineral-rich offshore zone and that the dynamic coastline serves to replenish the beaches by transporting sediment from deeper waters.

A prospecting right for the offshore area immediately adjacent to Tormin was awarded towards the end of 2012. The right was executed in February 2013 and was registered at the Department of Mineral Resources on 15 April 2013.

The offshore prospecting area covers an area of 12 square kilometers and extends 1km out to sea from the low water mark and covers the full length of the existing 12km Tormin tenement.

The offshore prospecting right represents the first step in MRC's initiatives to significantly extend the Tormin Life of Mine. Consequently, since the award of the prospecting right, the Company has undertaken a series of informal replenishment tests. These tests involved excavating trenches at various intervals along the beach deposit and then allowing them to be filled from the offshore ore body. Assays of the samples taken at each stage were compared to each other and the original Tormin resource test work.

MRC is very encouraged by the results which indicated replenishment to within 10% of the existing heavy mineral gradings. The Company has used the results from the tests to develop a scientific approach to identify and quantify the extent of beach replenishment. Work in this regard will commence in the next quarter. The Company is optimistic that these tests will show that replenishment from, or exploitation of this area could at least double the expected Life of Mine of 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 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 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.

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 PBCs based on the beach and the SCP.

The engineering design provides for primary beach concentration of 1.1 Mtpa producing approximately 48,000 tonnes of Non-Magnetic concentrate grading up to 80% Zircon and 10% Rutile. Provision was also made to produce various magnetic concentrates for further processing through dry plants should the project economics for those products allow.



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 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 subsequently registered by the DMR in the third quarter of 2012.

MRC has 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. The Company subsequently withdrew all previous applications in respect of the Kwanyana block and immediately applied for a new prospecting right 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.

The DMR accepted the new prospecting right application ("PRA") over the Kwanyana block in the first quarter of 2012 and, in accordance with prevailing legislation, directed the Company to submit an Environmental Management Plan (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 second quarter of 2012. The EMP and SEP report were also lodged with the DMR in accordance with the required timetable.

A number of objections to the PRA were received. Accordingly, the DMR was required by law to call a meeting to consider the objections and a representations made by the Company. This meeting was held on 28 November 2012.

Based on the information presented at that meeting, the DMR instructed the Company to undertake additional consultation. A comprehensive consultation process, designed to identify and engage with all potential interested and affected parties designed during the last quarter. In addition, in keeping with local traditions, a series of pre-meetings were held with the traditional leaders in the Xolobeni area to update them on developments with the project, brief them on the planned consultation process and gain their approval for the process.

Having obtained the traditional leaderships approval of the planned process and updated the DMR in the last quarter, the public consultation process will be undertaken in April and a full stakeholder engagement report submitted to the DMR during May 2013.

The Company remains optimistic that, based on this work, that the DMR will award a new prospecting right over the Kwanyana block to the Company during the second half of 2013 and enable the Company to do the final work necessary to submit a mining right application for the entire Xolobeni tenement as soon thereafter as possible.



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 which should result in a redistribution of capital to PVIL shareholders. The sale process is expected to conclude in the third quarter of 2013.

Cash and Marketable Securities

At 31 March 2013, MRC had \$10.7 million in cash and \$0.4 million in marketable securities.

Securities on Issue

As announced in January 2013, MRC successfully completed all three tranches of the A\$14.5 million (before costs) capital raising to institutional and sophisticated investors and related parties ("Capital Raising").

Existing directors of MRC subscribed for up to A\$3.4 million in shares in MRC (on 18 January 2012 on the same terms as those issued under the original placement. The issue of Shares to directors of MRC was approved by shareholders on 21 December 2012.

The final issue of approximately 9.9 million Shares pursuant to the private placement was also approved by shareholders on 21 December 2012 and took place on 23 January 2013 following the issue to existing directors of MRC.

Issued securities at quarter-end comprise:

323,953,343 fully paid ordinary shares listed on the ASX
10,000,000 Unlisted Options exercisable at \$0.20 on or before 31 December 2015
1,000,000 Unlisted Options exercisable at \$0.35 on or before 31 December 2015

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.

For personal use only

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%			



For personal use only



Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended ("current quarter")

31 March 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(10) (687) (585)	(10) (687) (585)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	74	74
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	(1,208)	(1,208)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- (40)	(40)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (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	(40)	(40)
1.13	Total operating and investing cash flows (carried forward)	(1,248)	(1,248)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,248)	(1,248)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	4,189	4,189
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	4,189	4,189
	Net increase (decrease) in cash held	2,941	2,941
1.20	Cash at beginning of quarter/year to date	7,769	7,769
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	10,709	10,709

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	203
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Amount at 1.23 includes \$100,397 relating to 2012 accrued but unpaid at 31 December 2012.

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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	65,000
4.2 Development	8,673,000
4.3 Production	-
4.4 Administration	550,000
Discontinued Operations	
Total	9,288,000

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	10,709	7,769
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	10,709	7,769

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	323,953,343	323,953,343		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs	49,937,000	49,937,000	\$0.085	\$0.085
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>	10,000,000		<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2015
		1,000,000		<i>Exercise price</i> \$0.35	<i>Expiry date</i> 31/12/2015
7.8	Issued during quarter Unlisted Options	10,000,000		<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2015
	Unlisted Options	1,000,000		<i>Exercise price</i> \$0.35	<i>Expiry date</i> 31/12/2015
7.9	Exercised during quarter				

+ See chapter 19 for defined terms.

7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

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



Sign here:
(Director/Company secretary)

Date: 30 April 2013

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.