



◀ QUARTERLY REPORT 31 JULY 2013

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MINERAL COMMODITIES LTD

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31 July 2013

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 JUNE 2013

- ◀ NEGOTIATIONS FOR OFFTAKE FOR NON-MAGNETIC CONCENTRATE WITH \$2MILLION PRE-FINANCE ARRANGEMENT COMPLETED DURING THE QUARTER & EXECUTED FOLLOWING THE QUARTER END
- ◀ TORMIN CONSTRUCTION ACTIVITIES REMAIN ON SCHEDULE & ON BUDGET
- ◀ TORMIN PILOT PLANT FABRICATED & COMMISSIONED
- ◀ OFFSHORE PROSPECTING ACTIVITIES AT TORMIN TO COMMENCE
- ◀ XOLOBENI PUBLIC PARTICIPATION PROCESS SUCCESSFULLY COMPLETED

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Offtake Agreement

As separately announced following the quarter end, Mineral Commodities Limited (MRC or the Company) and its subsidiary, Mineral Sands Resources Proprietary Limited (MSR), which owns Tormin have concluded an offtake agreement with Wogen Pacific Limited for 100% of the non-magnetic concentrate (Concentrate) to be produced at Tormin. A substantial part of the negotiations and work to complete the agreement took place during the quarter.

Pursuant to the agreement, Wogen will pay MSR for the Concentrate at an FOB level. Thereafter, Wogen will fund the shipping and processing of the Concentrate until such time as it is sold into the local Chinese market in finished product form, with sale proceeds net of commission, shipping and processing costs being paid over to MRC.

Accordingly, the agreement provides MRC with significant working capital finance as well as access to the full mineral sands value chain without investment in its own dry processing facilities.



Discussions with various Ilmenite offtake partners have also progressed well and advanced discussions are ongoing with a preferred customer. However, until such time as offtake and funding terms have been agreed, the Company has deferred starting work on the construction of a dry separation plant to produce the Ilmenite product. As previously reported, the Garnet concentrate will be sold to Blastrite for secondary treatment.

Pre-Finance Arrangement

Wogen will also provide MRC with US\$2 million under a pre-finance arrangement associated with the offtake arrangement. MRC will be able to draw down against the arrangement until 31 December 2013 and, while interest will accrue from the time it is drawn, capital and interest will only become payable when Tormin comes into commercial production.

Tormin Development Update

Site clearing and the removal of the top soil was completed in the period. Tenders for the construction of Secondary Concentrator Plant ("SCP") were adjudicated, contracts for the fabrication and construction of the SCP awarded and construction activities for the SCP commenced. Earthworks have progressed well and no delays were experienced. By the end of the period excavation of the SCP was completed, civil structures and the process water ponds had also commenced.



Fabrication of the Primary Beach Concentrators ("PBCs") also continued and site work for the primary beach concentrators will commence at the delivery of the pre-fabricated modular units scheduled for delivery by the end of September 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 approximately \$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 prospects remain good that it will be improved upon.

The Company has also been able to negotiate better terms with a number of vendors as the project has proceeded. While this is only a matter of timing, it has ensured that the overall cash position is currently better than envisaged at the start of the quarter. It will also mean that cash outflows will be higher in the following two quarters.

Development Timetable

The development schedule for Tormin remains on track and on schedule with production to commence December 2013.

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Engineering + Procurement												
Construction												
PBC's												
SCP												
Commissioning + Scale Up												
PBC's												
SCP												

Tormin Pilot Plant Fabricated and Commissioned

At the start of the quarter, MRC resolved to build and commission a pilot plant to prove the mining methodology and provide further product for offtake testing.

The pilot plant was successfully commissioned in June 2013 and is producing heavy mineral concentrate for the trial runs at the Blastrite facility. The results have exceeded the Company' initial expectations and the pilot plant will therefore continue to operate and produce a small quantity of non-magnetic concentrate each month until production commences and, in so doing, generate some initial revenue.



Offshore Prospecting Activities at Tormin Continue

MRC has previously reported that a prospecting right for the offshore area immediately adjacent to Tormin was awarded towards the end of 2012. 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 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.

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 plan formal replenishment studies in conjunction with various specialists, including Professor A Rozendal (Economic Geologist, Stellenbosch University) who co-authored the research study, "The Geelwal Karoo heavy mineral deposit: a modern day beach placer".

The study indicated that:

"The locally high, total heavy mineral content and the favourable ore to gangue mineral ratio, coupled with the possibility of replenishment style mining, make this an attractive resource.

A prominent headland, forming a J-bay just south of the source, prevents large scale dispersion of these sediments by the northward flowing littoral current. The result is an offshore trail of heavy mineral-enriched sand, which is then transported to the beach by wave action. There it is repeatedly sorted and further upgraded to be re-deposited on the beach face during mild weather conditions.

The implementation of replenishment mining of this active beach appears to be a realistic possibility. It is, after all, regularly practised by off-shore diamond mining in several favourable localities. This alternative could considerably increase the reserves and sustain mining for an extended period."

Formal studies will commence shortly with a view to identifying and quantifying the extent of beach replenishment. 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.

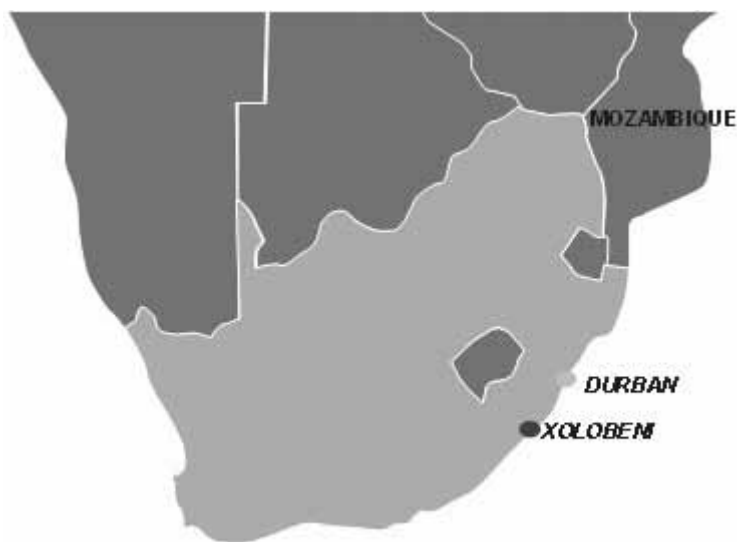


XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

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.



Background

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.

Xolobeni Public Participation Successfully Completed

Having obtained the traditional leadership's approval of the planned process and updated the DMR in the first quarter, the public consultation process took place in March and April 2013. Subsequently, feedback from all the meetings has been collated into a comprehensive issues and response trial which has been incorporated into a stakeholder engagement report (SER). The SER was completed in the last quarter and submitted to all relevant parties at the DMR for evaluation.

The Company remains optimistic that, based on this work, that the DMR will award a new prospecting right over the Kwanyana block in the final quarter 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.

Baseline Studies

In the interim, work has commenced on preparation for the various baseline studies that are required as part of the prospecting works programme and in preparation for and application for a mining right for Xolobeni. The Company will therefore be in a position to commence those studies as soon as the Minister approves the prospecting right.

FUNDING UPDATE

The Company has previously indicated that further funding initiatives, including offtake finance, debt and equity, were being explored to ensure that the working capital required to bring Tormin into production were are being advanced.

Having completed the offtake and pre-funding arrangement with Wogen, MRC is in the process of finalising fundraising initiatives which will provide the Company with the funding required to commence production at Tormin. Further updates will be provided in the coming days.

CORPORATE

Cash and Marketable Securities

At 30 June 2013, MRC had \$7.8 million in cash and \$0.5 million in marketable securities.

Securities on Issue

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:

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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.

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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%			



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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 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Six months ended 30 June 2013
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(70)	(80)
	(b) development	(1,843)	(2,530)
	(c) production		
	(d) administration	(782)	(1,367)
	(e) Discontinued acquisition	-	
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	76	150
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		(2,619)	(3,827)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	
	(b) equity investments	(18)	(58)
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	-	
	(c) available for sale assets		
1.10	Loans to other entities	(216)	(216)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(234)	(274)
1.13	Total operating and investing cash flows (carried forward)	(2,853)	(4,101)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,853)	(4,101)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	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
Net increase (decrease) in cash held		(2,853)	88
1.20	Cash at beginning of quarter/year to date	10,709	7,769
1.21	Exchange rate adjustments to item 1.20	(2)	(3)
1.22	Cash at end of quarter	7,854	7,854

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	160
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Total payments to Non-Executive and Executive Directors over the qtr.

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.

Appendix 5B
Mining exploration entity quarterly report

	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	-
4.2 Development	6,900
4.3 Production	429
4.4 Administration	415
Discontinued Operations	
Total	7,744

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	7,854	10,709
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,854	10,709

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				
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>				
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				
7.10	Expired during quarter				

+ See chapter 19 for defined terms.

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 give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 2013
(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.

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