

Mineral Commodities Ltd

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Quarterly Activities Report For the Period Ended 30 June 2014



**MRC achieves nameplate capacity at high grade Zircon/Rutile
Tormin Mineral Sands Project**

Tormin		Xolobeni	
<ul style="list-style-type: none">• 12 months of construction and 6 months of operation LTI free• 262,595 tonnes of Ore mined grading > 54% HM including Zircon grade > 6.5%• 138,000 tonnes processed through SCP• 12,873 tonnes Non-Mag Zircon/Rutile Concentrate produced (20,387 YTD)• 26,700 tonnes of Ilmenite Concentrate produced (45,227 YTD)• 66,900 tonnes of Garnet Concentrate produced (103,480 YTD)• 		<ul style="list-style-type: none">• One of the world's largest undeveloped mineral sands resources• Additional consultation completed and minutes submitted to DMR• Baseline study work commenced• Phase 1 of water studies completed• Subject to permits, studies and finance potential development in 2016	
Sales		Corporate and Cash	
<ul style="list-style-type: none">• 12,818 tonnes Non-Mag Zircon/Rutile Concentrate sold to Wogen Pacific• Further 1,284 tonnes of finished Non-Mag Concentrate in supply chain• Additional revenue to be added from offtake agreement with GMA for Garnet Concentrate negotiated during the quarter and concluded after quarter end• Delivery of 15,000 tonnes of Ilmenite Concentrate continued		<ul style="list-style-type: none">• Securities: 404M shares & 11M options.• Cash \$0.57m as at 30 June plus \$3.8m in debtors• Pre-financing Facility reduced to USD1.5m by first capital and interest repayment to Wogen Pacific• Working capital facility of USD4m finalised with USD1 million available	

For enquiries regarding this report please contact:
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TORMIN – FULLY COMMISSIONED AND OPERATIONAL

Safety

The Tormin Mineral Sands Project has been under construction and in operation for a total of 12 months and 6 months respectively. The Company is extremely proud of its safety record that by quarter end amounted to in excess of 535,000 man hours without a lost time injury (LTI).

Mining

The beach conditions experienced since the commencement of mining operations in December 2013 continued into the first and second quarters.

During the quarter 262,595 tonnes of ROM ore grading an average 54% heavy minerals (HM) had been mined and transported to the Secondary Processing Plant (SCP) for processing. ROM Zircon grades with greater than 6.5%, were reported which exceeded budget of 3.5%.

From the commencement of mining operations to the end of the quarter in excess of 400,000 tonnes of ROM ore had been transported to the SCP. 99% of the mined area on the beach had been replenished over the same timeframe through normal tidal movements. The Company continues its work on the replenishment studies to determine the dynamics of the grade and quantum timing of the mineral sands redeposit.

Mining costs for the Quarter remain in accordance with Budget.

Processing

The Company processed 138,000 tonnes through its Secondary Concentrator Plant (SCP) for the Quarter, which was 10% above Budget.

In addition, the Company produced 91,000 tonnes of Heavy Mineral Concentrate (HMC) through its Primary Beach Concentrator (PBC) and performed in line with budget.

Processing costs remain significantly below budget due to the higher grade and increased throughput through the SCP, and the Company is confident that processing costs could be further reduced in line with current plant performance and additional optimisation of the magnetic circuit of the processing plant.

During the Quarter, the Company maintained the availability at the SCP at close to 95% and was therefore able to achieve the necessary throughput to produce non-magnetic concentrate at above budgeted levels and nameplate capacity while also maintaining design specification of 81% Zircon and 10% Rutile.

The Company achieved its nameplate production capacity during the Quarter of 4,000 tpm non-magnetic zircon / rutile concentrate, producing 12,873 tonnes of non-magnetic concentrate for the quarter including 5,204 tonnes in the month of June demonstrating the increased capacity that can be achieved from the plant. The Company is confident that it can continue to produce above the budgeted 4,000 tonnes per month in the coming months. Over the same period, the Company produced 66,900 tonnes of Garnet concentrate and 26,700 tonnes of Ilmenite concentrate.

The Company continued with its plant optimisation studies with a view to extracting an additional 20-25% of nameplate processing throughput from the existing SCP. The results and first stage implementation are already being felt as reported above and are expected to continue in the next quarter.

Sales and Marketing

12,818 tonnes of non-magnetic concentrate were shipped to Wogen Pacific in the quarter. Total sales revenue for the quarter after in-country conversion and marketing charges, were \$13,100,000.

A further 1,284 tonnes of non-magnetic concentrate had been produced and in stock awaiting shipment. The Company consequently produced 12,873 tonnes of non-magnetic concentrate in the quarter.

During the Quarter the Company moved away from the provisional Conversion Model marketing of its product and made a decision to sell product to its customers on an FOB basis ex-Cape Town to allow more certainty to its final pricing structure and net revenue.

In line with SCP processing reaching nameplate throughput and capacity in the quarter and commencing the optimisation initiatives towards the end of the quarter, the Company remains confident of production and future sales forecasts of at least 4,000 tonnes per month of non-magnetic concentrate.

Demand for the Company's non-magnetic concentrate remains strong in the Chinese Market due to the ceramic grade quality of the finished Zircon product. Average Zircon and Rutile prices remain stable and in line with current market reconnaissance which suggest some upward price enhancement moving forward for the balance of calendar 2014.

During the quarter, the Company negotiated a garnet Offtake Agreement (Agreement) with GMA Garnet Group of Australia, the worlds largest producer and global distributor of industrial garnet abrasives. The Agreement was announced subsequent to quarter end on 15 July 2014.

Garnet is used in abrasive blasting and waterjet cutting applications, and is a by-product of the zircon/rutile/ilmenite production process at Tormin. For every tonne of zircon concentrate, approximately five tonnes of garnet concentrate is produced. No additional mining or processing costs are incurred in the production of garnet.

The ore (containing the garnet and other core minerals) is mined through hydraulic mining and primary concentration of the deposit occurs through spiral plants. Thereafter, the concentrate is transferred to a secondary concentration plant (SCP) where it is further upgraded by spirals, wet magnetic separation (LIMS and WHIMS), and screens before being bagged prior to shipment to destination markets. The engineering design provides for primary beach concentration of 1.2 Mtpa. From this process, zircon, rutile, ilmenite and garnet concentrate is produced.

Mining commenced at Tormin in December 2013 and first shipments of the non-magnetic product (zircon/rutile) commenced in January 2014. Ilmenite and Garnet are being stockpiled for future sale.

The Tormin garnet concentrate will be sold FOB from the Saldanha Bay Port north of Cape Town and re-processed into industrial abrasives by GMA.

The Agreement provides for a minimum of 150,000 tpa but up to 240,000 tpa of garnet concentrate to be sold to GMA at prices ranging from, USD70/mt to USD95/mt as stipulated in the Offtake Agreement based on garnet characteristics including moisture and silica content. Specific information in respect to these garnet characteristics and the pricing structure for each is considered to be commercially sensitive as they are negotiated between two parties at arm's length, but fall within the range stipulated above.

Under the Agreement, MRC has maintained the right to sell up to 60ktpa of garnet concentrate to other third parties at its discretion.

The tonnages which underpin the Agreement are based on the current mineral resource of MRC as set out in the Resource Table, and ore mined and processed of approximately 1.2mtpa, which is the name plate capacity of the plant. These Resources have been prepared by a Competent Person in accordance with the JORC Code 2004. All Resources underpinning the production targets used in the Agreement are in the indicated category.

Garnet concentrate production for the quarter was 66,900 tonnes and year to date for the half year was 103,480 tonnes.

Negotiations in respect of the Ilmenite produced at Tormin continued during the quarter. By the end of the period, 18,838 tonnes of Ilmenite concentrate had been stockpiled and the Company had commenced delivery of the 15,000 tonnes of this material to Tronox Namakwa Sands (TNS) for trial test purposes. By the end of the quarter almost 11,000 tonnes had been delivered to TNS.

Tormin - Offshore Prospecting Activities

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 12km² 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 deposit is a Heavy Mineral-rich offshore zone and that the dynamic coastline serves to replenish the beaches by transporting sediment from deeper waters.

As previously noted, to date 99% of the area mined has replenished through normal tidal movements. The Company continues its work on the replenishment studies to determine the dynamics of the grade and quantum timing of the mineral sands redeposit.

The Company has received a number of proposals to drill and sample the offshore area and re-define the existing beach resource. The program, which will be subject to final selection of drilling techniques and Contractors to ensure integrity of sampling collection, prevailing weather and will be accelerated upon sourcing a working capital facility. The programme has not yet commenced. This will be pursued in the second half of the year.

Based on the Company's confidence in the extent of this resource, an application was made in the quarter end to extend the prospecting area from 1km seawards of the low water mark to 10km offshore. This will increase the prospecting area and potential resource area available to the Company from 12km² to 120km².

The Company has proceeded with the regulatory approval process in relation to the offshore prospecting right application and remains confident that the application will be approved in the September quarter.

Xolobeni Mineral Sands Project

MRC holds the prospecting rights to four of the five blocks in the Xolobeni Mineral Sands Project (Xolobeni). The Company has previously advised that, due to objections received to the prospecting right application to the remaining block, the Kwanyana block, the DMR instructed the Company to undertake additional public consultation in relation to the project. The public consultation took place in early 2013 and feedback from the meetings was submitted to the DMR in the second half of that year.

Based on a review of stakeholder engagement reports submitted by the Company, the DMR instructed the Company on 22 January 2014 to undertake a further round of consultation with a number of political stakeholders. These included the local royal family, the Eastern Cape Cabinet, the district municipality, the local municipality and the local chamber of commerce. This consultation was undertaken and completed by the end of the quarter and a full report submitted to the DMR.

While the level of consultation undertaken to date has been extensive, the Company has undertaken the work as a display of good faith and its commitment to develop and operate Xolobeni transparently and sustainably in the interests of all stakeholders. All the necessary documents were completed and submitted to the DMR during the quarter and, given this and the substantial amount of support for the project evident through the consultation, the Company remains optimistic that the DMR will award a new prospecting right over the Kwanyana block in the next quarter enabling the Company to do the final work necessary to submit a mining right application for the entire Xolobeni project as soon thereafter as possible.

Xolobeni 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 an application for a mining right for Xolobeni. This includes the appointment of a specialist water expert who has already provided initial feedback from site reviews and engagement with the Department of Water Affairs.

The second phase of the water studies will be undertaken in the next quarter. The focus of this phase is to confirm the level of water abstraction that will be possible from the local rivers and confirm water storage options. This work will form the basis of the Company's water use license application which will commence as soon as possible after the results are available.

CORPORATE

Cash and Marketable Securities

At 30 June 2014, MRC had A\$0.57 million in cash and marketable securities.

In addition a further A\$3.8 million is due and owing from the sale of product during the quarter.

The operating performance for the first two quarters of operation indicate the key inputs that support the project economics remain sound. In addition the confidence in the Resource and its replenishability continues to grow, based on ROM operating performance and reconciliation to date.

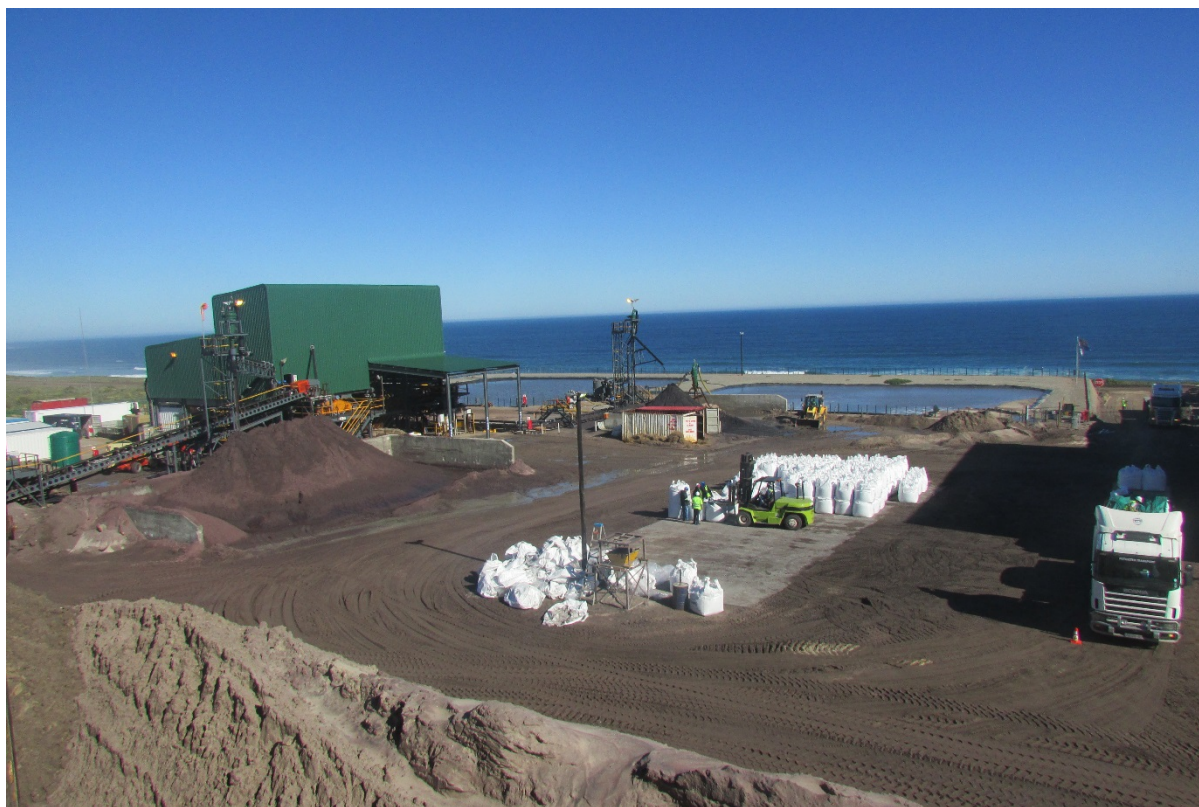
Having commenced production and shipment of product, various financial institutions indicated a willingness to provide standby working capital facilities. In the interim and while it evaluated the options available to it, the Company concluded a working capital facility of up to \$4m with major shareholders as noted in the previous quarterly and announced on 30 May 2014. The Company has drawn down on \$3 million of this facility.

Securities on Issue

Issued securities at quarter-end comprise:

- 404,941,571 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

RECENT PHOTOS OF ACTIVITY AT TORMIN





APPENDIX 1 - RESOURCE STATEMENT

PROJECT	Category	Ore Mt	HM%	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in 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%			

APPENDIX 2 – LISTING OF TENEMENTS

The following information is provided pursuant to ASX Listing Rules 5.3.3:

Country	Location	Number	Type of Right	Status	Change since last Quarter	Beneficial Interest
South Africa	Tormin	(WC)30/5/1/2/2/163MR	Mining	Approved	N/A	100%
South Africa	Tormin	(WC)30/5/1/2/2/162MR	Mining	Approved	N/A	100%
South Africa	Tormin	(WC)30/5/1/1/2/10036PR	Prospecting	Approved	N/A	100%
South Africa	Xolobeni	EC30/5/1/1/2/6PR	Prospecting	Approved	N/A	100%
South Africa	Kwanyana	EC30/5/1/1/2/10025PR	Prospecting	Under Application	N/A	100%

The Company has no interests held in any farm-in or farm-out agreements.

Competent Person

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 35 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). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

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 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter US \$'000	Six months to 30 June 2014 US\$'000
1.1	Receipts from product sales and related debtors	8,196	10,695
1.2	Payments for (a) exploration & evaluation (b) production (c) administration	(2) (6,054) (571)	(117) (7,864) (1,000)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	7
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	1,571	1,721
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) Development expenditure (c) other fixed assets	(3,302)	(4,823)
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	(3,302)	(4,823)
1.13	Total operating and investing cash flows (carried forward)	(1,731)	(3,102)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,731)	(3,102)
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	3,134	3,134
1.17	Repayment of borrowings	(1,084)	(1,084)
1.18	Dividends paid		
1.19	Other (provide details if material)		
Net financing cash flows		2,050	2,050
Net increase (decrease) in cash held		319	(1,052)
1.20	Cash at beginning of quarter/year to date	228	1,592
1.21	Exchange rate adjustments to item 1.20	22	29
1.22	Cash at end of quarter	569	569

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 US\$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	167
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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.

Appendix 5B
Mining exploration entity quarterly report

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	US\$ 5,500	US\$ 4,500
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	195
4.2 Development /fixed assets	442
4.3 Production	6,851
4.4 Administration	470
Total	7,958

NB: Forecast sales revenues for the next quarter are US\$13.7 Million

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 US\$'000	Previous quarter US\$'000
5.1 Cash on hand and at bank	569	228
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	569	228

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	404,941,571	404,941,571		
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:
(Director/Company secretary)

Date: 31 July 2014

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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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