

Mineral Commodities Ltd

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Quarterly Activities Report for the Period Ended 30 September 2014



The high-grade zircon/rutile Tormin mineral sands project

Production – Sept 2014 Qtr	Production – Year to Date
<p>Mining: 330,072 tonnes mined at a grade of 52.0% HM consisting 32.7% garnet, 14.2% ilmenite, 4.5% zircon and 0.7% rutile.</p> <p>Production & Processing: 155,000 tonnes processed through the SCP to produce:</p> <ul style="list-style-type: none"> • 79,059 tonnes garnet • 24,585 tonnes ilmenite • 10,791 tonnes zircon/rutile concentrates 	<p>Mining: 677,341 tonnes mined at a grade of 55.4% HM consisting 32.4% garnet, 17.1% ilmenite, 5.1% zircon and 0.7% rutile.</p> <p>Production & Processing: 402,000 tonnes processed through the SCP to produce:</p> <ul style="list-style-type: none"> • 182,539 tonnes garnet • 69,812 tonnes ilmenite • 31,178 tonnes zircon/rutile concentrates
Sales – Sept 2014 Qtr: US\$9.8m	Sales – Year to Date: US\$22.5m
<p>Zircon/Rutile concentrate: 11,700 wmt</p> <p>Ilmenite concentrate: 4,610 wmt</p> <p>Garnet concentrate: 32,996 wmt</p>	<p>Zircon/Rutile concentrate: 31,434 wmt</p> <p>Ilmenite concentrate: 16,502 wmt</p> <p>Garnet concentrate: 39,632 wmt</p>
Xolobeni Project	Corporate and Cash
<ul style="list-style-type: none"> • One of the world's largest undeveloped mineral sands resources. • Subject to permits, studies and finance, potential development in 2016. • Consultants engaged to scope work for a definitive bankable feasibility study. 	<p>Securities: 404m shares and 11m options.</p> <p>Cash: Cash increased by \$2.60m to \$3.17m as at 30 September, plus US\$1.96m in debtors.</p> <p>Debt: Pre-Financing Facility reduced to US\$1m.</p> <p>US\$4m Working Capital Facility drawn to US\$3m (US\$1m available).</p>

For enquiries regarding this report please contact:
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TORMIN – OPERATIONAL PERFORMANCE STABILISING

Safety

The Company has achieved 640,000 hours without a lost time injury (LTI) since October 2013.

Several inspections of the Company's operations by the Department of Mineral Resources Occupational Health and Safety Inspectorate occurred during the quarter. The Company received a compliant endorsement in relation to its operations.

Mining

Mining during the quarter was affected by the seasonally high tides and rough winter weather.

To maintain production, the Company introduced nightshift to optimise available working hours due to weather conditions. The extra nightshift work scopes were also required to deal with the additional tailings material being generated from the operation of two PBCs and garnet/ilmenite stockpile rehandling as a result of the GMA and Tronox sales delivery requirements.

During the September quarter 330,072 tonnes of ROM ore grading 52.0% HM was mined consisting of a garnet grade 32.7%, ilmenite grade 14.2% and zircon grade 4.5%. The quarterly mining rate was 12% above budget.

For the nine months to 30 September, Tormin has mined 677,341 tonnes (approximately 8% above budget) at a heavy mineral concentrate grade of 55.4%.

The Tormin beach area continued to replenish more dynamically during the quarter as a result of the seasonal rough winter weather, high swells and tidal movements. The Company will report its Annual Resource Statement as at 31 December 2014, and expects to confirm the replenishment via the resource reconciliation statement.

As a result of the extra tails and finished product materials handling, mining costs were higher on a unit rate basis for the quarter.

Processing – SCP / PBC

At the commencement of mining and processing, the initial ROM grade was circa 80% HM. As a result, the Company operated one of its PBCs directly connected to the SCP. This allowed the Company to blend the higher grade ROM material encountered during the initial mining with finished HM concentrate from the second of its PBC units.

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The Company undertook the planned disconnection and relocation of the PBC to operate independently, as originally designed and in conjunction with the second PBC unit.

As a result of the relocation, process plant availability slipped from 97% in the June quarter to 84% as the Company dealt with various issues in the month of August relating to the relocation. These issues included mass water balances caused as a direct result of a delay in the delivery of upgraded tails cyclones and spiral modifications by local suppliers and manufacturers. It is anticipated that these modifications will be completed by the end of October. This will allow the SCP to run entirely on heavy mineral concentrate material produced from the PBC processing units.

Notwithstanding the availability, the Company processed 155,706 tonnes through the SCP in the September quarter (up 12% on previous June quarter and up 20% on budget) and has processed 402,074 tonnes for the nine months to 30 September 2014.

In addition, the Company continued with the scheduled installation and full retrofit of a process plant instrumentation system during the quarter. This will allow better control and maximisation of SCP processing recoveries of non-magnetic concentrates.

The Company is also in the final stages of completing the construction of the tailings return pumping system, which will alleviate cartage of approximately 85,000 tonnes per month of tails back to the beach mining area as it will be pumped back as part of the continuous SCP/PBC processing system.

Non-magnetic concentrate production for the September quarter was 10,791 tonnes of zircon/rutile concentrate versus budget of 11,964 tonnes (slightly lower than planned due to plant availability and relocation of the PBC). Ilmenite production was 24,585 tonnes versus budget of 31,375 tonnes, and garnet production was 79,059 tonnes versus budget of 65,187 tonnes.

The ilmenite/garnet concentrate production variation versus budget was primarily due to a higher garnet concentrate in the higher garnet grade of the ROM feed, and a greater recovery of garnet from the ilmenite concentrate, which results in less ilmenite concentrate being produced.

Total processing costs year to date are well below budget. However, a readjustment in the costing allocation for the rehandling of garnet and tails will see an increase in processing costs and a proportionate reduction in mining costs in the next quarter's reporting. There will be no overall increase to aggregate mining and processing costs.

Tormin Sales and Marketing

Tormin shipments/sales for the September quarter were:

- 11,700 tonnes of zircon/rutile concentrate to Wogen Pacific under the terms of a long term offtake agreement.
- 4,610 tonnes of ilmenite to Tronox as part of a trial processing arrangement covering 20,000 tonnes to be processed at the Namakwa Sands Processing Facility.
- 32,996 tonnes of garnets under an offtake agreement with GMA.

For the September quarter, sales revenue of US\$9.9m increased 12.5% on the previous quarter, which reflected lower zircon shipments for the quarter of 11,700 tonnes more than offset by the commencement of garnet sales to GMA. In conjunction with its marketing agent Wogen Pacific, the Company now sells its non-magnetic concentrate on a full FOB or CIF basis. This has resulted in a more definitive, timely and less administrative sales process and a small increase in the overall average revenue per tonne of non-magnetic concentrate receipts.

Notwithstanding the traditional fourth quarter slowdown in Chinese processing demand, demand for the Company's non-magnetic concentrate remains stable with no apparent pricing pressures that will materially affect the overall sales pricing forecast.

The Company is also in negotiations with various downstream processing facilities outside China to facilitate producing finished zircon/ilmenite product.

The Company shipped its first shipment of garnet concentrate (32,996 tonnes) in the quarter. The average grade of the concentrate was 62%, which was higher than anticipated. The Company has planned at least another two shipments totaling 70,000 tonnes for the fourth quarter.

Initial results from the treatment of the Company's ilmenite concentrate supplied to and processed by Tronox have indicated good recoveries from the ilmenite concentrate supplied and a good quality of finished product. The Company continues to pursue final offtake agreements for its ilmenite product and has several advanced sales enquiries including shipment of trial ilmenite concentrate to independent third party offtake processing facilities.

CORPORATE

During the quarter the Company accepted the resignation of Mr Andrew Lashbrooke. The role of CEO is currently being undertaken by the Executive Chairman Mr Mark Caruso.

The Company also discontinued with the management and administrative services provided by Blastrite. The Company now independently operates its Tormin project as well as its entire administration and governmental regulatory functions in South Africa.

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Cash Flow Statement

A copy of the Appendix 5B follows.

Due to the ultra-high grade nature of the Tormin beach sands and concentrates total operating costs remain low and the company was cash flow positive for the quarter despite significant decline in world commodity and mineral sand titanium prices in the past 12 months.

At 30 September 2014, Mineral Commodities had US\$3.17m in cash, an increase of US\$2.60m from the previous quarter. The Company also reduced its debt to Wogen Pacific by a further US\$0.5m during the quarter.

The Company anticipates seeing some benefit in the coming months with the continued strengthening of the US Dollar against the South African Rand, which will have a positive impact on the Company's in-country Rand based operating costs.

Xolobeni

In anticipation of a positive outcome of the REMDEC appeal application, the Company conducted a full gap analysis of the Xolobeni project which has identified all outstanding items required to initiate project development and the process of mining right application.

The Company remains confident that a decision on the Kwanyana Prospecting Block, positively or negatively, will be forthcoming in the fourth quarter.

Tormin Offshore Prospecting Activities

The Company has proceeded with the regulatory prospecting right application to increase the prospecting area and the potential resource area available to the Company from the current 12km² to 120km².

A public participation as part of the prospecting permit application process is underway and will be conducted in October.

Outlook

The Company remains focused on optimising the production of its various HM products. This includes completion of the study/design for the construction of a garnet stripping plant which will result in an increase in the production of non-magnetic concentrate, as well as increase the average grade of garnet concentrate to beyond 70%. Capital estimates for this construction upgrade indicate a very modest investment (circa US\$3m). The Company also expects that this will increase revenue and bottom line EBIT. The results of this will be released in the fourth quarter with intended construction commenced, if approved, by the first quarter of 2015.

The month of October has commenced well with the Company looking to increase production and sales of zircon/rutile and garnet concentrate during the December

quarter. Sales guidance should be in the order of 11,000 tonnes to 12,000 tonnes of non-magnetic concentrate, plus 70,000 tonnes of garnet concentrate.

The Company's financial position continues to improve with a continued increase in sales volume and product suite, resulting in a building of the Company's cash balances and reduction of debt.

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.

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Terms and Explanations

HM Heavy Mineral

PBC Primary Beach Concentrator

ROM Run of Mine

SCP Secondary Concentrator Plant

WMT Wet Metric Tonnes

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

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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 September 2014

Consolidated statement of cash flows

	Current quarter US \$'000	Nine months to 30 September 2014 US\$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	12,081	22,776
1.2 Payments for (a) exploration & evaluation (b) production (c) administration	(15) (7,525) (650)	(68) (14,680) (1,591)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2	9
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	3,893	6,446
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) Development expenditure (c) other fixed assets	(787)	(5,875)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) available for sale assets	18	18
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(769)	(5,857)
1.13 Total operating and investing cash flows (carried forward)	3,124	589

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	3,124	589
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	-	3,000
1.17	Repayment of borrowings	(519)	(1,888)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	(519)	1,112
	Net increase (decrease) in cash held	2,605	1,701
1.20	Cash at beginning of quarter/year to date	569	1,503
1.21	Exchange rate adjustments to item 1.20	-	(30)
1.22	Cash at end of quarter	3,174	3,174

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	131
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

+ See chapter 19 for defined terms.

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities ⁽¹⁾	US\$ 5,000	US\$ 4,000
3.2 Credit standby arrangements	Nil	Nil

(1) Unutilised US\$1m loan facility expires 31 October 2014

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	-
4.2 Development /fixed assets	887
4.3 Production	9,564
4.4 Administration	627
Total	11,078

Receipts from product sales for the next quarter are estimated to be US\$13.6 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	3,174	569
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,174	569

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			

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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>	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				
Unlisted Options				
7.9 Exercised during quarter				

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7.10	Expired during quarter				
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 / ~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 28 October 2014

Print name: Peter Torre

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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