

# Mineral Commodities Ltd

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## Quarterly Activities Report for the Period Ended 30 June 2015



Production Summary	Quarter ended 30 June 2015	Quarter ended 31 March 2015	Quarter ended 30 June 2014	Year to date 30 June 2015	Year to date 30 June 2014 <sup>(1)</sup>
<b>Mining</b>					
Tonnes	456,624	362,197	262,595	818,821	347,269
Grade	40.50%	46.24%	62.09%	43.04%	59.87%
- Garnet	24.50%	25.79%	32.66%	25.07%	31.58%
- Ilmenite	12.08%	15.82%	22.26%	13.73%	21.26%
- Zircon	3.40%	4.06%	6.22%	3.69%	6.17%
- Rutile	0.52%	0.57%	0.95%	0.54%	0.87%
<b>SCP Production &amp; Processing</b>					
Tonnes processed	149,194	147,913	138,934	297,107	246,368
Tonnes produced					
- Garnet concentrate	61,847	75,125	66,903	136,973	103,480
- Ilmenite concentrate	29,483	32,121	26,739	61,604	45,227
- Zircon/Rutile concentrate	11,314	11,723	12,842	23,038	20,387
% zircon in concentrate	73.39%	72.78%	77.77%	73.08%	78.55%
% rutile in concentrate	12.94%	12.83%	5.81%	12.89%	5.22%
<b>Sales (wmt)</b>					
- Zircon/Rutile concentrate	11,622	12,792	12,818	24,414	19,734
- Ilmenite concentrate	-	-	-	-	-
- Garnet concentrate	66,312	162,466	4,308	228,778	6,636

Xolobeni Project	Corporate and Cash
<ul style="list-style-type: none"> <li>One of the world's largest undeveloped mineral sands resources.</li> <li>Mining Right Application accepted by DMR.</li> <li>Public Participation meetings undertaken in relation to the Environmental Scoping Report which has been submitted and accepted by DMR.</li> <li>Baseline studies including environmental, social and technical studies commenced during the quarter.</li> <li>Consultants continue to scope work for a definitive bankable feasibility study.</li> </ul>	<p><b>Securities:</b> 404m shares and 16m options.</p> <p><b>Cash:</b> Cash as at 30 June 2015 of US\$2.0m, plus US\$7.5m in trade and other receivables</p> <p><b>Debt:</b> US\$4.34m in equipment financing. Working Capital Facility drawn to US\$2.64m.</p>

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Note 1:- Includes reconciled March 2014 production statistics, adjusted for commissioning.

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## **TORMIN – OPERATIONAL PERFORMANCE**

### **Safety, Environment & Community**

There were no LTI's reported for the quarter.

The Company has now achieved 1,066,303 hours without a lost time injury (LTI) since October 2013.

As previously advised, the Environmental Management Program ("EMP") Amendment for the Tormin mine was granted by the Department of Mining and Resources ("DMR") on 14 April 2015.

The Company proceeded to finalise the rezoning of the additional area granted under the EMP with the Matzikama Municipality and finalised all other authorizations to access the additional land area. The Company has been advised that it can proceed to develop the expanded area and has commenced to clear the 9.8ha of land as approved in the EMP102 amendment.

During the quarter the Xolobeni Mining Right Application was accepted by the DMR. The Company also commenced the Xolobeni Project Mining Right Application Public Participation Process for the Environmental Scoping Report, which was submitted in April 2015 with all interested and affected parties' comments.

Good progress has been made on the ground at Xolobeni between the anti-mining and pro-mining protagonists who have collectively and of their own volition, formed a Steering Committee to manage all aspects of the Mining Right Application.

### **Mining**

During the June quarter 456,624 tonnes (20% above Budget) of Run of Mine ("ROM") ore grading 40.50% Valuable Heavy Mineral ("VHM") was mined consisting of a garnet grade 24.50%, ilmenite grade 12.08% and zircon grade 3.40%.

An increased understanding of the mining methodology consistent with the dynamics of the beach replenishment cycle is providing for a more refined mining operation. This will result in a more dedicated pre-stripping of the light-heavy sands which are deposited as part of the replenishment cycle.

Proposals were received by various international and local South African consultants to conduct bathometric offshore surveys and wave refraction studies with a view to providing requisite information to identify the best method of undertaking surf zone sampling for offshore resource definition and to investigate mining techniques of the surf zone area that lies between the low tide mark and wave break zone. The studies intend to be commenced during Q3 of 2015.

The primary purpose of these studies is to determine the deposition of VHM, which is known, and develop a sampling and exploration technique which will allow a Resource Categorization.

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## Processing

Heavy Mineral Concentrate ("HMC"), production through the two Primary Beach Concentrators ("PBC") produced 112,216 tonnes for the June quarter. This was 26.5% below budget. The balance of Secondary Concentrator Plant ("SCP") feed of some 36,979 tonnes was sourced as direct feed from high grade ROM material, which required no primary concentration.

The reduced HMC production was due to bottle necking of the tailings return system which was found to be installed with incorrect motor sizing, which limited PBC through put by some 25%-30% for the first 4-6 weeks of the quarter. Further performance stability on the PBCs should be evident in the coming months due to the installation of an Anaconda mobile feeder screener unit which arrived in early June, and which will assist in the removal of gravel oversize material.

The Company processed 149,194 tonnes through the SCP in the June quarter, which was slightly (2.3%) below budget.

The discharge of tailings to the shorter route in front of the SCP is working well. Sea water intake is stabilised and final construction of the extension to the sea water groyne by some 20 metres took place.

SCP plant recoveries were well above budget for Rutile and Ilmenite and slightly below for Zircon and Garnet.

Zircon/Rutile concentrate production for the quarter was 11,314 tonnes versus budget of 14,056 tonnes. Contained zircon in the concentrate of 73.4% was in line with budget target at 74% zircon, whilst rutile was above budget at 12.94% contained rutile in concentrate.

For the June quarter, ilmenite concentrate production was 29,483 tonnes versus budget of 29,316 tonnes, and garnet concentrate production was 61,847 tonnes versus budget of 75,949 tonnes.

The deposition of heavy minerals via the replenishment cycle during the aggressive winter storm season also resulted in some Zircon/Garnet recovery issues in the PBCs due to the changing dynamics of the ROM material and the requirement to adjust spiral settings on the PBCs. This was further exacerbated by the stockpiling of some Garnet and Ilmenite concentrates on the beach, which resulted in the mobilization of the stockpile through tidal movements and some contamination of mining areas. Access to EMP102 expanded footprint area to facilitate bulk concentrate stockpiling at the plant site, as opposed to the beach, will assist in alleviating most of these issues.

## Cash Costs

Total ex-works mining, processing and site administrative unit cash cost per tonne of Zircon/Rutile concentrate for the quarter was US\$442.68/t ZR concentrate produced, being above budget of US\$311.68/t ZR concentrate due primarily to the lower production volumes.

## **Tormin Sales and Marketing**

Sales revenue for the June quarter was US\$8.37 million, below the budget of \$11.91 million.

Tormin shipments / sales for the June quarter were:

- 11,622 tonnes of Zircon/Rutile concentrate.
- 66,312 tonnes of Garnet concentrate, sold as an interim stockpile to Garnet International Resources Pty Ltd ("GMA").

Sales revenue was impacted by the lower Zircon/Rutile concentrate production, a carry-over of Zircon/Rutile concentrate quality claims from Q1, and a revised interim price for Garnet stockpile sales to GMA.

As announced during the quarter, the Pre-Finance and Marketing Agreement between the Company and Wogen Pacific Limited ("Wogen") dated 31 July 2013 ("Agreement") was terminated.

The termination of the Agreement meant that the Company was free to sell its non-magnetic Zircon/Rutile concentrate to buyers on an unrestricted basis. The Company completed Q2 Sales through a marketing agent and expects to undertake Q3 sales directly with customers, with no commissions being paid on these sales.

Further analysis and sampling of the quality claims for certain shipments of its Zircon / Rutile concentrate in Q1 are ongoing. The Company is confident of its quality management processes in terms of sampling and analysis.

The Company's Zircon/Rutile concentrate product remains in strong demand, with demand outstripping supply for the forthcoming quarter.

Garnet concentrate production will continue to be supplied and sold under the contract with GMA and stockpiled within South Africa. The Garnet concentrate will then be shipped at GMA's discretion. The revenues for stockpiled Garnet are initially lower with full sales value received upon shipment.

The Ilmenite market remains in oversupply, which has stalled the Company's moves to sell its product. Notwithstanding this, there is still a demand for the Company's Ilmenite concentrate product, if it is able to tertiary process finished Ilmenite.

## **Tormin Resource and Offshore Prospecting Activities**

The Company published its full annual resource assessment in its Annual Report for the year ended 31 December 2014. Full details can be viewed in the Annual Report which was lodged with the ASX on 24 April 2015.

The assessment provided that the total tonnages mined during 2014 (1.07 million tonnes) replenished and were re-classified as an Inferred Resource as follows:

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Category	Resource (Million Tonnes)	Total (% HM)	Ilmenite (%HM)	Zircon (%HM)	Rutile (%HM)	Garnet (%HM)
Indicated Resource – Dec 2013	2.70	49.40%	10.60%	3.40%	0.70%	25.30%
Tonnes Mined	1.07	55.30%	16.90%	5.02%	0.65%	32.55%
Inferred Resource – Dec 2014	2.70	38.14%	10.05%	2.21%	0.46%	25.22%

Note: individual minerals are reported as a percentage of the total resource.

The inferred resource is based on the reasonable prospect for the economic extraction of the material, as has occurred during the past year.

The Company continues to conduct grade reconciliation and sample grading on a daily basis as part of the mining operation to correlate between stated Resource and actual Resource in terms of quantity, grade and replenishment.

Whilst initial exploration work has been undertaken on the replenished areas, the fact remains that the beach constantly changes with both tidal movement and mining.

The Company completed all Regulatory requirements in relation to its Prospecting Right Application which extends its prospecting area 10km seaward, or a total of 120km<sup>2</sup>.

A decision relevant to the granting of the Prospecting Permit is still pending.

During the quarter, the Company's subsidiary Mineral Sand Resources Pty Ltd ("MSR") submitted a prospecting application for heavy mineral sands over 24km stretch of coastline just to the north of its Tormin Mine. The application was accepted by the Department of Mineral Resources – Western Cape.

The area under application encompass approximately 398ha and extends from the northern boundary of the Tormin Mining Licence area up to 24km northwards near Jakkalshok – only a few kilometres south of the Tronox heavy mineral sand mine – Namakwa Sands. The area under application is known to host heavy mineral sand deposits and have been the subject of previous exploration work done by Trans Hex.

MSR is currently busy with a scoping level environmental assessment and full public participation exercise. This is required as the prospecting application includes bulk sampling which is a listed activity requiring environmental authorisation under the National Environmental Management Authority ("NEMA").

## **CORPORATE**

The Blastrite matter was heard in Court in South Africa in early June. The Company's Advocates strenuously opposed the application. The Company's legal advocates are confident of a positive verdict and a judgment is expected towards the end of August 2015.

The construction of the Tailings Scavenger Spiral Circuit ("TSP") was commenced during the quarter and is on schedule and budget to be completed and commissioned by end-September 2015. Whilst the TSP capital cost is able to be financed out of operating cash flow, an in principle agreement has been reached with a financier for a sale and leaseback arrangement on commissioning of the plant.

The test work has shown that the introduction of the TSP will result in an increase in total heavy mineral recovery from 66% to 89% with the incorporation of the scavenger circuit. This equates to 147.0ktpa of additional HMC production for both PBC units, grading 87.4% HM, which includes 57,861 tonnes Garnet, 58,350 tonnes Ilmenite, 1,783 tonnes Rutile and 10,546 tonnes Zircon.

The test work also showed an increase in Zircon recovery from 83.8% to 95.18%.

The Garnet Stripping Plant ("GSP") expansion initiatives were delayed due to the EMP102 regulatory approval processes. Now that the approvals are in place and subject to final financing, the GSP is now expected to be implemented in the first half of 2016. Initial engineering design and ordering of some long lead items has commenced.

The Company is well advanced with the development of its finance options for the GSP. The major Shareholders who previously provided a working capital facility and have extended the term of the loan to 30 September 2015 will be consulted to allow the Company to continue to explore all options with traditional financiers and to provide sufficient time to conclude the initiatives.

On a counter-cyclical investment strategy and given the downturn in the mining industry, the Company considers there to be investment opportunities in strategic base minerals. To this end the Company continues to investigate actively other projects which fit within its area of expertise and mineral development profile.

The Company is also considering its dividend policy, and based on a solid operational performance in its first 18 months, expects this policy to be finalised in the second half of FY15.

### **Cash Flow**

At 30 June 2015, the Company had US\$2.0 million in cash, a decrease of US\$0.1 million from the previous quarter. Trade and other receivables at 31 March 2015 of US\$6.4 million increased to US\$7.5 million as at 30 June 2015.

### **Xolobeni**

The acceptance of the Mining Right Application in April triggered the Public Participation Process for the Environmental Scoping Report Submission. The Public Participation Process resulted in the submission of the Environmental Scoping Report during the quarter.

Notwithstanding a negative public press campaign, incorporating intense lobbying by anti-mining and pro-environmentalist groups that resulted in an interruption to the commencement of the next phase of the project development studies, for a period of four weeks the Company made good progress with its consultants to conduct all necessary baseline and technical studies to move the project through to the submission of an Environmental Impact Assessment Report, which is required as part of the Mining Right Application process.

Encouragingly, meetings were held in June between the Amadiba Crisis Committee ("ACC") and pro-mining members, resulting in the formation of a Steering Committee which have allowed a peaceful and coordinated access for consultants undertaking public participation processes. The Steering Committee will meet regularly to deal with all aspects of the mining right approval process that affects the community.

The Company is maintaining its efforts to conclude baseline studies within the regulatory timeframes.

### **Outlook**

Sales guidance for the coming quarter should be in the order of 11,000 to 12,000 tonnes of Zircon/Rutile concentrate, and its entire production of Garnet concentrate at circa 70,000 tonnes.

The Company produces the highest grade Zircon/Rutile concentrate imported into China. The strong demand for Q3 production of circa 12,000 tonnes from Chinese Buyers and independent marketing of the Company's production continues to see incremental increases in the pricing.

In addition the Company has initiated a Scoping Study in conjunction with GMA for the construction of a Mineral Separation Plant ("MSP") plant to produce final ilmenite, zircon, rutile and garnet products from its Tormin mine. The Company is of the opinion that this will be a significant value add opportunity.

### **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.
- 5,000,000 Unlisted Options (issued during the quarter) exercisable at \$0.20 on or before 30 May 2018 and subject to the following vesting conditions:
  - (i) 1,666,668 vested upon issue
  - (ii) 1,666,666 vesting on 8 June 2016
  - (iii) 1,666,666 vesting on 8 June 2017

## Terms and Explanations

<b>ACC</b>	Amadiba Crisis Committee
<b>ASX</b>	Australian Stock Exchange
<b>EMP</b>	Environmental Management Program
<b>DMR</b>	Department of Mining and Resources
<b>GSP</b>	Garnet Stripping Plant
<b>HM</b>	Heavy Mineral
<b>HMC</b>	Heavy Mineral Concentrate
<b>LTI</b>	Lost Time Injury
<b>MRA</b>	Mining Right Application
<b>NEMA</b>	National Environmental Management Authority
<b>MSP</b>	Mineral Separation Plant
<b>MSR</b>	Mineral Sands Resources Pty Ltd
<b>PBC</b>	Primary Beach Concentrator
<b>ROM</b>	Run of Mine
<b>SCP</b>	Secondary Concentrator Plant
<b>TRS</b>	Tailings Return System
<b>TSP</b>	Tailings Scavenger Plant
<b>VHM</b>	Valuable Heavy Mineral
<b>WMT</b>	Wet Metric Tonnes



## APPENDIX 1 - RESOURCE STATEMENT

The Tormin and Xolobeni Mineral Resources based on mined material reconciliation as at 31 December 2014 for the Tormin Resource is as follows – note individual minerals reported as a percentage of the total heavy mineral concentration.

The mineral resource estimations previously reported under JORC 2004 for the Tormin Resource, are re-presented with updated disclosure of Table 1 from JORC 2012.

PROJECT	Category	Ore Mt	HM %	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
Tormin	Inferred	2.7	38.14%	26.35%	5.8%	1.22%	66.11%
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
		<b>346.0</b>	<b>5.0%</b>	<b>54.0%</b>			
<b>Total MRC</b>		<b>348.7</b>	<b>5.3%</b>	<b>51.7%</b>			

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## 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%
	Tormin	(WC)30/5/1/2/2/162MR	Mining	Approved	N/A	100%
	Tormin	(WC)30/5/1/1/2/10036PR	Prospecting	Approved	N/A	100%
	Tormin	(WC)30/5/1/1/2/10199PR	Prospecting	Under Application	N/A	100%
	Tormin	(WC)30/5/1/1/2/10226 PR	Prospecting	Under Application	100%	100%
	Xolobeni	EC30/5/1/1/2/6PR	Prospecting	Approved	N/A	100%
	Kwanyana	EC30/5/1/1/2/10025PR	Prospecting	Under Application	N/A	100%
	Xolobeni	EC 10025 MR	Mining	Under Application	100%	100%

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

### Competent Persons Statement

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for Xolobeni 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.

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Mr Adriaan du Toit, who is a Member of the Australian Institute of Mining & Metallurgy (AusIMM) and an independent consultant to the Company. Mr du Toit is the Director and principal geologist of AEMCO PTY LTD and has over 23 years' of exploration and mining experience in a variety of mineral deposits and styles. Mr du Toit 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). The information from Mr du Toit was prepared under the JORC Code 2012 Edition. Mr du Toit consents to inclusion in the report of the matters based on this information in the form and context in which it appears.