MINERAL COMMODITIES LIMITED

ACN 008 478 653

Quarterly Activity Report for the period ended 30th June 2004

HIGHLIGHTS

- Xolobeni Mining Right application commenced
- National Government Ministers and other representatives inspect Xolobeni
- Spiral testwork completed for Tormin BFS
- Tormin Prospecting Permit classified as 'Pending'
- BEE Partner for Tormin Project

PROJECT DEVELOPMENT

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

Mining Right Application

Currently under the South African Mineral and Petroleum Resources Development Act, MRC's subsidiary Transworld Energy and Minerals Resources (SA) (Proprietary) Limited (TEM) has been granted an Unused Old Order Right and has until 30th April 2005 to apply for a Mining Right.

The mining approval process has been mapped and an Environmental Impact Assessment Scope of Works is being prepared in accordance with the schedule required by the Act. The Mining Right application will be submitted in first quarter 2005.

Xolobeni Ministerial Visit

Minister Department of Environmental Affairs and Tourism Mr Marthinus van Schalkwyk, Minister Department of Public Works Mrs Stella Sigcau, Minister Department of Transport Mr Jeff Radebe, Deputy Minister Department of Minerals and Energy Mrs Xighwana, Premier Eastern Cape Mr Nosimo Balindlela, senior offices of their departments, representatives of the Regional and Municipal governments, the Pondoland King and Queen and local community leaders recently visited Xolobeni.

TEM's BEE partner Xolobeni Empowerment Company (XolCo) hosted the visit and expressed its strong support of the project as well as demonstrating the progress achieved in community literacy programmes and the construction of a fresh water bore.

The key issues were the creation of jobs, reduction of poverty, elimination of illiteracy, provision of water and transport, and determination of sustainable land uses. Mining was one activity which would help achieve such objectives. In addition it was also announced that the DME/DEAT Taskforce had agreed that Mining and Eco-tourism can co-exist.

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Bankable Feasibility Study (BFS)

Progress continues on the Bankable Feasibility Study with Bateman completing the spiral testwork programme. A report is being compiled. Commencement on the mineral separating testwork will commence in August.

Prospecting Permit application

The Department of Minerals and Energy has advised that the Tormin Prospecting Permit application has been classified as a Pending application under the recently promulgated Mineral and Petroleum Resources Development Act. The requirements of the new legislation are been addressed and the application will be resubmitted in August.

Black Economic Empowerment Partner

MRC's South African subsidiary, Mineral Sands Resources (Pty) Limited (MSR) and Bateman Africa (Pty) Limited, a 51% BEE-owned affiliate of South African-based international engineering group Bateman Minerals (Pty) Ltd have signed an Option Agreement in which Bateman Africa can acquire a 15% interest in MSR, the entity that holds the Tormin Project.

The appointment of Bateman Africa allows the combined resources of the five Bateman Africa shareholders to be made available to the Project, as well as access to and the ability to utilize Bateman systems. In addition, the involvement of Bateman Africa may open other opportunities for MRC in South Africa.

The Option Agreement may be exercised within twenty-five business days after the completion of the Bankable Feasibility Study. The value of the interest is dependent on the Net Present Value of the Project, and therefore will not be determined until the BFS is completed.

CORPORATE

During the quarter the following matters were achieved.

- 6,755,839 ordinary shares were issued upon conversion of the same number of options. The conversion price per option was $0.25, thereby raising $1,688,960 in new equity. A further 16,897,679 options lapsed on 31 May 2004.

- On 30 June 2004 a bonus issue of new options was made to all shareholders on a 1 for 3 basis. These options are exercisable at $0.30 on or before 30 June 2007. This represents a new class of security and the options are tradeable on ASX (code MRCO). The Company now has the following securities on issue;

    - 54,028,760 fully paid ordinary shares

    - 18,008,971 options expiring 30 June 2007.

Alan Luscombe
Chief Executive Officer

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

MINERAL COMMODITIES LTD

ABN	Quarter ended
39 008 478 653	30 June 2004

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $	Year to date (6 months) $
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(1,144,315)	(2,140,836)
	(b) development		
	(c) production		
	(d) administration	(340,883)	(547,848)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	30,850	71,967
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other		100
	Net Operating Cash Flows	**(1,454,348)**	**(2,616,617)**
	Cash flows related to investing activities		
1.8	Payment for purchases of (a) prospects		
	(b) equity investments	(345,560)	(384,755)
	(c) investment in associate		(233,017)
	(d) fixed assets	(17,845)	(49,369)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		140,466
	(c) other fixed assets		
1.10	Loans to other entities	(222,179)	(430,947)
1.11	Loans repaid by other entities		
1.12	Repayment of term deposits		
	Net investing cash flows	**(585,584)**	**(957,622)**
1.13	Total operating and investing cash flows (carried forward)	**(2,039,932)**	**(3,574,239)**

1.13	Total operating and investing cash flows (brought forward)	**(2,039,932)**	**(3,574,239)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,588,959	2,114,306
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		
	Net financing cash flows	**1,588,959**	**2,114,306**
	Net increase (decrease) in cash held	**(450,973)**	**(1,459,933)**
1.20	Cash at beginning of quarter/year to date	3,085,469	3,845,888
1.21	Exchange rate adjustments to item 1.20	614,366	862,907
1.22	**Cash at end of quarter**	**3,248,862**	**3,248,862**

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 $
1.23	Aggregate amount of payments to the parties included in item 1.2	23,000
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

$15,000 is directors' fees for non-executive directors.
$8,000 is consulting fees paid to Mr Greg Steemson.

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

Nil

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $	Amount used $
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$
4.1	Exploration and evaluation	300,000
4.2	Development	-
	Total	**300,000**

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 $	Previous quarter $
5.1	Cash on hand and at bank	3,248,862	3,085,469
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Bank Bill	-	-
	Total: cash at end of quarter (item 1.22)	3,248,862	3,085,469

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				

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** *(description)*				
7.2	Changes during quarter (a) Increases – issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	54,028,760	54,028,760		
7.4	Changes during quarter (a) Increases through issues – option conversions (b) Decreases through returns of capital, buy-backs	6,755,839	6,755,839	$0.25	$0.25
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases - issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	18,008,971	18,008,971	*Exercise price* $0.30	*Expiry date* 30/6/2007
7.8	Issued during quarter	18,008,971	18,008,971	$0.30	*30/6/2007*
7.9	Exercised during quarter	6,755,839	6,755,839	$0.25	*31/05/04*
7.10	Expired during quarter	16,897,679	16,897,679	$0.25	*31/05/04*
7.11	**Debentures**				
7.12	**Unsecured notes**				

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: (Company Secretary) Date: 30 June 2004

Print name: **David Lymburn**

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.

== == == == ==