Mineral Commodities Ltd
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Australian Stock Exchange
Company Announcements Office

Dear Sir

MINERAL COMMODITIES LIMITED:
CONTINGENT LIABILITY – TRAIN DERAILMENT CLAIM

As disclosed in it's 2004 Annual Report, Mineral Commodities Limited ("the Company") is a defendant in legal proceedings issued in connection with a train derailment which occurred on 5 November 2002.

The proceedings were commenced in South Australia but are presently in the process of being transferred to Western Australia.

In October 2002 the Company engaged contractors to conduct exploration drilling near Kalgoorlie. In turn these contractors engaged Marathon Tyres (WA) Pty Ltd ("Marathon") to conduct repairs to some equipment at the exploration drilling site.

On 5 November 2002 a train operated by Pacific National (ACT) Ltd ("Pacific National") collided with a vehicle operated by Marathon which had become disabled whilst attempting to traverse the railway line.

As a result of the collision the train was derailed, Marathon's vehicle was destroyed and railway infrastructure was damaged.

The Company subsequently announced that it was being sued by the operator of the railway line ("ARTC") for damages in the sum of $160,000 together with interest and costs and by Marathon for damages in the sum of $285,000 together with interest and costs. The Company also announced the possibility of a further claim being made against the Company.

Pacific National has now made a claim against the Company and the other parties claiming damages in the sum of $2.4 million together with interest and costs.

In addition to claiming that the Company is liable to ARTC in negligence, ARTC also contends that the Company is liable to it for damages for breach of contract and liable to indemnify ARTC pursuant to a contractual indemnity for any loss that ARTC may suffer.

The Company sought indemnity from it's insurers who subsequently informed the Company in writing that they will indemnify the Company against any liability in negligence or for breach of duty which the Company may have to ARTC, Marathon, Pacific National or any other party arising out of the train derailment.

The Board's lawyers have been instructed to vigorously defend the claim and to pursue the Company's insurers and the other parties involved in the train derailment.

The directors consider that any liability that the Company may have arising from the train derailment ought to be met by a combination of contributions from the other parties to the action or from the Company's insurers.

For further information please contact:

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