



Mineral Commodities Ltd

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31 January 2013

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2012

SUMMARY

- Capital Raising of A\$14.5 Million announced with First Tranche of \$10.2 million received during quarter
- Shareholder approval received for Second and Third Tranches of Placement
- Tormin Offshore Prospecting Right granted
- EPCM Contractor appointed
- Appointment of two Independent Non-Executive Directors

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Development

Appointment of EPCM Contractor

Mineral Commodities Limited was pleased to advise during the quarter that its subsidiary, Mineral Sands Resources (Pty) Ltd (MSR), has appointed Perth-based MSP Engineering Pty Ltd (MSP Engineering) as EPCM contractor to complete the construction and commissioning of the plant required for the Tormin Mineral Sands Project ("Tormin").

The EPCM contract forms part of the Company's plans to undertake accelerated development of Tormin and will ensure that full production will commence by the end of the third quarter of 2013.

The Company has appointed MSP Engineering as engineering contractor to complete the process and engineering design, and support the construction management and commissioning of the Tormin Development and Processing Plants. The decision to engage MSP Engineering as engineering contractor was based on the quality of the previous and ongoing project work undertaken, and its detailed understanding of the ore body and development of process flow design and plant requirements. In addition, MSP Engineering has a strong track record in engineering and delivering projects in the mineral sands sector. The appointment of MSP Engineering and its historical and continuing involvement with Tormin significantly shortens the overall delivery timetable for the project and will provide greater certainty that the budgeted capital expenditure for Tormin of \$16 million will be maintained.

By the end of the quarter, MSP Engineering had prepared scope specifications and most of the tender documents had been distributed. The Company therefore believes that all major contracts will be awarded by the end of February 2013 which will enable Tormin to be in full production by the end of the third quarter of 2013.

Project Economics and Development Costs

Based on TZMI product pricing and Definitive Feasibility Study (DFS) estimates, the project economics for Tormin are robust. On an initial 5-year Life of Mine extracting primarily Zircon and Rutile Non-Magnetic concentrate, economic models suggest an NPV of AUD\$68.9m with an IRR of 87.9% and that the full development costs can be funded from the previously announced equity placement.

Engineering plans are substantially progressed for dry separation of the magnetic concentrates, which would enable the separation and sale of Ilmenite and Garnet which will further enhance Tormin's economics i.e an NPV of AUD\$94m and IRR of 97%. Development of the required dry processing facilities is expected to cost approximately AUD\$4 million which is expected to be funded from the Company's internal resources.

The Company has noted recent reports of a softening market for zircon and rutile. Despite this, as indicated below, demand for the products to be produced from Tormin remains strong. In addition, given the extremely low operating costs (Opex) based substantially in South African Rands (ZAR), Tormin is largely insensitive to changes in capital expenditure or Opex. Importantly in this regard, a 10% reduction in commodity prices is offset by a 5% devaluation of the ZAR. Accordingly, the recent 15% devaluation of the ZAR to the AUD (8.2 to 9.4) allows for a 30% reduction in commodity prices before the economic models are negatively affected. Based on the above, the Company does not believe that it is appropriate to change its economic forecasts at this time.

Product Off-take discussions

Tormin will produce approximately 48,000 tonnes pa of enriched Non-Magnetic concentrate containing 38,000 tonnes of Zircon and 5,500 tonnes of Rutile. This material will require secondary treatment through a third party dry separation plant. In addition, the Company will produce approximately 100,000 tonnes to 125,000 tonnes of finished Ilmenite product once MRC installs its own dry processing infrastructure in early 2014. Garnet concentrate will also be sold to Blastrite for secondary treatment.

Based on the expected production and timetables indicated above, in the last quarter MRC has prepared samples of the products and engaged with potential take-off partners. Demand for the Tormin Ilmenite and Non-Magnetic concentrate has been strong and the Company is advanced with negotiations for all products.

The Company's board of directors will be attending Mining Indaba in Cape Town in February 2013 which will also be attended by the majority potential take-off partners. Based on the discussions planned for that period, MRC is confident that it will be in a position to complete product off-take agreements and product off-take financing, if required, for the majority of the products in the first quarter of 2013.

Offshore Prospecting Rights

During the quarter MRC also advised that its subsidiary, MSR, received notification from the Department of Mineral Resources (DMR) that the application for the prospecting rights for the offshore area immediately adjacent to Tormin had been approved.

The offshore prospecting area covers an area of 12 square kilometres 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 beach deposits is a Heavy Mineral-rich offshore zone and that the dynamic coastline serves to replenish the beaches by transporting sediment from deeper waters. The Company is optimistic that that replenishment from, or exploitation of this area could at least double the expected Life of Mine of Tormin.

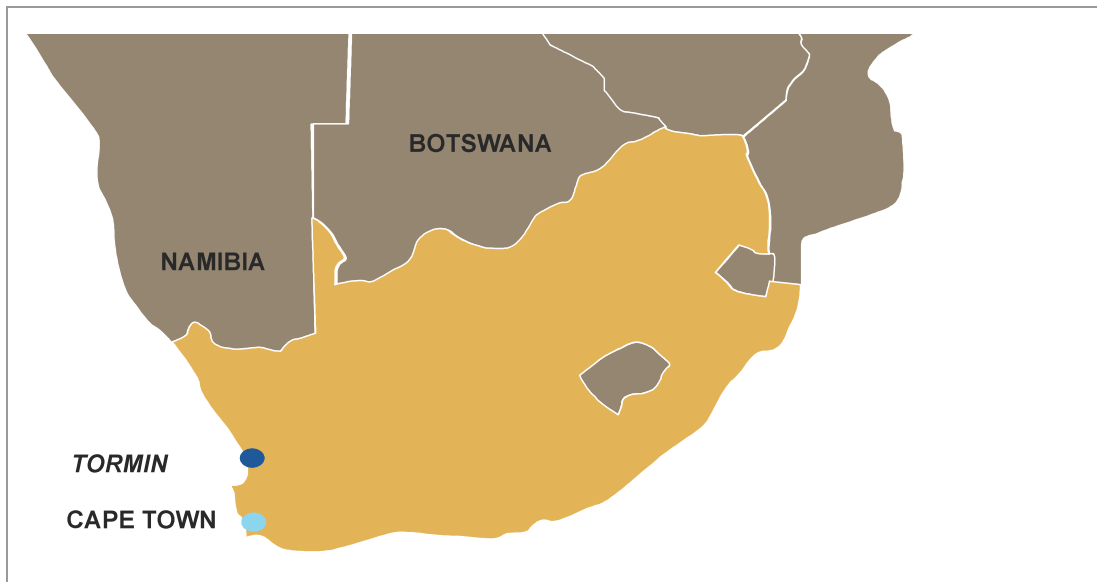
The offshore prospecting right consequently represents the first step in MRC's initiatives to significantly extend the Tormin Life of Mine. The Company intends to commence a test program to identify and quantify the beach replenishment in the first quarter of 2013.

Background

Tormin is located on the west coast of South Africa, approximately 400km north of Cape Town. The predominant minerals of value are Zircon and Rutile which are contained in a high grade beach placer deposit north of the Oliphants River outfall.

A DFS commissioned by MRC demonstrated that Tormin can produce an enriched Non-Magnetic saleable concentrate containing predominately Zircon and Rutile. The base case derived from the DFS provides for hydraulic mining and primary concentration of the deposit through spiral plants on the beach. Thereafter, the concentrate will be transferred to a secondary concentration plant (SCP) where it will be further upgraded by spirals, wet magnetic separation (LIMS and WHIMS), and screens before being bagged prior to shipment to destination markets.

MSP Engineering completed the process engineering, including PFD's, P&ID's, Mass Balances and Process Design Criteria, based on the DFS and submitted designs for the primary wet concentrators based on the beach and the SCP. The engineering design provides for primary beach concentration of 1.1 Mtpa producing approximately 48,000 tonnes of Non-Magnetic concentrate grading up to 80% Zircon and 10% Rutile. Provision has also been made to produce various magnetic concentrates for further processing these through dry plants should those project economics allow.



Funding

MRC successfully completed the book build for a placement of new fully paid shares to institutional and sophisticated investors and related parties, to raise approximately A\$14.5 million (before costs) ("**Capital Raising**").

The shares under the Capital Raising were issued at a price of A\$0.085 per share ("**Issue Price**"), which represents the closing price of MRC's shares on 22 October 2012.

London Based Mirabaud Securities LLP acted as Sole Broker and Bookrunner on the Capital Raising.

The Capital Raising was completed in three tranches: the first tranche of approximately A\$10.25 million to institutional and sophisticated investors ("**Placement**"); the second tranche of approximately A\$3.4 million will be issued to related parties of the Company; and the third tranche will be issued by way of a private placement of approximately \$850,000 to a sophisticated investor who participated in the first tranche ("**Private Placement**").

MRC will issue approximately 170.5 million Shares in total pursuant to the Capital Raising. The first tranche of the Shares issued pursuant to the Placement of approximately 120.6 million Shares were admitted to trading on the ASX on 30 October 2012 and completed in accordance with shareholder approval received on 31 May 2012.

Existing directors of MRC will subscribe for up to A\$3.4 million in Shares on the same terms as those issued to third party investors under the Placement. The issue of Shares to directors of MRC was approved by shareholders on 21 December 2012.

The issue of approximately 9.9 million Shares pursuant to the Private Placement will occur immediately following the issue to existing directors of MRC.

The Company is now positioned to proceed with the full scale development of Tormin, particularly as there is sufficient indication from the ongoing tender process that the capital required to complete the development will be available to the Company when required.

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

The Xolobeni Mineral Sands Project (Xolobeni) resource is 346 million tonnes of 5.0% heavy mineral, with 65% of this resource in the Measured category.

Xolobeni is therefore regarded as **one of the largest undeveloped mineral sands resources in the world containing in excess of 9,000,000 tonnes of ilmenite.**

In November 2011 the DMR extended the prospecting rights over the Xolobeni project, excluding the Kwanyana block, for a further period of 3 years. During the first quarter of 2012, this right was executed and submitted for registration and subsequently registered by the DMR in the third quarter of 2012.

MRC has also previously advised that the DMR had withdrawn the previously granted Conditional Mining Right over the Kwanyana block and that it was engaging with the DMR and Minister in relation to these matters. Based on this, the Company resolved to withdraw all previous applications in respect of the Kwanyana block and immediately file a new PRA over the same block.

The benefit of this approach is that the Kwanyana block will be re-aligned with the rest of the Xolobeni project which will enable the Company to progress its application to develop Xolobeni in its entirety and, in so doing, demonstrate that this can be undertaken responsibly and sustainably in the interests of all stakeholders.

The DMR accepted the new PRA over the Kwanyana block in the first quarter of 2012 and, in accordance with prevailing legislation, directed the Company to submit an Environmental Management Plan (EMP) for the prospecting work and details of its engagement with all stakeholders with an interest in the project. The Company compiled an EMP for the Kwanyana block prospecting work and undertook a comprehensive stakeholder engagement process (SEP) during the second quarter of 2012. The EMP and SEP report were also lodged with the DMR in accordance with the required timetable.

A number of objections to the PRA were received. Accordingly, the DMR was required by law to call a meeting to consider the objections and a representations made by the Company. This meeting was held on 28 November 2012.

Based on the information presented at that meeting, the DMR has instructed the Company to undertake additional consultation with parties that have an interest in the project. Planning for this consultation is currently in progress and the consultation is expected to be concluded within the first quarter of 2013.

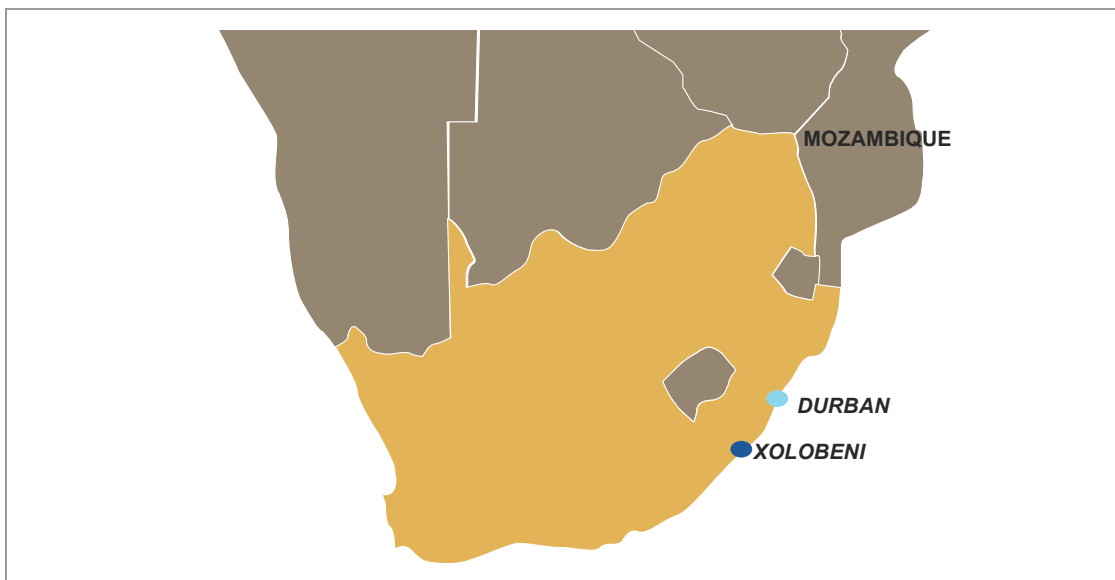
ANC supports Xolobeni Mineral Sands Project

In a significant development, online news service Fever-red has reported that ANC Secretary-General, Gwede Mantashe, has publicly called on mayors and councilors to change the mindsets of communities fighting against the proposed N2 toll road and granting of licenses for mining at Xolobeni.

Mantashe also pointed out that the region *“is one of the poorest areas”* and *“he believes it will be well served by a road system and mining that will increase access, which in turn will create an enabling environment for unlocking the development potential of the area.”*

The Company is encouraged by the continuing momentum that is building for the development of Xolobeni and is confident that, once all final studies are completed, the economic and social benefits of Xolobeni to uplift the local Amadiba population will create a compelling case for the continued support of its development and show beyond doubt that mining can co-exist with environmentally responsible development.

The Xolobeni Mineral Sands Project (Xolobeni) is located in the Eastern Cape Province of South Africa approximately 300km north of East London and 200km south of Durban.



CORPORATE

Appointment of Independent Non-Executive Directors

Shareholders approved the appointment of Mr James Leahy and Mr Guy Walker as directors of the Company at the general meeting held on 21 December 2012.

Mr Guy Walker

Mr Walker has over 20 years financial markets experience as a director and senior investment management executive. Mr Walker currently sits on the boards of several companies, including Metals Exploration plc (an AIM listed gold development company), Navigator Resources (an ASX listed gold production company), and ENK plc (a Nickel mining company). Mr Walker is a former Fund Manager and Chief Operating Officer of Talisman Global Asset Management Limited and former Group Treasurer of the William Pears Group. Mr Walker joined Talisman in March 2000 and held the positions of Fund Manager and Chief Operating Officer until April 2006. During this period he supervised the growth of Talisman from its infancy to a fully registered UK FSA investment management company with over £500 million under management. As Group Treasurer for over six years of the William Pears Group, a multi-billion pound company, he was responsible for the group's treasury function, arranging company financing and negotiating banking facilities.

Mr James Leahy

Following a period on the London Metal Exchange, Mr Leahy has spent the past 27 years in the mining industry as a specialist corporate broker, including mining finance, origination and equity sales. He has worked on a wide range of projects worldwide, ranging from industrial minerals, precious metals, copper, diamonds, coal, uranium and iron ore. Mr Leahy has substantial experience with international institutional fund managers, hedge funds and sector specialists. Over the years Mr Leahy has been involved in more than 30 IPO's and a large number of primary and secondary placings, as well as developing junior companies through to production and beyond. Mr Leahy is currently a director of Continental Coal, Bacanora Minerals and Forte Energy.

Both James and Guy bring a wealth of experience to the Board of MRC, and will assist in enhancing the governance processes of the Company as it develops and implements its strategy of being of a significant participant in the mineral sands market.

The new MRC board of directors will hold its first board meeting in Cape Town in February 2013. By coinciding the meeting with Mining Indaba, the board will be able to meet with the DMR and local partners in relation to the Company's projects, as well as potential take-off partners and investors who will also be at the event. The board will also be hosting a visit to Tormin with members of these groups.

Investment in Petro Ventures International Limited

The Company maintains a significant investment in Petro Ventures International Ltd ("PVIL"), an Exploration & Prospecting company operating in the Northern Hemisphere. PVIL has strategic oil & gas working interests in Romania, Hungary, the Netherlands and France.

PVIL is currently seeking to divest its Romanian interests which should result in a redistribution of capital to PVIL shareholders. The sale process is expected to conclude in the first quarter of 2013.

Cash and Securities

At 31 December 2012, MRC had \$7.7 million in cash (please refer accompanying Appendix 5B).

Securities on Issue

Issued securities at quarter-end comprise:

274,008,021 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

120,615,000 new fully paid ordinary shares were issued on 30 October 2012 pursuant to the capital raising noted previously.

During the quarter 1,000,000 Unlisted Options exercisable at \$0.20 on or before 31 December 2015 were issued to directors of the Company pursuant to shareholder approval received on 21 December 2012 (5,000,000 in total).

5,000,000 Unlisted Options exercisable at \$0.20 on or before 31 December 2015 and 1,000,000 Unlisted Options exercisable at \$0.35 on or before 31 December 2015 were issued to the CEO of the Company.

57,357,208 listed options exercisable at \$0.20 expired on 31 December 2012.

For enquiries in connection with this release please contact:

Andrew Lashbrooke - CEO

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Competent Persons

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 30 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). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

MRC - Resource Statement

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

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(22)	(109)
	(b) development	(147)	(640)
	(c) production		
	(d) administration	(182)	(910)
	(e) Discontinued acquisition	(169)	(1,427)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	30	42
1.5	Interest and other costs of finance paid	(74)	(99)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(564)	(3,143)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	(350)	(350)
	(c) other fixed assets	-	(76)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	-	1,495
	(c) available for sale assets		
1.10	Loans to other entities	(114)	(114)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(464)	955
1.13	Total operating and investing cash flows (carried forward)	(1,028)	(2,188)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,028)	(2,188)
1.14	Cash flows related to financing activities Proceeds from issues of shares, options, etc net of transaction costs.	9,708	9,708
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	1,433
1.17	Repayment of borrowings	(1,433)	(1,433)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	8,275	9,708
	Net increase (decrease) in cash held	7,247	7,520
1.20	Cash at beginning of quarter/year to date	522	249
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	7,769	7,769

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 \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	36
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$17,750 is directors' fees for non-executive directors.
\$18,000 is secretarial and administration fees

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.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	30
4.2 Development	2,900
4.3 Production	-
4.4 Administration	700
Discontinued Operations	
Total	3,630

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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,769	522
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,769	522

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	274,008,021	274,008,021		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs	120,615,000	120,615,000	\$0.085	\$0.085
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>			<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2012
7.8 Issued during quarter				
7.9 Exercised during quarter	8,322	(issued and quoted in early Jan 13)	\$0.20	31/12/2012
7.10 Expired during quarter	57,348,886		\$0.20	31/12/2012
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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: 31 January 2013

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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+ See chapter 19 for defined terms.