

Mineral Commodities Ltd

ACN 008 478 653
ABN 39 008 478 653

40 Murray Road North
Welshpool WA 6106, Australia
PO Box 235, Welshpool DC WA 6986, Australia
Telephone: 61 8 6253 1100
Facsimile: 61 8 9258 3601
Email: info@mineralcommodities.com
Web: www.mineralcommodities.com

Quarterly Activities Report For the Period Ended 31 March 2014



Production commences at high grade zircon/rutile Tormin mineral sands project

Tormin

- Production commences for Tormin
- Tormin officially opened by Minister Shabangu
- 265,000 man hours LTI free
- 84,674 tonnes of Ore mined grading > 49% HM including Zircon grade > 6%
- 118,000 tonnes processed through SCP
- 7,942 tonnes Zircon/Rutile concentrate produced
- 20,620 tonnes of Ilmenite concentrate produced
- 40,036 tonnes of Garnet concentrate produced
- 99% of Mined Beach (>150,000 tonnes since inception) replenished through normal tidal movements

Xolobeni

- One of the world's largest undeveloped mineral sands resources
- Additional consultation completed and minutes submitted to DMR
- Baseline study work commenced
- Phase 1 of water studies completed
- Subject to permits, studies and finance potential development in 2016

Sales

- 6,916 tonnes Non-mag Zircon/Rutile concentrate sold to Wogen Pacific
- 2,615 tonnes of Garnet concentrate delivered to Blastrite
- Agreement with Tronox to test 15,000 tonnes of Ilmenite concentrate

Corporate and Cash

- Securities: 404M shares & 11M options.
- Cash: \$0.24m as at 31 March.
- Debt: Pre-financing Facility USD 2m
- Finance discussions underway to establish a working capital facility of up to \$4m.

For enquiries regarding this report please contact:
Andrew Lashbrooke - CEO
+27 21 4171700

TORMIN – FULLY COMMISSIONED AND OPERATIONAL

Safety

In excess of 175,000 man hours were required to construct and commission Tormin without a lost time injury (LTI).

This exceptional record has been maintained through the quarter during the commencement of operations and to date the Company's safety record reflects more than 265,000 man hours without an LTI.

Mining

The beach conditions experienced at the start of mining operations in December 2013 continued into the first quarter.

During the quarter 84,674 tonnes of ROM ore grading between 46% and as high as 86% HM had been mined and transported to the Secondary Processing Plant (SCP) for processing. ROM Zircon grades with greater than 6%, were graded and exceeded budget of 3.5%

From the commencement of mining operations to the end of the quarter 151,638 tonnes of ROM ore had been transported to the SCP, 99% of this mines beach had been replenished over the same timeframe through normal tidal movements.

The Company has built a substantial ROM stockpile at the SCP site of 76,500 tonnes.

Mining costs for the Quarter remain in accordance with Budget.

Processing

The Company processed 118,000 tonnes through its SCP for the Quarter, which was in accordance with Budget.

Processing costs remain below budget, and the Company is confident that processing costs could further be reduced in line with anticipated budget processing capacity being reached.

The Company produced 7,942 tonnes of non-magnetic concentrate, 40,036 tonnes of Garnet concentrate and 20,620 tonnes of Ilmenite concentrate.

As reported previously, the premature failure of the SLON magnetic separators, combined with the high grade ROM direct from the beach required the Company to make a number of changes to the SCP to accommodate the enhanced head ROM feed. The most significant of these was the introduction of an additional spiral stage using one of the Primary Beach Concentrators (PBCs) before the SCP. This served to ensure that the SCP received a more constant head grade and allowed a more efficient gravity separation of Silica contained within the ROM Feed.

During the Quarter, the SCP ramped up and achieved in excess of 93% availability as well as nameplate throughput with non-magnetic concentrate product being produced within or exceeding design specification of 81% Zircon and 10% Rutile respectively.

The Company commissioned its second PBC, during March, and commenced producing high grade HMC product, for direct feed into the SCP in accordance with original design process parameters.

By the end of the quarter, the challenges of an enhanced head feed had largely been addressed and overcome and the Company is confident of achieving continuous throughput and product output according to nameplate capacity of non-magnetic concentrate 4,000 tonnes per month in the next quarter.

In addition the Company has initiated a de-bottlenecking study, with a view to extracting additional 20-25% of nameplate processing throughput from the existing SCP. The results and first stage implementation will occur in the next quarter.

Sales and Marketing

6,916 tonnes of non-magnetic concentrate (primarily Zircon and Rutile) were shipped to Wogen Pacific in the quarter. Total sales revenue for the quarter after in-country conversion and marketing charges, were A\$4,588,000.

A further 1,026 tonnes of non-magnetic concentrate had been produced and in stock awaiting shipment. The Company consequently produced 7,942 tonnes of non-magnetic concentrate in the quarter.

The predominant reason for Sales failing to meet budgeted forecast, of 12,000-tonnes, was due to the failure of the Primary SLON magnetic separator and ramp up of SCP Processing Plant to nameplate throughput and production.

In line with SCP processing reaching nameplate through put and capacity towards the end of the Quarter, the Company remains confident of production and future sales forecasts of 4,000 tonnes per month of non-magnetic concentrate.

Demand for the Company's non-magnetic concentrate remains strong in the Chinese Market due to the ceramic grade quality of the finished Zircon product.

Average Zircon and Rutile prices remain stable and in line with current market reconnaissance suggest some upward price enhancement moving forward for the balance of calendar 2014.

The first Quarter, as expected, established the South African in-country logistical processes, as well as the Chinese in-country conversion processes and performance.

The Company is confident that further streamlining of both processes, in terms of logistical efficiency and cost reductions to in-country conversion, will add benefit to the net revenue received for its concentrate, for the balance of calendar 2014.

Delivery of Garnet concentrate commenced in February to Blastrite. Initial Garnet concentrate sales have been slower than expected due to the fine-tuning of Garnet concentrate specification, and a ramp up of Blastrite's Garnet Processing Facility in Lutzville.

By the end of the quarter the Company achieved 2,615 tonnes for sales revenue of A\$17,000.

A further Garnet concentrate stockpile on hand of 35,471 tonnes will be shipped in the coming months in conjunction with future production.

Negotiations in respect of the Ilmenite produced at Tormin continued during the quarter. By the end of the period, 17,632 tonnes of Ilmenite concentrate had been stockpiled and the Company had agreed to deliver 15,000 tonnes of this material to Tronox Namakwa Sands in the June quarter for trial test purposes – if successful future pricing will be set in accordance with performance recovery criteria and final specification of finished product.

Tormin - Offshore Prospecting Activities

MRC has previously reported that a prospecting right for the offshore area immediately adjacent to Tormin was awarded towards the end of 2012. The offshore prospecting area covers an area of 12km² 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 Tormin beach deposit is a Heavy Mineral-rich offshore zone and that the dynamic coastline serves to replenish the beaches by transporting sediment from deeper waters.

As previously noted, to date 99% of the area mined has replenished through normal tidal movements. The Company continues its work on the replenishment studies to determine the dynamics of the grade and quantum timing of the mineral sands redeposit.

The Company has received a number of proposals to drill and sample the offshore area and re-define the existing beach resource. The program, which will be subject to final selection of drilling techniques and Contractors to ensure integrity of sampling collection, prevailing weather and will be accelerated upon sourcing a working capital facility. The programme has not yet commenced. This will be pursued in the June quarter.

Based on the Company's confidence in the extent of this resource, an application has been made subsequent to the quarter end to extend the prospecting area from 1km seawards of the low water mark to 10km offshore. This will increase the prospecting area and potential resource area available to the Company from 12km² to 120km².

Xolobeni Mineral Sands Project

MRC holds the prospecting rights to four of the five blocks in the Xolobeni Mineral Sands Project (Xolobeni). The Company has previously advised that, due to objections received to the prospecting right application to the remaining block, the Kwanyana block, the DMR instructed the Company to undertake additional public consultation in relation to the project. The public consultation took place in early 2013 and feedback from the meetings was submitted to the DMR in the second half of that year.

Based on a review of stakeholder engagement reports submitted by the Company, the DMR instructed the Company on 22 January 2014 to undertake a further round of consultation with a number of political stakeholders. These included the local royal family, the Eastern Cape Cabinet, the district municipality, the local municipality and the local chamber of commerce. This consultation was undertaken and completed by the end of the quarter and a full report submitted to the DMR.

While the level of consultation undertaken to date has been extensive, the Company has undertaken the work as a display of good faith and its commitment to develop and operate Xolobeni transparently and sustainably in the interests of all stakeholders. Given this and the substantial amount of support for the project evident through the consultation, the Company remains optimistic that the DMR will award a new prospecting right over the Kwanyana block in the next quarter enabling the Company to do the final work necessary to submit a mining right application for the entire Xolobeni project as soon thereafter as possible.

Xolobeni Baseline Studies

In the interim, work has commenced on preparation for the various baseline studies that are required as part of the prospecting works programme and in preparation for an application for a mining right for Xolobeni. This includes the appointment of a specialist water expert who has already provided initial feedback from site reviews and engagement with the Department of Water Affairs.

The second phase of the water studies will be undertaken in the next quarter. The focus of this phase is to confirm the level of water abstraction that will be possible from the local rivers and confirm water storage options. This work will form the basis of the Company's water use license application which will commence as soon as possible after the results are available.

CORPORATE

Cash and Marketable Securities

At 31 March 2013, MRC had A\$0.24 million in cash and A\$0.10 million in marketable securities.

In addition a further A\$1.87 million is due and owing from the sale of product subsequent to quarter.

As indicated previously, sales revenue for the quarter was impacted by an adverse mechanical failure, on commissioning and normal ramp up production to steady state operation.

The operating performance for the first quarter indicates the key inputs that support the project economics remain sound. In addition the confidence in the Resource and its replenishability continues to grow, based on ROM operating performance and reconciliation to date.

Having commenced production and shipment of product, various financial institutions have indicated a willingness to provide standby working capital facilities.

The Company is seeking to establish a facility of up to \$4m to assist with short term working capital requirements resulting from lower than forecast sales in the first quarter and to allow the Company to proceed with its planned de-bottlenecking and exploration replenishment drilling and study programs without delay. Major Shareholders have indicated their willingness, if necessary, to support and provide a finance facility on commercially arms-length terms, if requested by the Company.

The Company expects to have a facility in place by the end of May 2014.

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

RECENT PHOTOS OF ACTIVITY AT TORMIN



L to R: Andrew Lashbrooke (CEO), Mark Caruso (Executive Chairman), Madiba Qunya (Blue Bantry), Ms Susan Shabangu, MP (Minister of Mineral Resources), Mr Gugile Nkwinti (Minister of Rural Development and Land Reform)





APPENDIX 1 - ABOUT TORMIN MINERAL SANDS

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.



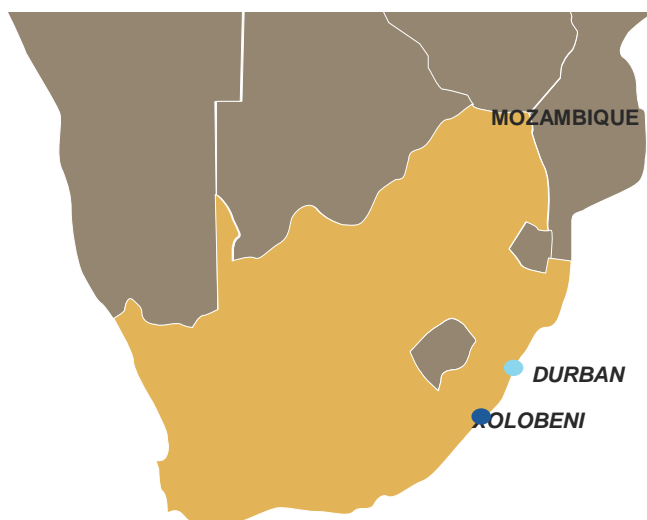
A base case derived from the DFS provides for hydraulic mining and primary concentration of the deposit through spiral plants on the beach. Thereafter, the concentrate will be transferred to a SCP where it will be further upgraded by spirals, wet magnetic separation (LIMS and WHIMS), and screens before being bagged prior to shipment to destination markets. The engineering design provides for primary beach concentration of 1.2 Mtpa producing approximately 48,000 tonnes of Zircon/Rutile Concentrate grading up to 80% Zircon and 10% Rutile.

A Proposed Phase Two provides for further processing through construction of a dry mineral separation plant (MSP) to produce various magnetic concentrates, including up to 125,000 tpa Ilmenite and 100,000 tpa of Garnet.

The Company has also received a number of proposals for the Ilmenite to be produced from Tormin. The Ilmenite concentrate is currently being stockpiled until an offtake is finalised and the additional plant required to produce this product is acquired and installed. Delivery of the Garnet concentrate to Blastrite commenced in February 2014 under the terms of that offtake agreement.

MRC has also previously indicated the presence of a small but valuable rare earth, Xenotime, within the Tormin mineral suite. Given the value of Xenotime at approximately \$11,000 per tonne, recovery of it has the capacity to add significant value to the Project. Further test work to ascertain whether the Xenotime can be commercially recovered are under way and the Company hopes to be able to make an announcement in this regard in the near future.

APPENDIX 2 - ABOUT 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.

The 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.

APPENDIX 3 - 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 4 – 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 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). 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.

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 March 2014 |
|---------------|

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to Date \$A'000 |
|---|-------------------------------|---------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 2,716 | 2,716 |
| 1.2 Payments for (a) exploration & evaluation (b) production (c) administration | (125) (1,928) (467) | (125) (1,928) (467) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 5 | 5 |
| 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 | 201 | 201 |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) Development expenditure (c) other fixed assets | (1,653) | (1,653) |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) available for sale assets | - | |
| 1.10 Loans to other entities | | |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | | |
| Net investing cash flows | (1,653) | (1,653) |
| 1.13 Total operating and investing cash flows (carried forward) | (1,452) | (1,452) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,452) | (1,452) |
| 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 | - | |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other (provide details if material) | | |
| Net financing cash flows | | | |
| Net increase (decrease) in cash held | | (1,452) | (1,452) |
| 1.20 | Cash at beginning of quarter/year to date | 1,694 | 1,694 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 242 | 242 |

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 | 143 |
| 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

Financing facilities available

Add notes as necessary for an understanding of the position.

| Amount available \$A'000 | Amount used \$A'000 |
|-----------------------------|------------------------|
| | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|-----|-----------------------------|------------|------------|
| 3.1 | Loan facilities | US\$ 2,000 | US\$ 2,000 |
| 3.2 | Credit standby arrangements | Nil | Nil |

Estimated cash outflows for next quarter

| | | \$A'000 |
|--------------|----------------------------|--------------|
| 4.1 | Exploration and evaluation | 100 |
| 4.2 | Development /fixed assets | 2,000 |
| 4.3 | Production | 5,507 |
| 4.4 | Administration | 730 |
| Total | | 8,337 |

Note: The Company is now in production with sales revenue being generated. The Company is also seeking to establish a working capital facility during the coming quarter.

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 | 242 | 1,694 |
| 5.2 Deposits at call | | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 242 | 1,694 |

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 | 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> | | | | |
| 7.8 Issued during quarter Unlisted Options | 10,000,000 | | <i>Exercise price</i> \$0.20 | <i>Expiry date</i> 31/12/2015 |
| Unlisted Options | 1,000,000 | | <i>Exercise price</i> \$0.35 | <i>Expiry date</i> 31/12/2015 |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |

+ See chapter 19 for defined terms.

| | | | | |
|------|---|--|--|--|
| 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 give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 30 April 2014

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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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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+ See chapter 19 for defined terms.