



## Mineral Commodities Ltd

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30 January 2009

Australian Stock Exchange  
Company Announcements Office

### QUARTERLY ACTIVITIES REPORT

### FOR THE PERIOD ENDED 31 DECEMBER 2008

#### HIGHLIGHTS

- Mining Right for Tormin Mineral Sands Project executed along with Steenvas Mining Right Conversion
- Successfully completed a capital raising via a placement of shares to raise approximately \$368,000

#### XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

##### Background

The Xolobeni mineral sands deposit is located in the Eastern Cape Province of South Africa approximately 300 kilometres north of East London and 200 kilometres south of Durban.

Between June and November 2002 a detailed drilling programme over the Sikombe, Kwanyana and Mnyameni blocks within the tenement was completed.

A resource estimate was completed by SRK Consulting using the data. The Xolobeni Mineral Resource is estimated to be 346 million tonnes of 5.0% heavy mineral, with 65% of this resource in the Measured category. A Desktop Mining Study ("Study") was then undertaken by SRK using the resource estimate.

The Xolobeni Project is regarded as **one of the largest undeveloped mineral sands resources in the world containing in excess of 9,000,000 tonnes of ilmenite**. The Study concluded that the Xolobeni mineral sands deposit is economically viable with a mine life of some 22 years, producing some 250,000 tonnes per annum (tpa) of ilmenite as well as 19,000 tpa of rutile, 15,000 tpa of zircon and 15,000 tpa of leucoxene.

Area	Status	Tonnes (million)	% HM	% Ilmenite
Sikombe	Measured	85	5.5	3.1
Kwanyana	Measured	139	5.8	3.1
Mnyameni	Indicated	104	4.1	2.2
Mpahlane	Inferred	18	2.3	1.6
<b>TOTAL</b>		<b>346</b>	<b>5.0</b>	<b>2.7</b>

**Table 1: Xolobeni Mineral Resource, 2003 at 1% Heavy Mineral Cut off Grade**

#### Mining Right Application

In March 2007, Mineral Commodities Limited's (MRC's) majority owned South African subsidiary Transworld Energy and Minerals Resources SA Pty Ltd ("TEM") lodged the Mining Right Application for the Xolobeni heavy mineral sands project with the Department of Minerals and Energy ("DME") in Port Elizabeth.

TEM has since completed the Environmental Impact Assessment ("EIA"), which was submitted to the DME on 22 October 2007. After a series of government department and public meetings aimed at reviewing the scope and outcomes of the EIA and accompanying Environmental Management Programme ("EMP"), an updated EIA was resubmitted on 20 December 2007. This report addressed the various matters arising from the consultation process.

On 4 August 2008 MRC announced that it had received notification from the DME that the DME will proceed to grant the Mining Right to TEM for the Kwanyana block within the Xolobeni mineral sands tenement area. The remaining blocks (Sikombe, Mnyameni and Mpahlane) will be held under a Prospecting Right valid to 2010 which can be extended until applications are made to convert each block into a Mining Right.

The Kwanyana block represents approximately 30% of the mining area and contains around 46% of the total insitu ilmenite resource (see above Table 1).

Initial indications were that the Xolobeni Mining Right would be signed on 31 October 2008. The Minister and a high level delegation visited the Xolobeni Project in August and in an open meeting with the AmaDiba community members addressed by the Minister in their native language "Xhosa", advised that the Xolobeni Mining Right would be granted. However in September 2008, the Company was advised that on behalf of the AmaDiba Crisis Committee (the ACC) and its members, the Grahamstown office of the Legal Resources Centre filed a Notice of Appeal ("the Appeal") with the Minister of Minerals and Energy (the Minister). The ACC requested the Minister to suspend and then appeal the decision to grant the Mining Right.

MRC believes that due to the socio-economic importance of the Xolobeni Project to the area, the Minister and the Department of Minerals and Energy will continue to support the issuing of the Xolobeni Mining Right, however the issue date has been deferred pending the outcome of the Appeal.

## **TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)**

### **Background**

The Tormin Project is based on a beach sand deposit located on the west coast of South Africa, approximately 400km north of Cape Town. The deposit is strategically situated close to Trans Hex Group's (THG) diamond mining operations and approximately 50km south of Anglo American Group's Namakwa Sands' large scale heavy mineral sands mining operation located at Brand se Baai.

The Project is also located close to Koekenaap from where Tormin's planned output of mineral concentrate can be transported by existing inland rail some 200kms to the export port at Saldanha Bay.

In 2005 Bateman Engineers conducted a feasibility study on the Project including pilot processing test work which demonstrated that high quality zircon (ceramic grade) and Hi Ti product could be produced from the Tormin material. The Company subsequently commissioned an independent review by South African engineering consultants RSV K'enyuka to further refine the flow sheet including investigating the viability of only producing a non-magnetic zircon enriched heavy mineral concentrate which would not require a Mineral Separation Plant ("MSP") thereby significantly reducing the capital and operating costs.

The Tormin Project has been scoped to produce an enriched non magnetic concentrate containing predominately zircon and rutile. The results of the study by RSV K'enyuka are being refined and various engineering firms have been approached to undertake the final design and construction of the processing plant and the mining operations.

The Tormin Project was previously investigated by THG who estimated the Mineral Resource at 3.43Mt containing 81,300t zircon and 20,200 of rutile in Measured, Indicated and Inferred categories based on RC drilling. As part of a review to update the Mineral Resource it has been re-estimated using the THG RC drilling data and results of the MSR bulk sampling program. The revised estimate is 2.71Mt containing 76,100t zircon and 18,300t rutile.

### **Mining Right Application**

The Tormin deposit is covered by two tenements, one held by the Company and the other held in the name of Steenvas Pty Ltd but under option to the Company.

As announced on 28 November 2008, the Mining Right and the Steenvas Mining Right Conversion were executed by the respective companies and the DME.

The execution of the mining right was underpinned by the entering into of a new Black Empowerment arrangement with Xolco, the Company's BEE partner on the Xolobeni Mineral Sands Project.

The Company has commenced proceedings to appoint an EPCM contractor to complete the final plant design and engineering with construction expected this year.

Subsequent to quarter end, the Company also announced that the DME has granted to its South African subsidiary Mineral Sands Resources (Pty) Ltd, a Reconnaissance Permit (Permit) over the marine area adjacent to its Tormin Minerals Sands Project.

The area is 12km long, and 1km wide from the low water mark out to sea representing 1280ha. The Permit allows for the prospecting of zircon, ilmenite, garnet, leucoxene and rutile. The Company is required to submit an Environmental Management Plan to the DME by 27 February 2009.

## **SIERRA LEONE DIAMOND OPERATIONS UPDATE**

The Company's wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, owns the No. 11 Oversize Tailings Dump at Koidu. The operations remain under care and maintenance following the failure of the 80tph diamond pan plant supplied by ProMet Engineers Africa (Pty) Ltd.

The MRC Board has resolved in earlier quarters to divest either Kariba Kono (SL) Ltd or its assets.

The Company reported on 25 August 2008 that the Heads of Agreement with ROK Diamonds had been terminated due to certain legal impediments in place in Sierra Leone which prevented the asset divestment. MRC are working with its Sierra Leone lawyers to clear these legal impediments so that an asset sale can proceed as soon as possible.

### **Legal Proceedings - Australia**

On 12 October 2007 the Company commenced legal proceedings in the Federal Court of Australia against Promet Engineers Africa (Pty) Ltd (Promet), Promet Engineers Pty Ltd, James Dinsdale Cribbes, Robert John Bennett and Richard George Ford for breach of contract, misleading and deceptive conduct and breaches of the Trade Practices Act in relation to the diamond pan plant in Sierra Leone.

On 10 December, 2008 the Company attended a mediation in the Federal Court of Western Australia with ProMet Engineers and its insurer ACE Insurance Australia. On 27 January 2009, the Company announced that the parties agreed to settle for an amount of AUD\$2 million to be paid to MRC without admission of liability.

All plant and machinery delivered under the construction contract remains in the possession and ownership of MRC.

The funds which have been received will be used to expedite the development of the Company's Tormin Mineral Sands Project in South Africa along with providing working capital to the MRC Group.

## **PETRO VENTURES INTERNATIONAL LIMITED - INVESTMENT**

### **Background**

During the quarter the Company continued as a seed capital investor in Petro Ventures International Limited (Petro Ventures) holding a 9.31% stake. Petro Ventures has secured three project areas in the UK, offshore Romania and onshore Hungary. Petro Ventures working interest in the projects is 5%, 20% and 10% respectively.

### **United Kingdom**

#### **West Breagh**

The West Breagh well was spudded on 3<sup>rd</sup> November 2008 and penetrated (initially as a pilot hole) the gas bearing reservoir sands at an angle of 70 degrees. This pilot hole confirmed the consistency of reservoir sands encountered in the earlier Breagh wells. This hole was subsequently cemented and has been sidetracked as a horizontal well, penetrating in excess of 1200 ft of reservoir sands. Preparations are now underway to test the well and the operations are expected to be completed by the end of 3<sup>rd</sup> week of January.

## UK 25<sup>th</sup> Offshore Licencing Round

On 13 November the company was advised that it had been successful in the UK 25th Offshore Licensing Round awards, which were announced on November 12th by the UK Department of Energy and Climate Change. The blocks awarded are 42/10 and 42/15, which are immediately adjacent to Sterling's existing 12 block position surrounding the Breagh gas discovery. Sterling is to be the operator of the newly awarded blocks and will hold a 60% working interest.

The main attraction with the new blocks focuses on a sizeable discovery on 42/10 in the Yoredale sands (which are geologically similar to the Breagh Reservoir). The 42/10-2z well drilled by Mobil Oil in 1996 tested 8 million standard cubic feet of gas per day (MMscf/d) and was drilled just before the original Mobil Oil well on Breagh (1997), using the same type of water-based drilling fluid which is now known to be less than optimal. The structure is reasonably well defined by existing seismic data which will be supplemented by new data.

In addition, the 42/15a-2 well drilled by Total in 1990, tested gas from the Zechstein Formation at 7.6 MMscf/d and 0.15 MMscf/d from the underlying Carboniferous (Scremerston) Formation. On Block 42/15, there is also a small Triassic Bunter discovery which tested at 19.6 MMscf/d from the 42/15b-1 well drilled by Total in 1984.

The addition of this new area, in concert with the existing discoveries, and following the recent Breagh successes will continue to add momentum to the newly developing infrastructure plans.

## **CORPORATE**

### Investment in Allied Gold Limited (ASX listed : ALD)

Allied Gold Limited (ALD) is a listed gold production and exploration company with the Tabar Islands Gold Project in Papua New Guinea as its principal asset. This comprises the Simberi Oxide Gold Project and exploration property on the Tabar Islands Group. ALD successfully commissioned its processing plant operation and poured its first gold in February 2008 and has continued to announce successful exploration results along with a recent Resource upgrade

MRC is one of the largest shareholders in ALD and currently holds a direct interest in 3.77% (approximately 15.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's shareholding at 31 December 2008 was \$6.51 million (previous quarter reported \$5.35 million).

### Capital Raising

During the quarter, the Company successfully placed 18.4 million shares at \$0.02 to raise approximately \$368,000. The placement was made to Exempt Investors under the Company's 15% capacity under the ASX Listing Rules.

The funds raised by the placement were used to meet certain upfront payments associated with the development of the Tormin Mineral Sands Project.

### Cash and Marketable Securities

At 31 December 2008, MRC had \$0.75 million in cash with a further \$6.5 million in marketable securities. In aggregate this represents 5 cents per MRC share.

MRC sold 2 million ALD shares during the December quarter realising approximately \$0.41 million to fund general working capital requirements.

As indicated above, the Company received \$2 million in January 2009 upon settlement of the legal proceedings with Promet and Others.

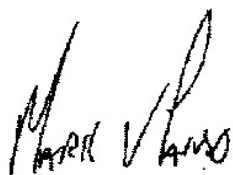
Securities on Issue

Issued securities at quarter-end comprise;

141,393,021 fully paid ordinary shares listed on the ASX

1,750,000 unlisted options exercisable at \$0.30 and 500,000 unlisted options exercisable at \$0.40 expiring 30 September 2009

Yours faithfully



**Mark Caruso**  
Managing Director

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**Competent Persons**

The information in this report that relates to Mineral Resources and Exploration Results for the Tormin Mineral Sands Project is based on information compiled by Greg Steemson who is a Fellow of the Australian Institute of Geoscientists. Greg Steemson 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, Mineral Resources and Ore Reserves. Greg Steemson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources and Exploration Results of the Xolobeni Project is based on information compiled by Daniel Guibal (SRK Consulting) a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

# 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

<b>MINERAL COMMODITIES LTD</b>
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ABN

39 008 478 653
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Quarter ended

31 December 2008
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### Consolidated statement of cash flows

	Current quarter \$'000	Year to date (12months) \$'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(332)	(1,661)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	10	89
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (discontinued operations cost)	(58)	(598)
<b>Net Operating Cash Flows</b>	<b>(622)</b>	<b>(3,159)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of (a) prospects (b) equity investments (c) investment in associate (d) fixed assets (e) Investments in controlled entities	-	(15)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	410	1,386
1.10 Loans to other entities	-	(1,070)
1.11 Loans repaid by other entities	-	1,070
1.12 Repayment of term deposits		
<b>Net investing cash flows</b>	<b>406</b>	<b>1,363</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(216)</b>	<b>(1,796)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(216)	(1,796)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	368	368
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		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>152</b>	<b>(1,428)</b>
1.20	Cash at beginning of quarter/year to date	538	2,178
1.21	Exchange rate adjustments to item 1.20	60	-
1.22	<b>Cash at end of quarter</b>	<b>750</b>	<b>750</b>

**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 \$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	37
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$37,000 is directors' fees for non-executive directors.

**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 \$'000	Amount used \$'000
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

### Estimated cash outflows for next quarter

	\$'000
4.1 Exploration and evaluation	470
4.2 Development	-
<b>Total</b>	<b>470</b>

### 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 \$'000	Previous quarter \$'000
5.1 Cash on hand and at bank	750	538
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Bank Bill		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>750</b>	<b>538</b>

### 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		

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases – issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	141,393,021	141,393,021		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	18,400,000	18,400,000	\$0.02	\$0.02
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases - issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Unlisted 1,750,000 <hr/> 500,000	-	<i>Exercise price</i> \$0.30 \$0.40	<i>Expiry date</i> 30/09/2009 30/09/2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b>				
7.12 <b>Unsecured notes</b>				

## 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 January 2009

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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