



◀ QUARTERLY REPORT 31 OCTOBER 2013



MINERAL COMMODITIES LTD

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30 September 2013

Australian Stock Exchange
Company Announcements Office

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2013

◀ SUMMARY

- ◀ ENTITLEMENT ISSUE INITIATED. COMPLETED POST QUARTER END, HEAVILY OVERSUBSCRIBED
- ◀ TORMIN PROJECT REMAINS ON SCHEDULE AND ON BUDGET
- ◀ CONCENTRATION FROM PILOT PLANT PRODUCED AND SOLD UNDER OFFTAKE AGREEMENT WITH WOGEN PACIFIC

TORMIN MINERAL SANDS PROJECT (SOUTH AFRICA)

Tormin on time and on budget

The focus of the Company's management for the quarter remained centred around Tormin. The project remains on track with its development schedule and to date the project remains under budget. Commissioning of the beach mining and processing infrastructure is set to commence in the next quarter. Commissioning of the secondary concentration plant is expected in November 2013, with full production starting in December 2013.



Engineering, Design and Procurement

By the end of the quarter, all engineering, plant and infrastructure designs had been completed and issued to contractors. Purchase orders for all equipment and construction packages had also been awarded – all at or below budget.



Primary Beach Concentrators (PBCs)

Fabrication of the PBCs was completed by the end of September and they had been pre-assembled prior to delivery to site. Both PBCs units are due to be delivered in October for commissioning. The first material is expected to be processed by the PBCs by the end of October 2013.



Secondary Concentrator Plant (SCP)

Fabrication and construction of the SCP infrastructure, plant and plate-work continued through the quarter and remains on schedule. The process water dams were completed and erection of the steel progressed well. By the end of the quarter the first floor had been completed and the Derrick Screen, Trash Screen and Spirals had been installed. The remaining mechanical equipment installation will be undertaken as the equipment arrives on site according to a pre-agreed schedule. Commissioning of the SCP will commence in November 2013 with full production expected in December.



Mobile Equipment, Light Vehicles and Generators

The Company successfully concluded agreements with Caterpillar (equipment and generators) and Toyota (light vehicles). All of this equipment, which started to arrive on site by the end of the quarter, will be supplied under operating leases with maintenance support provided by the principals.



Development Timetable

The development schedule for Tormin remains on track and on schedule with full production to commence December 2013.

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Engineering + Procurement												
Construction												
PBC'S												
SCP												
Commissioning and Scale Up												
PBC'S												
SCP												

Regulatory Approval

As previously reported the zoning departure was the only remaining regulatory approval for Tormin. During the quarter all necessary stakeholders and government departments unanimously supported the zoning application and formal notification of the zoning departure was received. Tormin now has all the permits necessary to commence mining operations.

Sales and Marketing

The Tormin mine plan and engineering processing design provides for primary beach concentration of 1.2Mtpa producing approximately 48,000 tonnes of Non-Magnetic Concentrate grading up to 80% Zircon and 10% Rutile.

The first shipment of Non-Magnetic Concentrate was processed through the Company's pilot plant during the quarter. A shipment of 100 tonnes of this Non-Magnetic Concentrate was sold under the Marketing Agreement with Wogen Pacific Limited and was shipped to China for tertiary processing. The Company is awaiting final processing results of the Non-Magnetic Concentrate to confirm the final recoveries from the down-stream processing in China although initial feedback has been extremely encouraging. The Company is encouraged that the final processing in China will further enhance the economics of the Tormin Project.

The Non-Magnetic Concentrate also includes the valuable rare earth, Xenotime, which reports to the non-magnetic fraction of the ore body.

The Company is confident of its product sales forecast; with the prices of Zircon / Rutile holding in accordance with the Company's financial model projections and market indications showing that the Zircon supply chain has substantially de-stocked and that output from various producers has started to increase. This would appear to point to the bottom of the cycle having been reached and that prices are expected to stabilise at current levels before increasing slightly on the back of enhanced demand.

MRC continued discussions during the quarter with potential offtake partners for the Ilmenite product which could be produced from Tormin subject to construction of additional dry plant processing infrastructure. The Company remains confident that it will conclude an economically attractive offtake agreement for the Ilmenite in the near future that will justify the investment in the additional plant.

Offshore Prospecting Activities at Tormin Continue

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 12 square kilometers and extends 1km out to sea from the lowwater 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 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 offshore prospecting right represents the first step in MRC's initiatives to significantly extend the Tormin Life of Mine. Consequently, since the award of the prospecting right, the Company has undertaken a series of informal replenishment tests. These tests involved excavating trenches at various intervals along the beach deposit and then allowing them to be filled from the offshore ore body. Assays of the samples taken at each stage were compared to each other and the original Tormin resource test work.



MRC is very encouraged by the results which indicated replenishment to within 10% of the existing heavy mineral gradings. The Company has used the results from the tests to plan formal replenishment studies in conjunction with various specialists, including Professor A Rozendal (Economic Geologist, Stellenbosch University) who co-authored the research study, **"The Geelwal Karoo heavy mineral deposit: a modern day beach placer"**.

The study indicated that:

"The locally high, total heavy mineral content and the favourable ore to gangue mineral ratio, coupled with the possibility of replenishment style mining, make this an attractive resource.

A prominent headland, forming a J-bay just south of the source, prevents large scale dispersion of these sediments by the northward flowing littoral current. The result is an offshore trail of heavy mineral-enriched sand, which is then transported to the beach by wave action. There it is repeatedly sorted and further upgraded to be re-deposited on the beach face during mild weather conditions.

The implementation of replenishment mining of this active beach appears to be a realistic possibility. It is, after all, regularly practised by off-shore diamond mining in several favourable localities. This alternative could considerably increase the reserves and sustain mining for an extended period."

Subsequent to the end of the quarter, MRC has received a formal proposal from Professor Rozendal to formally study the extent of beach replenishment. This work will commence in conjunction with initial mining operations in October. The Company is optimistic that these tests will show that replenishment from, or exploitation of this area, could at least double the expected Life of Mine of Tormin.

Health and Safety

The Company is pleased with its health and safety record through the construction and development phase of Tormin. During September the Company celebrated completing 50,000 man hours on site without a lost time injury.



Human Resources

The organogram for Tormin was finalized in July with main recruitment being undertaken in July and August.

To date the only senior positions remaining open are the metallurgist and geologist. Every effort is being made to fill these vacancies with suitably qualified people as soon as possible.

Through the construction phase, the Company has employed 3 people from the Xolobeni community. As the mine moves into production a further 16 Xolobeni members will start at the mine between October and December 2013. A further representative will start work in November at the Cape Town office as a resource development officer working primarily on the Tormin offshore right and Xolobeni mining right applications.

Consequently 21 members of the Xolobeni community will be employed as a consequence the MRC projects. The company plans to train these employees at Tormin to enable them to assume more senior positions at the Xolobeni Mineral Sands Project in due course.

The community liaison manager also commenced recruitment for the plant operators from the local community in the quarter. Many of these people have never worked before and an extensive induction and training process will be undertaken in the next quarter to get them ready for work.

Logistics

The supply chain team has made significant progress with the SA rail operator, Transnet, and a proposal for a dedicated rail service that could handle up to 100,000tpa has been received.

The full economics are currently being assessed, but the link is likely to lead to significant savings in relation to transport, storage and handling costs from the mine site to the port in Cape Town.

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 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 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 PBCs based on the beach and the SCP.

The engineering design provides for primary beach concentration of 1.2 Mtpa producing approximately 48,000 tonnes of Non-Magnetic Concentrate grading up to 80% Zircon and 10% Rutile. Provision was also made to produce various magnetic concentrates for further processing through a dry plant should the project economics for those products allow.

XOLOBENI MINERAL SANDS PROJECT (SOUTH AFRICA)

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.

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.

Background

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

MRC has 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. The Company subsequently withdrew all previous applications in respect of the Kwanyana block and immediately applied for a new prospecting right over the same block.

The benefit of this approach is that the Kwanyana block will be re-aligned with the rest of Xolobeni 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.

The DMR accepted the new prospecting right application (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 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 instructed the Company to undertake additional consultation. In keeping with local traditions, a series of pre-meetings were held with the traditional leaders in the Xolobeni area to update them on developments with the project, brief them on the planned consultation process and gain their approval for the process.



Xolobeni Public Participation Successfully Completed

Having obtained the traditional leadership's approval of the planned process, the public consultation process took place in March and April 2013. Subsequently, feedback from all the meetings has been collated into a comprehensive issues and response trial which has been incorporated into a stakeholder engagement report (SER). The SER was completed in the last quarter and submitted to all relevant parties and the DMR for evaluation.

The Company has not yet been advised when the DMR will meet to consider the SER and other matters relating to the Kwanyana PRA. However, the Company remains optimistic that the DMR will award a new prospecting right over the Kwanyana block in the final quarter of 2013 which will enable the Company to do the final work necessary to submit a mining right application for the entire Xolobeni tenement as soon thereafter as possible.

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 and application for a mining right for Xolobeni. By end of the quarter MRC had appointed a specialist to commence a water study on the Xolobeni area. The Company expects this work to be completed in early 2014.



CORPORATE

MRC Funding – Entitlement Issue

MRC announced in September 2013 that it was undertaking an Entitlement Issue (Offer). The Offer comprised of a 1 for 4 non-renounceable entitlement issue of approximately 80,988,228 fully paid ordinary shares to raise approximately \$6.4 million. The price of the new shares under the Offer was \$0.08 each.

The purpose of the Offer was to raise up to \$6.4million to fund the completion, commissioning and start up working capital for the Tormin Mineral Sands Project.

The Offer included a shortfall offer allowing eligible shareholders to subscribe for any shortfall shares over and above their entitlement. The Offer was also fully underwritten by the Company's two largest shareholders prior to the Offer, Zurich Bay Holdings Pty Ltd and Au Mining Limited.

The Offer closed after the period end and MRC was pleased to advise that the Offer and shortfall offer were oversubscribed with subscriptions received for approximately 102 million shares for \$8.1 million. The Board is very pleased with this outcome and the continued support of its shareholders.

Phase 1 of the Tormin Zircon / Rutile Mine Development and Secondary Processing Plant and associated infrastructure is therefore now fully funded.

Cash and Marketable Securities

At 31 September 2013, MRC had A\$5.6 million in cash and \$0.5 million in marketable securities.

Securities on Issue

Issued securities at quarter-end comprise:

- 323,953,343 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

A further 80,988,228 fully paid ordinary shares were issued subsequent to year end pursuant to the Entitlement Issue. The total shares on issue at the date of this report is 404,941,571.

For enquiries in connection with this release please contact:

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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")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Nine months ended 30 September 2013
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration (e) Discontinued acquisition	(378) (4,742) (582) -	(458) (7,272) (1,949)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	39	189
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		(5,663)	(9,490)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- (2)	(60)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) available for sale assets	- -	
1.10	Loans to other entities	-	(216)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(2)	(276)
1.13	Total operating and investing cash flows (carried forward)	(5,665)	(9,766)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,665)	(9,766)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,274	5,463
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,222	2,222
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	3,496	7,685
	Net increase (decrease) in cash held	(2169)	(2,081)
1.20	Cash at beginning of quarter/year to date	7,854	7,769
1.21	Exchange rate adjustments to item 1.20	-	(3)
1.22	Cash at end of quarter	5,685	5,685

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	151
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
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+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil
	Note: The Company completed an entitlement issue subsequent to qtr end raising approx \$6.4 million. Revenue also expected in Dec 2013.		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	120
4.2	Development	7,071
4.3	Production	2,827
4.4	Administration	650
	Discontinued Operations	
	Total	10,668

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	5,685	7,854
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	5,685	7,854

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

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

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	323,953,343	323,953,343		
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		Exercise price \$0.20	Expiry date 31/12/2015
Unlisted Options	1,000,000		Exercise price \$0.35	Expiry date 31/12/2015
7.9 Exercised during quarter				
7.10 Expired during quarter				
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 October 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.