
MINERAL COMMODITIES LIMITED

ABN 39 008 478 653

ANNUAL REPORT

31 DECEMBER 2011

Corporate Directory

Directors
Joseph Anthony Caruso - Non-Executive Chairman
Mark Victor Caruso - Non-Executive Director
Peter Patrick Torre - Non-Executive Director

Company Secretary Peter Patrick Torre

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BDO Audit (WA) Pty Ltd
38 Station St
Subiaco, Western Australia 6008

Share Registry
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Ground Floor, 178 St Georges Terrace
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Stock Exchange Listing
The Company is Listed on the Australian Securities
Exchange Limited under ASX Code - MRC

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Directors Report

The Directors present their report together with the financial report of Mineral Commodities Limited ("the Company") and its controlled entities (the "Group") for the year ended 31 December 2011.

DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

- . Mr Joseph A Caruso – Non Executive Chairman
- . Mr Mark V Caruso – Non Executive Director
- . Peter Patrick Torre – Non Executive Director and Company Secretary

DIRECTORS' INFORMATION

Joseph Anthony Caruso

Non-Executive Chairman

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Construction Manager of Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts. Mr Caruso has been a director of Mineral Commodities Limited since September 2000.

Mark Victor Caruso

Managing Director

Mr Caruso has extensive experience in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has been a director of Mineral Commodities Limited since September 2000. He is also Non-Executive Chairman of Allied Gold Limited, formerly the Executive Chairman responsible for the delivery of the Gold Ridge Project in the Solomon Islands and the Simberi Gold Project in Papua New Guinea. Mr Caruso transitioned to a non-executive capacity in Allied Gold Mining PLC in July 2011.

Peter Torre CA, ACIS, MAICD

Mr Torre was appointed Company Secretary of Mineral Commodities Limited in July 2006, and as a director of the Company on 1 April 2010. He is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Mr Torre is the Company Secretary of several ASX listed companies and is a Director of Neo Resources Limited and Mission New Energy Limited.

Due to the size of the Company, all directors consider matters which would normally be dealt with by Audit and Remuneration Committees.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was undertaking procedures for the development of mineral sands projects and investigations into other mineral resources. This has mainly involved the evaluation of the Tormin Mineral Sands Project in the Western Cape Province of South Africa and the Xolobeni Mineral Sands Project in the Eastern Cape Province of South Africa. The Company also completed extensive due diligence procedures on the proposed acquisition of the Cable Sands group of companies as outlined in the Review of Operations

There were no significant changes in the nature of activities of the Group during the year.

CONSOLIDATED RESULTS

The loss of the group after income tax and non-controlling interests was \$2,135,788 (2010: \$1,625,021).

DIVIDENDS

No dividends have been paid, declared or recommended for payment, in respect of the current financial year.

Directors Report (continued)

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Highlights of the Company's operations for the period under review are as follows:

South African Projects

Tormin Mineral Sands Project

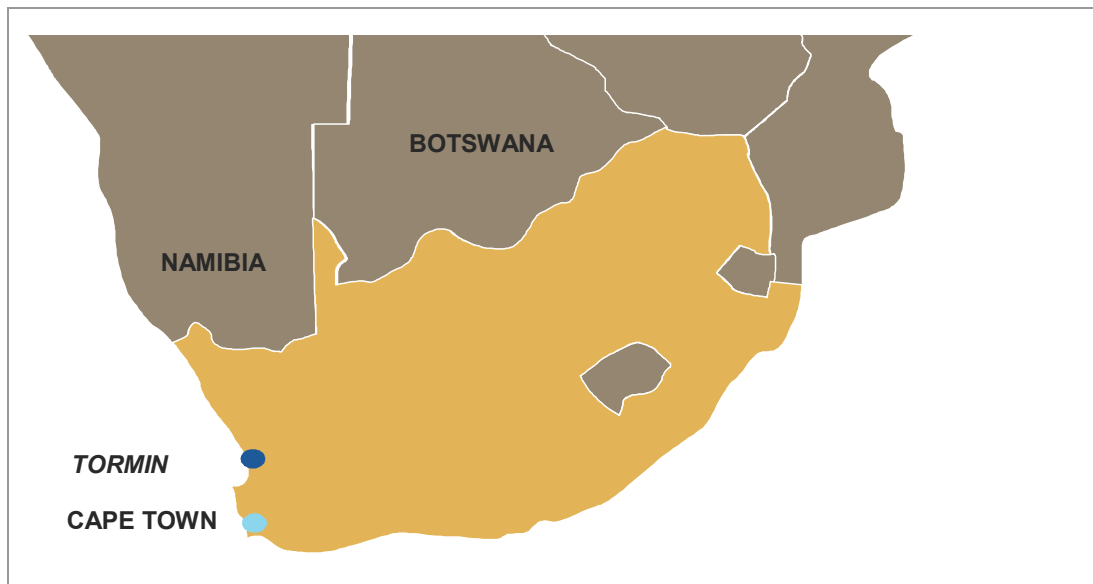
Background

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 Definitive Feasibility Study (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 provided for hydraulic mining of the beach deposits and hydraulically transferring the sand from the beach to a stockpile. The primary spiral plant followed by a wet high intensity magnetic separation (WHIMS) circuit was designed for a nominal throughput capacity of 1.6 Mtpa producing 30,000 to 40,000 tonnes of concentrates per annum grading up to 80% zircon and 10% rutile. The tailings, totaling in excess of 1.5Mtpa, were to be subsequently hydraulically transferred back to the beach for deposition.

The results of the DFS were incorporated into a financial model developed on behalf of the Company by Perth-based MSP Engineering Pty Ltd. During the course of trade-off and optimisation studies additional opportunities were identified. One of these involved primary concentration on the beach. Locating the primary gravity circuit on the beach reduces the volume of sand and tailings to be hydraulically transferred off and back to the beach with an associated reduction in operating costs, capital expenditure and the environmental impact of the project.



Development

Significant work was undertaken during the year to progress the Tormin Mineral Sands Project (Tormin) towards construction and commissioning.

During the year, the South African Department of Mineral Resources (DMR) approved the Environmental Management Plan (EMP) for the Company's proposed mining operations at Tormin. The EMP was one of the final material impediments to the Company proceeding to undertake accelerated development activities.

Directors Report (continued)

During the second half of the year, the Company prepared the documentation required for and engaged with the relevant authorities in relation to the remaining regulatory matters. This was completed as planned and the required documentation was lodged with the authorities before the end of the year. Based on the progress to date, MRC remains confident it will have cleared all regulatory hurdles before the end of the first half of 2012.

XOLOBENI PROJECT (SOUTH AFRICA)

Background

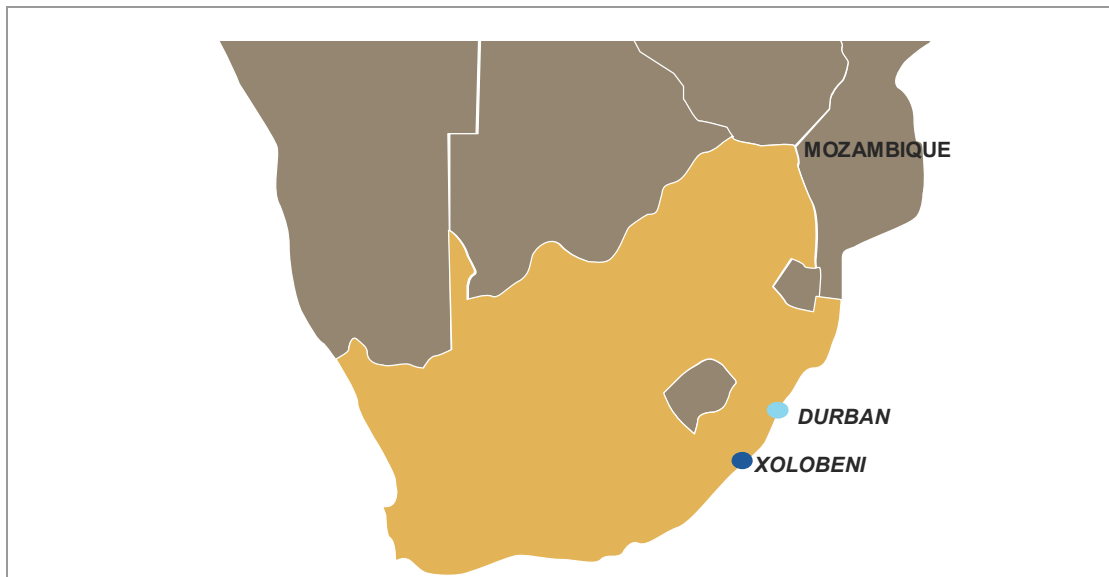
The Xolobeni Project is located in the Eastern Cape Province of South Africa approximately 300km north of East London and 200km south of Durban.

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

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 Company's subsidiary, Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM), has previously advised that the DMR had withdrawn the previously granted Conditional Mining Right over the Kwanyana block, that it had addressed the issues required by the DMR and that it was awaiting feedback from the DMR and Minister in relation to these matters.

TEM has yet to receive confirmation of the position on the Kwanyana block from the DMR. However, in November 2011 the DMR extended the prospecting rights over the remaining blocks of the Xolobeni project for a further period of 3 years. Accordingly, the company remains confident that it will be able to resolve the outstanding issues in relation to the Kwanyana block so that the company can complete the work required to satisfy the regulators that the entire project can be responsibly and sustainably developed.



Directors Report (continued)

PROPOSED ACQUISITION OF CABLE SANDS

In July 2011, the Company announced that it had entered into binding agreements to acquire existing mineral sands producing assets, which would have transformed the Company into the second largest independent, vertically integrated and diversified Titanium and Zircon mineral sands producer in Australia.

In July 2011 the Company entered into a Share Sale Agreement with subsidiaries of Cristal Australia Pty Ltd (Cristal) pursuant to which the Company would acquire 100% of the issued capital in Cable Sands (W.A.) Pty Ltd and Cable Sands Pty Ltd (together Cable Sands) for a total consideration of A\$96 million, with a further A\$5 million payment contingent upon Zircon prices reaching US\$2,700 by the end of 2013.

In addition to the Share Sale Agreement, the following agreements were also entered into:

- **Right of First Refusal** - entered into a Right of First Refusal Deed to purchase all or a substantial part of Cristal's Murray Basin mineral assets, including the Ginkgo and Snapper mines and the Broken Hill mineral separation plant (MSP), if Cristal initiates a sale process for such assets in the next 5 years.
- **Toll Processing Agreement with Cristal** - as part of the acquisition of Cable Sands, MRC entered into a commercial arrangement to process at least 248K tonnes per annum of Cristal's non-magnetic mineral concentrate.
- **Proposed Acquisition of Simto Resources Limited (Simto)** - entered into a Heads of Agreement to acquire up to 100% of the issued capital in Simto. The Simto tenements include an estimated 1.96 million tonnes of Measured, Indicated and Inferred contained heavy minerals on granted mining leases located in close proximity to Cable Sands' existing operations and infrastructure in the south west of Western Australia.

Morgan Stanley Australia Limited acted as the Company's lead advisor on these transactions.

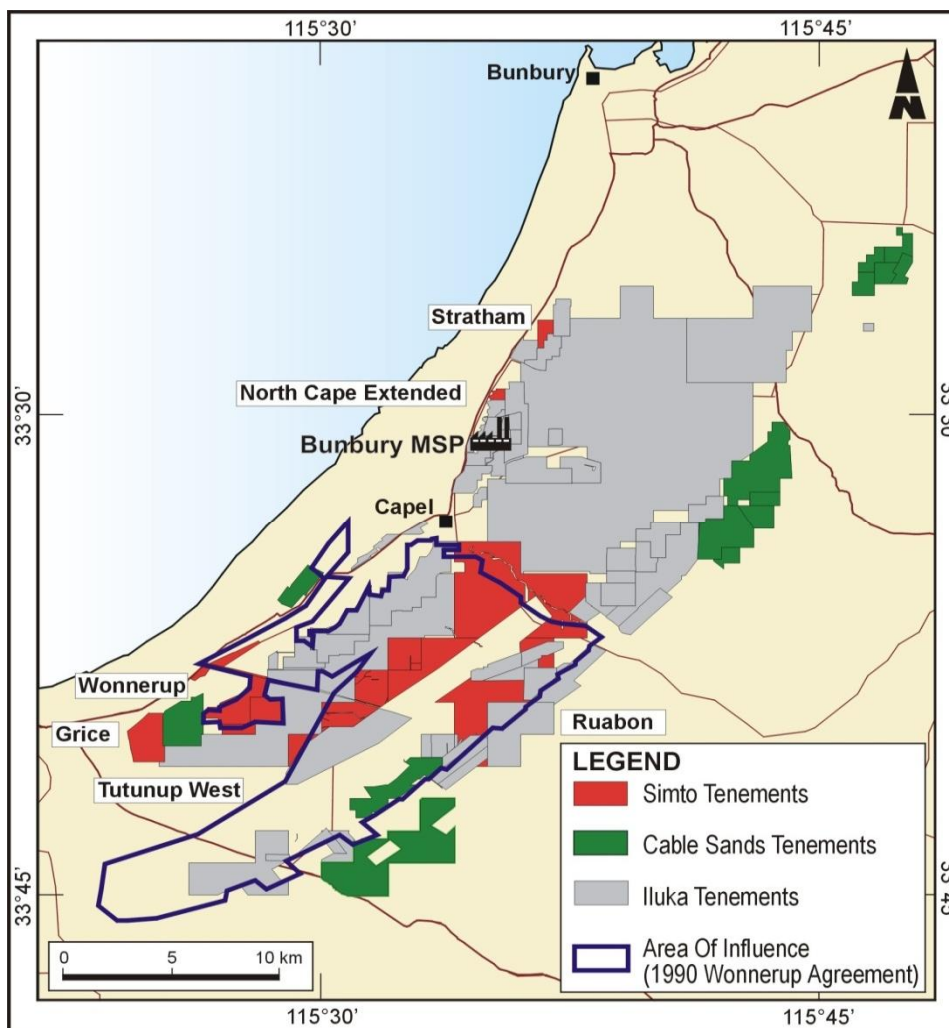
On 20 September, the Company announced that it had entered into a formal Share Sale Agreement to acquire 100% of the issued capital of Simto Resources Limited (**Simto**) for a total consideration of A\$37.5 million (subject to the Company, in its discretion, receiving an independent expert's report confirming that the value is fair and reasonable).

On 29 September, the Company announced that it had received an Independent Experts Report from Ernst and Young which concluded that the acquisition of Simto Resources Limited was "fair and reasonable" to the non-associated shareholders of the Company.

These highly strategic acquisitions were expected to deliver a number of important benefits to MRC and its shareholders:

- The strategically located Bunbury MSP has two independent processing routes which provide an annual processing capacity of 330K tonnes of ore body magnetic and non-magnetic concentrates to be treated through one processing circuit, and 250K tonnes of Murray Basin non-magnetic mineral sands concentrate to be treated through the second circuit, with a combined nameplate capacity to process close to 600K tonnes per annum of Titanium and Zircon concentrates.
- The Bunbury MSP provides a platform for processing MRC's existing high value, Zircon-rich mineral sands projects located in South Africa.
- Cable Sands adds existing production in excess of 100K tonnes per annum of Zircon, Ilmenite and Leucoxene. MRC intends to expand this to more than 320K tonnes per annum by running a two-mine strategy. Opportunity for operational efficiencies by increasing capacity utilisation and expanding the Bunbury MSP.
- Attractive growth potential funded through strong expected cash flows and low-cost expansion potential at the Bunbury MSP.
- The Toll Processing Agreement provides steady cash flows and significantly contributes to fixed cost coverage.
- Cost saving opportunities from a combination of Cable Sands and Simto tenements through added scale and proximity.
- Opportune time to acquire producing mineral sands assets given the current and expected continued favourable pricing environment.
- Attractive Vendor financing for the Cable Sands acquisition.

Directors Report (continued)



On 20 December 2011, MRC advised that the conditions precedent, as set out in the Share Sale Agreement had not been met within the required timeframe. As a result the proposed Acquisition came to an end. Additionally, as the Share Sale Agreement for the acquisition of Simto Resources Limited by MRC was conditional upon the settlement of the Acquisition, the Simto Acquisition also came to an end.

The final material condition precedent to the Acquisition was the procurement of funding for the Acquisition. Prevailing global markets provided for difficult conditions in which to raise funds and as a result the necessary funding has not been secured.

Investment in Allied Gold Mining PLC (ASX listed: ALD)

Allied Gold Mining PLC (AGMPLC) is listed on the ASX, TSX and the Main Market of the London Stock Exchange.

AGMPLC is a Pacific Ring gold producer, developer and exploration company. It owns 100% of the Simberi Gold Project, located on Simberi Island, the northernmost island of the Tabar Islands Group, in the New Ireland Province of eastern PNG, and has a 100% interest in Australian Solomons Gold Limited, the owner of the Gold Ridge Gold Project, located on Guadalcanal Island in the Solomon Islands.

AGMPLC has resources of 8.3Moz and reserves of 3.4Moz and an extensive exploration programme is underway. The company is rapidly ramping up production and it is targeting in excess of 200,000oz in CY 2012.

Directors Report (continued)

Investment in Petro Ventures International Limited

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

In March 2011, the Company was advised by PVIL that a previously called shareholders' meeting to approve certain corporate initiatives would be deferred as PVIL had been notified by the Romanian Authorities that the assignment of the Romanian Licenses had not been approved.

In late June, PVIL's partner Sterling Resources lodged a Notice of Dispute under the Romania-Canada Bilateral Investment Treaty with the authorities.

In September the company entered into a farm out agreement with Sterling Resources for 5 Netherlands offshore blocks with Sterling Resources. RPS estimate 2C (P50) contingent resources of 31.5 MMbbl and prospective resources of 38.9 MMbbl (100%).

In early October Sterling Resources received an offer from the National Agency for Mineral Resources for resolution of the dispute relating to the Concession Agreement for Blocks XIII Pelican and XV Midia, Offshore Romania.

During October, Block 25 in Romania was ratified by NAMR. The prospect has previous exploration wells, which tested for gas in the Ologocene limestone and in the younger Pontian sand overlaying. PVIL has advised that preliminary estimates of volumes are as follows:

	GIP	Recoverable
P90	129bcf	76bcf
P50	312bcf	186bcf
P10	747bcf	450bcf
Mean	390bcf	233bcf

On 18 November 2011 the Romanian Government approved assignment of the Romanian licences to Petro and confirmed the term of the licence extensions to May 2014. Petro is also entitled to 2 X 3 year extensions to May 2020. In addition, the Construction Permit law was rescinded providing unhindered offshore drilling. Wells are planned for the Eugenia prospect in the Pelican Block in the second quarter 2012 and Ioana Prospect in the Midia Block in the third quarter 2012. Petro has advised that the prospects have prospective resources of 70MMbbls with 53%COS and 654Bcf of gas with 25% COS respectively.

In the Paris Basin, Petro awaits Ministerial final ratification of the licence applications. The French permits are a Liassic organic shale resource play covering 150,000 gross acres. The licences have potential for unconventional oil with recoverable resource of 260MMbbls.

In Hungary, the partners spudded a well on 4 January 2012. Petro is targeting Lr. Panonian turbidites with a success case unrisks recoverable gas of 1.2bcf. Results are forthcoming.

PVIL continues to pursue opportunities to build up the company's portfolio to provide a platform for an IPO listing of the Company in 2012.

FINANCIAL POSITION

The net assets of the group have decreased from \$20,371,853 at 31 December 2010 to \$14,415,127 at 31 December 2011.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The company will continue the process of development of both the Tormin and Xolobeni projects in South Africa. The Board will continue to review other projects and opportunities in the interest of increasing shareholder value.

Directors Report (continued)

ENVIRONMENTAL REGULATIONS

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use in Australia. For the first measurement period the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

In the course of its normal mining and exploration activities, the Company adheres to environmental regulations imposed upon it by the relevant regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna.

SCHEDULE OF MINING TENEMENTS

Mining tenements currently held by the economic entity are:

Area	Entity holding the interest	% Held	Title	Status
Xolobeni – South Africa	Transworld Energy & Minerals Resources	100	New order Prospecting Right	Granted
Tormin – South Africa	Mineral Sands Resources	100	Mining Right	Granted

SIGNIFICANT CHANGES IN STATE OF AFFAIRS AND LIKELY DEVELOPMENTS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

OPTIONS

- In July 2009, 57,357,208 listed options to acquire shares at 20cents with an expiry date of 31 December 2012 were issued under the terms of a non-renounceable entitlement issue at an issue price of \$0.005 per option to raise \$286,786 excluding costs.

Options do not entitle the holder to receive a dividend paid to ordinary shareholders.

New issues of options and options exercised in the period are as follows:

Listed options	No of Options	Exercise Price	Expiry date
Opening Balance 1 January 2011	57,357,208	20 cents	31 December 2012
- Options issued	-	-	-
- Options Exercised	-	-	-
Balance at 31 December 2011	57,357,208	20 cents	31 December 2012

Directors Report (continued)

DIRECTORS' SHAREHOLDING INTERESTS

The relevant interest of each director in the share capital of the Company, shown in the Register of Directors' Shareholding at the date of the Directors' Report is:

2011						
Ordinary Shares	Balance at 1 January 2011	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 2011	
Mark Caruso -Indirect	21,569,988	-	-	-	21,569,988	
- Direct	12,627	-	-	-	12,627	
Joseph Caruso	21,569,988	-	-	-	21,569,988	
Peter Torre	500,000	-	-	-	500,000	

J A Caruso and M V Caruso are both directors of and have a relevant interest in Zurich Bay Holdings Pty Ltd, which holds 21,569,988 shares and 7,380,396 listed options in the Company.

2011						
Listed Options	Balance at 1 January 2011	Received as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2011
Mark Caruso	7,380,396	-	-	-	-	7,380,396
Joseph Caruso	7,380,396	-	-	-	-	7,380,396
Peter Torre	200,000	-	-	-	-	200,000

MEETINGS OF DIRECTORS

The number of directors meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings Held	Meetings Attended
J A Caruso	3	3
M V Caruso	3	3
P P Torre	3	3

Other matters of board business have been resolved by circular resolutions of directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the Company's activities throughout the year.

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service Agreements
- D. Share-based compensation
- E. Additional Information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Directors Report (continued)

REMUNERATION REPORT (Continued)

A. Principles used to determine the nature and amount of remuneration

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and executive officers, if any, on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages may contain the following key elements:

- (a) Directors Fees;
- (b) Salary & Consultancy; and
- (c) Benefits – including provision of motor vehicle, superannuation.

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. The Board reviews non-executive directors' fees and payments annually.

Executives are offered a competitive base pay that consists of fixed components. Base pay for senior executives, if any, is reviewed annually to ensure the executive pay is competitive with the market. Total Base Pay can be structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

There were no short or medium term cash incentives provided to any executives of the Company during the financial year. Short or medium term cash incentives are not incorporated into any executives salary packages at the time of this report.

The directors are not required to hold any shares in the company under the constitution of the Company; however, to align directors' interests with shareholders interests the directors are encouraged to hold shares in the company.

Remuneration is not directly related to company performance or key performance indicators.

The board has no separate remuneration committee due to the size of the Company. The directors perform the role of a remuneration committee as disclosed in the Corporate Governance statement.

B. Details of Remuneration

The key management personnel of Mineral Commodities Ltd Group are the directors of Mineral Commodities Ltd and the Company Secretary Mr Peter Torre who reports directly to the Director's of the Company. The amounts disclosed are therefore applicable for both Mineral Commodities Limited and the Mineral Commodities Limited Group.

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Mineral Commodities Limited and the Mineral Commodities Limited Group are set out in the following tables.

There are no long term benefits amounts due to Directors and key management personnel.

Directors Report (continued)

REMUNERATION REPORT (Continued)

		Cash benefits	Post employment benefits	Share-based payments	Totals \$	Percentage performance based
		\$	\$	\$		
<i>Non Executive Directors</i>						
Joseph Caruso	2011	44,037	3,963	-	48,000	-
	2010	44,037	3,963	-	48,000	-
Mark Caruso	2011	48,000	-	-	48,000	-
	2010	48,000	-	-	48,000	-
Peter Torre	2011	72,000	-	-	72,000	-
	2010	54,000	-	-	54,000	-
<i>Sub-total non executive directors</i>	2011	164,037	3,963	-	168,000	-
	2010	146,037	3,963	-	150,000	-
<i>Executive Directors</i>						
Greg Steemson <i>(resigned 31 March 2010)</i>	2011	-	-	-	-	-
	2010	60,000	-	-	60,000	-
<i>Other Key Management Personnel</i>						
Peter Torre	2011	-	-	-	-	-
	2010	18,000	-	-	18,000	-
Total Key management personnel compensation	2011	164,037	3,963	-	168,000	-
	2010	224,037	3,963	-	228,000	-

No options were issued to Directors or other Key Management Personnel during 2011 or the previous year as part of their remuneration.

C. Service Agreements

In accordance with the terms of the agreement with Mr Steemson, he was paid a fixed sum of \$20,000 per month from 1 January 2010 until he resigned on 31 March 2010. There were no short or long term incentives to be provided to Mr Steemson.

There were no payments upon termination of the contract.

There are no other service agreements.

D. Share Based Compensation

No options or shares were issued to Directors or other Key Management Personnel during 2011 or the previous year as part of their remuneration.

E. Additional Information

There is no additional information to be provided in respect to the remuneration of the directors.

End of the Audited Remuneration Report

Directors Report (continued)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mineral Commodities Limited adhere to strict principles of corporate governance. The Company's Corporate Governance statement will be included before the Additional ASX Information section of the Annual Financial Report.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, other than what has been disclosed elsewhere in this financial report, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years unless otherwise disclosed in this Directors Report.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

INSURANCE OF OFFICERS

During the financial year the Group has paid an insurance premium to insure the directors and secretaries of the company and its controlled entities. The premium paid was \$35,310 representing \$11,770 per director. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as Directors or Officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act 2001 is set out on page 49 and forms part of this report.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

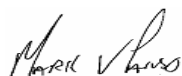
Non audit services totalling \$140,129 were charged by BDO Audit (WA) Pty Ltd and related entity, BDO Tax (WA) Pty Ltd. There were no further non-audit services provided by BDO Audit (WA) Pty Ltd in the year.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related firms:

Audit Services:	\$
BDO Audit (WA) Pty Ltd	
Audit and review of financial reports	61,368
Non BDO audit firm (Tuffias Sandberg)	17,179
Total remuneration for audit services	78,547

BDO Audit (WA) Pty Ltd continues in office.

This report has been made in accordance with a resolution of the Directors.



Mark Caruso
Perth, Western Australia
30th March 2012

Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	Consolidated	
		2011 \$	2010 \$
Revenue from continuing operations	2	788,451	525,700
Administration expenses		(535,939)	(455,071)
Employees and consultants remuneration		(156,689)	(205,117)
Exploration and evaluation costs	13	(253)	(10,564)
Depreciation and amortisation	12 (a)	(4,998)	(11,250)
Loss on disposal of assets	12 (a)	(5,307)	(8,588)
Impairment of Investments	10	(54,000)	(1,488,644)
Abandoned acquisition costs	3	(2,164,281)	-
Finance costs		(2,772)	(5,413)
		(2,924,239)	(2,184,647)
Loss before income tax		(2,135,788)	(1,658,947)
Income tax expense	4	-	-
(Loss) from continuing operations		(2,135,788)	(1,658,947)
Profit from discontinued operations	5	-	33,926
(Loss) for the year		(2,135,788)	(1,625,021)
Other comprehensive income			
Changes in the fair value of available-for- sale financial assets	10	(2,509,112)	2,390,277
Exchange differences on translation of foreign operations	24	(2,511,827)	(237,660)
Other comprehensive income for the year net of tax		(5,020,939)	2,152,617
		(7,156,727)	527,596
Total comprehensive income for the year			
Loss / Profit is attributable to:			
Owners of Mineral Commodities Ltd		(2,135,788)	(1,625,021)
Non-controlling interest		-	-
		(2,135,788)	(1,625,021)
Total comprehensive income for the year is attributable to			
Owners of Mineral Commodities Ltd		(7,156,727)	527,596
Non-controlling interest		-	-
		(7,156,727)	527,596

Earnings/(Loss) per share from continuing operations attributable to the ordinary equity holders of the company.

	cents	cents
Basic Loss per share		
From continuing operations attributable to the ordinary shareholders of the company (cents per share)	(1.40)	(1.16)
From discontinued operations (cents per share)	-	0.02
Total basic loss per share attributable to the ordinary equity holders of the company (cents per share)	(1.40)	(1.14)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 31 December 2010

	Note	Consolidated	
		2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	249,389	191,506
Trade and other receivables	9	101,344	118,417
Available for sale financial assets	10	3,027,651	6,277,651
Other current assets	11	11,163	10,376
Total Current Assets		3,389,547	6,597,950
NON-CURRENT ASSETS			
Receivables	9	333,736	409,569
Property, plant and equipment	12	21,582	7,377
Exploration & development expenditure	13	12,506,413	13,928,167
Total Non-Current Assets		12,861,731	14,345,113
Total Assets		16,251,278	20,943,063
CURRENT LIABILITIES			
Trade and other payables	16	1,799,752	541,540
Provisions		36,400	29,670
Total Current Liabilities		1,836,152	571,210
Total Liabilities		1,836,152	571,210
NET ASSETS		14,415,126	20,371,853
EQUITY			
Contributed equity	17	41,204,350	40,004,350
Reserves	18	804,656	5,825,595
Accumulated losses		(27,772,729)	(25,636,941)
Parent entity interest		14,236,277	20,193,004
Non-controlling interest	15	178,849	178,849
TOTAL EQUITY		14,415,126	20,371,853

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December 2011

	Note	Consolidated	
		2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		31,515	25,711
Payments to suppliers & employees		(1,625,251)	(324,830)
Interest paid		(2,772)	(5,413)
Sundry income		12,750	4,789
Net cash (outflows) from operating activities	23(a)	(1,583,758)	(299,743)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and development expenditure		(964,523)	(1,015,529)
Payment for plant and equipment	12 (a)	(24,910)	(700)
Proceeds from sales of investments		1,431,074	1,189,361
Proceeds from sale of assets held for resale	12 (b)	-	164,551
Net cash inflow from investing activities		441,641	337,683
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares and options	17	1,200,000	-
Net cash inflow from financing activities		1,200,000	-
Net increase/(decrease) in cash and cash equivalents		57,883	37,940
Cash and cash equivalents at beginning of financial year		191,506	153,566
Cash and cash equivalents at end of financial year	8	249,389	191,506

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Consolidated Entity	Contributed Equity	Listed options reserve	Accumulated Losses	General Reserve	Currency Translation Reserve	Financial Asset Revaluation Reserve	Total	Non-controlling interest	Total Equity
For the year ended 31 December 2011	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2011	40,004,350	286,578	(25,636,941)	2,437,582	(995,772)	4,097,207	20,193,004	178,849	21,371,853
Loss for the year	-	-	(2,135,788)	-	-	-	(2,135,788)	-	(2,135,788)
Exchange differences on translation of foreign operations	-	-	-	-	(2,511,827)	-	(2,511,827)	-	(2,511,827)
Changes in the fair value of available for sale financial assets	-	-	-	-	-	(2,509,112)	(2,509,112)	-	(2,509,112)
Total comprehensive loss for the year	-	-	(2,135,788)	-	(2,511,827)	(2,509,112)	(7,156,727)	-	(7,156,727)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-
Contributions of equity net of transaction costs	1,200,000	-	-	-	-	-	1,200,000	-	1,200,000
Balance at the end of the year	41,204,350	286,578	(27,772,729)	2,437,582	(3,507,599)	1,588,094	14,236,277	178,849	14,415,126

Statement of Changes in Equity

Consolidated Entity	Contributed Equity	Listed options reserve	Accumulated Losses	General Reserve	Currency Translation Reserve	Financial Asset Revaluation Reserve	Total	Non-controlling interest	Total Equity
For the year ended 31 December 2010	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2010	40,004,350	286,578	(24,011,920)	2,437,582	(758,112)	1,706,929	19,665,407	178,849	19,844,256
Loss for the year	-	-	(1,625,021)	-	-	-	(1,625,021)	-	(1,625,021)
Exchange differences on translation of foreign operations	-	-	-	-	(237,660)	-	(237,660)	-	(237,660)
Changes in the fair value of available for sale financial assets	-	-	-	-	-	2,390,277	2,390,277	-	2,390,277
Total comprehensive loss for the year	-	-	(1,625,021)	-	(237,660)	2,390,277	527,596	-	527,596
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-
Balance at the end of the year	40,004,350	286,578	(25,636,941)	2,437,582	(995,772)	4,097,207	20,193,004	178,849	20,371,853

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements are for Mineral Commodities Limited and its controlled entities, as the consolidated entity (group). Mineral Commodities Limited is an Australian domiciled public listed company.

The general purpose financial statements for the year ended 31 December 2011 have been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

The financial statements of Mineral Commodities Limited and controlled entities also comply with International Financial Reporting Standards (IFRS).

Historical Cost Convention

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of available for sale financial assets for which the fair value basis of accounting has been applied.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements and have been consistently applied to all the years presented, unless otherwise stated.

(b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Mineral Commodities Ltd ("Company" or "parent entity") as at 31 December 2011 and the results of its subsidiaries for the year then ended. Mineral Commodities Ltd and its subsidiaries together are referred to in this financial report as the group.

Intercompany transactions, balances and unrealised gains on transactions between parent and or subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent company.

Subsidiaries are those entities over which the Parent company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Where control of an entity is obtained during a financial year, its results are included in the statements of comprehensive income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The purchase method of accounting is used to account for the acquisition of subsidiaries – refer to note (h).

The Consolidated entity applies a policy of treating transactions with non-controlling interests as transactions with external parties to the entity. Disposals to non-controlling interests result in gains and losses for the Consolidated entity are recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

(c) Going Concern

These Financial Statements have been prepared on a going concern basis as the Directors believe that sufficient funds will be available from the sale of investments and or equity raising to allow for the exploration and development expenditure and day to day operations over the next 12 months.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest and other income is recognised as it accrues on a time proportion basis using the effective interest method.

(e) Taxes

Income taxes

The charge for current income tax expense or revenue is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted at the reporting date. Income tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this has no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

The income tax expense for the year is calculated using the 30% tax rate (2010: 30%).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the Statements of Financial Position.

Cash flows are included in the Statements of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit for the year except where deferred in equity as a qualifying net investment hedge.

Subsidiary Companies

The financial results and position of subsidiary companies whose functional currency is different from the consolidated entities presentation currency are translated into the presentation currency as follows;

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

Hedge of a net investment in a foreign operation

The group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (AUD), regardless of whether the investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Items of plant and equipment are initially recorded at cost and includes any expenditure that is directly attributable to acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate. All other repairs and maintenance are charged to the profit for the year in which they are incurred.

Depreciation of Plant and Equipment

Plant and equipment are depreciated at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3-10 years.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disposal of Assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in profit for the year of disposal.

(h) Exploration and Development Expenditure

Costs incurred during the exploration and development stages of specific areas of interest are accumulated. Such costs are only carried forward if they are expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves, otherwise this expenditure is recognised in the profit for the year. Costs are written off as soon as an area has been abandoned or considered to be non-commercial or impaired where an area is considered non-commercial at the period end.

Once production commences, expenditure accumulated in respect of areas of interest is amortised on a unit of production basis over the life of the total proven economically recoverable reserves. Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration and evaluation expenditure. Costs recognised after the commencement of production in areas of interest will be charged to the profit for the year.

(i) Investments

Interests in Subsidiaries

Investments in subsidiaries are carried in the Company's financial report at cost less any impairment losses. Dividends and distributions are brought to account in profit when they are declared by the subsidiaries.

Investments in associates

Associates are all entities over which the Consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20%-50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Consolidated entity's share of its associates post acquisition profits or losses is recognised in profit for the year, and its share of post acquisition movements in reserves is recognised directly in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

(j) Impairment of Assets

At each reporting date, the Consolidated entity reviews the carrying values of its tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Financial Instruments

The Consolidated entity classifies its financial instruments on initial recognition. The classification depends on the purpose for which the financial instrument was acquired.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (continued)

derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and other pricing models.

Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included within current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are recognised at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity until the instrument is sold at which time any balance in equity relating to the instrument is recycled to profit or loss as part of the profit or loss on sale.

Financial Liabilities

Financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principle payments and amortisation of transaction costs.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Impairment losses recognised on equity instruments classified as available for sale are not reversed through the income statement.

(m) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(o) Trade and Other receivables

Trade and other receivables are recognised initially at fair value. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in profit and loss within other expenses.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Earnings /(Loss) per Share

Basic Earnings /(Loss) per Share

Basic earnings per share is determined by dividing the profit after income tax attributable to members of Mineral Commodities Ltd by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings /(Loss) per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share would arise from the exercise of options outstanding at the end of the financial year.

(q) Employee Benefits

Wages and Salaries, Annual Leave, Long Service and Sick Leave

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to reporting date. These benefits include annual and long service leave. Sick leave is non-vesting and has not been provided for. Employee entitlements expected to be settled within one year have been measured at the amounts expected to be paid when the liabilities are settled and are recognised in other payables.

The contributions made to defined contribution superannuation funds by entities within the consolidated entity are charged against profits when due.

Share-Based Payments

Share-based compensation benefits were provided to employees via the Mineral Commodities Employee Incentive Option Scheme approved by shareholders in 2006. This Scheme has now expired. The fair value of options granted under the Mineral Commodities Employee Incentive Option Scheme were recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised on a straight line basis.

(s) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Directors that make strategic decisions.

There is no goodwill attached to any of the segments. There has been no impact on the measurement of the assets and liabilities reported for each segment.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale or transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property and non-current biological assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

A discontinued operation is a component of the entity that has been disposed of or has been abandoned, or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

(v) Critical accounting estimates and judgements

The Group makes significant estimates and judgements concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical Accounting Estimates

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Significant judgements and critical estimate in applying the entity's accounting policies

Impairment

During the previous year, the consolidated entity impaired its property, plant and equipment (Note 12), in relation to the Sierra Leone assets as the directors assessed that these amounts were no longer recoverable.

Exploration and development expenditure

Recovery of the capitalised exploration and evaluation expenditure is dependant on the successful development and commercial exploitation of the Xolobeni Mineral Sands and the Tormin Mineral Sands areas of interest in South Africa. The capitalised expenditure in relation to the Xolobeni project is \$8,191,050 (2010: \$9,610,919) refer note 13 is expected to be fully recoverable once the grant of the mining right has been affirmed by the Minister of Minerals and Energy in South Africa and the Company proceeds to further develop this project.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Unlisted Entities

The investments in Africa Uranium Ltd has been fully impaired \$1,488,643 (2010 \$1,488,643)

The remaining investment in an unlisted entity Petro Ventures International Ltd has been valued by using information provided by the Company together with information from an independent source. Assumptions and estimates have been used in this valuation refer note 10. Should any of these assumptions or estimates change, this could significantly effect the carrying value of this investment.

(v) Accounting Standards not yet effective

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9. These include the requirements relating to: <ul style="list-style-type: none"> • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made an assessment of the impact of these amendments. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.	1 January 2013
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: <ul style="list-style-type: none"> • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee. 	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.	1 January 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions	1 January 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
		<p>arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to <u>net assets</u>, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.</p>		<p>and balances recognised in the financial statements because the entity's current joint venture is unincorporated and accounted for as stated in note 1(g). When the joint venture is incorporated, it will be accounted for using the equity method.</p>	
AASB 13 (issued September 2011)	Fair Value Measurement	<p>Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the balance sheet or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the balance sheet, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.</p>	Annual reporting periods commencing on or after 1 January 2013	<p>Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.</p>	1 January 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	<p>Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows:</p> <ul style="list-style-type: none"> • <i>1 statement of comprehensive income</i> – to be referred to as 'statement of profit or loss and other comprehensive income' • <i>2 statements</i> – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. <p>OCI items must be grouped together into two sections: those that could subsequently be reclassified into</p>	Annual periods commencing on or after 1 July 2012	<p>When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes</p>	1 January 2012

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
		profit or loss and those that cannot.		and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 January 2013

No other standards, interpretations or amendments which have been issued are expected to have an impact on the group.

Notes to the Financial Statements (continued)

2. INCOME

	Consolidated	
	2011	2010
	\$	\$
Revenue		
Interest revenue from unrelated entities	31,515	25,711
Other Income		
Profit from sales of investments in available for sale financial assets	744,186	495,200
Miscellaneous and other income	12,750	4,789
Total Other Income	756,936	499,989
Total Income	788,451	525,700
From discontinued operations		
Other income (refer note 5)	-	45,209
	-	45,209

3. EXPENSES

	Consolidated	
	2011	2010
	\$	\$
Loss before income tax has been arrived at after charging the following:		
Abandoned acquisition costs ¹	2,164,281	-
Exploration expenditure written off	253	10,564
Operating lease rentals	36,178	76,444
Depreciation - plant and equipment	4,998	11,250
Superannuation contributions	75,029	18,927
Movement in provision for employee entitlements	6,730	(2,836)
Impairment of investments	(54,000)	(1,488,644)

¹ In July 2011 the Company entered into a Share Sale Agreement with subsidiaries of Cristal Australia Pty Ltd (Cristal) pursuant to which the Company would acquire 100% of the issued capital in Cable Sands (W.A.) Pty Ltd and Cable Sands Pty Ltd (together Cable Sands) for a total consideration of A\$96 million, with a further A\$5 million payment contingent upon Zircon prices reaching US\$2,700 by the end of 2013. The final material condition precedent to the Acquisition was the procurement of funding for the Acquisition. Prevailing global markets provided for difficult conditions in which to raise funds and as a result the necessary funding has not been secured. On 20 December 2011, MRC advised that the conditions precedent, as set out in the Share Sale Agreement had not been met within the required timeframe. As a result the proposed Acquisition came to an end.

Notes to the Financial Statements (continued)

4. INCOME TAX

	Consolidated	
	2011	2010
	\$	\$
The components of current income tax expense comprise:		
Current taxation	-	-
Income tax (benefit) reported in the income statement	-	-
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
(Loss) / Profit before income tax	(2,135,788)	(1,625,021)
Prima facie tax payable / (benefit) on loss @ 30% (2010:30%)	(640,736)	(487,506)
Non allowable items	(2,026,120)	3,167
Non-assessable income	(847,294)	611,818
Net deferred tax assets not brought to account	3,514,150	(127,479)
Income tax expense / (benefit)	-	-
Future income tax benefit arising from un-recouped deductions at reporting date, for Australian tax resident entities.		
Revenue losses	4,430,446	4,152,853
Capital losses	4,689,637	4,689,637

In addition the economic entity has unconfirmed tax losses and accumulated exploration expenditure that gives rise to potential carry forward tax benefits in South Africa amounting to approximately Rand 112 million (approximately A\$14 million (2010:14 million)). The benefit of these potential deferred tax assets has not been brought to account, and will only be realised if circumstances similar to those described above, also apply to the economic entity's future operations in South Africa.

There are no franking credits available.

Notes to the Financial Statements (continued)

5 DISCONTINUED OPERATIONS

(a) Description

Kariba Kono (SL) Ltd

Operations ceased in 2008, mining equipment was removed and sold during 2009-10.

(b) Financial performance and cash flow information

	Consolidated	
	2011	2010
	\$	\$
Revenue		
Other income	-	45,209
Total revenue		
Expenses		
Site Operating expenses	-	-
General & administration expenses	-	10,195
Loss on disposal of fixed assets (refer note 12)	-	1,088
Impairment of fixed assets	-	-
Total expenses	-	11,283
Loss before income tax		
Income tax expense	-	-
Profit /(Loss) after income tax from discontinued operations	-	33,926
Net cash inflow from operating activities	-	33,926
Net cash inflow /(outflow) from investing activities	-	-
Net Cash generated by discontinued operations	-	33,926

(c) Carrying amounts of assets and liabilities

Cash and cash equivalents	-
Property plant and equipment	-
Non – current assets held for sale	-
Receivables & Prepayments	5
Total Assets	5
Trade Creditors	(46,024)
Total Liabilities	(46,024)
Net Assets	(46,019)

Notes to the Financial Statements (continued)

6. SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors which makes strategic decisions.

There is no goodwill attaching to any of the segments. There has been no impact on the measurement of the assets and liabilities reported for each segment.

There are two operating segments for South Africa, these are exploration and development projects one Tormin Mineral Sands held in Minerals Sands Resources Ltd and located on the West coast. The other is the Xolobeni Mineral Sands projected held in Transworld Energy and Minerals located on the East coast.

In Australia the Group operates in two segments, investing in the securities of unrelated entities and interest on the deposit of surplus funds. The other segment is the corporate overhead associated with the management and administration of the company's projects and corporate administration.

2011	Africa		Australia		Totals
	Tormin	Xolobeni	Investing	Corporate	
Revenue from operations	\$	\$		\$	\$
Gain from sales of investments in listed companies	-	-	744,186	-	744,186
Interest earned from unrelated entities	11,131	1,237	19,147	-	31,515
Interest earned from controlled entity	-	-	-	478,410	478,410
Management fees from controlled entity	-	-	-	87,627	87,627
Other revenue	-	-	-	12,750	12,750
Inter segment revenue	-	-	-	(566,037)	(566,037)
Total segment revenue	11,131	1,237	763,333	12,750	788,451
Segment results					
(Loss) before income tax	(42,343)	(4,705)	(1,454,948)	(633,792)	(2,135,788)
Included in segment results is the following:					
Abandonment of acquisition	-	-	(2,164,281)	-	(2,164,281)
Total segment assets	4,688,269	8,191,050	3,027,651	344,309	16,251,279
Total segment liabilities	64,542	7,171	-	1,764,439	1,836,152

Notes to the Financial Statements (continued)

SEGMENT INFORMATION (CONTINUED)

2010	Africa		Australia		Discontinued operations	Totals
	Tormin \$	Xolobeni \$	Investing	Corporate \$		
Revenue from operations						
Profit from sales of investments in listed companies	-	-	495,200	-	-	495,200
Interest earned from unrelated entities	16,348	860	8,503	-	-	25,711
Interest earned from controlled entity	-	-	-	560,657	-	560,657
Management fees from controlled entity	-	-	-	97,787	-	97,787
Other income	-	-	-	4,789	45,209	49,998
Inter segment revenue	-	-	-	(658,444)	-	(658,444)
Total segment revenue	16,348	860	503,703	4,789	45,209	570,909
Segment results						
Profit / (Loss) before income tax	(1,411)	(75)	(984,941)	(672,520)	33,926	(1,625,021)
Total segment assets	4,751,504	9,610,919	6,277,651	302,984	5	20,943,063
Total segment liabilities	19,137	4,259	-	501,790	46,024	571,210

7. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Mineral Commodities Limited, at 31 December 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2011 \$	2010 \$
Current assets	3,350,369	6,572,260
Non-current assets	12,783,155	17,242,283
Total assets	16,133,524	23,814,543
Current liabilities	1,718,397	501,772
Non-current liabilities	-	-
Total Liabilities	1,718,397	501,772
Net Assets	14,415,127	23,312,771
Contributed equity	41,204,350	40,004,350
Accumulated losses	(27,789,386)	(20,792,991)
Option reserve	286,578	286,578
Other reserves	713,585	3,814,834
Total equity	14,415,127	23,312,771
Loss for the year	(6,996,396)	(965,091)
Other comprehensive income / (loss) for the year	(2,509,112)	2,348,297
Total comprehensive income / (loss) for the year	(9,505,508)	1,383,206

Notes to the Financial Statements (continued)

PARENT ENTITY INFORMATION (Continued)

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	\$	\$
Cash at Bank	249,389	191,506
	<u>249,389</u>	<u>191,506</u>

The effective interest rate on cash at bank in 2011 was 4.25% (2010:3.50%)

(a) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 24.

(b) Reconciliation to cash at the end of the year

The above figures represent the cash at the end of the financial year as shown in the Statement of Cash Flows.

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	\$	\$
Current		
Trade receivables	7,144	145
Other receivables	94,200	118,272
	<u>101,344</u>	<u>118,417</u>
Non-Current		
Security deposits	<u>333,736</u>	<u>409,569</u>

¹ Includes a secured deposit of \$324,063 (2010 \$397,037) with First Rand bank held as security for a performance guarantee issued by the Bank in favour of the South African Department of Minerals and Energy in respect of Mineral Sands Resources (Pty) Ltd obligations under the Tormin Mining right.

There are no receivables past due and impaired

(a) Fair Values and credit risk

Due to the short term nature of these receivables the carrying values represent their respective fair values as at 31 December 2011 and 2010

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 24 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

(b) Foreign Exchange and Interest Rate Risk

Information about the Group's exposure to foreign exchange and interest rate Risk in relation to trade and other receivables is provided in Note 24.

Notes to the Financial Statements (continued)

10. FINANCIAL ASSETS - CURRENT

	Consolidated	
	2011	2010
	\$	\$
Available for sale Investments		
Investments in companies listed on a recognised stock exchange - shares at fair value		
At the beginning of the year	5,173,000	3,477,483
Cost of Allied Gold Mining Plc Shares sold	(686,888)	(694,760)
Fair value movement	(1,440,000)	2,681,690
Impairment of listed shares	(54,000)	-
Transfer from Financial asset revaluation reserve	(1,339,112)	(291,413)
Total available for sale investments in companies listed on a recognised stock exchange	1,653,000	5,173,000
Available for sale investment in companies not listed on a recognised stock exchanges		
At the beginning of the year	1,104,651	2,593,294
Fair value movement	270,000	-
Impairment	-	(1,488,643)
Total available for sale investments in companies not listed on a recognised stock exchange	1,374,651	1,104,651
Total Financial Assets	3,027,651	6,277,651

Available for sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Notes to the Financial Statements (continued)

10. FINANCIAL ASSETS – CURRENT (Continued)

2011	Level 1	Level 2	Level 3	Total
Available for sale financial assets	1,653,000	-	1,374,651	3,027,651
Total	<u>1,653,000</u>	<u>-</u>	<u>1,374,651</u>	<u>3,027,651</u>
2010	Level 1	Level 2	Level 3	Total
Available for sale financial assets	5,173,000	-	1,104,651	6,277,651
Total	<u>5,173,000</u>	<u>-</u>	<u>1,104,651</u>	<u>6,277,651</u>

Fair Value of Investment in Allied Gold Mining Plc

The market value of the investment in Allied Gold Mining Plc at balance date was \$1,620,000 based on a price of \$2.16 per share. The remaining available for sale assets had a market value of \$33,000 at balance date.

The level 3 investment in an unlisted entity has been valued by using information provided by the Company together with information from an independent source. Assumptions and estimates have been used in this valuation. Should any of these assumptions or estimates change, this could significantly effect the carrying value of this investment.

(a) Risk Exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 24.

11. OTHER – CURRENT

	Consolidated	
	2011	2010
	\$	\$
Prepayments	11,163	10,376

12. PROPERTY, PLANT AND EQUIPMENT

(a)	2011	2010
Plant and office equipment - at cost	74,952	72,147
Accumulated depreciation	(53,370)	(64,770)
Total property, plant and equipment	<u>21,582</u>	<u>7,377</u>
Reconciliation of the carrying amount of plant & equipment at the beginning and end of the current and previous financial year		
Plant and office equipment		
Carrying amount at beginning of year	7,377	26,515
Additions	24,910	700
Sales	(400)	-
Depreciation	(4,998)	(11,250)
Loss on disposal of fixed assets	(5307)	(8,588)
Carrying amount at end of year	<u>21,582</u>	<u>7,377</u>

Notes to the Financial Statements (continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Non-current asset held for sale	2011 \$	2010 \$
Available for sale plant and equipment 31 December 2010	-	165,639
Proceeds of sale	-	(164,551)
Loss on disposal (refer note 5)	-	(1,088)
Available for sale plant and equipment 31 December 2011	-	-

13. EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2011 \$	2010 \$
Exploration expenditure - costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	12,506,413	13,928,167
Total exploration and evaluation expenditure	12,506,413	13,928,167
Reconciliation of the carrying amount of exploration and development expenditure at the beginning and end of the current and the previous financial year.		
Carrying amount at beginning of year	13,928,167	13,159,249
Expenditure during the year	896,573	1,005,691
Foreign exchange movements	(2,318,074)	(226,209)
Write off discontinued projects	(253)	(10,564)
Carrying amount at end of year	12,506,413	13,928,167

South African Projects

Tormin Mineral Sands Project

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 Definitive Feasibility Study (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 provided for hydraulic mining of the beach deposits and hydraulically transferring the sand from the beach to a stockpile. The primary spiral plant followed by a wet high intensity magnetic separation (WHIMS) circuit was designed for a nominal throughput capacity of 1.6 Mtpa producing 30,000 to 40,000 tonnes of concentrates per annum grading up to 80% zircon and 10% rutile. The tailings, totaling in excess of 1.5Mtpa, were to be subsequently hydraulically transferred back to the beach for deposition.

Notes to the Financial Statements (continued)

13. EXPLORATION AND DEVELOPMENT EXPENDITURE (Continued)

The results of the DFS were incorporated into a financial model developed on behalf of the Company by Perth-based MSP Engineering Pty Ltd. During the course of trade-off and optimisation studies additional opportunities were identified. One of these involved primary concentration on the beach. Locating the primary gravity circuit on the beach reduces the volume of sand and tailings to be hydraulically transferred off and back to the beach with an associated reduction in operating costs, capital expenditure and the environmental impact of the project.

Development

Significant work was undertaken during the year to progress the Tormin Mineral Sands Project (Tormin) towards construction and commissioning.

During the year, the South African Department of Mineral Resources (DMR) approved the Environmental Management Plan (EMP) for the Company's proposed mining operations at Tormin. The EMP was one of the final material impediments to the Company proceeding to undertake accelerated development activities.

During the second half of the year, the Company prepared the documentation required for and engaged with the relevant authorities in relation to the remaining regulatory matters. This was completed as planned and the required documentation was lodged with the authorities before the end of the year. Based on the progress to date, MRC remains confident it will have cleared all regulatory hurdles before the end of the first half of 2012.

XOLOBENI PROJECT (SOUTH AFRICA)

Background

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

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

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 Company's subsidiary, Transworld Energy and Mineral Resources (SA) (Pty) Ltd (TEM), has previously advised that the DMR had withdrawn the previously granted Conditional Mining Right over the Kwanyana block, that it had addressed the issues required by the DMR and that it was awaiting feedback from the DMR and Minister in relation to these matters.

At 31 December 2011, exploration and evaluation expenditure of \$8,191,050 on the Xolobeni project has been capitalised. TEM has yet to receive confirmation of the position on the Kwanyana block from the DMR. However, in November 2011 the DMR extended the prospecting rights over the remaining blocks of the Xolobeni project for a further period of 3 years. Accordingly, the company remains confident that it will be able to resolve the outstanding issues in relation to the Kwanyana block so that the company can complete the work required to satisfy the regulators that the entire project can be responsibly and sustainably developed.

Recoupment of carried forward exploration and evaluation expenditure is dependent upon the granting of mining rights and successful development and commercial exploitation of each area of interest, or otherwise by their sale at an amount not less than the carrying value.

Notes to the Financial Statements (continued)

14 SUBSIDIARIES

	Class of Share	Place of Incorporation	Equity Holding	
			2011 %	2010 %
Parent Entity				
Mineral Commodities Limited		Australia		
Controlled Entities				
Rexelle Pty Ltd	Ord	Australia	100	100
Queensland Minex NL	Ord	Australia	100	100
Q Smelt Pty Ltd	Ord	Australia	90	90
Mincom Waste Pty Ltd	Ord	Australia	100	100
MRC Resources (Pty) Ltd	Ord	South Africa	100	100
MRC Africa Pty Ltd	Ord	Australia	100	100
Blackhawk Oil & Gas Ltd	Ord	Australia	100	100

	Class of Share	Place of Incorporation	Equity Holding	
			2011 %	2010 %
Transworld Energy & Minerals Resources (SA) (Pty) Limited	Ord	South Africa	56	56
Mineral Sands Resources (Pty) Ltd	Ord	South Africa	50	50
Nyati Titanium Eastern Cape (Pty) Ltd	Ord	South Africa	100	100
MRC Metals (Pty) Ltd	Ord	South Africa	100	100
Skeleton Coast Resources (Pty) Ltd	Ord	Namibia	100	100

15. NON-CONTROLLING INTERESTS

	Consolidated Entity	
	2011	2010
	\$	\$
Non-controlling interests in subsidiaries comprise:		
Interest in retained earnings at the beginning of the financial year after adjusting for non-controlling equity interests in the entities acquired during the financial year	-	-
Operating loss	-	-
Share capital	54,748	54,748
Reserves	124,101	124,101
Total non-controlling interests	<u>178,849</u>	<u>178,849</u>

Notes to the Financial Statements (continued)

During 2008 two subsidiaries' ownership interests were restructured to comply with South African legislation. Ordinary shares were issued to the Black Empowerment Parties to effect these changes in accordance with the respective agreements entered into with the Black Empowerment partners.

16. TRADE AND OTHER PAYABLES - CURRENT

	Consolidated	
	2011	2010
		\$
Trade payables - unsecured	640,914	340,660
Other payables and accruals - unsecured	1,158,838	200,880
	1,799,752	541,540

(a) Fair Values and credit risk

Due to the short term nature of these payables the carrying values represent their respective fair values as at 31 December 2011 and 2010.

(b) Foreign Exchange and Interest Rate Risk

Information about the Group's exposure to foreign exchange and interest rate Risk in relation to trade and other payables is provided in Note 24.

17. CONTRIBUTED EQUITY

	2011	2010	2011	2010
	Number of shares	Number of shares	\$	\$
Balance at beginning of financial year	143,393,385	143,393,385	40,004,350	40,004,350
Placement of 10 Million shares in March 2011	10,000,000	-	1,200,000	-
Costs of capital raising	-	-	-	-
Balance at end of financial year	153,393,385	143,393,385	41,204,350	40,004,350

(a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets in order to maintain sufficient funds necessary to continue its operations.

As a junior mineral explorer debt financing is not an option until such time at the Group's projects have reached a stage at which debt financing can be obtained, therefore the Company considers its contributed equity as it's capital during this period. Investments such as the shareholding in Allied Gold Mining PLC are also regarded as part of the capital base and sold as required to fund ongoing operations.

Notes to the Financial Statements (continued)

18. RESERVES

	Consolidated	
	2011	2010 \$
General Reserve	2,437,582	2,437,582
Financial asset revaluation reserve	1,588,095	4,097,207
Listed options reserve	286,578	286,578
Foreign currency translation reserve	(3,507,599)	(995,772)
	804,656	5,825,595

Nature and purpose of reserves

General Reserve

The General Reserve arose from the issue of shares in MRC Resources Pty Ltd to an entity outside the economic entity.

Financial asset revaluation reserve

The financial asset revaluation reserve arises from the revaluation at reporting date of available for sale financial assets.

Foreign Currency Translation reserve

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentation currency of the group. Refer to accounting policy Note 1 (f).

Listed Options Reserve

Records the amounts received in a prior year from the issue of listed options.

19. LOSS PER SHARE

	Consolidated	
	2011 cents	2010 cents
(a) Basic loss per share		
From continuing operations attributable to the ordinary shareholders of the company (cents per share)	(1.40)	(1.16)
From discontinued operations (cents per share)	-	0.02
Total basic loss per share attributable to the ordinary equity holders of the company (cents per share)	(1.40)	(1.14)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	151,667,357	143,393,021
Loss used in the calculation of basic loss per share from continued operations	(2,315,788)	(1,658,947)
Profit / (Loss) Loss used in the calculation of basic loss per share from discontinued operations	-	33,926

There are 57,357,208 options with an exercise price of 20 cents and an expiry date of 31 December 2012 on issue as at 31 December 2011. These potential ordinary shares are not considered dilutive and accordingly have not been used to calculate dilutive earnings per share.

Notes to the Financial Statements (continued)

20. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and non-related audit firms:

	Consolidated	
	2011	2010
	\$	\$
Amounts paid or due and payable to the auditors		
Auditors of the parent entity		
Audit and review	61,368	39,492
Non Assurance services		
BDO (WA) Tax	140,129	-
Non-related practice of the auditors		
Audit of subsidiaries	17,179	6,558
	<u>218,676</u>	<u>46,050</u>

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel Compensation

	Economic Entity	
	2011	2010
	\$	\$
Key Management Personnel		
Short-term employee benefits	164,037	224,037
Post-employment benefits	3,963	3,963
	<u>168,000</u>	<u>228,000</u>

(a) Option holdings of key management personnel

The numbers of options over ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Consolidated entity are set out below:

2011								
Key Management Personnel	Balance at 1 January 2011	Granted as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2011	Vested and exercisable	Unvested
Mark Caruso	7,380,396	-	-	-	-	7,380,396	7,380,396	-
Joseph Caruso	7,380,396	-	-	-	-	7,380,396	7,380,396	-
Peter Torre	200,000	-	-	-	-	200,000	200,000	-

Notes to the Financial Statements (continued)

Option holdings of key management personnel (continued)

2010

Key Management Personnel	Balance at 1 January 2010	Granted as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2010	Vested and exercisable	Unvested
Mark Caruso	7,380,396	-	-	-	-	7,380,396	7,380,396	-
Joseph Caruso	7,380,396	-	-	-	-	7,380,396	7,380,396	-
Greg Steemson	604,000	-	-	-	-	604,000 ¹	604,000	-
Peter Torre	-	-	-	-	200,000	200,000	200,000	-

¹ Options held on 31 March 2010 (date of resignation)

(b) Shareholdings of key management personnel

The numbers of ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Consolidated entity are set out below:

2011

Director	Balance at 1 January 2011	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 2011
Mark Caruso	21,582,615	-	-	-	21,582,615
Joseph Caruso	21,569,988	-	-	-	21,569,988
Peter Torre	500,000	-	-	-	500,000

2010

Director	Balance at 1 January 2010	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 2010
Mark Caruso	19,063,615	-	-	2,519,000	21,582,615
Joseph Caruso	19,050,988	-	-	2,519,000	21,569,988
Greg Steemson	1,510,000	-	-	-	1,510,000 ²
Peter Torre	-	-	-	500,000	500,000

Shareholdings of key management personnel (Continued)

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 21,569,988 shares. The net change other above was the take up of the entitlement issued undertaken by the Company during the period.

² Shareholding at 31 March 2010 (date of resignation)

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Loans to key management personnel

There were no loans to key management personnel during the period.

(d) Other transactions and balances with key management personnel

There were no transactions or balances with key personnel except as disclosed in this note and Note 22.

Notes to the Financial Statements (continued)

22. RELATED PARTY TRANSACTIONS

There were no transactions with directors or director related entities during the financial period other than the payment of directors' remuneration and an accrual of \$20,000 (2010:nil) for the rental of office accommodation provided by Zurich Bay holdings a company associated with Mark & Joseph Caruso.

In 2010 an excavator retrieved from Sierra Leone was sold to Zurich Bay holdings a company associated with Mark & Joseph Caruso for \$115,000.

Mineral Commodities Ltd is a shareholder in Allied Gold Mining PLC owning 750,000 shares (2010: 1,250,000) of the issued share capital at reporting date. Mark Caruso and Peter Torre are also officers of Allied Gold Mining PLC.

Wholly owned group

The group consists of Mineral Commodities Limited and its subsidiaries. Details of entities in the group are set out in Note 14.

Transactions between Mineral Commodities Limited and other entities in the group during the years ended 31 December 2011 and 31 December 2010 consisted of loans advanced and payments received and made on inter-company accounts. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Company provided management, accounting and administration services to other entities in the wholly-owned group.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

Notes to the Financial Statements (continued)

23(a) RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) after income tax and outside equity interest	(2,135,788)	(1,625,021)
Depreciation	4,998	11,250
Impairment losses	54,000	1,488,644
Provision for Employee Entitlements	6,730	(2,836)
(Profit) on sale of investment in listed companies	(744,186)	(495,200)
Loss on sale of available for sale assets	-	1,088
Loss on disposal of fixed assets	5,707	8,589
Exploration expenditure written off	253	10,564
Other non-cash items	-	1,827
Changes in assets and liabilities during the year:		
Increase in trade payables and other liabilities	1,210,890	287,005
(Increase) decrease in trade and other receivables	14,425	11,372
(Increase) decrease in prepayments	(787)	2,975
Net cash inflow / (outflow) from operating activities	(1,583,758)	(299,743)

23(b) Non-cash Investing and Financing Activities

The group has no available finance facilities as at reporting date. The group did not undertake any non-cash financing or investing activities during the period (2010:none)

Notes to the Financial Statements (continued)

24. FINANCIAL RISK MANAGEMENT

The Group holds the following financial instruments:

	Consolidated	
	2011	2010
	\$	\$
Financial Assets		
Cash at bank and short term bank deposits		
AA-	230,642	188,895
BBB	18,747	2,611
Total Cash at bank and short term bank deposits	249,389	191,506
Trade and other receivables		
Counterparties with external credit rating (Moody's)		
AAA	25,696	46,535
BBB	333,736	431,645
	359,432	478,180
Counterparties without external credit rating		
Sundry trade receivables	75,648	49,806
Total Receivables	435,080	527,986
Available for sale investments	3,027,651	6,277,651
	3,712,120	6,997,143
Financial Liabilities		
Trade Creditors	640,914	340,660
Other payables	1,158,838	200,880
	1,799,752	541,540
	1,912,368	6,455,603
	1,912,368	6,455,603

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. Risk management is carried out by the Board of Directors.

The Group does not hold any derivative financial instruments.

Notes to the Financial Statements (continued)

24. FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk

The main risk the Group is exposed to through its financial instruments are exchange rate risk, interest rate risk, liquidity risk, credit risk and price risk.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The primary exposure is in respect to the South African Rand arising from the investments in and loans to South African entities.

Foreign exchange risk arises from assets and liabilities denominated in a currency that is not the Reporting company's functional currency and net investments in foreign operations.

The Group does not hold any derivatives or foreign exchange contracts to hedge its foreign exchange risk exposure.

Based on the financial instruments held at the reporting date, the sensitivity of the Group's profits after tax for the year and equity at the reporting date to movements in the Australian Dollar to South African Rand was:

- Had the Australian Dollar weakened / strengthened by 19% against the South African Rand with all other variables remaining constant, the Group's profit after tax would have been \$2,022,662 lower / higher (2010: 755,946 lower / higher) and equity would have been \$2,022,662 lower / higher (2010: \$755,946 lower / higher) The reasonable possible change is based on historical changes in rates estimated by management.

Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures including outstanding receivables and investments in unlisted entities.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables held are with related parties and within the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to the Group's floating interest rate cash balance which is subject to movements in interest rates. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk. Interest is charged on the loans from the parent company to the South African subsidiaries at rates permitted by the South African reserve bank. This interest is eliminated on consolidation.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Board monitors rolling cash flow forecasts to manage liquidity risk. The only financial liabilities of the Group at balance date are trade and other payables, these amounts are unsecured.

As at reporting date the Group had sufficient cash reserves to meet its requirements. Should additional cash be required to fund operations this may be raised from the sale of listed equities held as available for sale. The Group therefore had no other credit standby facilities or arrangements for further funding in place.

The only financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30 day terms of creditor payments.

Notes to the Financial Statements (continued)

FINANCIAL RISK MANAGEMENT (Continued)

Price Risk

The Group has an exposure to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position as available for sale financial assets. The Group is not exposed to commodity price risk.

The following table summarises the impact of any increases/decreases in the market price of available for sale equity investments. The percentage used is based on possible volatility of the share price and market value of the investments held. The 30% reasonable movement is based on management's estimate of historical changes.

2011	Carrying amount \$	Price Risk			
		-30%	Equity	+30%	Equity
		Profit \$	Profit \$	Profit \$	Profit \$
Available for sale investments					
Listed Shares & Options	1,653,000	(495,900)			495,900
Unlisted shares	1,374,651	(412,395)			412,395
	<u>3,027,651</u>	<u>(908,295)</u>			<u>908,295</u>

2010	Carrying amount \$	Price Risk			
		-30%	Equity	+30%	Equity
		Profit \$	Profit \$	Profit \$	Profit \$
Available for sale investments					
Listed Shares & Options	5,173,000	(1,551,900)			1,551,900
Unlisted shares	1,104,651	(331,395)			331,395
	<u>6,277,651</u>	<u>(1,883,295)</u>			<u>1,883,295</u>

25 .COMMITMENTS

(a) Non- Cancellable Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	2011 \$	2010 \$
Within one year	1,875	21,447
Later than one year but not later than five years	-	1,875
Total	<u>1,875</u>	<u>23,322</u>

The operating lease is a short term rental agreement for the Group's previous office premises in Kewdale. The Company presently occupies office space leased by Zurich Bay Holdings, refer note 22. There is currently no formal sub-lease or rental agreement in place however this will be at commercial rate for the space occupied.

Notes to the Financial Statements (continued)

(b) **Exploration Tenement Leases – Commitments for Expenditure.**

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay lease rentals and to meet the minimum expenditure requirements which are not considered to be material.

27 CONTINGENT LIABILITIES

There are no Contingent Liabilities.

28. SUBSEQUENT EVENTS

Investments

Allied Gold Mining Plc

A further 250,000 Ordinary Shares in Allied Gold Mining PLC were sold in 2012, net proceeds received were \$452,620.

No other event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, other than what has been disclosed elsewhere in this financial report, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years unless otherwise disclosed in this Directors Report.

Directors' Declaration

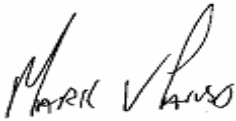
The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 including;
 - (a) complying with Australian Accounting Standards and the Corporations Regulations 2001 and,
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The remuneration disclosures set out on pages 7 to 9 of the Directors Report as part of the audited remuneration report comply with S300A of the Corporations Act 2001 for the year ended 31 December 2011.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:



Mark Caruso
Non Executive Director
Dated at Perth, Western Australia this 30th day of March 2012

30 March 2012

Mineral Commodities Limited
The Board of Directors
40 Murray Road North
Welshpool,
Western Australia 6106

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF
MINERAL COMMODITIES LIMITED**

As lead auditor of Mineral Commodities Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mineral Commodities Limited and the entities it controlled during the period.



PETER TOLL
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERAL COMMODITIES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mineral Commodities Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mineral Commodities Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Mineral Commodities Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (iii) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion expressed above, attention is drawn to Note 13 in the financial statements regarding the notice of lost Conditional Mining Rights over the Kwinyana Block contained within Xolobeni area of interest. The Group has responded to the Department of Minerals and Resources (DMR) in South Africa addressing the issues required by the DMR. Expenditure has been minimised on the Xolobeni project until the Group receives confirmation of the DMR's position in respect to the Kwinyana Block. Until these conditions have been satisfied, the Group is unable to further progress this project, and therefore determine, whether it will realise the capitalised expenditure of \$8,191,050 as stated in this financial report.

Without modifying our opinion, we draw attention to Note 1(c) in the financial report, which indicates that the group will have to seek additional funding if it is to continue as a going concern, repay its debts and carry out its exploration and evaluation activities. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in this financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mineral Commodities Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



PETER TOLL
Director

Perth, Western Australia
Dated this 30th day of March 2012

Statement of Corporate Governance

The Board of Directors of Mineral Commodities Limited (MRC) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

Role of the Board of Directors

The Board of MRC is responsible for setting the Company's strategic direction and providing effective governance over MRCs' affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

- (a) chart the direction, strategies and financial objectives for MRC and monitor the implementation of those policies, strategies and financial objectives;
- (b) monitor compliance with regulatory requirements, ethical standards and external commitments;
- (c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer if in place or similar person acting in the executive capacity; and
- (d) ensure that the Board continues to have the mix of skills and experience necessary to conduct MRCs' activities, and that appropriate directors are selected and appointed as required.

In accordance with MRCs' Constitution, the Board delegates responsibility for the day-to-day management of MRC to the Managing Director (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

Board structure and composition

The Board currently is comprised of 3 directors, none of which are independent non-executive Directors. Details of each directors skill, expertise and background are contained within the directors report included with the company's annual financial statements.

Independence, in this context, is defined to mean a non-executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.1 is taken into account for this purpose.

It is the Board's intention to increase the size of the Board as the scale of activities develops, and such expansion will see an introduction of independent non-executive directors. In the absence of such scale, the Board does not believe that the existence of further independent non-executive directors would be of benefit to the Company.

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Statement of Corporate Governance (Cont'd)

Any equity based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and Managing Director have been separated.

The Managing Director is responsible for supervising the management of the business as designated by the Board. This ensures the appropriate independent functioning of the Board and management.

MRCs' non-executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re-election. Directors are elected or re-elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re-election. A Director appointed by the Directors (e.g., to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC but is eligible for re-election at that meeting.

Under MRCs' Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

Board and management effectiveness

Responsibility for the overall direction and management of MRC, its corporate governance and the internal workings of MRC rests with the Board notwithstanding the delegation of certain functions to the Managing Director and management generally (such delegation effected at all times in accordance with MRC' Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual Directors and Company Executives has not taken place since the inception of the Company. Given the small scale of the Company's current activities, the performance of the executives and directors is easily monitored and discussed in Board meetings. Once the nature and scale of activities increases, the Company will initiate formal evaluation procedures.

Financial reporting, Internal Control and Risk Management

The Board has overall responsibility for MRC' systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulation, with a view to managing risk of failure to achieve business objectives. It must be recognized however that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of MRC on a weekly basis. For annual financial statements, the Managing Director and the Company Secretary are required to state in writing that:

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with the relevant accounting standards; and
- are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management has not formally reported to the Board on the effectiveness of the Company's management of material business risk. Management and the Board interact on a day to day basis and risk is currently being considered on an informal day to day basis across the financial, operational and organisation aspects of the Company's business.

Committees of the Board of Directors

The Board has not established any permanent committees, namely an Audit and Risk Committee and a Remuneration and Nomination Committee. The Board and scale of activities is not of a sufficient size to warrant separate committees in this regard.

Statement of Corporate Governance (Cont'd)

In the absence of an audit committee, the entire Board undertakes the function of an audit committee. The duties of this committee include:

- to be the focal point of communication between the Board, management and the external auditor;
- to recommend and supervise the engagement of the external auditor and monitor auditor performance;
- review the effectiveness of management information and other systems of internal control;
- review all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- review significant transactions that are not a normal part of the Company's business;
- review the year end and interim financial information and ASX reporting statements;
- to monitor the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- review the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

Timely and balanced disclosure

MRC is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, MRC recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Preparing quarterly activity and cash flow reports.
- Advising the market of matters requiring disclosure under Australian Stock Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporation Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

Ethical and responsible decision-making

Code of Conduct

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and Directors conduct themselves and MRCs' business, avoiding conflicts of interest and not misusing

Statement of Corporate Governance (Cont'd)

company resources. A formal Code of Conduct has not been adopted for all employees and Directors of MRC due to the total number of employees and director's only being 5.

Diversity

The Company only consists of 5 employees and directors. Where possible and when the Company expands, the Company will employ a broad mix of individuals reflecting its philosophy of hiring the best candidate for all positions at all levels irrespective of race, religion or gender. In terms of the composition of the Board and Board nominations, the Board will consider the requirements of the Davies Report and the Australian Stock Exchange Corporate Governance Principles as part of the overall Board appointment process of determining the composition of the Board that is the most appropriate for the Group.

At present, the Company does not have a diversity policy and employs 1 female, representing 20% of the total employees and directors.

Securities Trading Policy

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates MRC's commitment to ensuring awareness of the insider trading laws, and that employees and Directors comply with those laws. The Securities Trading Policy imposes additional share trading restrictions on Directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non-public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half-year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in MRC's securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

Other Information

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 23 March 2012.

Twenty Largest Shareholders

Rank	Name	Shares	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,778,852	20.07%
2	ZURICH BAY HOLDINGS PTY LTD	20,605,988	13.43%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,039,402	7.85%
4	MR KENG HENG GOH	5,175,000	3.37%
5	MR ANTHONY GRANT MELVILLE & MRS ELAINE SANDRA MELVILLE	5,150,000	3.36%
6	MISS KATHRYN YULE	4,884,500	3.18%
7	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,794,343	2.47%
8	INTERNATIONAL MINING SERVICES LIMITED	3,150,000	2.05%
9	MR KEVIN ANTHONY LEO & MRS LETICIA LEO	2,950,000	1.92%
10	MR DAVID GEOFFREY VINCENT & MRS GIUSEPPINA ANTONINA VINCENT	2,170,000	1.41%
11	IEC INVESTMENTS PTY LTD	2,147,596	1.40%
12	INTERNATIONAL MINING SERVICES LTD	1,500,000	0.98%
13	NATIONAL NOMINEES LIMITED	1,476,442	0.96%
14	MR ROBERT CAMERON GALBRAITH	1,459,221	0.95%
15	MS KATHRYN YULE	1,282,500	0.84%
16	MR DAVID GEOFFREY VINCENT	1,036,000	0.68%
17	MR EMANUEL RICHARD BRIAN DILLON	1,000,000	0.65%
17	ZURICH BAY HOLDINGS PTY LTD	1,000,000	0.65%
17	MR WILLIAM DAVIDSON MEEK	1,000,000	0.65%
17	MR ASHLEY WALLISS	1,000,000	0.65%
17	MR IAN THOMPSON	1,000,000	0.65%
17	KINGARTH PTY LTD	1,000,000	0.65%
18	MR DONALD BOYD	900,000	0.59%
19	CITICORP NOMINEES PTY LIMITED	852,200	0.56%
20	MR GRANT MENHENNETT	763,585	0.50%
TOTAL		108,115,629	70.48%

Twenty Largest Option Holders

Rank	Name	Options	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,575,813	13.21%
2	ZURICH BAY HOLDINGS PTY LTD	6,980,396	12.17%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,815,760	8.40%
4	KATHRYN YULE	3,403,000	5.93%
5	CHARLIV INVESTMENTS PTE LTD	3,000,000	5.23%
6	MR CHRISTOPHER VICTOR CARUSO	1,700,000	2.96%
7	MR DAVID GEOFFREY VINCENT & MRS GIUSEPPINA ANTONINA VINCENT	1,626,000	2.83%
8	MR KEVIN ANTHONY LEO & MRS LETICIA LEO	1,565,344	2.73%
9	DR ROSAMUND JULIAN BANYARD & MR PHILLIP STANLEY HOLTEN	1,430,000	2.49%
10	MR EMANUEL RICHARD BRIAN DILLON	1,400,000	2.44%
10	KEVIN LEO	1,400,000	2.44%
10	INTERNATIONAL MINING SERVICES PTY LTD	1,400,000	2.44%
11	JP MORGAN NOMINEES AUSTRALIA LIMITED	1,198,076	2.09%
12	NATIONAL NOMINEES LIMITED	1,107,200	1.93%
13	CHETAN ENTERPRISES PTY LTD	1,000,000	1.74%
14	MR KEVIN ANTHONY LEO & MRS LETICIA LEO	784,833	1.37%
15	MR ROBERT CAMERON GALBRAITH	583,689	1.02%
16	OHS GLOBAL PTY LTD	515,132	0.90%

Rank	Name	Options	%IC
17	MR ROSS NICHOLAIDIS	500,000	0.87%
17	IAN RANDAL THOMPSON	500,000	0.87%
17	ARIE VROLIJK	500,000	0.87%
17	DIRECT MINING SERVICES PTY LTD	500,000	0.87%
18	MR IAN THOMPSON	400,000	0.70%
18	MR WILLIAM DAVIDSON MEEK	400,000	0.70%
18	ZURICH BAY HOLDINGS PTY LTD	400,000	0.70%
19	CHURCHLAND NOMINEES PTY LTD	397,780	0.69%
20	MR ALEXANDER MEARS	391,052	0.68%
TOTAL		45,474,075	79.28%

Range of holdings	Number of shareholders	Number of shares	Number of option holders	Number of Options
1 – 1,000	138	42,857	24	12,766
1,001 – 5,000	375	1,303,851	85	234,040
5,001 – 10,000	179	1,498,445	41	297,327
10,001 – 100,000	368	14,106,696	120	5,068,325
100,001 – and over	123	136,441,172	59	51,744,750
Total holders	1,183	153,393,021	329	57,357,208

Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 525.

Voting Rights

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders have the right to attend meetings but have no voting rights until the options are exercised.

Substantial shareholders

The following shareholders are considered substantial shareholders:

- M&G Investment Management Limited. 7.7% of the issued ordinary shares
- Mirabaud Investment Limited holding approximately 10.0% of the issued ordinary shares based on their disclosure in their last substantial interest notice to the Company.
- Zurich Bay Holdings Pty Ltd holding 13.43% of the issued ordinary shares.

Restricted securities

There are no restricted securities.

Share buy backs

There is no current on market share buy back.