MINERAL COMMODITIES LIMITED

ABN 39 008 478 653

FINANCIAL REPORT

31 DECEMBER 2012

Corporate Directory

Directors	Joseph Anthony Caruso	Non-Executive Director
	Mark Victor Caruso	Executive Chairman
	Peter Patrick Torre	Non-Executive Director
	Mr James Gerald Leahy	Independent Non-Executive Director
	Mr Guy Redvers Walker	Independent Non-Executive Director
Company Secretary	Peter Patrick Torre	
Registered Office	40 Murray Road North Welshpool, Western Australia 6106 Telephone: (61 8) 6253 1100 Facsimile: (61 8) 9258 3601 Email: info@mncom.com.au Website: www.mncom.com.au	
Solicitors	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000	
Auditors	BDO Audit (WA) Pty Ltd 38 Station St Subiaco, Western Australia 6008	
Share Registry	Link Market Services Limited Ground Floor, 178 St Georges Terrace PERTH WA 6000 Telephone 1300 554 474	
Stock Exchange Listing	The Company is listed on the Australian Securities Exchange Limited under ASX Code - MRC	

Contents

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 2012.

DIRECTORS

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

Mr Joseph Caruso	– Non Executive Director
Mr Mark Caruso	– Executive Chairman
Mr Peter Torre	– Non Executive Director and Company Secretary
Mr James Leahy	– Independent Non Executive Director (Appointment 21 December 2012)
Mr Guy Walker	– Independent Non Executive Director (Appointment 21 December 2012)

DIRECTORS' INFORMATION

Joseph Anthony Caruso
Non-Executive Director

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. He was previously Non-Executive Chairman of the Company, moving to the position of Non-Executive Director in August 2012.

Mark Victor Caruso
Executive Chairman

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 was previously Chairman of Allied Gold Mining PLC,(AGMP) responsible for the delivery of the Gold Ridge Project in the Solomon Islands and the Simberi Gold Project in Papua New Guinea. After resigning from AAGMP Mr Caruso transitioned into the position of Executive Chairman of Mineral Commodities in August 2012.

Peter Torre
Non Executive Director and Company Secretary

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.

Mr James Gerald Leahy
Non Executive Director

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

Mr Guy Redvers Walker
Non Executive Director

Mr is a highly accomplished director and senior investment management executive with over 20 years financial markets experience. Mr currently sits on the boards of several mining companies at different stages of development including Metals Exploration plc. (an AIM listed gold development company), Navigator Resources (an ASX listed gold production company) and ENK plc. (a Nickel mining company). Mr Walker has extensive experience in capital raising through both traditional banks and alternative lenders.

Directors Report (continued)

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

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.

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 $1,191,061 (2011: $2,135,788).

DIVIDENDS

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

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

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

South African Projects

<u>Tormin Mineral Sands Project</u>
During the period, the Company completed and submitted all the necessary documentation required for the remaining regulatory matters in relation to the Tormin Mineral Sands Project (Tormin) and in July 2012, the Company received notification of the approval of its Environmental Management Plan by Department of Environmental Affairs and Development Planning (DEADP). The Company was therefore in a position to proceed to ensure appropriate financing was in place to develop Tormin for production to commence in 2013.

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

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

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

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

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

Existing directors of MRC subscribed for up to A$3.4 million in Shares on the same terms as those issued to third party investors under the Placement. The issue of Shares to directors of MRC was approved by shareholders on 21 December 2012 and was completed in January 2013.

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

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

Directors Report (continued)

Project Economics and Development Costs

Based on TZMI product pricing and Definitive Feasibility Study (DFS) estimates, the project economics for Tormin are robust. On an initial 5-year Life of Mine extracting primarily Zircon and Rutile Non-Magnetic concentrate, economic models suggest an NPV of AUD$68.9m with an IRR of 87.9%.

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

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

Appointment of EPCM Contractor

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

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

By the end of the financial year, MSP Engineering had prepared scope specifications and most of the tender documents had been distributed.

Product Off-take discussions

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

Demand for the Tormin Ilmenite and Non-Magnetic concentrate has been strong and the Company is advanced with negotiations for all products.

Offshore Prospecting Rights

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

The offshore prospecting area covers an area of 12 square kilometres and extends 1km out to sea from the low-water mark and covers the full length of the existing 12km Tormin tenement.

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

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

Directors Report (continued)

XOLOBENI PROJECT (SOUTH AFRICA)

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

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

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

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

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

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

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

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

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

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

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

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

On 29 June 2012, Allied Gold Mining PLLC (AGMPLC) announced that it had reached an agreement with St Barbara Limited (St Barbara) on a recommended offer to combine the two companies through a scheme of arrangement.

Under the terms of the offer, AGMPLC shareholders received A$1.025 in cash and 0.8 St Barbara shares for each AGMPLC share held. Based on AGMPLC's share price on 28 June 2012 (the day before the announcement), this represented a 92.3% premium.

Directors Report (continued)

St Barbara and AGMPLC advised the market that the combination has a clear strategic and financial rationale, is value enhancing, and provides various benefits for shareholders of the combined group.

The scheme became effective as at 7 September 2012. The Company disposed of its remaining holding in AGMPLC during the period.

Investment in Petro Ventures International Limited

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

During the period London broker Mirabaud Securities LLP were appointed to undertake an IPO however they withdrew from the IPO placing due to volatility in the capital markets in the later half of the period. Alternative financing arrangements are being concluded.

PVIL is currently seeking to divest its Romanian interests, which should result in a redistribution of capital to PVIL shareholders.

FINANCIAL POSITION

The net assets of the group have increased from $14,415,126 at 31 December 2011 to $20,962,421 at 31 December 2012.

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.

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
Tormin – South Africa	Mineral Sands Resources	100	Offshore Prospecting 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:

SHARES

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

Directors Report (continued)

The Placement was completed in October 2012 in accordance with shareholder approval received on 31 May 2012. Existing directors of MRC subscribed for up to A$3.4 million in shares in MRC (Shares) on 21 January 2013 on the same terms as those issued under the Placement. The issue of Shares to directors of MRC was approved by shareholders on 21 December 2012.

The final issue of approximately 9.9 million Shares pursuant to the Private Placement was also approved by shareholders on 21 December 2012 and took place on 24 January 2013 following the issue to existing directors of MRC.

OPTIONS

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

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

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

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:

Options	No of Options	Exercise Price	Expiry Date
Opening Balance 1 January 2012	57,357,208	$0.20	31 December 2012
- Options issued	10,000,000	$0.20	31 December 2015
	1,000,000	$0.35	31 December 2015
- Options Exercised	-	-	-
- Options Lapsed	57,357,208	$0.20	31 December 2012
Balance at 31 December 2012	10,000,000	$0.20	31 December 2015
	1,000,000	$0.35	31 December 2015

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:

2012 Ordinary Shares	Balance at 1 January 2012 / on Appointment	Received as Remuneration	Options Exercised	Net change other	Balance 28 March 2013
Mark Caruso -Indirect	21,569,988	-	-	40,000,000	61,569,988
- Direct	12,627	-	-	-	12,627
Joseph Caruso	21,569,988	-	-	40,000,000	61,569,988
Peter Torre	500,000	-	-	-	500,000
Guy Walker	100,000	-	-	-	100,000
James Leahy	-	-	-	-	-

J A Caruso and M V Caruso are both directors of and have a relevant interest in Zurich Bay Holdings Pty Ltd, which holds 61,569,988 shares in the Company.

Directors Report (continued)

DIRECTORS' SHAREHOLDING INTERESTS

2012

Options	Balance at 1 Jan2012/ appointment	Received as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2012
Mark Caruso	7,380,396	-	-	7,380,396	1,000,000	1,000,000
Joseph Caruso	7,380,396	-	-	7,380,396	1,000,000	1,000,000
Peter Torre	200,000	-	-	200,000	1,000,000	1,000,000
Guy Walker	40,000	-	-	40,000	1,000,000	1,000,000
James Leahy	-	-	-	-	1,000,000	1,000,000

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	6	3
M V Caruso	6	6
P P Torre	6	6
G R Walker	-	-
J G Leahy	-	-

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.

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 Key Management Personnel, if any, on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors. No remuneration consultants have been used due to the small number of employees and Key Management Personnel.

Remuneration packages may contain the following key elements:

(a) Directors Fees;
(b) Salary & Consultancy; and

Benefits – including provision of motor vehicle, superannuation.

Directors Report (continued)

REMUNERATION REPORT (Continued)

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. Long-term incentives are provided to directors and other Key Management Personnel to incentivise them to deliver long-term shareholder returns. These are determined based on what the Board vies as reasonable based on market conditions. Any grant of securities to directors of the Company must be approved by shareholders in general meeting.

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. Directors Fees and the Remuneration of the CEO is fixed. There is no at risk component of any remuneration of the Key Management Personnel.

The board had no separate remuneration committee during the year due to the size of the Company. The directors performed the role of a remuneration committee as disclosed in the Corporate Governance statement. A Remuneration and Nomination Committee was established subsequent to the reporting period.

Voting and comments made at the Company's 2012 Annual General Meeting

Mineral Commodities Limited received the unanimous support of shareholders present on the remuneration report at the Annual General Meeting for the 2012 financial year and 94% of proxy votes were in favour of the resolution to approve the remuneration report. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B. Details of Remuneration

The key management personnel of Mineral Commodities Limited Group are the directors of Mineral Commodities Limited and Mr Andrew Lashbrooke, the CEO. 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)

There were no non-cash benefits provided to Key Management Personnel during the year.

The following fees are applicable to non-executive directors of the Company

		Cash benefits	Post employment benefits	Share-based payments	Totals	Percentage performance based	Share based payments as a percentage of remuneration
		$	$	$	$		%
Non Executive Directors							
Joseph Caruso	2012	45,107	4,060	33,500	82,667	-	40.52
	2011	44,037	3,963	-	48,000	-	-
Mark Caruso	2012	140,333	10,044	33,500	183,877		18.21
	2011	48,000	-	-	48,000	-	-
Peter Torre	2012	83,083	-	33,500	116,583	-	28.73
	2011	72,000	-	-	72,000	-	-
Guy Walker	2012	1,521	137	33,500	35,158	-	95.28
	2011	-	-	-	-	-	-
James Leahy	2012	1,521	137	33,500	35,158	-	95.28
	2011	-	-	-	-	-	-
Sub-total non executive directors	2012	271,565	14,378	167,500	453,443	-	36.94
	2011	164,037	3,963	-	168,000	-	-
Other Key Management Personnel CEO							
Andrew Lashbrooke	2012	50,000	-	189,830	239,830		79.15
	2011	-	-	-	-	-	
Total Key management personnel compensation	2012	321,565	14,378	357,330	693,273	-	51.54
	2011	164,037	3,963	-	168,000	-	-

Base Fees	**From 1 December 2012**	**Up to 30 November 2012**
Non-Executive Directors	$55,000	$48,000

Additional Fees	**From 9 February 2013**	**Up to 9 February 2012**
Audit Committee Chair	$10,000	-
Audit Committee Member	$5,000	-
Remuneration and Nomination Committee Chair	$10,000	-
Remuneration and Nomination Committee Member	$5,000	-

C. Service Agreements

The following service agreements are in effect at 31 December 2012.

Directors Report (continued)

REMUNERATION REPORT (Continued)

Mark Caruso

Commenced	6 August 2012
Term	No fixed term
Total Remuneration package	$250,000 per annum
Termination benefits	12 months base salary plus any payment in lieu of notice

Peter Torre

Commenced	1 November 2012
Term	No fixed term
Total Remuneration package	$150,000 per annum
Termination benefits	12 months base salary plus any payment in lieu of notice

Andrew Lashbrooke

Commenced	1 November 2012
Term	No fixed term
Total Remuneration package	$300,000
Termination benefits	None

There are no other service agreements.

D. Share Based Compensation

During the period 1,000,000 Unlisted Options exercisable at $0.20 on or before 31 December 2015 were issued to all 5 directors of the Company pursuant to shareholder approval received on 21 December 2012 (5,000,000 in total) and a further 5,000,000 Unlisted Options exercisable at $0.20 on or before 31 December 2015 to the CEO of the Company. These were independently valued using the Black Scholes method at $0.0335 per option.

1,000,000 Unlisted Options exercisable at $0.35 on or before 31 December 2015 were issued to the CEO of the Company. These were independently valued using the Black Scholes method at $0.0233 per option.

All options issued vested immediately upon issue.

No Options issued as remuneration were exercised or lapsed during the period.

Details of options over ordinary shares in the Company provided as remuneration to each director of Mineral Commodities Limited and each of the key management personnel are set out below;

Name	Number of Options granted during the year	Value of Options at grant date	Number of Options vested during the year	Number of options lapsed during the year	Value at lapse date.
Directors					
Mr Mark Caruso	1,000,000	$33,500	1,000,000	-	-
Mr Joseph Caruso	1,000,000	$33,500	1,000,000	-	-
Mr Peter Torre	1,000,000	$33,500	1,000,000	-	-
Mr James Leahy	1,000,000	$33,500	1,000,000	-	-
Mr Guy Walker	1,000,000	$33,500	1,000,000	-	-
Other Key Management Personnel					
Mr Andrew Lashbrooke	5,000,000	167,500	5,000,000	-	-
	1,000,000	22,330	1,000,000	-	-

Directors Report (continued)

REMUNERATION REPORT (Continued)

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

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 note 27 of 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 $34,745 representing $6,949 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.

There were no 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:	**$**
Audit and review of financial reports	
BDO Audit (WA) Pty Ltd	**64,122**
BDO Cape Town South Africa	**11,726**
Total remuneration for audit services	**75,848**

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
28 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	Consolidated	
		31 Dec 2012 $	31 Dec 2011 $
Revenue from continuing operations	2	42,282	31,515
Other Income		476,769	756,936
		519,051	788,451
Administration expenses		(668,978)	(535,939)
Employees and consultants remuneration		(204,934)	(156,689)
Exploration and evaluation costs	12	-	(253)
Depreciation and amortisation	11	(28,428)	(4,998)
Loss on disposal of assets		(152)	(5,307)
Impairment of Investments	9	(227,110)	(54,000)
Share based payments	24	(357,330)	-
Abandoned acquisition costs	3	(123,243)	(2,164,281)
Finance costs		(99,937)	(2,772)
		(1,710,112)	(2,924,239)
Loss before income tax		(1,191,061)	(2,135,788)
Income tax expense	4	-	-
(Loss) from continuing operations		(1,191,061)	(2,135,788)
(Loss) for the year		(1,191,061)	(2,135,788)
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets	9	(1,588,095)	(2,509,112)
Exchange differences on translation of foreign operations	17	(738,688)	(2,511,827)
Other comprehensive income for the year net of tax		(2,326,783)	(5,020,939)
Total comprehensive income for the year		(3,517,844)	(7,156,727)
Loss is attributable to:			
Owners of Mineral Commodities Limited		(1,191,061)	(2,135,788)
Non-controlling interest		-	-
		(1,191,061)	(2,135,788)
Total comprehensive income for the year is attributable to			
Owners of Mineral Commodities Limited		(3,517,844)	(7,156,727)
Non-controlling interest		-	-
		(3,517,844)	(7,156,727)

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

Basic Loss per share	**Cents**	**Cents**
From continuing operations attributable to the ordinary shareholders of the company (cents per share)	(0.687)	(1.40)
From discontinued operations (cents per share)	-	-
Total basic loss per share attributable to the ordinary equity holders of the company (cents per share)	(0.687)	(1.40)

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

Consolidated Statement of Financial Position

as at 31 December 2012

	Note	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
CURRENT ASSETS			
Cash and cash equivalents	7	7,769,202	249,389
Trade and other receivables	8	148,087	101,344
Available for sale financial assets	9	532,113	3,027,651
Other current assets	10	10,925	11,163
Total Current Assets		8,460,327	3,389,547
NON-CURRENT ASSETS			
Receivables	8	427,272	333,736
Property, plant and equipment	11	68,689	21,582
Exploration & development expenditure	12	12,996,362	12,506,413
Total Non-Current Assets		13,492,323	12,861,731
Total Assets		21,952,650	16,251,278
CURRENT LIABILITIES			
Trade and other payables	15	966,802	1,799,752
Provisions		23,427	36,400
Total Current Liabilities		990,229	1,836,152
Total Liabilities		990,229	1,836,152
NET ASSETS		20,962,421	14,415,126
EQUITY			
Contributed equity	16	50,912,158	41,204,350
Reserves	17	(1,451,375)	804,656
Accumulated losses		(28,677,211)	(27,772,729)
Parent entity interest		20,783,572	14,236,277
Non-controlling interest	14	178,849	178,849
TOTAL EQUITY		20,962,421	14,415,126

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		42,282	31,515
Payments to suppliers & employees		(744,254)	(1,625,251)
Discontinued acquisition		(1,427,776)	-
Interest paid		(99,937)	(2,772)
Sundry income		-	12,750
Net cash outflows from operating activities	22(a)	(2,229,685)	(1,583,758)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and development expenditure		(914,089)	(964,523)
Investment in listed shares		(350,000)	-
Payment for plant and equipment	11	(79,687)	(24,910)
Proceeds from sale of plant and equipment		4,000	-
Loan to associated company		(113,636)	-
Proceeds from sales of investments		1,495,102	1,431,074
Net cash inflow from investing activities		41,690	441,641
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares and options (net of costs)	16	9,707,808	1,200,000
Loan received		1,407,509	-
Loan repaid		(1,407,509)	-
Net cash inflow from financing activities		9,707,808	1,200,000
Net increase in cash and cash equivalents		7,519,813	57,883
Cash and cash equivalents at beginning of financial year		248,260	191,026
Exchange rate movement on opening balances		1,129	480
Cash and cash equivalents at end of financial year	7	7,769,202	249,389

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

Consolidated Statement of Changes in Equity

Consolidated Entity For the year ended 31 December 2012	**Contributed Equity** **$**	**Reserves** **$**	**Accumulated Losses** **$**	**Totals** **$**	**Non-controlling interest** **$**	**Total Equity** **$**
Balance at 1 January 2012	41,204,350	804,656	(27,772,729)	14,236,278	178,849	14,415,127
Loss for the year	-		(1,191,061)	(1,191,061)	-	(1,191,061)
Other Comprehensive loss for the year	-	(2,326,783)		(2,326,783)	-	(2,326,783)
Total comprehensive loss for the year	-	(2,326,783)	(1,191,061)	(3,517,844)	-	(3,517,844)
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs	9,707,808	-	-	9,707,808	-	9,707,808
Unlisted Options issued		357,330		357,330		357,330
Reclassify Option Reserve for expired options		(286,578)	286,578	-		-
Balance at the end of the year	50,912,158	(1,451,375)	(28,677,212)	20,783,572	178,849	20,962,421

Consolidated Entity For the year ended 31 December 2011	**Contributed Equity** **$**	**Reserves** **$**	**Accumulated Losses** **$**	**Totals** **$**	**Non-controlling interest** **$**	**Total Equity** **$**
Balance at 1 January 2011	40,004,350	5,825,595	(25,636,941)	20,193,004	178,849	20,371,853
Loss for the year	-	-	(2,135,788)	(2,135,788)	-	(2,135,788)
Other comprehensive income for the year net of tax	-	(5,020,939)	-	(5,020,939)	-	(5,020,939)
Total comprehensive loss for the year	-	(5,020,939)	(2,135,788)	(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	804,656	(27,772,729)	14,236,277	178,849	14,415,126

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 2012 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 Limited ("Company" or "parent entity") as at 31 December 2012 and the results of its subsidiaries for the year then ended. Mineral Commodities Limited 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 1 (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) 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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 (2011: 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.

(e) 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 rated 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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(f) 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.

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.

(g) 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.

Where the Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable, further expenditure is capitalised as part of property, plant and equipment.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(h) 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 are 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.

(i) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of it 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 it 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.

(j) 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 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.

(k) Financial Instruments (continued)

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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 Limited 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.

(p) 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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-Based Payments

The issue of Employee options was approved by shareholders at a general meeting of the Company held on 21 December 2012 and the fair value of these has been expensed. The total Share Based payment expense for the period was $357,330 (2011 $0).The fair value at grant date is independently determined using an appropriate 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.

(q) Leases

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

(r) 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.

(s) 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.

(t) 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.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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

Exploration and development expenditure

Recoupment 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 $7,924,368 (2011:$8,191,050) refer note 12 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.

Investment in Unlisted Entities

The investments in Africa Uranium Ltd has been fully impaired $1,488,643 (2011 $1,488,643).

The remaining investment in an unlisted entity Petro Ventures International Ltd has been valued by using information provided by the Company including unaudited financial statements. Assumptions and estimates have been used in this valuation refer note 9. Should any of these assumptions or estimates change, this could significantly effect the carrying value of this investment.

Notes to the Consolidated Financial Statements

(v) Accounting standards not yet effective

Reference	Title	Nature of Change	Application date of standard	Impact on Consolidated financial statements	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 available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. 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 2015	Adoption of AASB 9 is only mandatory for the year ending 31 December 2015. The Group has not yet made an assessment of the impact of these amendments.	1 January 2015
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: • 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 Group's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the [Entity] does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	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 arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.	1 January 2013
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. 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	1 January 2013

				structured entities.	
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, 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	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 31 December 2013, additional disclosures will be required about fair values.	1 January 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 31 December 2013 year end, annual leave liabilities will be recalculated on 1 January 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 January 2012, and a corresponding increase in retained earnings at that date	1 January 2013
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001*	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013 the [Entity] will show reduced disclosures under Key Management Personnel note to the financial statements	1 January 2013
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The [Entity] does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 January 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32) e.g: AASB 116 clarifies that items such as spare parts, stand-by or service equipment are required to be classified as property, plant and equipment and not inventory	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no material impact.	I January 2013

IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 January 2015
AASB 2012-9 (issued December 2012)	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	Deletes Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills In Australia* from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the *Corporations Act 2001* or other general purpose financial statements.	Annual reporting periods beginning on or after 1 January 2013	There will be no impact on first-time adoption of this amendment as the [entity] does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.	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 Consolidated Financial Statements (continued)

2. INCOME

	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
Revenue		
Interest revenue from unrelated entities	42,282	31,515
Other Income		
Profit from sales of investments in available for sale financial assets	464,769	744,186
Miscellaneous and other income	12,000	12,750
Total Other Income	476,769	756,936

3. EXPENSES

	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
Loss before income tax has been arrived at after charging the following:		
Abandoned acquisition costs[1]	123,243	2,164,281
Exploration expenditure written off	-	253
Operating lease rentals	49,238	36,178
Depreciation - plant and equipment	28,428	4,998
Superannuation contributions	50,322	75,029
Movement in provision for employee entitlements	2,250	6,730
Impairment of investments	227,110	54,000

[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	
	31 Dec 2012 $	31 Dec 2011 $
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	(1,191,061)	(2,135,788)
Prima facie tax payable / (benefit) on loss @ 30% (2011:30%)	(357,318)	(640,736)
Non allowable items	108,591	(2,026,120)
Non-assessable income	(790,806)	(847,294)
Net deferred tax assets not brought to account	1,039,533	3,514,150
Income tax expense / (benefit)	-	-
Future income tax benefit arising from un-recouped deductions at reporting date for Australian tax resident entities.		
Revenue losses	4,612,124	4,430,446
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 133 million (approximately A$15 million (2011:14 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. 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.

2012	**Africa**		**Australia**		
	Tormin	**Xolobeni**	**Investing**	**Corporate**	**Totals**
Revenue from operations	**$**	**$**	**$**	**$**	**$**
Gain from sales of investments in listed companies					
Interest earned from unrelated entities	9,120	1,013	32,149		42,282
Other income			464,769	12,000	476,769
Total segment revenue/income	9,120	1,013	496,918	12,000	519,051
Segment results					
Profit/(Loss) before income tax	15,580	1,730	146,565	(1,354,936)	(1,191,061)
Included in segment results are the following:					
Abandonment of acquisition			(123,243)		(123,243)
Total segment assets	5,688,876	7,934,347	532,113	7,797,315	21,952,650
Total segment liabilities	256.598	28,511	-	705,121	990,229

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONT'D)

2011	Africa		Australia		
	Tormin	Xolobeni	Investing	Corporate	Totals
Revenue from operations	$	$	$	$	$
Interest earned from unrelated entities	11,131	1,237	19,147	-	31,515
Other revenue	-	-	744,186	12,750	756,936
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

6. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Mineral Commodities Limited, at 31 December 2012.

The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	31 Dec 2012 $	31 Dec 2011 $
Current assets	8,321,359	3,350,369
Non-current assets	14,343,036	12,783,155
Total assets	22,664,395	16,133,524
Current liabilities	705,103	1,718,397
Non-current liabilities	-	-
Total Liabilities	705,103	1,718,397
Net Assets	21,959,292	14,415,127
Contributed equity	50,912,158	41,204,350
Accumulated losses	(28,265,939)	(27,789,386)
Option reserve	357,330	286,578
Other reserves	(1,044,257)	713,585
Total equity	21,959,292	14,415,127
Loss for the year	(763,131)	(6,996,396)
Other comprehensive income / (loss) for the year	(1,400,512)	(2,509,112)
Total comprehensive income / (loss) for the year	(2,163,643)	(9,505,508)

Notes to the Financial Statements (continued)

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 Dec 2012	**31 Dec 2011**
	$	**$**
Cash at Bank	7,769,202	249,389
	7,769,202	249,389

The effective interest rate on cash at bank in 2012 was 2.30% (2011:4.25%).

(a) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 23.

(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.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
Current	**31 Dec 2012**	**31 Dec 2011**
	$	**$**
Trade receivables	22,871	7,144
Other receivables	125,216	94,200
	148,087	101,344
Non-Current		
Security deposits[1]	313,636	333,736
Advance to Blue Bantry[2]	113,636	-
	427,272	333,736

[1] Includes a secured deposit of $313,636 (2011 $324,063) 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.

[2] An amount of Rand 1 million has been advanced to the BEE partner Blue Bantry refer note 25.

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 2012 and 2011.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 23 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 23.

Notes to the Financial Statements (continued)

9 FINANCIAL ASSETS - CURRENT

	Consolidated	
Available for sale Investments	**31 Dec 2012 $**	**31 Dec 2011 $**
Investments in companies listed on a recognised stock exchange - shares at fair value		
At the beginning of the year	1,653,000	5,173,000
Cost of Allied Gold Mining Plc Shares sold	(1,030,333)	(686,888)
Fair value movement	-	(1,440,000)
Impairment of listed shares	(14,000)	(54,000)
Subscription monies paid for Perpetual Resources Ltd	350,000	-
Transfer from Financial asset revaluation reserve on shares sold	(589,667)	(1,339,112)
Total available for sale investments in companies listed on a recognised stock exchange	369,000	1,653,000
Available for sale investment in companies not listed on a recognised stock exchange		
At the beginning of the year	1,374,651	1,104,651
Fair value movement	(998,428)	270,000
Impairment of unlisted shares	(213,110)	-
Total available for sale investments in companies not listed on a recognised stock exchange	163,113	1,374,651
Total Financial Assets	532,113	3,027,651

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. Total impairment recognised during the period is $227,110 (2011:54,000)

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)

9. FINANCIAL ASSETS – CURRENT (Continued)

2012	Level 1	Level 2	Level 3	Total
Available for sale financial assets	369,000		163,113	532,113
Total	369,000		163,113	532,113

2011	Level 1	Level 2	Level 3	Total
Available for sale financial assets	1,653,000	-	1,374,651	3,027,651
Total	1,653,000	-	1,374,651	3,027,651

Fair Value of Investment in Allied Gold Mining Plc

The remaining shares held in Allied Gold Mining Plc were sold during the year. In 2011 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 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 23.

10. OTHER – CURRENT

	Consolidated	
	31 Dec 2012 $	31 Dec 2011 $
Prepayments	10,925	11,163

11. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2012 $	31 Dec 2011 $
Plant and office equipment - at cost	149,095	74,952
Accumulated depreciation	(80,406)	(53,370)
Total property, plant and equipment	68,689	21,582
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	21,582	7,377
Additions	79,687	24,910
Disposals	(4,152)	(5,707)
Depreciation	(28,428)	(4,998)
Carrying amount at end of year	68,689	21,582

Notes to the Financial Statements (continued)

12. EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	31 Dec 2012	31 Dec 2011
	$	$
Exploration expenditure - costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	12,996,362	12,506,413
Total exploration and evaluation expenditure	12,996,362	12,506,413

Reconciliation of the carrying amount of exploration and development expenditure at the beginning and end of the current and the previous financial year.

	31 Dec 2012	31 Dec 2011
Carrying amount at beginning of year	12,506,413	13,928,167
Expenditure during the year	1,169,193	896,573
Foreign exchange movements	(679,244)	(2,318,074)
Write off discontinued projects	-	(253)
Carrying amount at end of year	12,996,362	12,506,413

South African Projects

Tormin Mineral Sands Project

Background

During the period, the Company completed and submitted all the necessary documentation required for the remaining regulatory matters in relation to the Tormin Mineral Sands Project (Tormin) and in July 2012, the Company received notification of the approval of its Environmental Management Plan by DEADP. The Company was therefore in a position to proceed to ensure appropriate financing was in place to develop Tormin for production to commence in 2013.

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

Project Economics and Development Costs

Based on TZMI product pricing and Definitive Feasibility Study (DFS) estimates, the project economics for Tormin are robust. On an initial 5-year Life of Mine extracting primarily Zircon and Rutile Non-Magnetic concentrate, economic models suggest an NPV of AUD$68.9m with an IRR of 87.9%.

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

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

Notes to the Financial Statements (continued)

Appointment of EPCM Contractor

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

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

By the end of the financial year, MSP Engineering had prepared scope specifications and most of the tender documents had been distributed.

Product Off-take discussions

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

Demand for the Tormin Ilmenite and Non-Magnetic concentrate has been strong and the Company is advanced with negotiations for all products.

Offshore Prospecting Rights

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

The offshore prospecting area covers an area of 12 square kilometres and extends 1km out to sea from the low-water mark and covers the full length of the existing 12km Tormin tenement.

<u>XOLOBENI PROJECT (SOUTH AFRICA)</u>

Background

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

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

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

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

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

Notes to the Financial Statements (continued)

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

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

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

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

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

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

13 SUBSIDIARIES

	Class of Share	Place of Incorporation	Equity Holding	
			2012 %	2011 %
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
MRC Cable Sands Pty Ltd	Ord	Australia	100	100

Notes to the Financial Statements (continued)

		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

14. NON-CONTROLLING INTERESTS

	Consolidated Entity	
	31 Dec 2012 $	31 Dec 2011 $
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	178,849	178,849

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.

15. TRADE AND OTHER PAYABLES - CURRENT

	Consolidated	
	31 Dec 2012 $	31 Dec 2011 $
Trade payables - unsecured	530,916	640,914
Other payables and accruals - unsecured	435,886	1,158,838
	966,802	1,799,752

(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 2012 and 2011.

Notes to the Financial Statements (continued)

(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 23.

16. CONTRIBUTED EQUITY

	2012 Number of shares	2011 Number of shares	2012 $	2011 $
Balance at beginning of financial year	153,393,385	143,393,385	41,204,350	40,004,350
Placement of 10 Million shares in March 2011		10,000,000		1,200,000
Placement of 120,615,000 shares as approved by shareholders at the Annual General Meeting on 31 May 2012	120,615,000		10,252,864	
Costs of capital raising	-	-	(545,056)	-
Balance at end of financial year	274,008,385	153,393,385	50,912,158	41,204,350

(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 Perpetual Resources Ltd are also regarded as part of the capital base and sold as required to fund ongoing operations.

17. RESERVES

	Consolidated 31 Dec 2012 $	Consolidated 31 Dec 2011 $
General Reserve	2,437,582	2,437,582
Financial asset revaluation reserve	-	1,588,095
Foreign currency translation reserve	(4,246,287)	(3,507,599)
Unlisted options reserve	357,330	-
Listed options reserve	-	286,578
	(1,451,375)	804,656

Notes to the Financial Statements (continued)

Consolidated Entity	General Reserve $	Financial Asset revaluation $	Foreign Currency $	Unlisted Options $	Listed Options $	Total $
Balance at 1 January 2011	2,437,582	4,097,207	(995,772)	-	286,578	5,825,595
Revaluation	-	(2,509,112)				(2,509,112)
Exchange differences on translation of foreign operations			(2,511,827)			(2,511,827)
Balance at 31 December 2011	2,437,582	1,588,095	(3,507,599)	-	286,578	804,656
Revaluation on disposal of listed shares		(589,667)				(589,667)
Revaluation of unlisted shares held for resale		(998,428)				(998,428)
Issue of unlisted options				357,330		357,330
Transfer to Accumulated Losses					(286,578)	(286,578)
Exchange differences on translation of foreign operations			(738,688)			(738,688)
Balance at 31 December 2012	2,437,582	-	(4,246,287)	357,330	-	(1,451,375)

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 (e).

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

Un-listed Options Reserve
The value of the share based payment options issued in 2012

18. LOSS PER SHARE

	Consolidated	
	31 Dec 2012	31 Dec 2011
(a) Basic loss per share	cents	cents
From continuing operations attributable to the ordinary shareholders of the company (cents per share)	(0.068)	(1.40)
Total basic loss per share attributable to the ordinary equity holders of the company (cents per share)	(0.068)	(1.40)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	173,495,885	151,667,357
Loss used in the calculation of basic loss per share from continued operations	(1,191,061)	(2,315,788)

There were 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 were not used to calculate dilutive earnings per share. The options were unexercised and therefore lapsed at 31 December 2012.

Notes to the Financial Statements (continued)

19. 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	
	31 Dec 2012	31 Dec 2011
	$	$
Amounts paid or due and payable to the auditors		
Auditors of the parent entity		
Audit and review	64,122	61,368
Non Assurance services		
BDO (WA) Tax	-	140,129
Audit of subsidiaries		
BDO Cape Town South Africa	11,726	-
Non-related practice of the auditors	-	17,179
	75,848	218,676

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel Compensation

	Consolidated Group	
	31 Dec 2012	31 Dec 2011
	$	$
Key Management Personnel		
Short-term employee benefits	321,565	164,037
Post-employment benefits	14,378	3,963
Share based payments	357,330	-
	693,273	168,000

Notes to the Financial Statements (continued)

(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:

2012

Key Management Personnel	Balance at 1 January 2012 or on appointment	Granted as Remuneration	Options Exercised	Options Lapsed	Net change other	Balance at 31 Dec 2012	Vested and exercisable	Unvested
Mark Caruso	7,380,396	1,000,000	-	7,380,396	-	1,000,000	1,000,000	-
Joseph Caruso	7,380,396	1,000,000	-	7,380,396	-	1,000,000	1,000,000	-
Peter Torre	200,000	1,000,000	-	200,000	-	1,000,000	1,000,000	-
Guy Walker	40,000	1,000,000	-	40,000	-	1,000,000	1,000,000	-
James Leahy	-	1,000,000	-	-	-	1,000,000	1,000,000	-
Andrew Lashbrooke		6,000,000	-	-	--	6,000,000	6,000,000	-

Option holdings of key management personnel (continued)

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	-

(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:

2012

Director	Balance at 1 January 2012 or on appointment	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 2012
Mark Caruso	21,582,615	-	-	-	21,582,615
Joseph Caruso	21,569,988	-	-	-	21,569,988
Peter Torre	500,000	-	-	-	500,000
Guy Walker	100,000	-	-	-	100,000
James Leahy	-	-	-	-	-
Andrew Lashbrooke	-	-	-	-	-

Notes to the Financial Statements (continued)

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

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 21,569,988 shares.

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 21.

21. RELATED PARTY TRANSACTIONS

Minesite Construction Services a Company associated with Mr Mark Caruso and Mr Joseph Caruso has provided office space to Mineral Commodities Limited (MRC) throughout 2012. The amount paid by MRC was $54,000. This is considered to be an arms length commercial rent. There is no formal sub lease in place.

Zurich Bay Holdings Ltd a Company associated with Mr Mark Caruso and Mr Joseph Caruso provided an unsecured loan facility of $1,407,509 for which it received interest of $99,937. This loan was made on a commercial arms-length basis and was repaid in full prior to 31 December 2012.

Mineral Commodities Limited was a shareholder in Allied Gold Mining PLC owning 750,000 shares at 31 December 2011 these were sold during the year. Mark Caruso and Peter Torre were also officers of Allied Gold Mining PLC but resigned during 2012.

Wholly owned group
The group consists of Mineral Commodities Limited and its subsidiaries. Details of entities in the group are set out in Note 13.

Transactions between Mineral Commodities Limited and other entities in the group during the years ended 31 December 2012 and 31 December 2011 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 20.

Notes to the Financial Statements (continued)

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

	Consolidated 31 Dec 2012 $	31 Dec 2011 $
Profit/(loss) after income tax and outside equity interest	(1,191,061)	(2,135,788)
Depreciation	28,428	4,998
Impairment losses	227,110	54,000
Provision for Employee Entitlements	(12,973)	6,730
(Profit) on sale of investment in listed companies	(464,769)	(744,186)
Value of un-listed options issued	357,330	-
Loss on disposal of fixed assets	152	5,707
Exploration expenditure written off	-	253
Changes in assets and liabilities during the year:		
Increase/(decrease) in trade payables and other liabilities	(1,046,345)	1,210,890
(Increase) decrease in trade and other receivables	(127,795)	14,425
(Increase) decrease in prepayments	238	(787)
Net cash inflow / (outflow) from operating activities	(2,229,685)	(1,583,758)

22(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 (2011: none).

23. FINANCIAL RISK MANAGEMENT

The Group holds the following financial instruments:

	Consolidated 31 Dec 2012 $	31 Dec 2011 $
Financial Assets		
Cash at bank and short term bank deposits		
AA- (Standard & Poor's/Fitch)	7,569,613	230,642
BBB+ (Fitch)	199,589	18,747
Total Cash at bank and short term bank deposits	7,769,202	249,389

Notes to the Financial Statements (continued)

Trade and other receivables

Counterparties with external credit rating

	31 Dec 2012 $	31 Dec 2011 $
AAA (Fitch)	45,631	25,696
BBB+ (Fitch)	348,724	333,736
	394,355	359,432
Counterparties without external credit rating		
Sundry trade receivables	78,293	75,648
Total Receivables	472,648	435,080
Available for sale investments	532,113	3,027,651
	8,773,963	3,712,120
Financial Liabilities		
Trade Creditors	530,916	640,914
Other payables	435,886	1,158,838
	966,802	1,799,752
	7,807,161	1,912,368

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.

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 it's foreign exchange risk exposure.

Notes to the Financial Statements (continued)

23. FINANCIAL RISK MANAGEMENT (Continued)

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 $3,289 lower / higher (2011: $8,940 lower / higher) and equity would have been $2,310,089 lower / higher (2011: $2,022,662 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.

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.

Notes to the Financial Statements (continued)

2012	Carrying amount $	Price Risk -30% Profit $	Equity $	+30% Profit $	Equity $
Available for sale investments					
Listed Shares & Options	369,000	(110,700)			110,700
Unlisted shares	163,113	(48,934)			48,934
	532,113	(159,634)			159,634

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

24. SHARE BASED PAYMENTS

The issue of Employee options was approved by shareholders at a general meeting of the Company held on 21 December 2012. The Employee option plan is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns.
Options granted under the plan carry no dividend or voting rights. When exercisable each option is convertible into one ordinary share at the predetermined exercise

Grant Date 2012	Expiry date	Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested at the end of the year
21 Dec 2012	31 Dec 2015	20 cents[1]	3.35 cents	-	10,000,000	-	-	10,000,000	10,000,000
21 Dec 2012	31 Dec 2015	35 cents[2]	2.23 cents	-	1,000,000	-	-	1,000,000	1,000,000
				-	11,000,000	-	-	11,000,000	11,000,000

Fair value of options granted

The assessed fair value at grant date of options during the year ended 31 December 2012 was independently determined using a Black-Scholes 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. The total Share Based payment expense for the period was $357,330 (2011 $0).

Notes to the Financial Statements (continued)

The model inputs for options granted during the year ended 31 December 2012 included:

(a) Options granted for no consideration with the expectation that the majority of these Options would be exercised towards the end of the term of the Options and there are no market based vesting conditions.
(b) Exercise price [1] 20 cents [2] 35 cents
(c) Grant date [1] 21 December 2012 [2] 21 December 2012
(d) Risk-free interest rate [1] 2.50% [2] 2.57%
(e) Exercise date 31 December 2015
(f) Share price at grant date 8.08 cents
(g) Expected price volatility of the company's shares : 86%
(h) Expected dividend yield – nil

The expected price volatility is based on the historic volatility and the general trend in share prices of the companies in similar businesses and trading on the ASX over the past 4 and 12 months.

25. COMMITMENTS

(a) Non- Cancellable Operating Leases

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

	Consolidated	
	31 Dec 2012	**31 Dec 2011**
	$	**$**
Within one year	-	1,875
Later than one year but not later than five years	-	-
Total	-	1,875

The operating lease was 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 21. There is currently no formal sub-lease or rental agreement in place however this will be at commercial rate for the space occupied.

(b) The Company, via MRCR, and Blue Bantry are both 50% shareholders in Mineral Sands Resources Pty Ltd (MSR), the entity which owns the Tormin Mineral Sands Project (Tormin).

MRC has agreed to provide Blue Bantry access to an amount of funding to support the original objective by advancing through the Loan certain benefits Blue Bantry would expect to receive from Tormin. The Loan consists of an upfront amount of ZAR1 million (approx AUD$114K) which has already been paid with a further ZAR13 million (approx AUD$1.50M) payable no later than 31 December 2012, subject to the successful capital raising for the development of Tormin. Blue Bantry will repay the Loan from distributions that it will receive in the future from MSR. The additional ZAR 13 million was outstanding at 31 December 2012 pending completion of administrative procedures.

(c) 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.

26 CONTINGENT LIABILITIES

There are no Contingent Liabilities.

27. SUBSEQUENT EVENTS

Share Capital
Further placements of 49,937,000 were issued in January 2013 raising a further $ 4,202,413 net of expenses.

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 consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flow, consolidated 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 2012 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 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 28th day of March 2013

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28 March 2013

Mineral Commodities Limited
The Board of Directors
40 Murray Road North
Welshpool WA 6106

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF MINERAL COMMODITIES LIMITED

As lead auditor of Mineral Commodities Limited for the year ended 31 December 2012, 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 year.

BRAD MCVEIGH
Director

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Perth, Western Australia

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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 2012, 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 company'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 company'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 2012 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated the 28th day of March 2013