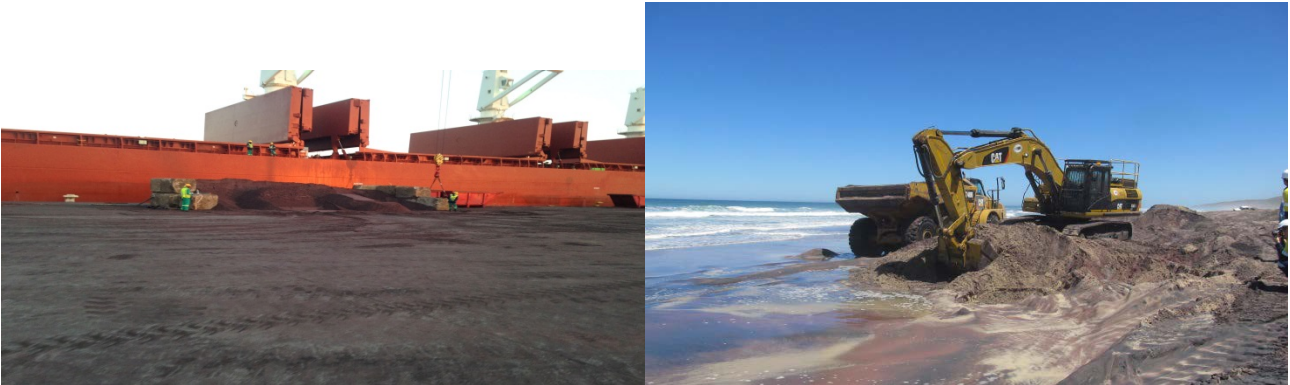


Mineral Commodities Ltd

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Quarterly Activities Report for the Period Ended 31 December 2014



The high-grade zircon/rutile Tormin mineral sands project

Production – Dec 2014 Qtr	Production – Full Year
<p>Mining: 398,067 tonnes mined at a grade of 51.29% HM consisting 30.05% garnet, 16.95% ilmenite, 3.81% zircon and 0.46% rutile.</p> <p>Production & Processing: 154,031 tonnes processed through the SCP to produce:</p> <ul style="list-style-type: none"> • 72,277 tonnes garnet • 30,625 tonnes ilmenite • 11,490 tonnes zircon/rutile concentrates 	<p>Mining: 1,075,408 tonnes mined at a grade of 53.83% HM consisting 31.16% garnet, 17.26% ilmenite, 4.76% zircon and 0.65% rutile.</p> <p>Production & Processing: 556,105 tonnes processed through the SCP to produce:</p> <ul style="list-style-type: none"> • 254,816 tonnes garnet • 100,437 tonnes ilmenite • 42,668 tonnes zircon/rutile concentrates
Sales – Dec 2014 Qtr: US\$10.3m	Sales – Year to Date: US\$32.8m
<p>Zircon/Rutile concentrate: 10,608 wmt</p> <p>Ilmenite concentrate: 5,418 wmt</p> <p>Garnet concentrate: 39,998 wmt</p>	<p>Zircon/Rutile concentrate: 42,042 wmt</p> <p>Ilmenite concentrate: 21,920 wmt</p> <p>Garnet concentrate: 79,630 wmt</p>
Xolobeni Project	Corporate and Cash
<ul style="list-style-type: none"> • One of the world's largest undeveloped mineral sands resources. • Consultants continue to scope work for a definitive bankable feasibility study. • Awaiting decision in relation to Kwanyana Prospecting Permit. 	<p>Securities: 404m shares and 11m options.</p> <p>Cash: Cash increased by US\$1.08m to US\$4.22m as at 31 December 2014, plus US\$3.10m in trade and other receivables.</p> <p>Debt: Wogen Pre-Financing Facility reduced by a further US\$0.5m to a balance of US\$0.5m.</p> <p>US\$3.0m Working Capital Facility fully drawn.</p>

For enquiries regarding this report please contact:
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TORMIN – OPERATIONAL PERFORMANCE EXCEEDS BUDGET

Safety

The Company's outstanding safety record continued with 118,951 hours worked without a lost time injury (LTI) for the December quarter.

The Company has now achieved 758,000 hours without an LTI since October 2013.

Mining

The quarterly mining rate was a record 35% above budget. During the December quarter 398,067 tonnes of ROM ore grading 51.29% HM was mined consisting of a garnet grade 30.05%, ilmenite grade 16.95%, zircon grade 3.81% and rutile grade 0.46%.

As a result of the moderate seasonal weather conditions, mining in the second half of the quarter returned to normal operating practice of the excavation of ore blocks to full depth—up to 11 metres in some places. This led to a higher overcall on the zircon grade, which occurs at depth in the ore blocks. Some of these ore blocks are being mined for the third time after replenishment.

The Company has also installed additional de-watering pumping equipment which allows the effective dry mining of the orebody and the ability to extract the maximum material from each respective ore block.

For the full year to 31 December 2014, Tormin has mined 1,075,408 tonnes (approximately 17% above budget) at a heavy mineral concentrate grade of 53.83%.

Mining costs were higher than budget on a unit rate basis for the quarter due to the continued handling of tails and finished product to stockpile.

The Company will be initiating studies with specialised mining consultants in the first quarter of 2015 to explore and develop mining techniques for the areas between the low tide shore break mining zone covered by the company's prospecting permits and the current mining rights.

Processing – SCP / PBC

HMC production through the two Primary Beach Concentrators (PBCs) produced 106,938 tonnes for the December quarter. A total annual production of 330,249 tonnes of HMC was produced through the PBCs. This was 68,396 tonnes (or 26%) above budget. The balance of SCP feed of some 226,000 tonnes was sourced as direct feed from high grade run of mine material, which required no primary concentration due to its extremely high grade.

The Company processed 154,031 tonnes through the SCP in the December quarter (up 19% on budget). Annual processed material to 31 December 2014 was 556,105 tonnes, which was 10% above budget. The December quarter production included almost one week of downtime due to the commissioning of

the planned PLC instrumentation (3 days) and the Christmas holiday break (1 day plus 4 days of single shift operation).

SCP plant recoveries, whilst slightly down on budget for the quarter and the year, are in line with expectations due to the increased SCP feed grade and additional throughput.

Considering the first quarter of 2014 commissioning ramp-up and other associated issues, including a major coil failure on one of the SLon magnets, the SCP performed well above its nameplate capacity of 63 tonnes per hour, averaging annually 72 dry tonnes per hour (14% above nameplate capacity) and reaching peaks of as high as 100 dry tonnes per hour.

The Company completed and commissioned the installation of a process plant instrumentation (PLC SCADA) system during the quarter. The PLC SCADA system allows the plant to run on a fully monitored and automated basis, which further enhances the operational efficiencies and performance of the plant.

Non-magnetic concentrate production for the quarter was 11,490 tonnes of zircon/rutile concentrate versus budget of 11,964 tonnes.

Annual non-magnetic concentrate to December 2014 was 42,668 tonnes versus budget of 45,180 tonnes. Whilst slightly down on budget for the year, the total production for 2014 was above nameplate capacity.

For the December quarter, ilmenite concentrate production was 30,625 tonnes versus budget of 32,680 tonnes, and garnet concentrate production was 72,277 tonnes versus budget of 67,900 tonnes.

The ilmenite/garnet concentrate production variation versus budget was primarily due to a higher garnet concentrate in the higher garnet grade of the ROM feed, and a greater recovery of garnet from the ilmenite concentrate, which results in less ilmenite concentrate being produced.

Annual ilmenite and garnet concentrate production to December 2014 was 100,437 tonnes and 254,816 tonnes respectively.

Total processing unit cash costs for the quarter were marginally below budget and on a year to date basis were well within budget.

Tormin Sales and Marketing

Sales revenue for the December quarter of US\$10.3m showed an increase of 5% on the previous quarter, which reflected lower zircon shipments for the quarter of more than offset by the additional garnet sales to GMA.

Tormin shipments / sales for the December quarter were:

- 10,608 tonnes of zircon / rutile concentrate to Wogen Pacific under the terms of a long term offtake agreement.
- 5,418 tonnes of ilmenite to Tronox and Sojitz Corporation. The Tronox tonnage is a part of a trial processing arrangement covering approximately 20,000 tonnes processed at the Namakwa Sands Processing Facility.

Sojitz Corporation took a small containerised trial shipment for finished downstream processing of 50 tonnes.

- 39,998 tonnes of garnet under an offtake agreement with GMA.

The Company shipped its second shipment of garnet concentrate (39,998 tonnes) in the quarter. The average grade of the concentrate was 65%, which was higher than anticipated. The Company had 85,000 tonnes of garnet concentrate stockpiled for shipment at the Saldanha Port awaiting shipment. A third shipment of garnet was expected in the December quarter however due to a rescheduling of the shipping laycan, the Company shipped its third garnet shipment for 39,994 tonnes in January 2015. A fourth shipment for 40,000 tonnes is scheduled for February 2015.

Sales revenue for the year was US\$32.8 million, with annual sales of:

- Zircon/Rutile concentrate: 42,042 wmt
- Ilmenite concentrate: 21,920 wmt
- Garnet concentrate: 79,630 wmt

The Company continues to explore further options in relation to value adding by final processing all non-magnetic zircon / rutile concentrate, as well as ilmenite concentrate through a standalone Magnetic Separation Plant (MSP), both within South Africa and abroad.

The recent action precipitated by Blastrite did not affect the planned shipments under the GMA contract and both parties remain committed to the sale and purchase arrangements under the contract.

General product pricing remains in line with expectations with all non-magnetic zircon / rutile concentrate production sold forward for the first quarter.

Garnet concentrate production will continue to be supplied and sold under the contract with GMA and stockpiled within South Africa. The garnet concentrate will then be shipped at GMA's discretion.

The Company set up its own 100% controlled trading company, MRC Trading (Aust) Pty Ltd, which is now contracted to sell all product produced from the Tormin mine on behalf of Mineral Sands Resources (MSR) exclusively. The arrangement is on an arms-length commercial basis.

The Company is confident that it will consummate ilmenite concentrate sales within the first half of 2015. The Company has received strong enquiry despite weak global ilmenite pricing. The Company's ilmenite concentrate is a high value concentrate and is a typical slagging ilmenite with ideal iron and TiO₂ ratios, suitable for smelting.

Tormin Resource

Work was completed during the quarter on the annual Tormin Resource Review. The Company engaged an external consultant to undertake a resource audit, the results of which are being further analysed and will be reported on as part of the Company's annual reporting requirements.

Approximately 1.075m tonnes has been mined to 31 December 2014, although included in those tonnages are areas which have been mined up to five times.

The nature of the resource is unique, and as such the Company is unable to report a replenishment grade or quantity under the JORC code. Resource replenishment is occurring as evident by mining of the same areas, but further data is needed to predict the long term trend of replenishment.

The Company continues to conduct grade reconciliation and sample grading on a daily basis as part of the mining operation to correlate between stated resource and actual resource in terms of quantity, grade and replenishment.

The Company has completed its first year of mining and processing at its Tormin Mineral Sands Project and further mining and production from replenished areas will provide greater detail and certainty on the validity of the replenished areas in the current year.

CORPORATE

The Company now has fully integrated and established its own operations after discontinuing its relationship with Blastrite, with all administration functions being streamlined through its offices in Cape Town and Perth, Western Australia.

During the quarter, the Company advised the market of action taken by Blastrite seeking interim injunctive relief. Blastrite withdrew its interim application. The matter is set for a final hearing on 23 February 2015. The claim is without merit and the action has not caused any interruption to sale of garnet concentrate to GMA.

The Company is in discussions with downstream processing plant operators to develop joint venture operating arrangements with a view to optimising the valuable heavy mineral component of its concentrate.

In addition, the Company is looking at financing options for its impending expansion initiatives relating to a Garnet Stripping Plant (GSP) and a Tailings Scavenger Spiral circuit. Based on the Company's strong 2015 cash flow projections, these will be funded by traditional debt financing, and may include an extension of the existing shareholder loan arrangement.

Cash Flow Statement

A copy of the Appendix 5B follows.

Due to the ultra-high grade nature of the Tormin beach sands and concentrates total operating costs remain low and the company was cash flow positive for the quarter despite continued pressure on commodity and mineral sands product prices.

At 31 December 2014, Mineral Commodities had US\$4.22m in cash, an increase of US\$1.08m from the previous quarter. The Company also reduced its debt to Wogen Pacific by a further US\$0.5m during the quarter, with the balance now at US\$0.5m.

The Company continues to enjoy the support of its major shareholders via the shareholder loan facility which remains fully drawn at US\$3m. The Company is confident that any requirement to extend the facility will be viewed favourably in light of its expansion initiatives.

Xolobeni

The Company awaits a decision on the REMDEC appeal application.

Tormin Offshore Prospecting Activities

During the quarter the Company proceeded with a public participation process as part of the regulatory prospecting right application to extend its prospecting area 10km seaward—or a total of 120km².

There were minimal objections to the application during the public participation process and the Company is confident that this will be dealt with in the first quarter of 2015.

Outlook

The Company has undertaken significant test work on the Garnet Stripping Plant (GSP) optimisation expansion. Further details will be provided in due course. If implemented, it will occur in the second half of 2015.

Capital estimates for the GSP, including an upgraded ilmenite circuit, are approximately US\$3.5m with a six month project delivery timeframe.

In addition, the Company has initiated studies on a Tailings Scavenger Spiral circuit (TSP). This involves the re-processing of the tailings stream which is currently discharged back onto the beach and will result in another approximately 180,000 tonnes of HMC product being available for treatment through the SCP. The results of this initiative and a decision to develop will be made and reported in the first quarter of 2015. It is likely that this initiative will be implemented prior to the decision to expand through the construction of the GSP.

Capital estimates for the TSP are estimated at US\$1m.

The month of January 2015 has commenced well with the Company looking to increase production and sales of zircon / rutile and garnet concentrate during the March 2015 quarter. Sales guidance should be in the order of 11,000 to 12,000 tonnes of zircon / rutile concentrate, plus 80,000 tonnes of garnet concentrate.

The Company is in a position to take advantage of any incremental increase in zircon pricing and has significant upside in the sale of ilmenite concentrate.

Operationally the Company will continue to enjoy the benefits of a weakening Rand and the strengthening of a US denominated sales revenue. In addition, falling energy prices should reflect a reduction in one of the Company's biggest operating cost centres—diesel fuel, which is used for power generation and mining equipment.

Combined with the planned processing plant upgrades, the Company should see a significant growth in both sales revenue and production in 2015.

The Company's financial position improved in the quarter with a net increase in cash of US\$1.08m to US\$4.22m, plus US\$3.10m in trade and other receivables.

The Company is on track to announce a maiden first year annual profit.

Securities on Issue

Issued securities at quarter-end comprise:

- 404,941,571 fully paid ordinary shares listed on the ASX.
- 10,000,000 Unlisted Options exercisable at \$0.20 on or before 31 December 2015.
- 1,000,000 Unlisted Options exercisable at \$0.35 on or before 31 December 2015.

Terms and Explanations

HM Heavy Mineral

PBC Primary Beach Concentrator

ROM Run of Mine

SCP Secondary Concentrator Plant

WMT Wet Metric Tonnes

APPENDIX 1 - RESOURCE STATEMENT

PROJECT	Category	Ore Mt	HM%	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (%in HM)	Garnet (%i HM)
Tormin	Indicated	2.7	49.4%	21.4%	6.9%	1.4%	51.2%
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
		346.0	5.0%	54.0%			
Total MRC		348.7	5.3%	51.7%			

APPENDIX 2 – LISTING OF TENEMENTS

The following information is provided pursuant to ASX Listing Rules 5.3.3:

Country	Location	Number	Type of Right	Status	Change since last Quarter	Beneficial Interest
South Africa	Tormin	(WC)30/5/1/2/2/163MR	Mining	Approved	N/A	100%
South Africa	Tormin	(WC)30/5/1/2/2/162MR	Mining	Approved	N/A	100%
South Africa	Tormin	(WC)30/5/1/1/2/10036PR	Prospecting	Approved	N/A	100%
South Africa	Xolobeni	EC30/5/1/1/2/6PR	Prospecting	Approved	N/A	100%
South Africa	Kwanyana	EC30/5/1/1/2/10025PR	Prospecting	Under Application	N/A	100%

The Company has no interests held in any farm-in or farm-out agreements.

Competent Person

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves" (JORC Code). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MINERAL COMMODITIES LTD

ABN

39 008 478 653

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

	Current quarter US \$'000	Year to date 12 months ended 31 December 2014 US\$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	12,407	35,183
1.2 Payments for (a) exploration & evaluation (b) production (c) administration	(63) (9,472) (813)	(131) (23,668) (2,404)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	4	13
1.5 Interest and other costs of finance paid	(249)	(952)
1.6 Income taxes paid		
1.7 Other (provide details if material)	85	85
Net Operating Cash Flows	1,899	8,126
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) Development expenditure (c) other fixed assets	(201)	(6,076)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) available for sale assets	-	18
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(201)	(6,058)
1.13 Total operating and investing cash flows (carried forward)	1,698	2,068

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	1,698	2,068
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		3,000
1.17	Repayment of borrowings	(618)	(2,287)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	(618)	713
	Net increase (decrease) in cash held	1,080	2,781
1.20	Cash at beginning of quarter/year to date	3,174	1,503
1.21	Exchange rate adjustments to item 1.20	(38)	(68)
1.22	Cash at end of quarter	4,216	4,216

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter US\$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	239
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	US\$ 3,310	US\$ 3,291
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	29
4.2 Development /fixed assets	1,049
4.3 Production	6,784
4.4 Administration	1,098
Total	8,960

Receipts from product sales for the next quarter are estimated to be US\$12.3million

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter US\$'000	Previous quarter US\$'000
5.1 Cash on hand and at bank	4,216	3,174
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,216	3,174

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	404,941,571	404,941,571		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	10,000,000		<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2015
	1,000,000		<i>Exercise price</i> \$0.35	<i>Expiry date</i> 31/12/2015
7.8 Issued during quarter Unlisted Options Unlisted Options				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 January 2015
(Director/Company secretary)

Print name: Peter Torre

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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