

Mineral Commodities Ltd

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Quarterly Activities Report for the Period Ended 30 June 2016



Production Summary	Quarter ended 30-Jun-16	Quarter ended 31-Mar-16	Quarter ended 30-Jun-15	Year to Date 30-Jun-16	Year to Date 30-Jun-15
Mining					
Tonnes	454,541	444,888	456,624	899,429	818,821
Grade	52.73%	51.28%	40.68%	52.00%	43.18%
- Garnet	33.91%	31.81%	24.50%	32.87%	25.07%
- Ilmenite	14.38%	15.05%	12.08%	14.69%	13.73%
- Zircon	3.36%	3.42%	3.40%	3.39%	3.69%
- Rutile	0.73%	0.64%	0.52%	0.69%	0.54%
- Leucoxene	0.35%	0.36%	0.18%	0.36%	0.15%
SCP Production & Processing					
Tonnes processed	141,861	139,424	149,194	281,285	297,107
Tonnes produced					
- Garnet concentrate	70,599	73,353	61,847	143,952	136,973
- Ilmenite concentrate	29,919	24,415	29,483	54,334	61,604
- Zircon/Rutile concentrate	8,476	10,170	11,314	18,646	23,038
zircon in concentrate	69.41%	71.76%	73.39%	70.69%	73.08%
rutile in concentrate	11.01%	13.75%	12.94%	12.50%	12.89%
Sales (wmt)					
- Zircon/Rutile concentrate	8,944	11,908	11,622	20,852	24,414
- Ilmenite concentrate	2,002	0	0	2,002	0
- Garnet concentrate	0	0	66,312	0	228,778
Highlights	Corporate and Cash				
<ul style="list-style-type: none"> Maiden A\$0.01 per share dividend paid April 2016 Tailings Scavenger Plant re-commenced production at Tormin Mineral Sands Mine in June 2016 Garnet Stripping Plant construction complete at Tormin by 30 June 2016, and fully commissioned by mid-July 2016 Company enters into MOU with Black Economic Empowerment ("BEE") Partner for the Xolobeni Project, Keysha, to divest the Company's 56% interest in the Xolobeni Mineral Sands Project 			<p>Securities: 405 million shares, 6 million options and 4 million performance rights</p> <p>Cash: Cash as at 30 June 2016 of US\$2.8 million, plus US\$7.4 million in trade and other receivables</p> <p>Debt: Shareholder Loans balance of US\$1.2 million repayable September 2016</p> <p>US\$4.5 million debt facility obtained from GMA Garnet Group ("GMA") to finance the Garnet Stripping Plant ("GSP") fully drawn down</p>		

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SAFETY, ENVIRONMENT AND COMMUNITY

There were no lost time injuries reported for the quarter. The Company has now achieved 1,443,585 hours without a Lost Time Injury ("LTI") since October 2013.

The Company continues to invest in and operate the Tormin Mineral Sands Operation ("Tormin") on the West Coast of South Africa, which currently employs over 200 local community members of the Matzikama region. In addition, the Tormin operation employs 40 local members of the Amadiba Pondo region surrounding Xolobeni, which has been appointed as the Company's designated labor sending area in accordance with Tormin's Social Labour Plan and Mining Charter Agreement. The Company remains dedicated to providing the training, education and employment initiatives to the local members of the Amadiba Pondo region, in addition to the various community programmes such as the agricultural farming and primary livestock developments.

As announced subsequent to quarter end, the Company advised that it had entered into a Memorandum of Understanding ("MOU") for the Xolobeni Mineral Sands Project ("Xolobeni Project") with its Black Economic Empowerment ("BEE") Partner, Keysha Investments 178 Pty Ltd ("Keysha"), to divest its 56% interest in Transworld Energy and Resources (SA) Pty Ltd ("TEM"), the entity which owns the Xolobeni Project, to Keysha on terms to be agreed between the parties.

The Company has committed significant financial, technical and social resources toward the development of the Xolobeni Project since 2003.

Throughout the past thirteen years, the Company has successfully worked with the regulatory development programme and IAP stakeholders. The Company has engaged in many years of ongoing and meaningful consultations with the local community at Xolobeni, and has always prioritised the wellbeing of the Amadiba Community.

The Company has accepted that attempts to facilitate peaceful and safe site access by independent environmental consultants to adequately assess the possible environmental impacts of the Xolobeni Project continues to cause undue tensions and conflict, something that the Company has openly tried to avoid. The Company has, and always will have an ambition to bring prosperity and economic upliftment to the local Amadiba Pondo land inhabitants and the greater Mbizana district, and continues to believe that the Xolobeni Project offers significant value to enable economic upliftment.

In light of the ongoing violence and threats to the peace and harmony of the local Xolobeni community, the Company accepts that the future viability of the Xolobeni Project should be managed by stakeholders and organisations exclusively owned by South African people.

As such and after due consideration, the Company decided, subject to satisfactory commercial negotiations, agreement with the other remaining shareholder, and any regulatory or shareholder approvals that may be required, to divest of its interest in the Xolobeni Project. Accordingly the Company announced that the Company and its wholly owned subsidiary MRC Resources Pty Ltd has entered into an MOU with its BEE partner, Keysha, for the sale of the Company's shareholding interest in TEM.

The decision was made after extensive consultation with Keysha throughout the quarter, who shares the view that the development of the Xolobeni Project is critical to the social and economic upliftment of the local Amadiba Pondo land inhabitants and the greater Mbizana district, and that the Xolobeni Project's development should not be influenced directly or indirectly by the stakeholder focus being placed on an international mining company, as opposed to legitimate debate surrounding the economic benefits (or otherwise) and the environmental issues concerning the development of the Xolobeni Project.

The Company fully supports the ongoing development of the Xolobeni Project and its decision to divest is in no way a reflection of its commitments of its mining interests in South Africa.

Further details of the terms of the proposed divestment in the Xolobeni Project will be notified upon signing of definitive sale agreements.

TORMIN – OPERATIONAL PERFORMANCE

Mining

Run of Mine (“ROM”) production of 454,541 tonnes during the June quarter versus budget of 421,043 tonnes was above budget for the quarter. ROM ore grading 52.73% Valuable Heavy Mineral (“VHM”) was mined for the quarter, consisting of a garnet grade 33.91%, ilmenite grade 14.38%, zircon grade 3.36% and rutile grade 0.73%, and which was aligned with budget estimates of 52.86% VHM.

Replenishment of the beach continues, with mining production since the commencement of operations being 3.6 million tonnes which is in excess of the stated 2.7 million tonnes of indicated resource at the commencement of operations in January 2014, and the inferred resources of 2.7 million tonnes at the end of both 2014 and 2015. The VHM grade continues to exceed the stated mine life resource grade.

Processing

Quarterly processing of Heavy Mineral Concentrate (“HMC”) production through the two Primary Beach Concentrators (“PBCs”) produced 134,745 tonnes of HMC for the June quarter. The result was 16.9% below budget of 162,137 tonnes. Zircon recovery and overall HMC contained zircon were in line with budget. Ongoing monitoring and blending will be required to ensure consistent PBC feed grade and adjustment for variability in the ROM mine feed from the beach.

The Company commenced feed into the Tailings Scavenger Plant (“TSP”) during June 2016. 13,795 tonnes were fed into the TSP to produce 4,174 tonnes of HMC with 3.05% zircon, 0.77% rutile, 17.37% ilmenite and 31.69% garnet contained in the TSP HMC.

The Secondary Concentrator Plant (“SCP”) processed throughput of 141,861 tonnes in the June quarter, which was 12.5% below budget.

Zircon/rutile concentrate production for the quarter was 8,476 tonnes versus budget of 11,962 tonnes. Contained zircon in the concentrate of 69.41% was below budget of 74.0% zircon, whilst rutile was aligned with budget at 11.01% contained rutile in concentrate.

For the June quarter, ilmenite concentrate production was 29,919 tonnes versus budget of 33,772 tonnes, and garnet concentrate production was 70,599 tonnes versus budget of 79,447 tonnes.

Overall concentrate production for the quarter was down on budget due to lower recoveries, availability and throughput in the SCP, primarily due to ongoing issues with the primary and secondary magnetic separation units. As the repairs of these magnetic separation units were major, the decision to delay the shut-down of the SCP plant was made with the intention of coordinating the repairs with the proposed shut-down of the SCP unit for the tie-in and subsequent commissioning of the Garnet Stripping Plant (“GSP”).

In addition, the Company continue to suffer water supply issues due to seasonal rough seas. This issue has now been addressed, with the optimisation of a new water storage system which provides up to ten days of redundant processing water capacity.

Subsequent to quarter end, the Company advised that the installation and commissioning of the GSP, installed at the front of the existing SCP, had been completed.

The installation of the GSP is expected to increase the non-magnetic zircon/rutile feed grade to the SCP by removing the garnet fraction from the HMC prior to the SCP. This, in turn, will allow a higher grade non-magnetic concentrate to be fed to the existing magnetic circuit, and thereby increase overall final zircon/rutile concentrate production.

Operating the GSP in-conjunction with the earlier installed two TSPs is expected to:

- Increase the overall GSP/SCP HMC feed rate from the current SCP design feed rate of 61.6tph (current operating throughput is circa 77.2tphr) of HMC feed to a combined GSP/SCP HMC feed rate of 100.0tphr of HMC feed
- Increase overall zircon recoveries from circa 68% in the current SCP to 85% in the GSP/SCP
- Increase combined zircon recovery from the Primary Beach Concentrators ("PBCs") and TSPs, expected to be 92.0%
- Produce a higher quality zircon/rutile Concentrate product, increasing from 72% contained zircon from the current SCP to 80% contained zircon in the GSP/SCP
- Increase overall GSP / SCP processing garnet and ilmenite recoveries
- Produce a higher quality garnet concentrate product from the current circa 60% to +80% contained garnet
- Increase the production of zircon/rutile concentrates by approximately 25%
- Increase ilmenite concentrate production by circa 180%.

The existing SCP was shut down for a period of 9 days to allow the tie in integration of the new GSP circuit. Final completion of residual construction activities and punch list items will occur over the next few weeks.

Development and commissioning on the GSP Project was finished on budget and within a week of the initial project development schedule. The ramp up to full production throughput of 100tphr has occurred within three days of direct ore feed into the plant and encouragingly, non-magnetic zircon concentrate grade is exceeding budget. Efforts will now concentrate on ensuring correct feed grade blend is regulated into the GSP/SCP to achieve stated throughput budget outputs.

In addition, the Company recently completed significant Owner's scopes including the optimisation of the process water supply system by installing redundant capacity, pumping of garnet and ilmenite concentrates to stockpile as opposed to the current process of load and haulage, and major repairs to the primary and secondary SLON magnets.



Garnet Stripping Plant under Construction

Cash Costs

Total ex-works mining, processing and site administrative unit cash cost per tonne of zircon/rutile concentrate for the quarter was US\$398/t zircon/rutile concentrate produced, being above budget of US\$306/t zircon/rutile concentrate. The incremental increase in the unit cost base of zircon/rutile concentrate is a direct result of the quarter's below budget production of zircon/rutile concentrate.

For the 2016 first half year, actual unit cash costs of US\$337/t zircon/rutile concentrate was marginally above the budgeted \$306/t, with lower site cash expenditures mostly offsetting the lower than budgeted production.

Tormin Sales and Marketing

Sales revenue for the June quarter was US\$4.9 million. Tormin shipments / sales for the June quarter were 8,944 tonnes of zircon/rutile concentrate, and 2,002 tonnes of ilmenite concentrate.

Q2 sales revenue for zircon/rutile concentrate was impacted by a final zircon product pricing reduction of up to \$100 per tonne CIF China by one of the large industry suppliers in Richards Bay Minerals, which had a flow-on effect across the industry for zircon pricing.

Zircon pricing continues to stabilise with public announcements by large producers that incremental pricing of zircon has occurred despite large rebates being offered on a CIF basis to Chinese clients. The Company has managed to obtain small price increases for its zircon/rutile concentrate in Q3, 2016.

There were no Garnet sales for the quarter due to the Company delivering its maximum committed annual off-take production of 210,000 tonnes under the GMA off-take agreement. Sales of garnet concentrate will recommence in Q3, 2016.

The Company managed to sell small containerised ilmenite concentrate tonnages during the quarter. Whilst the Company was in a position to consummate bulk shipment, no sales were made, as the prospective pricing did not meet the Company's profit margin requirements.

There is increasing signs of a pickup in the titanium concentrate and finished ilmenite product markets globally, in particular China, which has resulted in a higher level of ilmenite concentrate pricing and supply enquiries. The Company continues to negotiate with parties on sales of larger ilmenite concentrate quantities.

Tormin Resource and Offshore/Onshore Prospecting Activities

The mobilisation by Engulftek offshore sampling was planned to commence during the quarter, but was delayed due to various issues relating to the finalisation of construction of the specialised offshore sampling equipment. It is expected that this activity will now commence in Q3, 2016.

The Company advised at quarter end that its application for Prospecting Rights WC30/5/1/2/10226 PR, along the beach and surf zone north of its current mining operations, referred to in the ASX announcement of 10 November 2015, and WC30/5/1/1/2/10229 PR, adjacent and inland from the current mining operations, have been refused by the Department of Mineral Resources.

The Company has lodged an appeal against the decisions and considers that on review the Prospecting Rights will be granted.

During the quarter, the Company applied for another prospecting permit WC 30/5/1/1/2/10229 PR covering the De Punt Farm and Lot 615, directly adjoining the Company's Geelwal farm holding, and covering an area of 4,495.4 hectares.

The Company continues to compile historical geological data in relation to the potential of onshore heavy mineral strand line occurrences.

The Company is also reviewing further synergistic land and tenement acquisitions in the areas adjacent to its current Tormin operations.

Please refer to Appendix 3 detailing a map of the mining area under application.

CORPORATE

The Company has initiated the next expansion initiative, being a feasibility study for the design and construction of a Mineral Separation Plant (“MSP”) and fresh water concentrate washing circuit to optimise value out of its ilmenite and garnet concentrate production by producing finished ilmenite and garnet products.

This will enable the Company to capitalise on the impending demand for finished ilmenite product into the global titanium feedstock market.

Payment of the maiden dividend of 1 Australian cent per share was made during the quarter. The Board expects its capital management strategy, which includes ongoing dividend returns to shareholders, to continue in the coming periods as the existing Tormin expansion initiatives further optimize the operating performance of the Company.

Management completed a road show subsequent to quarter end with meetings organized with major shareholders. General feedback was the need to demonstrate continued mine life and replenishment of the Tormin Resource.

The Company continues to assess other project opportunities which will add to or complement its current operations.

Cash and Debt

At 30 June 2016, the Company had US\$2.8 million in cash, below budget estimate of US\$3.4m.

Trade and other receivables at 30 June 2016 were US\$7.4 million, aligned with the 31 March 2016 balance of US\$7.5 million.

Shareholder loans at 30 June 2016 were US\$1.2 million, repayable September 2016.

The US\$4.5 million debt facility obtained from GMA Garnet Group (“GMA”) to finance the Garnet Stripping Plant (“GSP”) was fully drawn down during the quarter.

Outlook

Sales guidance for the coming quarter is in the order of 11,000 to 13,000 tonnes of zircon/rutile concentrate.

Securities on Issue

Issued securities at quarter-end comprise:

- 404,941,571 fully paid ordinary shares listed on the ASX.
- 5,000,000 Unlisted Options exercisable at A\$0.20 on or before 30 May 2018 and subject to the following vesting conditions:
 - (i) 3,333,334 vested; and
 - (ii) 1,666,666 vesting on 8 June 2017.
- 1,000,000 Unlisted Options exercisable at A\$0.20 on or before 31 March 2018 and subject to the following vesting conditions:
 - (i) 666,667 vested; and
 - (ii) 333,333 vesting on 31 March 2017.
- 4,000,000 Performance Rights exercisable on or before 30 May 2019 and vesting upon the closing share price reaching \$0.20 and remaining at or above \$0.20 for a period of 5 consecutive trading days. These were issued during towards the end of the quarter.

Terms and Explanations

ASX	Australian Stock Exchange
BEE	Black Economic Empowerment
DMR	Department of Mineral Resources
EIA	Environmental Impact Assessment
EMP	Environmental Management Program
GMA	GMA Garnet Group
GSP	Garnet Stripping Plant
HM	Heavy Mineral
HMC	Heavy Mineral Concentrate
JORC	Joint Ore Reserves Committee
LTJ	Lost Time Injury
MRA	Mining Right Application
MSP	Mineral Separation Plant
MSR	Mineral Sands Resources (Pty) Ltd
NEMA	National Environmental Management Authority
NUM	National Union of Mine Workers
PBC	Primary Beach Concentrator
ROM	Run of Mine
SCP	Secondary Concentrator Plant
SLP	Social Labour Plan
TRIFR	Total Recordable Injury Frequency Rate
TSP	Tailings Scavenger Plant
VHM	Valuable Heavy Mineral
WMT	Wet Metric Tonnes

APPENDIX 1 - RESOURCE STATEMENT

The Tormin and Xolobeni Mineral Resources based on mined material reconciliation as at 31 December 2015 for the Tormin Resource is as follows.

PROJECT	Category	Resource (Million Tonnes)	Total Heavy Mineral (%)	Ilmenite (% in Heavy Mineral)	Zircon (% in Heavy Mineral)	Rutile (% in Heavy Mineral)	Garnet (% in Heavy Mineral)
Tormin	Inferred	2.7	28.01%	24.89%	5.56%	1.97%	66.19%
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
Total Xolobeni		346.0	5.0%	54.0%			
Total MRC		348.7	5.3%	53.8%			

Note:

Individual minerals reported as a percentage of the total heavy mineral concentration.

The Mineral Resource estimations previously reported under JORC 2004 for the Tormin Resource, are re-presented with updated disclosure for JORC 2012.

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)30/5/1/2/2/163 MR	Mining	Approved	N/A	100%
	Tormin	(WC)30/5/1/2/2/162 MR	Mining	Approved	N/A	100%
	Tormin	(WC)30/5/1/1/2/10036 PR	Prospecting	Approved	N/A	100%
	Tormin	(WC)30/5/1/1/2/10199 PR	Prospecting	Approved	N/A	100%
	Tormin	(WC)30/5/1/1/2/10226 PR	Prospecting	Under Application	100%	100%
	Tormin	(WC)30/5/1/1/2/10229 PR	Prospecting	Under Application	100%	100%
	Tormin	(WC)30/5/1/1/2/10240 PR	Prospecting	Under Application	100%	100%
	Xolobeni	EC30/5/1/1/2/6 PR	Prospecting	Convertin g to Mining	N/A	100%
	Xolobeni - Kwanyana block	EC30/5/1/1/2/10025 PR	Prospecting	Convertin g to Mining	N/A	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Under Application	100%	100%

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

APPENDIX 3 – MAP OF AREA

Map of new area under application:



Competent Persons Statement

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for **Xolobeni** 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.

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Mr Adriaan du Toit, who is a Member of the AusIMM and an independent consultant to the Company. Mr du Toit is the Director and principal geologist of AEMCO PTY LTD and has over 23 years' of exploration and mining experience in a variety of mineral deposits and styles. Mr du Toit 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 2012 Edition of the JORC Code. The information from Mr du Toit was prepared under the JORC Code 2012 Edition. Mr du Toit consents to inclusion in the report of the matters based on this information.