

# Mineral Commodities Ltd

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## Quarterly Activities Report For the period ended 31 March 2018



Production Summary	Quarter ended	Quarter ended	Quarter ended	Year to Date	Year to Date
	31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
<b>Mining</b>					
Tonnes	656,714	525,254	501,343	656,714	501,343
Grade	18.48%	26.22%	31.29%	18.48%	31.29%
- Garnet	13.94%	19.29%	22.59%	13.94%	22.59%
- Ilmenite	3.14%	5.15%	6.49%	3.14%	6.49%
- Zircon	0.64%	0.91%	1.28%	0.64%	1.28%
- Rutile	0.40%	0.45%	0.49%	0.40%	0.49%
- Leucoxene	0.36%	0.42%	0.44%	0.36%	0.44%
<b>GSP / SCP Production &amp; Processing</b>					
Tonnes processed	249,522	246,579	176,207	249,522	176,207
Tonnes produced					
- Garnet concentrate	153,205	150,926	58,160	153,205	58,160
- Ilmenite concentrate	41,501	43,953	83,171	41,501	83,171
- Zircon/Rutile concentrate	5,129	4,941	6,212	5,129	6,212
zircon in concentrate	68.79%	69.93%	72.53%	68.79%	72.53%
rutile in concentrate	18.13%	17.80%	16.54%	18.13%	16.54%
<b>Sales (wmt)</b>					
- Garnet concentrate	50,750	81,200	168	50,750	168
- Ilmenite concentrate	-	55,000	59,111	-	59,111
- Zircon/Rutile concentrate	6,012	4,844	6,576	6,012	6,576
<b>Highlights</b>	<b>Corporate and Cash</b>				
<ul style="list-style-type: none"> <li>Record quarterly mining, processing and production tonnages at Tormin.</li> <li>Munglinup metallurgical test-work confirms premium flake graphite.</li> <li>Research studies for the production of expandable graphite and graphene.</li> <li>Munglinup drilling program encounters graphite mineralisation along strike.</li> </ul>	<p><b>Profit:</b> FY2017 US\$19.1M EBITDA result released during the quarter.</p> <p><b>Dividends:</b> Final 2017 dividend of 0.7 Australian cents per share declared during the quarter, payable 14 May 2018; maintaining FY2017 dividends at 1.2 Australian cents per share.</p> <p><b>Cash:</b> Cash as at 31 March 2018 of US\$9.3 million, plus US\$6.8 million in trade and other receivables.</p> <p><b>Debt:</b> Borrowings as at 31 March 2018 of US\$3.6 million.</p> <p><b>Securities:</b> 415 million shares, 6 million options and 6.95 million performance rights.</p>				

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## **SAFETY, ENVIRONMENT AND COMMUNITY**

There were no Lost Time Injuries (“LTI”) during the quarter, with the Company continuing its exemplary performance in occupational health and safety, with only one LTI incurred for in-excess of 3.1 million man hours worked since Tormin operations commenced in late 2013.

The Company maintained its strong commitment to social development during the quarter and continued with its various initiatives during the period. Circa Rand 1.0 million was spent in the first quarter on learnerships, portable skills training and bursaries. Formal support for a new Small, Medium-sized and Microenterprise (“SMME”) embroidery business in the local South African Matzikama Municipality also began during the quarter.

## **TORMIN – OPERATIONAL PERFORMANCE**

The Company is pleased to be able to report the following key Tormin metrics, which are a record since commencement of operations:

- Highest quarterly mined total – 656,714 tonnes, exceeding the prior record set in the December 2017 quarter;
- Highest quarterly Garnet Stripping Plant (“GSP”) feed total – 249,522 tonnes, exceeding the prior record set in the December 2017 quarter;
- Highest quarterly gross final concentrate production – 199,834 tonnes, exceeding the prior record set in the December 2017 quarter; and
- Primary Beach Concentrator / Tailings Scavenger Plant (“PBC/TSP”) recovery rates of every mineral other than rutile had their highest quarterly performance in the March 2018 quarter.

Run of Mine (“ROM”) production of 656,714 tonnes during the March 2018 quarter was achieved, significantly above the previous quarter’s 525,254 tonnes. ROM ore grading 18.48% Valuable Heavy Minerals (“VHM”) was mined for the quarter, consisting of a garnet grade 13.94%, ilmenite grade 3.14%, zircon grade 0.64% and rutile grade 0.40%. VHM grade diminished from the previous quarter but remained above the Annual Tormin Mineral Resource Update released in February 2018.

Mining cost per tonne of ore mined for the quarter of US\$2.38/t was above prior quarter’s US\$1.92/t, due to the impact of the strengthening Rand, higher diesel prices and additional maintenance costs reflective of an aging fleet.

Significant improvements in the Garnet Stripping Plant (“GSP”) recovery rates during the quarter resulted in increased non-magnetic zircon/rutile concentrate production for the quarter of 5,129 tonnes against the previous quarter’s 4,941 tonnes. Contained zircon of 68.79% and rutile of 18.13% was aligned with the prior quarter’s contained zircon of 69.93% and contained rutile of 17.80%.

Gross ilmenite concentrate production for the March quarter was 41,501 tonnes versus prior quarter’s 43,953 tonnes, and gross garnet production was 153,205 tonnes versus prior quarter’s 150,926 tonnes.

During the quarter, the Company re-treated 92,553 tonnes of previously stockpiled garnet concentrate to extract excess zircon, to produce a medium grade ilmenite concentrate and to upgrade the garnet concentrate grade.

Continued process improvement initiatives, including capital spend, focused on the PBC circuit are being implemented to improve throughput in order to maximise Heavy Mineral Concentrate (“HMC”) production and therefore maximise feed to the GSP circuit. With garnet re-feed to be largely completed in May 2018, the GSP

operation will be dependent upon sufficient HMC feed to maintain current levels of production. Higher PBC plant feed rates and therefore higher heavy mineral concentrate production is to be expected in the June quarter.

## Tormin Costs

The following is a summary of unit costs and revenue:

Summary of Unit Costs & Revenue	Mar-18 Quarter ended	Dec-17 Quarter ended	Mar-17 Quarter ended	Mar-18 Year to Date	Mar-17 Year to Date
Unit production cash costs per tonne of gross final concentrates produced (US\$/dmt)	30.13	26.81	30.59	30.13	30.59
Unit cost of goods sold per tonne of final concentrate sold (US\$/wmt) <sup>(1)</sup>	150.18	91.23	94.19	150.18	94.19
Unit revenue per tonne of final concentrate sold (US\$/wmt)	201.34	114.76	121.45	201.34	121.45
Revenue to Cost of Goods Sold Ratio	1.34	1.26	1.29	1.34	1.29

Note 1:- Cost of goods sold includes production cash costs, product handling, transport and selling costs, royalties, stock movements, and depreciation and amortisation. Excludes corporate and financing costs.

Production cash costs per tonne of zircon/rutile, ilmenite and garnet concentrates produced for the quarter was US\$30.13/t, compared to the prior quarter's US\$26.81/t, with the Tormin mine increasing its cash production expenditures due to an increase in diesel prices, strengthening of the Rand and increased fleet maintenance costs.

Cost of goods sold (incorporating production cash costs, product handling, transport and selling costs, royalties, stock movements, and depreciation and amortisation) per tonne of concentrate was US\$150.18/t for the quarter, compared to prior quarter's US\$91.23/t. The increase against prior period reflects the increased production cash costs, and significantly lower sales tonnes in the March quarter, with the deferral of an ilmenite concentrate shipment to April 2018 and lower garnet concentrate sales to stockpile this quarter due to increased garnet concentrate re-feed.

## Tormin Sales and Marketing

Sales revenue for the March quarter was US\$11.7 million, below the prior quarter's US\$16.2 million. This decrease in quarterly revenue was materially driven by the deferral of an ilmenite concentrate shipment worth circa US\$6.6m to April 2018 and lower garnet concentrate stockpile sales tonnes, partially offset by higher non-magnetic zircon / rutile concentrate pricing and tonnes sold.

Tormin shipments/sales for the March quarter were 6,012 wet metric tonnes of zircon/rutile non-magnetic concentrate and 50,000 dry metric tonnes of garnet concentrate stockpiled on GMA Garnet Group's ("GMA") behalf. Further additional revenue was generated by the shipment of 81,911 wet metric tonnes ("wmt") of garnet concentrate previously stockpiled at the Tormin mine site.

Unit revenue per tonne of final concentrate sold was US\$201.34/t for the quarter, compared to prior quarter's US\$114.76/t, reflecting improved pricing on the entire concentrate range and an increased weighting of higher value non-magnetic zircon/rutile concentrate sales during the quarter in comparison to garnet and ilmenite concentrates.

The Revenue to Cost of Goods Sold Ratio for the March quarter was 1.34 compared to the prior quarter's 1.26, the increase also reflective of improved pricing and the change in the relative mix of concentrate products sold. This increase in the profitability ratio was achieved irrespective of increased costs arising from predominately the strengthened Rand and higher diesel costs.

The Company is seeing continued incremental quarter on quarter increases in sales pricing for its high grade non-magnetic zircon/rutile concentrate, with the average price received for zircon in the March 2018 quarter being 10.6% higher than the previous quarter. Tormin's non-magnetic zircon / rutile concentrate is one of the highest concentrate grades being shipped to China and continues to attract premium pricing. The June 2018 quarterly sales contracts have been executed at the highest dry metric tonne ("DMTU") rates since operations commenced in 2014.

The Company has also contracted its pending April 2018 ilmenite concentrate shipment for 55,000 tonnes at its highest price achieved since bulk ilmenite concentrate shipments commenced.

### **Tormin Work-in-Progress and Final Concentrate Inventory**

The Company is pleased to be able to report that holdings of work-in-progress and final concentrate finished goods inventory on hand at 31 March 2018 remain strong and will further assist in underpinning future production performance, sales/shipments and operating cash generation. These stock holdings are summarised as follows:

	WIP & Finished Goods at 31 December 2017	WIP & Finished Goods at 31 March 2018
Run of Mine Ore Stockpile (total tonnes - Tormin processing plant)	35,568	207,810
Heavy Mineral Concentrate Stockpile (total tonnes - Tormin processing plant)	93,421	83,764
Zircon / Rutile Concentrate Bagged (total tonnes - Tormin, Cape Town or in-transit)	1,362	688
Ilmenite Concentrate Stockpiles (total tonnes - Tormin, Saldanha Bay or in-transit)	26,584	72,328
Garnet Concentrate Stockpiles (total tonnes - Tormin, Saldanha Bay, in-transit or held on behalf of GMA)	684,882	630,697

Increased Run of Mine Ore held at the end of the March quarter reflects record mining production, ensuring sufficient buffer stocks ahead of processing plant requirements.

Increased ilmenite concentrate stocks held at the end of the quarter reflects the build-up for a pending 55,000 tonne shipment in April 2018.

The reduction in garnet concentrate stockpile tonnes reflects 81,911 tonnes shipped during the quarter and the re-feed of 92,553 tonnes of previously stockpiled garnet concentrate.

## Tormin Resource and Prospecting Activities

The annual Tormin Resource Review work was completed during February 2018, with results as follows:

Category	Resource Million Tonnes	Total Heavy Mineral <sup>(1)</sup> (% in Resource)	Ilmenite (% in Resource)	Zircon (% in Resource)	Rutile (% in Resource)	Garnet (% in Resource)
<b>Indicated Resources – Dec 2013</b>	<b>2.70</b>	<b>49.40%</b>	<b>10.60%</b>	<b>3.40%</b>	<b>0.70%</b>	<b>25.30%</b>
Tonnes Mined – FY2014	1.07	53.83%	17.26%	4.76%	0.65%	31.16%
<b>Inferred Resources – Dec 2014</b>	<b>2.70</b>	<b>38.14%</b>	<b>10.05%</b>	<b>2.21%</b>	<b>0.46%</b>	<b>25.22%</b>
Tonnes Mined – FY2015	1.62	49.57%	16.15%	3.88%	0.60%	28.94%
<b>Inferred Resources – Dec 2015</b>	<b>2.70</b>	<b>28.01%</b>	<b>6.97%</b>	<b>1.56%</b>	<b>0.55%</b>	<b>18.54%</b>
Tonnes Mined – FY2016	1.81	45.97%	12.97%	2.78%	0.61%	29.21%
<b>Inferred Resources – Dec 2016</b>	<b>1.80</b>	<b>28.08%</b>	<b>6.15%</b>	<b>1.65%</b>	<b>0.53%</b>	<b>18.99%</b>
Tonnes Mined – FY2017	2.05	27.57%	5.81%	1.10%	0.50%	19.40%
<b>Inferred Resources – Dec 2017</b>	<b>1.80 <sup>(2)</sup></b>	<b>15.92%</b>	<b>2.72%</b>	<b>0.79%</b>	<b>0.43%</b>	<b>11.45%</b>
Tonnes Mined – March Quarter 2018	0.66	18.48%	3.14%	0.64%	0.40%	13.94%

(1) Includes other valuable heavy minerals e.g. Leucoxene and Magnetite

(2) 5% Heavy Mineral (“HM”) cut-off grade used

Since commencement of operations at Tormin, the Company has mined in excess of 7.2 million tonnes. The tonnage mined is more than the original declared resource tonnage (2.70 million tonnes), which is indicative of the replenishment nature of the resource where resource blocks are mined more than once per year.

The full 2017 Tormin Mineral Resource Update was released on 28 February 2018, with an inferred resource tonnage at end December 2017 determined to be 1.80 million tonnes at a resource grade of total heavy mineral content at 15.92% based on a cut-off grade of 5% Heavy Mineral (“HM”).

Mining of 656,714 tonnes during the March 2018 quarter was achieved at a total Valuable Heavy Mineral (“VHM”) grade of 18.48%, which was above the 15.92% HM grade released in the 2017 Tormin Mineral Resource Update and continued the trend in prior years of mined grades generally exceeding published resource grades.

Resource replenishment is occurring but at a rate that is slower than the mining rate. The Company is unable to report a replenishment grade or quantity under the 2012 JORC code. 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 is confident that, with the grant of additional identified inland and beach mining and prospecting areas currently under application, these additional mining areas will allow the current beach mining areas to satisfactorily replenish.

During the March 2018 quarter, the Company held an additional meeting with Department of Mineral Resources (“DMR”) officials and the Minerals and Petroleum Sub-Committee Board (“MPSCB”) to discuss the current status of the Company’s Prospecting Rights Applications and its Section 102 Extended Mining Rights Application (“Section 102 Application”). This was a follow-up meeting to a meeting held in November 2017 and is further evidence of proactive engagement by all parties to progress permitting issues.

Continued work on the Section 102 Application was undertaken by SRK Consulting which involved further detailed work and changes to the original scoping report. Lodging of the Section 102 Application is planned for the June 2018 quarter.

As previously reported, the Company has now submitted a Section 24G Application to deal with minor unauthorised activities under the National Environmental Management Act (Act 107 of 1998) (“NEMA”).

## **CORPORATE AND BUSINESS DEVELOPMENT**

### **Munglinup Graphite Project**

MRC Graphite Pty Ltd (“MRCG”), a wholly owned subsidiary of the Company, continued to progress the Munglinup Graphite Project during the quarter.

Completion of the Phase 1 Metallurgical testwork program confirmed the ability to produce high-purity graphite flake concentrates. Results from the testwork showed concentrate purity averaging above 95% Total Graphitic Carbon (“TGC”) and up to 97.4% TGC was achievable. Additionally, better than expected recoveries averaging 86% and up to 88.3% was achieved, as compared to 81% from historical testwork and as used in previous studies.

The metallurgical testwork has resulted in a greatly simplified flow sheet compared with historical metallurgical testwork and studies. This confirms the attractive flake size and purity of concentrate suitable for downstream processing and high value markets. These results also support the mid case of the Scoping Study, previously released on 27th November 2017.

The Phase 1 drilling program was commenced and almost completed in the March 2018 quarter. The base of the program was designed to achieve a number of outcomes, including the provision of additional geotechnical information at the Halberts Main and Halberts South areas, to assess the Mining Lease for potential water sources, to provide additional metallurgical samples for Phase 2 variability test-work, the production of a bulk sample and to provide further assessment of the magnesite potential of the area. In addition, the drilling program was undertaken to assess the area of significant extensions to mineralisation in the Halberts Main, Halberts South, Harris and McCarthy West areas. The drilling has encountered extensive graphite mineralisation. The Company is awaiting results.

The completion of the upcoming Pre-Feasibility Study has been delayed to allow for inclusion of additional data, including from the recent drilling program at Munglinup.

Sourcing process water was identified as a project risk with historical information supporting the development of a bore field some 22 kilometres from the project. This would require additional costs and significant development delays due to a requirement for multiple miscellaneous licenses to cover the proposed pipeline route. The recent drilling program included drill holes targeting potential ground water sources and was successful in identifying significant on Mining Lease ground water sources.



Significant progress has also been made in identifying and conducting studies required for environmental permitting and approvals. Gaps in historical surveys have been identified and a fit-for-purpose program has begun to enable submission for all required permits in a timely manner.

The Munglinup Graphite Project has also been recognised during the quarter as being of strategic state significance and as a result has been given Level 2 Lead Agency Status by the Department of Mines, Industry Regulation and Safety (“DMIRS”).

Initial community engagement has also begun with the appropriate parties, with all expressing support for the Project. Though native title was extinguished over the Mining Lease, a respectful working relationship with the traditional landowners has been initiated and continues to grow.

Commensurate with our previous agreement with Doral and in support of the position that additional value in downstream processing in Western Australia is desirable, several preliminary studies into the viability of using the Munglinup concentrates on downstream processing were commenced during the quarter.

As released on 18 April 2018, the Company has entered into a Research Agreement with the University of Adelaide (“UoA”) for testing MRC’s graphite concentrate from the Munglinup graphite project for the production of graphene and graphene related products, using the University’s proprietary methods. This proof of concept study, if successful, will be followed by a pilot scale program.

UoA is at the forefront of Graphene Research in Australia, leading the Australian Research Council (“ARC”) Graphene Hub. It is focused on developing graphene production routes that are low cost, environmentally friendly and scalable. It is also focused on developing new graphene based materials.

Graphene has a broad suite of potential applications including coatings, composites, electronics, lubricants and additives, and bio-medical uses. However, its use is currently constrained by an inability to produce graphene at an industrial scale.

In addition, MRC is conducting expandable graphite testwork on its Munglinup graphite concentrate with a European consultancy group, Dorfner ANZAPLAN, to evaluate the expansion characteristics of Munglinup graphite concentrate. The current program focuses on evaluating the expansion characteristics of Munglinup concentrate produced by flotation across a range of sizes. Initial results indicate that expansion coefficients of up to 400 mL/g are achievable on coarse (>300 micron) concentrate, and the finer size fractions are also expandable. Final results are expected in early May 2018.

Expandable graphite is a material with high heat, radiation and corrosion resistance. Uses include heat management in electronics, high temperature gaskets and seals, and as an additive in polystyrene foam to produce flame retardant foam – which has the potential to be a significant growth driver for natural flake graphite demand.

## **Iran**

The Company has continued to actively establish its presence in Iran and has reviewed in excess of 31 green-fields, brown-fields and operating mining projects. The Company’s initial agreements in Iran include:

- The Company has entered into an agreement to acquire up to 73.5% shareholding in the privately owned Tuzlar Gold Mining and Industry Company (“Tuzlar”). Tuzlar is an operating gold mine located on a granted Mining Licence over 14km<sup>2</sup>, which historically has produced 2,000ozs to 3,000ozs of gold per annum. The Company has completed due diligence on the acquisition and is proceeding with settlement for this acquisition, expected to be completed in the June 2018 quarter;

- The Company has the right to a 75% stake in the Asbkhan Joint Venture Company which is a special purpose vehicle established to own the Asbkhan copper-gold project. Asbkhan is a privately owned copper-gold exploration project located in East Azerbaijan province in North Western Iran covered by a granted Mining Licence over an area of 6km<sup>2</sup>; and
- MRC has also entered into a Non-Exclusive Memorandum of Understanding (“MOU”) with the Iran Minerals Production and Supply Company (“IMPASCO”) to review and access all opportunities relating to the exploration, extraction, and processing and investment commercialisation of projects under IMPASCO management.

## Australian Exploration

As set out in a release on 13 December 2017, the Company, via its wholly owned subsidiary, MRC Exploration Australia Pty Ltd (“MRCEA”), has lodged six new exploration licenses and entered into a Joint Venture in Western Australia on another exploration tenement. The Company is targeting lithium (Yandeyarra Prospect), channel iron (Glen Florrie Prospect) and gold-copper deposits (Doolgunna and Cave Hill Prospects).

These additional Australian exploration licences also support the long term strategy of commodity diversification through exploration upside potential. Exploration works in these areas involves a US\$1.5 million fully funded minimum commitment over the next two years.

During the March 2018 quarter the following activities were conducted:

- For the Doolgunna Prospect, a Program of Work (“PoW”) to drill 20 holes was submitted to the DMIRS after some positive initial field work; and
- For the Yandeyarra Prospect, the Company is working towards a heritage agreement with the Yamathi Marlpa Corporation, which is required before an agreement with the Yandeyarra Native Title landowners can be negotiated.

## Cash and Debt

At 31 March 2018, the Company had US\$9.3 million in cash on hand, a decrease from the 31 December 2017 cash balance of US\$11.0 million. Trade and other receivables at 31 March 2018 were US\$6.8 million, an increase from the 31 December 2017 balance of US\$6.0 million.

The decrease in cash held at the end of the March quarter reflects the deferral of a 55,000 tonne ilmenite concentrate shipment to April 2018, coupled with outlays incurred in transporting the ilmenite concentrate to the port. Cash held was also further impacted by advance transport of garnet concentrate, in preparation for 80,000 tonnes to be shipped in the September 2018 quarter.

Borrowings as at 31 March 2018 were US\$3.6 million, a reduction of US\$0.6 million from the 31 December 2017 borrowings of US\$4.2 million.

The Company expects strong positive operating cash flow generation in the forthcoming quarter and for the balance of the 2018 financial year, as it continues to realise the value of work-in-progress and finished goods inventories, expected production improvements, ilmenite concentrate shipments, garnet concentrate sales and improved pricing for all its concentrate products.



## Outlook

Concentrate production guidance for the full year 2018 is in the order of:

Final Concentrate Production	FY2018 Production Guidance Range
Zircon / Rutile Concentrate (dry metric tonnes)	20,000 – 25,000
Ilmenite Concentrate (dry metric tonnes)	100,000 – 130,000
Garnet Concentrate – Gross (dry metric tonnes)	400,000 – 450,000
Garnet Concentrate – Net of Refeed (dry metric tonnes)	250,000 - 300,000

Sales / shipment guidance for the full year 2018 remains in the order of:

Final Concentrate Sales	FY2018 Sales Guidance Range
Zircon / Rutile Concentrate (wet metric tonnes)	20,000 – 25,000
Ilmenite Concentrate (wet metric tonnes)	100,000 – 120,000
Garnet Concentrate Stockpiled (dry metric tonnes)	210,000
Garnet Concentrate Shipped (dry metric tonnes)	160,000

Tormin operations will continue to focus on optimising the mining and processing value chain to deliver results in line with the March quarter's record numbers. In addition, a concerted effort will be made to secure a definable deliverable date with the DMR to the Company's current pending Section 102 Application and Prospecting Right applications.

Management will drive the completion of the Pre-Feasibility Study for the Munglinup Graphite Project and expedite the requisite studies and regulatory approvals to fast track this project to development. The Company is well advanced with Phase 1 metallurgical test work completed and will be in a position to inform the market with results of the Pre-Feasibility Study in the June 2018 quarter.

## Securities on Issue

Issued securities at 31 March 2018 comprise:

- 414,941,571 fully paid ordinary shares listed on the ASX.
- 5,000,000 fully vested Unlisted Options exercisable at A\$0.20 on or before 30 May 2018.
- 1,000,000 fully vested Unlisted Options exercisable at A\$0.20 on or before 31 March 2018.
- 4,000,000 Performance Rights exercisable on or before 30 May 2019 and vesting upon the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of 5 consecutive trading days <sup>(1)</sup>.
- 450,000 Performance Rights exercisable on or before 31 May 2021, vesting at a rate of 150,000 per annum on 31 May 2018 to 2020 inclusive, and the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of 5 consecutive trading days.
- 2,000,000 Performance Rights exercisable on or before 31 May 2020, 1,500,000 vesting on issue and 500,000 on 12 months from date of issue, and the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of 5 consecutive trading days <sup>(2)</sup>.
- 500,000 Performance Rights exercisable on or before 31 May 2020, vesting on 31 May 2018, and the closing share price reaching A\$0.20 and remaining at or above A\$0.20 for a period of 5 consecutive trading days.

Note 1 – During April 2018, the vesting conditions for the 4,000,000 Performance Rights were met.

Note 2 – During April 2018, the vesting conditions for 1,500,000 Performance Rights were met.

## Terms and Explanations

<b>ABET</b>	Adult Basic Education and Training
<b>ARC</b>	Australian Research Council
<b>ASX</b>	Australian Securities Exchange
<b>BEE</b>	Black Economic Empowerment
<b>BID</b>	Background Information Document
<b>DEA</b>	Department of Environmental Affairs
<b>DMIRS</b>	Department of Mines, Industry Regulation and Safety
<b>DMR</b>	Department of Mineral Resources
<b>DMTU</b>	Dry Metric Tonne Unit
<b>DWA</b>	Department of Water Affairs
<b>EAA</b>	Environmental Authorisation Application
<b>EIA</b>	Environmental Impact Assessment
<b>EMP</b>	Environmental Management Programme
<b>FIPPA</b>	Foreign Investment Promotion and Protection Act
<b>GT</b>	Gold Terrace Pty Ltd
<b>GMA</b>	GMA Group
<b>GSI</b>	Geological Survey of Iran
<b>GSP</b>	Garnet Stripping Plant
<b>HDSA</b>	Historically Disadvantaged South Africans
<b>HM</b>	Heavy Mineral
<b>HMC</b>	Heavy Mineral Concentrate
<b>HOA</b>	Heads of Agreement
<b>IEP</b>	Independent Environmental Practitioner
<b>IMPASCO</b>	Iran Minerals Production and Supply Company
<b>IMIDRO</b>	Iranian Mines and Mining Industries Development and Renovation Organisation
<b>JORC</b>	Joint Ore Reserves Committee
<b>LTI</b>	Lost Time Injury
<b>MOU</b>	Memorandum of Understanding
<b>MPSCB</b>	Minerals and Petroleum Sub-Committee Board
<b>MPRDA</b>	Mineral and Petroleum Resources Development Act
<b>MRA</b>	Mining Right Application
<b>MRCEA</b>	MRC Exploration Australia Pty Ltd
<b>MRCG</b>	MRC Graphite Pty Ltd
<b>MSP</b>	Mineral Separation Plant
<b>MSR</b>	Mineral Sands Resources (Pty) Ltd
<b>NEMA</b>	National Environmental Management Authority
<b>NUM</b>	National Union of Mine Workers
<b>PBC</b>	Primary Beach Concentrator
<b>PoW</b>	Program of Work
<b>PR</b>	Prospecting Right
<b>ROM</b>	Run of Mine
<b>SARS</b>	South African Revenue Service
<b>SCP</b>	Secondary Concentrator Plant
<b>SLP</b>	Social Labour Plan
<b>SMME</b>	Small Medium Micro Enterprises
<b>TGC</b>	Total Graphitic Carbon
<b>TRIFR</b>	Total Recordable Injury Frequency Rate
<b>TSP</b>	Tailings Scavenger Plant
<b>UoA</b>	University of Adelaide
<b>VAT</b>	Value Added Tax
<b>VHM</b>	Valuable Heavy Mineral
<b>WMT</b>	Wet Metric Tonnes

## APPENDIX 1 – RESOURCE STATEMENT

### Resources - Mineral Sands

The **Tormin** and **Xolobeni** Mineral Resources, based on mined material reconciliation as at 31 December 2017 for the Tormin Resource, was as follows:-

Project	Category	Resource Million Tonnes	Total Heavy Mineral %	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
<b>Tormin</b>	<b>Inferred</b>	<b>1.80</b>	<b>15.92%</b>	<b>2.72%</b>	<b>0.79%</b>	<b>0.43%</b>	<b>11.45%</b>
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
<b>Total Xolobeni</b>		<b>346.0</b>	<b>5.0%</b>	<b>54.0%</b>			
<b>Total MRC</b>		<b>347.8</b>	<b>5.3%</b>	<b>53.8%</b>			

Note: Individual minerals reported as a percentage of the total heavy mineral concentrates.

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

### Resources - Graphite

On 11 September 2017, the Company announced that it was to acquire a 51% interest in the advanced high grade Munglinup Graphite Project.

In 2016 the Munglinup Graphite Project Mineral Resource (JORC 2012 compliant) was updated by AEMCO. The resource is classified into Indicated and Measured for a Total Resource of 3.625 million tonnes @ 15.3% Total Graphite Contained (“TGC”) using a lower cut-off grade of 10% or 1.6 million tonnes @ 18.7% TGC using a cut-off grade of 15%.

	Resource (Million Tonnes)	Grade (Total Graphitic Content %)	Contained Graphite (Million Tonnes)
<b>Halberts Main Zone</b>			
Measured	1.710	14.1%	0.241
Indicated	1.367	15.3%	0.209
<b>Other Areas</b>			
Indicated	0.548	19.1%	0.104
<b>Total</b>	<b>3.625</b>	<b>15.3%</b>	<b>0.554</b>

## APPENDIX 2 – LISTING OF RIGHTS AND TENEMENTS

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

Country	Location	Right / Tenement Number	Type of Right / Tenement	Status	Change since last Quarter	Beneficial Interest
South Africa	Tormin	(WC)30/5/1/1/2/10261 PR	Prospecting	Under Application	NA	100%
	Tormin	(WC) 30/5/1/1/2/10262 PR	Prospecting	Under Application	NA	100%
	Tormin	(WC)30/5/1/2/2/163 MR	Mining	Approved	N/A	100%
	Tormin	(WC) 30/5/1/1/2/10259 PR	Prospecting	Under Application	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	Closed	100%	100%
	Tormin	(WC)30/5/1/1/2/10229 PR	Prospecting	Closed	100%	100%
	Tormin	(WC)30/5/1/1/2/10240 PR	Prospecting	Under Application	100%	100%
South Africa	Xolobeni	EC30/5/1/1/2/6 PR	Prospecting	Closed – Converting to Mining Right	N/A	100%
	Xolobeni - Kwanyana block	EC30/5/1/1/2/10025 PR	Prospecting	Subject to moratorium - Converting to Mining Right	N/A	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Subject to moratorium - Under Application	100%	100%
Australia	Munglinup	M74/245	Mining	Granted, In Transfer	51%	51% (Option to acquire 90%)
	Munglinup	E74/505	Exploration	Granted, In Transfer	51%	51% (Option to acquire 90%)
Australia	Yandeyarra	E47/3884	Exploration	Under Application	100%	100%
	Yandeyarra	E47/3885	Exploration	Under Application	100%	100%
	Yandeyarra	E47/3916	Exploration	Under Application	100%	100%
	Yandeyarra	E45/5109	Exploration	Under Application	100%	100%

Country	Location	Right / Tenement Number	Type of Right / Tenement	Status	Change since last Quarter	Beneficial Interest
Australia	Doolgunna	E51/1766	Exploration	Granted	0%	0% (Option to earn-into 90%)
Australia	Cave Hill	E51/1867	Exploration	Under Application	100%	100%
Australia	Glen Florrie	E08/2963	Exploration	Under Application	100%	100%



### APPENDIX 3 – COMPETENT PERSONS STATEMENT

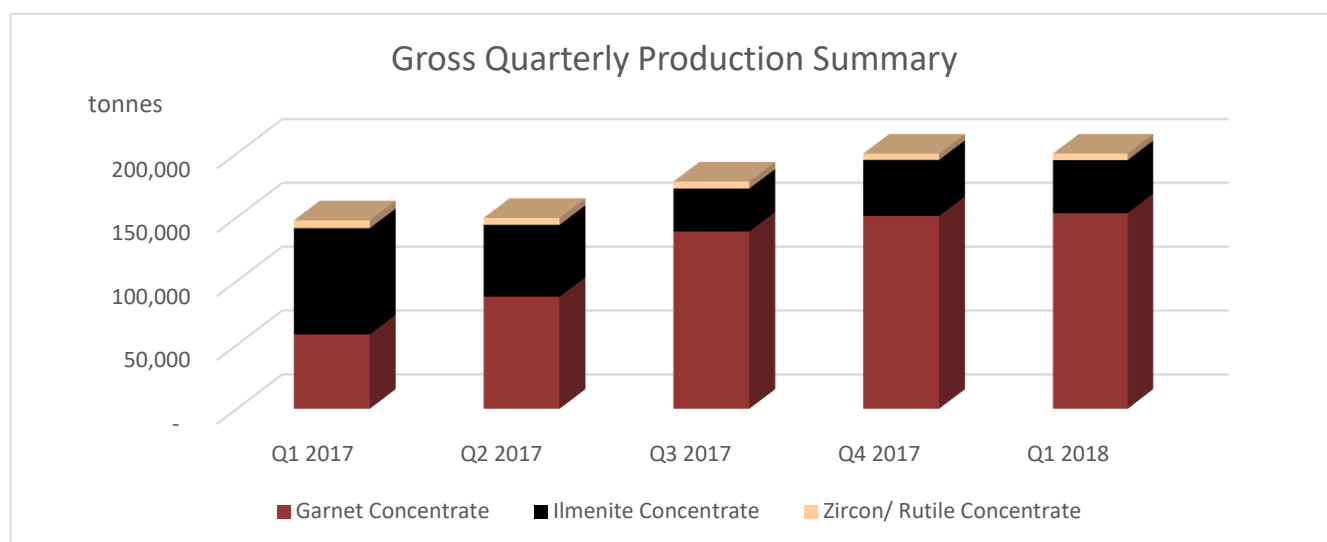
The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for **Xolobeni** is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences (“AIG”), a Corporate Member of the Australasian Institute of Mining & 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 37 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 26 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 JORC Edition. 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 in the form and context in which it appears.

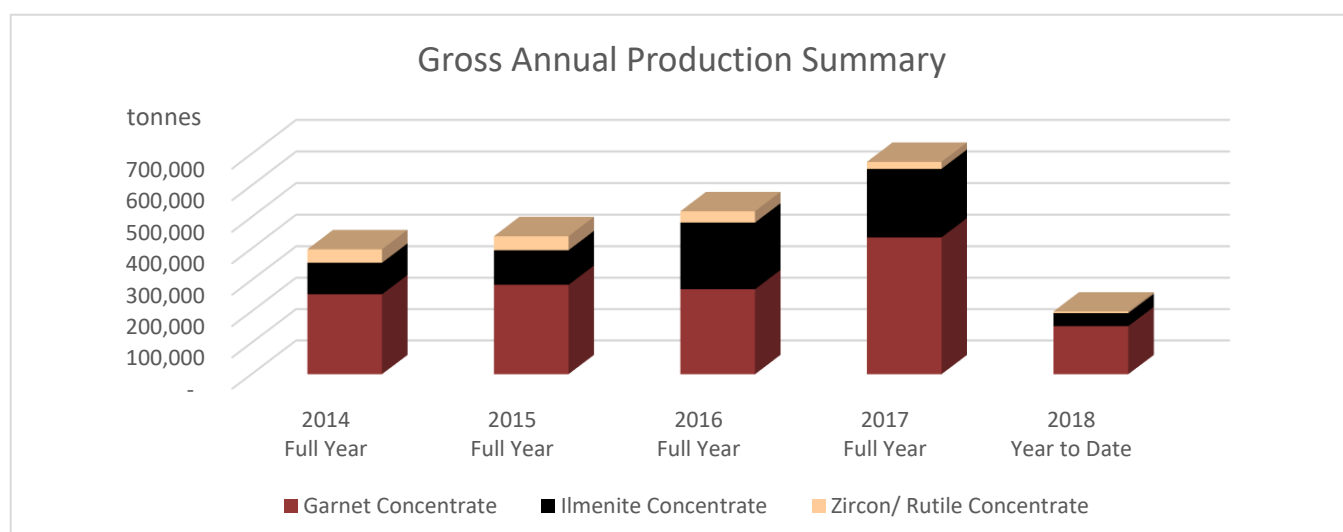
The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for the **Munglinup Graphite Deposit** is based on information compiled by Mr Adriaan du Toit who is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and who is an independent consultant to the Company. Mr du Toit is the Director and Principal Geologist of AEMCO Pty Ltd. He has over 26 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 he is undertaking to qualify as a Competent Person as defined by the 2012 JORC Edition. 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 in the form and context in which it appears.

## APPENDIX 4 – PRODUCTION SUMMARY

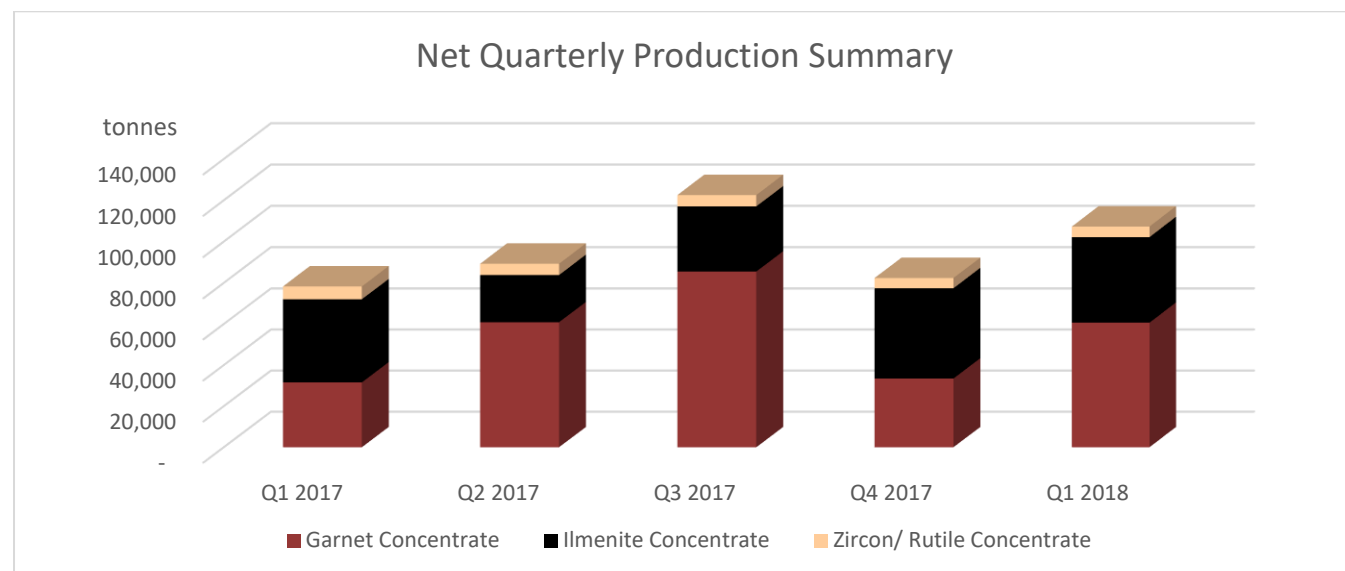
Gross Quarterly	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Garnet Concentrate (t)	58,160	87,728	138,775	150,926	153,205
Ilmenite Concentrate (t)	83,171	56,253	33,642	43,953	41,501
Zircon/ Rutile Concentrate (t)	6,212	5,462	5,496	4,941	5,129



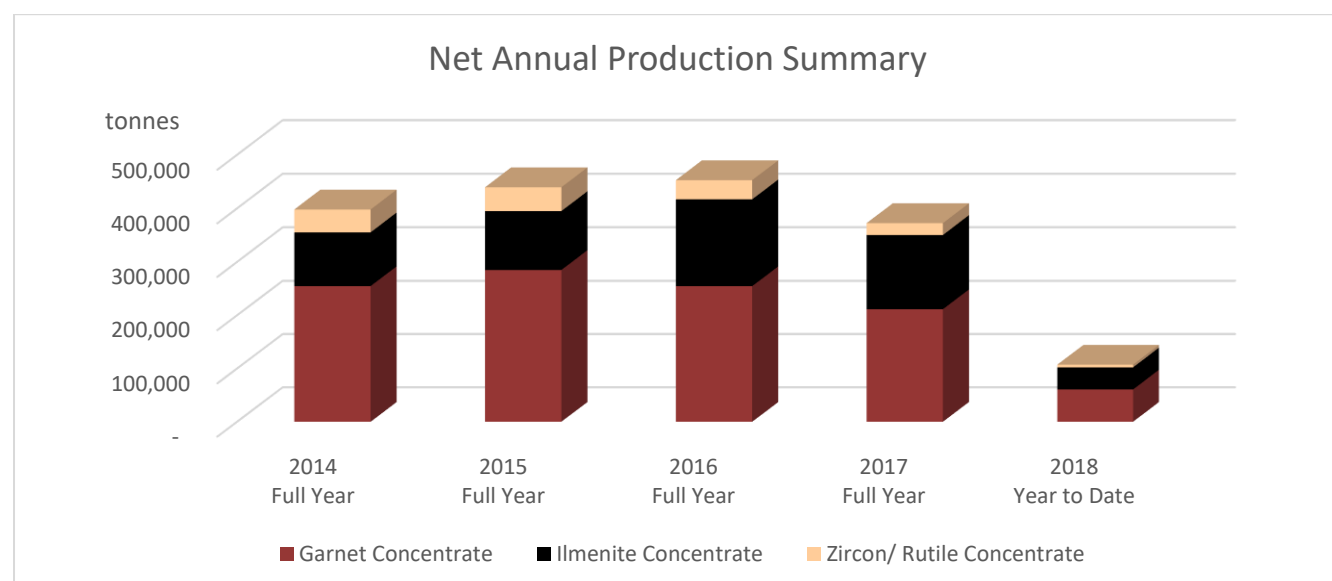
Gross Year	2014 Full Year	2015 Full Year	2016 Full Year	2017 Full Year	2018 Year to Date
Garnet Concentrate (t)	254,816	284,990	270,802	435,590	153,205
Ilmenite Concentrate (t)	100,437	109,959	211,704	217,019	41,501
Zircon/ Rutile Concentrate (t)	42,668	44,489	35,813	22,111	5,129



Net Quarterly	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Garnet Concentrate (t)	31,586	60,867	85,477	33,464	60,652
Ilmenite Concentrate (t)	40,468	22,941	31,551	43,953	41,501
Zircon/ Rutile Concentrate (t)	6,212	5,462	5,496	4,941	5,129

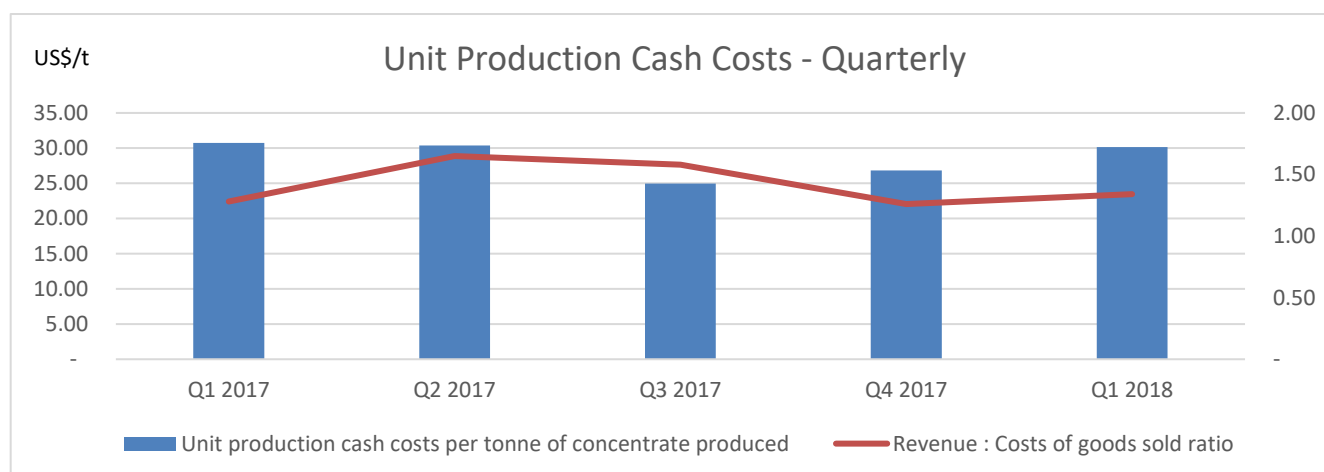


Net Year	2014 Full Year	2015 Full Year	2016 Full Year	2017 Full Year	2018 Year to Date
Garnet Concentrate (t)	254,816	284,990	254,693	211,394	60,652
Ilmenite Concentrate (t)	100,437	109,959	162,123	138,913	41,501
Zircon/ Rutile Concentrate (t)	42,668	44,489	35,813	22,111	5,129

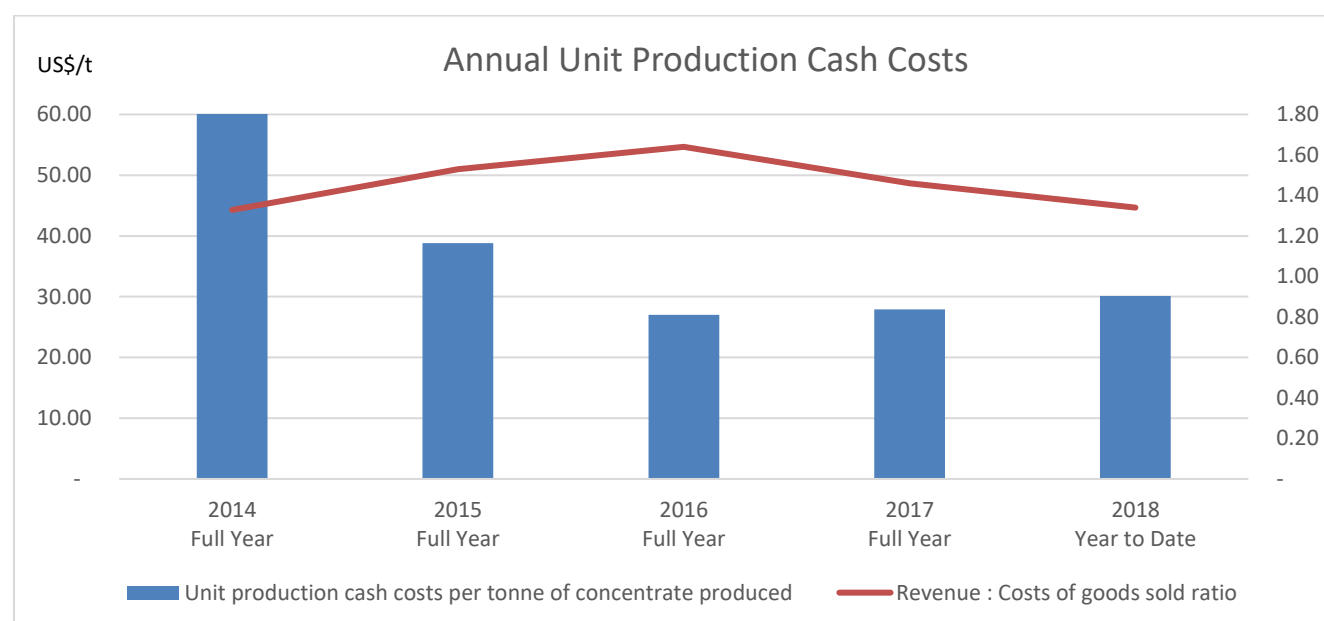


## APPENDIX 5 – UNIT PRODUCTION CASH COSTS

Quarterly	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Unit production cash costs per tonne of concentrate produced (US\$/t)	30.76	30.37	24.95	26.81	30.13
Revenue: Costs of goods sold ratio	1.28	1.65	1.58	1.26	1.34

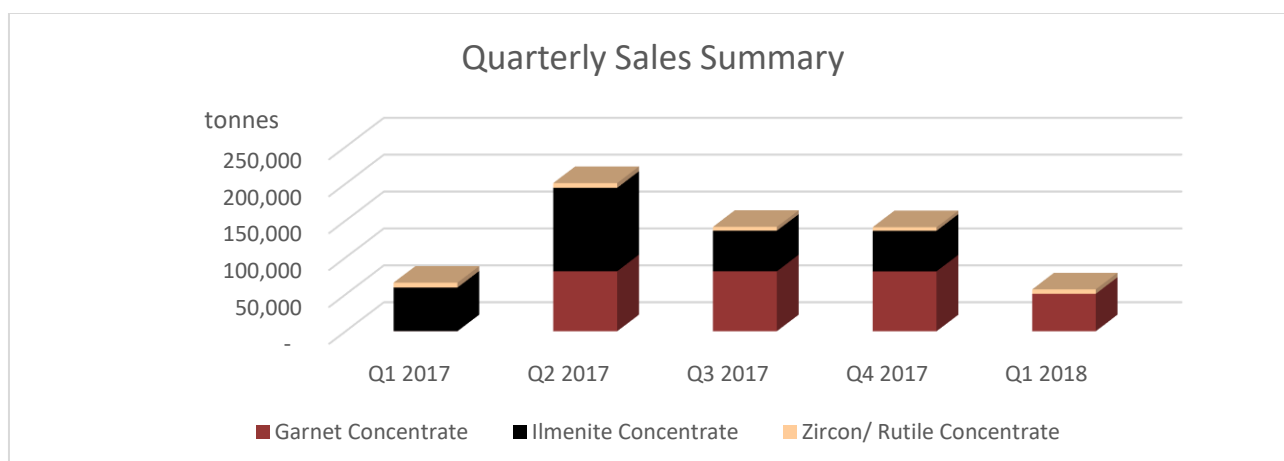


Year	2014 Full Year	2015 Full Year	2016 Full Year	2017 Full Year	2018 Year to Date
Unit production cash costs per tonne of concentrate produced (US\$/t)	64.10	38.82	27.03	27.89	30.13
Revenue: Costs of goods sold ratio	1.33	1.53	1.64	1.46	1.34

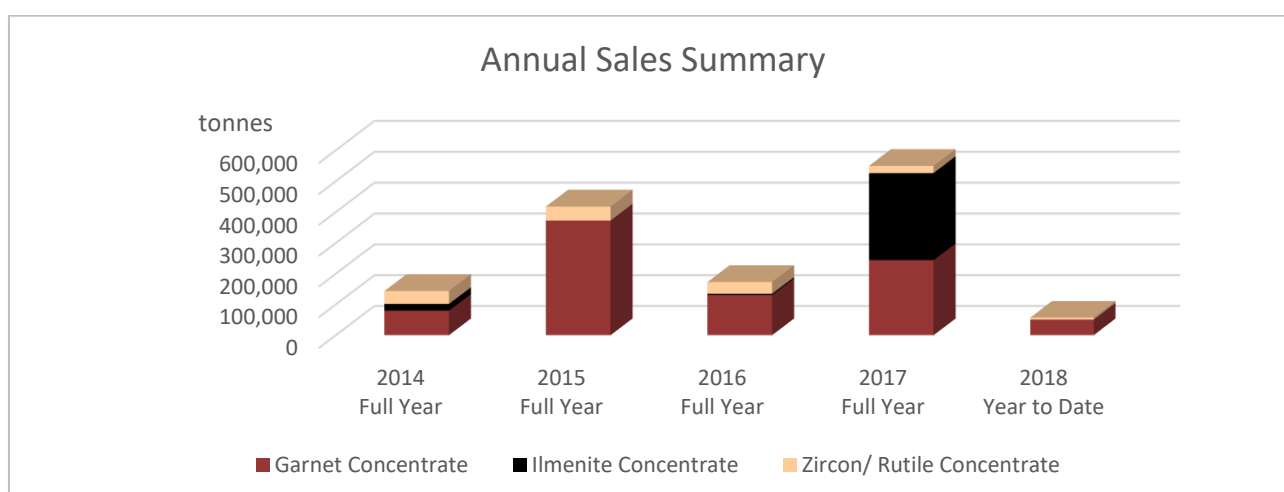


## APPENDIX 6 – SALES SUMMARY

Quarterly	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Garnet Concentrate (t)	168	81,368	81,226	81,200	50,750
Ilmenite Concentrate (t)	59,111	112,987	55,000	55,000	-
Zircon/ Rutile Concentrate (t)	6,576	6,468	5,264	4,844	6,012

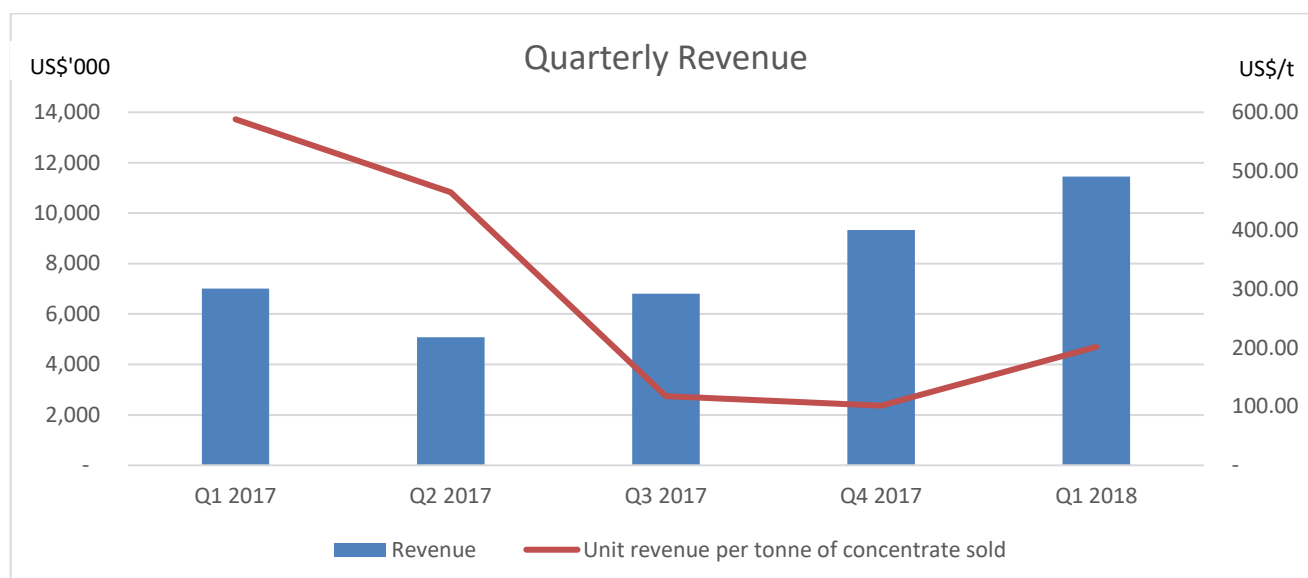


Year	2014 Full Year	2015 Full Year	2016 Full Year	2017 Full Year	2018 Year to Date
Garnet Concentrate (t)	79,630	372,466	130,308	243,962	50,750
Ilmenite Concentrate (t)	21,920	-	4,070	282,098	-
Zircon/ Rutile Concentrate (t)	42,042	45,240	38,408	23,152	6,012



## APPENDIX 7 – REVENUE

Quarterly	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Total Revenue (US\$'000)	7,003	5,083	6,807	9,326	11,454
Revenue per tonne of concentrate sold (US\$/t)	588.13	464.39	117.41	101.42	201.34



Year	2014 Full Year	2015 Full Year	2016 Full Year	2017 Full Year	2018 Year to Date
Total Revenue (US\$'000)	31,144	46,579	26,863	60,417	11,454
Revenue per tonne of concentrate sold (US\$/t)	216.89	111.51	163.27	113.33	201.34

