Mineral Commodities Ltd

ABN 39 008 478 653

Half-Year Financial Report
30 June 2015

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Mineral Commodities Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act, 2001.

Directors' Report

The Directors present their report on the Consolidated Entity, consisting of Mineral Commodities Ltd (MRC) and the entities it controlled at the end of or during the half-year ended 30 June 2015.

Directors

The following persons were Directors of the Company in office during the half-year, and up to the date of this report:

Mark Victor Caruso	Executive Chairman
Joseph Anthony Caruso	Non-Executive Director
Peter Patrick Torre	Non-Executive Director / Company Secretary
James Gerald Leahy	Independent Non-Executive Director (resigned 27 May 2015)
Guy Redvers Walker	Independent Non-Executive Director
Ross Colin Hastings	Independent Non-Executive Director (appointed 1 April 2015)

Results

The profit of the consolidated entity after income tax attributable to members of the parent entity was US$3,923,795 (2014 profit US$1,505,059).

Review of Operations

Tormin Mineral Sands Project

The Board of the Company is immensely proud of the Company's safety record with no Lost Time Injuries (LTI's) reported in the first half of the year. The Company has now achieved 1,066,303 hours up to 30 June 2015 without a LTI since October 2013.

The first half of 2015 has seen another solid performance at the Tormin Mineral Sands Project. The following key metrics were achieved in H1/15:

Production Summary	Half-Year to 30 June 2015	Half-Year to 30 June 2014
Mining		
Tonnes	818,821	347,269
Grade:	43.04%	59.87%
- Garnet	25.07%	31.58%
- Ilmenite	13.73%	21.26%
- Zircon	3.69%	6.17%
- Rutile	0.54%	0.87%
Secondary Concentrator Plant (SCP) Production & Processing		
Tonnes processed	297,107	246,368
Tonnes produced:		
- Garnet concentrate	136,973	103,480
- Ilmenite concentrate	61,604	45,227
- Zircon/Rutile concentrate	23,038	20,387
% zircon in concentrate	73.08%	78.55%
% rutile in concentrate	12.89%	5.22%
Sales (wmt)		
- Zircon/Rutile concentrate	24,414	19,734
- Ilmenite concentrate	-	-
- Garnet concentrate	228,778	6,636

An increased understanding of the mining methodology consistent with the dynamics of the beach replenishment cycle has provided for a more refined mining operation towards the later part of the period. This will result in a more dedicated pre-stripping of the light-heavy sands which are deposited as part of the replenishment cycle moving forward.

Proposals were received by various international and local South African consultants to conduct bathometric offshore surveys and wave refraction studies with a view to providing requisite information to identify the best method of undertaking surf zone sampling for offshore resource definition and to investigate mining techniques of the surf zone area that lies between the low tide mark and wave break zone. The studies intend to be commenced during the second half of 2015.

The primary purpose of these studies is to determine the deposition of Very Heavy Minerals (VHM), which is known, and develop a sampling and exploration technique which will allow a Resource Categorization.

Whilst the processing performance was acceptable for the period, a number of areas were identified to optimise the process.

The reduced Heavy Metal Concentrate (HMC) production towards the end of the period was due to bottle necking of the tailings return system which was found to be installed with incorrect motor sizing, which limited Primary Beach Concentrator (PBC) throughput by some 25%-30% around the middle of the period. Further performance stability on the PBCs should be evident in the second half due to the installation of an Anaconda mobile feeder screener unit which arrived in early June, and which will assist in the removal of gravel oversize material.

The discharge of tailings to the shorter route in front of the Secondary Concentrator Plant (SCP) is working well. Sea water intake is stabilised and final construction of the extension to the sea water groyne by some 20 metres took place.

SCP plant recoveries were well above budget for Rutile and Ilmenite and slightly below for Zircon and Garnet.

The deposition of heavy minerals via the replenishment cycle during the aggressive winter storm season also resulted in some Zircon/Garnet recovery issues in the PBCs due to the changing dynamics of the ROM material and the requirement to adjust spiral settings on the PBCs. This was further exacerbated by the stockpiling of some Garnet and Ilmenite concentrates on the beach, which resulted in the mobilization of the stockpile through tidal movements and some contamination of mining areas. Access to the EMP102 Amendment expanded footprint area to facilitate bulk concentrate stockpiling at the plant site, as opposed to the beach, will assist in alleviating most of these issues.

The construction of the Tailings Scavenger Spiral circuit (TSP) was commenced during the period and is on schedule and budget to be completed and commissioned by end-September 2015. Whilst the TSP capital cost is able to be financed out of operating cash flow, an in principle agreement has been reached with a financier for a sale and leaseback arrangement on commissioning of the plant.

The test work has shown that the introduction of the TSP will result in an increase in total heavy mineral recovery from 66% to 89% with the incorporation of the scavenger circuit. This equates to 147.0 ktpa of additional HMC production for both PBC units, grading 87.4% HM, which includes 57,861 tonnes Garnet, 58,350 tonnes Ilmenite, 1,783 tonnes Rutile and 10,546 tonnes Zircon.

The test work also showed an increase in Zircon recovery from 83.8% to 95.2%.

The Garnet Stripping Plant (GSP) expansion initiatives were delayed due to the EMP102 Amendment regulatory approval processes. Now that the approvals are in place and subject to final financing, the GSP is now expected to be implemented in the first half of 2016. Initial engineering design and ordering of some long lead items has commenced.

The Company is well advanced with the development of its finance options for the GSP. The major Shareholders who previously provided a working capital facility and have extended the term of the loan to 30 September 2015 will be consulted to allow the Company to continue to explore all options with traditional financiers and to provide sufficient time to conclude the initiatives.

The Environmental Management Program (EMP) Amendment for the Tormin mine was granted by the Department of Mining and Resources (DMR) on 14 April 2015.

The Company proceeded to finalise the rezoning of the additional area granted under the EMP with the Matzikama Municipality and finalised all other authorizations to access the additional land area. The Company has been advised that it can proceed to develop the expanded area and has commenced to clear the 9.8ha of land as approved in the EMP102 amendment.

In addition the Company is in advanced discussions with Tronox Limited (Tronox) to potentially purchase the entire Geelwal Karoo 262 Farm. The Tormin tenement area is located on the beach adjacent to the Geelwal Karoo 262 Farm and overlies the Trans Hex diamond concession areas.

Mineral Sands Resources (MSR), a subsidiary of MRC, has fully granted mining rights to mine and process the heavy mineral sands that overlie the Trans Hex Group's concession areas and has entered into an agreement with Trans Hex. Trans Hex currently mines the area for diamondiferous gravel which underlies the heavy mineral sands deposit mined by MSR.

As announced during the quarter, the Pre-Finance and Marketing Agreement between the Company and Wogen Pacific Limited (Wogen) dated 31 July 2013 (Agreement) was terminated.

The termination of the Agreement meant that the Company was free to sell its non-magnetic Zircon/Rutile concentrate to buyers on an unrestricted basis. The Company completed Quarter 2 Sales through a marketing agent and expects to undertake Quarter 3 sales directly with customers, with no commissions being paid on these sales.

The Company's Zircon/Rutile concentrate product remains in strong demand, with demand outstripping supply for the forthcoming quarter. The Company produces the highest grade Zircon/Rutile concentrate imported into China. The strong demand for Q3 production of circa 12,000 tonnes from Chinese Buyers and independent marketing of the Company's production continues to see incremental increases in pricing.

In addition the Company has initiated a Scoping Study in conjunction with the GMA Garnet Group (GMA) for the construction of a Mineral Separation Plant (MSP) plant to produce final Ilmenite, Zircon, Rutile and Garnet products from its Tormin mine. The Company is of the opinion that this will be a significant value add opportunity.

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 cash receipts for stockpiled Garnet are initially lower with full sales value received upon shipment.

The Ilmenite market remains in oversupply, which has stalled the Company's moves to sell its product. Notwithstanding this, there is still a demand for the Company's Ilmenite concentrate product, if it is able to tertiary process finished Ilmenite.

The Company published its full annual resource assessment in its Annual Report for the year ended 31 December 2014. Full details can be viewed in the Annual Report which was lodged with the Australian Securities Exchange (ASX) on 24 April 2015.

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.

Whilst initial exploration work has been undertaken on the replenished areas, the fact remains that the beach constantly changes with both tidal movement and mining.

The Company completed all Regulatory requirements in relation to its Prospecting Right Application which extends its prospecting area 10km seaward, or a total of 120km2.

A decision relevant to the granting of the Prospecting Permit is still pending.

During the latter part of the period, the Company's subsidiary MSR submitted a prospecting application for heavy mineral sands over 24km stretch of coastline just to the north of its Tormin Mine. The application was accepted by the Department of Mineral Resources – Western Cape.

The area under application encompasses approximately 398ha and extends from the northern boundary of the Tormin Mining Licence area up to 24km northwards near Jakkalshok – only a few kilometres south of the Tronox heavy mineral sand mine – Namakwa Sands. The area under application is known to host heavy mineral sand deposits and has been the subject of previous exploration work done by Trans Hex.

MSR is currently busy with a scoping level environmental assessment and full public participation exercise. This is required as the prospecting application includes bulk sampling which is a listed activity requiring environmental authorisation under the National Environmental Management Authority (NEMA).

Xolobeni Mineral Sands Project

The Company lodged a Mining Right Application for the Xolobeni Mineral Sands Project during the period. The Company also commenced the Xolobeni Project Mining Right Application Public Participation Process for the Environmental Scoping Report, which was submitted in April 2015 with all interested and affected parties' comments.

Good progress has been made on the ground at Xolobeni between the anti-mining and pro-mining protagonists who have collectively and of their own volition, formed a Steering Committee to manage all aspects of the Mining Right Application.

Notwithstanding a negative public press campaign, incorporating intense lobbying by anti-mining and pro-environmentalist groups that resulted in an interruption to the commencement of the next phase of the project development studies, for a period of four weeks the Company made good progress with its consultants to conduct all necessary baseline and technical studies to move the project through to the submission of an Environmental Impact Assessment Report, which is required as part of the Mining Right Application process.

Encouragingly, meetings were held in June between the Amadiba Crisis Committee (ACC) and pro-mining members, resulting in the formation of a Steering Committee which has allowed a peaceful and coordinated access for consultants undertaking public participation processes. The Steering Committee will meet regularly to deal with all aspects of the mining right approval process that affects the community.

The Company is maintaining its efforts to conclude baseline studies within the regulatory timeframes.

Corporate

As disclosed to the ASX in December 2014, an application was made in the High Court of South Africa (Western Cape Division, Cape Town) by Blastrite to seek relief for an order that MSR may not deal with any entity or person other than Blastrite in relation to the discussion and consideration relating to any potential Garnet and/or other abrasive media resource that may be present in or on the beach deposit located within the Tormin Project; and an order that MSR may not renew its existing offtake agreement with GMA for the period 1 July 2015 to 30 June 2016. Following a hearing on 19 December 2014, Blastrite withdrew its application to seek interim relief and were ordered to pay MRC's costs occasioned by the application. Blastrite proceeded to make an application for final relief which was deferred to oral evidence and heard in June 2015. The Company's Advocates strenuously opposed the application and the Company is confident of a positive verdict. Judgment is expected in September 2015.

The existing Garnet offtake agreement with GMA and the supply of Garnet concentrate pursuant to that agreement continues unabated.

On 2 March 2015, a US$2.0m Pre-Finance and Marketing Agreement dated 31 July 2013 between the Company and Wogen (Wogen Agreement) was repaid in full.

As previously disclosed to the ASX, the Wogen Agreement was terminated in May 2015. This development followed a breakdown in the relationship between the Company and Wogen, which included amongst other matters an inability for the Company to reach satisfactory terms with Wogen for the sale of shipments of the Company's product in Q2 2015. The termination of the agreement meant that the Company was free to sell its non-magnetic zircon / rutile concentrate to buyers on an unrestricted basis. The Company took immediate steps to secure suitable arrangements for sale of its product and did not experience any significant delays or disruptions in sales.

The Company is looking at financing options for its pending Garnet Stripping Plant (GSP) expansion initiative, to which long lead equipment items have commenced being ordered. Based on the Company's strong 2015 cash flow projections, this will most likely be funded by traditional debt financing. Major Shareholders have provided a US$3.0m finance facility on commercially arms-length terms, and have extended the term of the loan to 30 September 2015 to allow the Company to explore all options with traditional financiers.

During the period, a ZAR45m (US$3.6m) equipment finance facility was provided by WesBank, a division of FirstRand Limited, to MSR for the financing of new and existing mobile equipment. Further, National Australia Bank Limited provided a US$1.5m overdraft facility to the Company's trading subsidiary, MRC Trading (Aust) Pty Ltd.

The profit of the consolidated entity after income tax attributable to members of the parent entity for the 2015 half year was US$3.9m (2014 half year profit US$1.5m), a substantial 161% increase on the prior half year.

This result was based on revenue from sales of US$27.4m for the 2015 half year (2014 half year revenue US$11.1m), a 147% increase in revenue on the prior half year. Net profit before income tax (NPBT) of US$5.5m for the 2015 half year was substantially above the 2014 half year NPBT result of US$1.5m.

At 30 June 2015, the Company had US$2.0m in cash. Trade and other receivables at 31 December 2014 of US$3.1m increased to US$8.4m as at 30 June 2015.

The net assets of the Group have increased from $31.2m as at 31 December 2014 to US$32.8m as at 30 June 2015, reflecting a tangible net asset backing of US$0.08 per share as at 30 June 2015.

The Company is assessing its capital management policy and will work towards the declaration of a maiden dividend in early 2016, based on the 2015 full year results.

Events Subsequent to Balance Date

Other than disclosed elsewhere in this report, there have been no other material events subsequent to balance date and up until the date of signing these Financial Statements.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the Directors.

Mark Caruso
Executive Chairman
Perth, Western Australia
28 August 2015

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the half-year ended 30 June 2015

	Note	Half-Year to 30 June 2015 US$	Half-Year to 30 June 2014 US$
Revenue from continuing operations			
Sale of product		27,418,988	11,111,512
Other revenue		246,008	1,569,409
		27,664,996	12,680,921
Expenses			
Mining and processing costs	3	(20,165,444)	(8,950,954)
Other expenses from ordinary activities:			
Administration expenses		(1,680,142)	(1,994,263)
Exploration expenditure impaired		-	(30,178)
Share payment expenses	14	(67,788)	-
Finance costs		(240,909)	(200,467)
Profit before income tax		5,510,713	1,505,059
Income tax expense		(1,586,918)	-
Profit after income tax		3,923,795	1,505,059
Profit is attributable to:			
Owners of Mineral Commodities Ltd		3,923,795	1,505,059
Non-controlling interest		-	-
		3,923,795	1,505,059
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		cents	cents
Basic earnings per share		0.97	0.37
Diluted earnings per share		0.97	0.37
Other comprehensive income items			
Change in the fair value of available for sale financial assets		20,100	-
Exchange differences on translation of foreign operations		(2,386,470)	(254,087)
Other comprehensive profit (loss) for half-year net of tax		(2,366,370)	(254,087)
Total comprehensive profit for the period		1,557,425	1,250,972
Total comprehensive profit for the half-year is attributable to			
Owners of Mineral Commodities Ltd		1,557,425	1,250,972
Non-controlling interest		-	-
		1,557,425	1,250,972

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet as at 30 June 2015

	Note	30 Jun 15 US$	31 Dec 14 US$
Current assets			
Cash and cash equivalents		1,965,964	4,216,052
Trade and other receivables		8,389,374	3,084,929
Inventories		1,848,413	6,123,021
Available for sale financial assets	4	80,398	64,228
Total current assets		12,284,149	13,488,230
Non-current assets			
Receivables		730,972	665,553
Property, plant and equipment		15,615,664	14,642,240
Mine development expenditure		5,361,055	5,003,743
Exploration expenditure	5	5,977,349	6,019,727
Mine properties	6	3,191,062	4,617,463
Deferred tax assets		2,242,862	4,036,956
Total non-current assets		33,118,964	34,985,682
Total Assets		45,403,113	48,473,912
Current liabilities			
Trade and other payables	7	4,964,414	5,683,843
Unearned revenue		-	4,130,000
Short-term borrowings	8	5,782,260	7,235,413
Provisions		473,499	141,768
Total current liabilities		11,220,173	17,191,024
Non-current liabilities			
Provisions		72,954	77,167
Long-term borrowings	8	1,279,052	-
Total non-current liabilities		1,352,006	77,167
Total liabilities		12,572,179	17,268,191
Net assets		32,830,934	31,205,721

	Note	30 Jun 15 US$	31 Dec 14 US$
Equity			
Contributed equity	9	63,437,092	63,437,092
Reserves	10	(12,701,476)	(10,402,894)
Accumulated losses		(18,018,321)	(21,942,116)
Parent entity interest		32,717,295	31,092,082
Non-controlling interest		113,639	113,639
Total equity		32,830,934	31,205,721

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the half-year ended 30 June 2015

	Half-Year to 30 Jun 15 US$	Half-Year to 30 Jun 14 US$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	17,812,352	9,125,215
Payments to suppliers and employees	(16,176,978)	(7,887,052)
Sundry income	-	1,569,409
Interest received	4,198	6,675
Net cash inflow from operating activities	1,639,572	2,814,247
Cash flows from investing activities		
Payments for exploration expenditure	(301,358)	(53,199)
Payments for plant and equipment	(3,335,343)	(2,105,775)
Payments for development expenditure	-	(2,982,910)
Net cash (outflow) from investing activities	(3,636,701)	(5,141,884)
Cash flows from financing activities		
Proceeds from borrowings	3,787,497	3,000,000
Repayment of borrowings	(3,581,303)	(1,368,495)
Interest paid	(383,748)	(207,142)
Net cash inflow / (outflow) from financing activities	(177,554)	1,424,363
Net (decrease) in cash and cash equivalents held	(2,174,683)	(903,274)
Cash and cash equivalents at the beginning of the half-year	4,216,052	1,503,316
Effects of exchange rate changes on cash and cash equivalents	(75,405)	(30,305)
Cash and cash equivalents at the end of the half-year	1,965,964	569,737

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

Consolidated Statement of Changes in Equity

	Contributed equity US$	Accumulated Losses US$	Reserves US$	Total US$	Non-Controlling Interest US$	Total Equity US$
Balance at 1 January 2015	63,437,092	(21,942,116)	(10,402,894)	31,092,082	113,639	31,205,721
Profit for the half-year	-	3,923,795	-	3,923,795	-	3,923,795
Other comprehensive loss for the half-year	-	-	(2,366,370)	(2,366,370)	-	(2,366,370)
Total comprehensive income for the half-year	63,437,092	3,923,795	(2,366,370)	1,557,425	-	1,557,425
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs	-	-	-	-	-	-
Issue of unlisted options	-	-	67,788	67,788	-	67,788
Balance at 30 June 2015	63,437,092	(18,018,321)	(12,701,476)	32,717,295	113,639	32,830,934

	Contributed Equity US$	Accumulated Losses US$	Reserves US$	Total US$	Non-Controlling Interest US$	Total Equity US$
Balance at 1 January 2014	63,440,327	(30,318,460)	(7,853,276)	25,268,591	113,639	25,382,230
Profit for the half-year	-	1,505,059	-	1,505,059	-	1,505,059
Other comprehensive loss for the half-year	-	-	(254,087)	(254,087)	-	(254,087)
Total comprehensive income for the half-year	-	1,505,059	(254,087)	1,250,972	-	1,250,972
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs	-	-	-	-	-	-
Balance at 30 June 2014	63,440,327	(28,813,305)	(8,107,459)	26,519,563	113,639	26,633,202

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

Consolidated Financial Statements for the half-year ended 30 June 2015

1. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2015 have been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 31 December 2014 and any public announcements made by Mineral Commodities Ltd during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

These interim financial statements do not include all the notes of the type normally included in annual financial statements.

(a) 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.

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

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Exploration and development expenditure

Recoupment of the capitalised exploration and evaluation expenditure is dependent on the successful development and commercial exploitation of the Xolobeni Mineral Sands area of interest in South Africa. The capitalised expenditure in relation to the Xolobeni project 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.

Reserves and resources

In order to calculate ore reserves and mineral resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised in 2012 (the JORC code).

As economic assumptions used to estimate reserves change and as additional geological data is generated during the course of operations, estimates of reserves and mineral resources may vary from period to period. Changes in reported reserves and mineral resources may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and

- Restoration and rehabilitation provision may be affected due to changes in the magnitude of future restoration and rehabilitation expenditure.

Recovery of deferred tax assets

Deferred tax assets has been recognised for deductible temporary differences as the Group considers that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

2. Segment information

(i) Description of segments

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.

The chief operating decision maker has identified three reportable segments to its business, being:

1. Mineral Sands mining and production (Tormin Mineral Sands project) – Republic of South Africa;
2. Mineral Sands exploration (Xolobeni Mineral Sands project) – Republic of South Africa; and
3. Corporate (management and administration of the Company's projects) – Australia and Republic of South Africa.

(ii) Segment results

The segment information provided to the chief operating decision maker for the reportable segments for the period ended 30 June 2015 is as follows:

	Tormin Project	Xolobeni Project	Corporate	Consolidation eliminations	Totals
Half-Year 2015	US$	US$	US$	US$	US$
Revenue from operations					
Total segment revenue	26,884,605	-	27,456,804	-	54,341,409
Inter-segment revenue	(26,676,412)	-	-	-	(26,676,412)
Revenue from external customers	208,193	-	27,456,804	-	27,664,997
Adjusted EBITDA	4,558,726	-	3,053,280	470,864	8,082,870
Depreciation and amortisation	1,921,879	-	39,658	-	1,961,537
Total segment assets	37,122,836	6,016,204	43,092,057	(40,827,985)	45,403,113
Total segment liabilities	33,157,667	4,717,389	16,229,197	(41,532,075)	12,572,179

Half- Year 2014	US$	US$	US$	US$	US$
Revenue from operations					
Total segment revenue	12,678,477	-	1,571,853	-	14,250,330
Inter-segment revenue	(1,569,409)	-	-	-	(1,569,409)
Revenue from external customers	11,109,068	-	1,571,853	-	12,680,921
Adjusted EBIDTA	4,395,716	(35,769)	(430,699)	(550,447)	3,378,801
Depreciation and amortisation	1,639,271	-	27,329	-	1,666,600
Total segment assets	27,340,321	6,885,841	26,292,670	(32,161,198)	38,541,705
Total segment liabilities	27,117,855	4,885,199	16,062,792	(36,157,343)	11,908,503

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) reconciles to operating profit before income tax as follows:

	30 Jun 15	30 Jun 14
	US$	US$
Adjusted EBITDA	8,082,870	3,378,801
Interest expense	(610,620)	(207,142)
Depreciation and amortisation	(1,961,537)	(1,666,600)
Profit before income tax	5,510,713	1,505,059

3. Mining and processing costs

Mining and processing costs include the following material expenditure items:

Transport of product	2,053,729	1,430,540
Fuel	1,876,496	1,394,346
Wages and salaries	3,723,765	1,422,271
Repairs and maintenance	1,814,948	1,902,832
Depreciation and amortisation – mining and processing assets	1,921,879	1,639,271

4. Available for sale financial assets

Listed securities		
Equity securities	80,398	64,228
Total listed equity securities	80,398	64,228
Unlisted equity securities		
Equity securities	-	-
Total unlisted equity securities	-	-
Total available for sale securities	80,398	64,228

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. Listed securities held for resale have been adjusted to market value at balance date. The investment in unlisted securities has been fully impaired and charged to the statement of profit or loss and other comprehensive income in prior periods.

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's only assets and liabilities held at fair value are its available for sale financial assets with a current carrying value of US$80,398 (2014: US$64,228). These are measured using quoted active market prices and are therefore Level 1 instruments.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2015 and did not transfer any fair value amounts between the fair value hierarchy during the period ended 30 June 2015.

5. Exploration expenditure

	30 Jun 15 US$	31 Dec 14 US$
Exploration expenditure – costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	5,977,349	6,019,727

6. Mine properties

Balance at beginning of period	4,617,463	-
Expenditure during the period	-	1,115,159
Re-classification: transfer from exploration expenditure	-	4,299,929
Re-classification: transfer to mine development expenditure	(1,015,979)	-
Amortisation expense	(195,875)	(470,487)
Exchange differences	(214,547)	(327,138)
Balance at end of period	3,191,062	4,617,463

7. Trade and other payables

Trade creditors	3,504,431	5,683,843
Other payables	1,459,983	-
Trade and other payables	4,964,414	5,683,843

8. Borrowings

	30 Jun 15 US$	31 Dec 14 US$
Short-term borrowings		
Short term borrowings - unsecured (a)	2,690,098	3,291,363
Amounts due under equipment acquisition agreements (b)	1,987,662	3,944,050
Finance lease (c)	1,104,500	-
	5,782,260	7,235,413
Long-term borrowings		
Finance lease (c)	1,279,052	-
	1,279,052	-

(a) Short term borrowings include a pre finance and marketing agreement facility of US$2.0m which was drawn down in September 2013. This facility was repayable over a twelve month period in quarterly instalments commencing three months after production has commenced. As at 31 December 2014, the outstanding balance was $0.6m and was repaid in full on 2 March 2015.

(b) The Group has in place finance lease agreements to acquire mobile mining equipment and generators. Under the terms of these agreements there is an option to purchase which the Group intends to exercise in the second half of 2015. Interest is charged at 13.5% on the Rand denominated borrowing.

(c) For period ended 30 June 2015, the Group has entered into finance lease agreements to acquire mobile mining equipment with a term of 34 months. Interest is charged at 9.25% on the Rand denominated borrowing.

9. Issued capital

	30 Jun15 No. of Shares	31 Dec 14 No. of Shares	30 Jun 15 US$	31 Dec 14 US$
Ordinary shares fully paid				
Balance at beginning of period	404,941,935	404,941,935	63,437,092	63,437,092
Balance at end of period	404,941,935	404,941,935	63,437,092	63,437,092

10. Reserves

	Currency Translation Reserve US$	Financial Asset Revaluation Reserve US$	General Reserve US$	Listed Options Reserve US$	Total Reserves US$
30 June 2015					
Balance at 1 January 2015	(11,850,427)	(232,908)	1,363,393	317,048	(10,402,894)
Issue of unlisted options	-	-	-	67,788	67,788
Change in fair value of available-for-sale financial assets	-	20,100	-	-	20,100
Exchange differences on translation of foreign operations	(2,386,470)	-	-	-	(2,386,470)
Balance at 30 June 2015	(14,236,897)	(212,808)	1,363,393	384,836	(12,701,476)

	Currency Translation Reserve US$	Financial Asset Revaluation Reserve US$	General Reserve US$	Listed Options Reserve US$	Total Reserves US$
30 June 2014					
Balance at 1 January 2014	(9,300,905)	(232,908)	1,363,393	317,048	(7,853,372)
Exchange differences on translation of foreign operations	(254,087)	-	-	-	(254,087)
Balance at 30 June 2014	(9,554,992)	(232,908)	1,363,393	317,048	(8,107,459)

11. Contingent liabilities

Bank guarantees

FirstRand Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the Tormin Mining Right for an amount of ZAR2,730,000 (US$222,222) (2014: ZAR2,730,000 (US$230,748)).

There have been no other changes to contingent liabilities since 31 December 2014.

12. Commitments

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.

Commitments in relation to equipment acquisition agreements and finance lease are as follows:

	30 Jun 15 US$	31 Dec 14 US$
Within one year	3,092,162	3,944,050
Later than one year but no later than five years	1,279,052	-
	4,371,214	3,944,050

There have been no other changes to commitments since 31 December 2014.

13. Related party transactions

There were no transactions with directors or director related entities during the financial period other than:-

a) The payment of directors' remuneration.

b) Minesite Construction Services Pty Ltd (MSCS), a company associated with directors Messrs Mark Caruso and Joseph Caruso has provided office space to Mineral Commodities Ltd (MRC) during the half-year. The amount paid by MRC was US$23,475 (2014 US$54,144). This is considered to be an arms-length commercial rent. There is no formal sub lease agreement in place.

c) MSCS has provided secretarial staff to the Executive Chairman pursuant to an executive service agreement during the half-year. The cost was US$20,189 (2014 US$46,564). These have been reimbursed on an arm's length basis at normal commercial rates.

d) MSCS has provided technical staff during the half-year to the Company's subsidiary which operates the Tormin Mineral Sands project at a total cost of US$66,599 (2014 US$150,144) these have been reimbursed on an arms-length basis at normal commercial rates.

e) Under the terms of a loan facility agreement, and as approved by shareholders, Regional Management Pty Ltd, a company associated with Mr Mark Caruso advanced A$1,620,220 (US$1,500,000) to MRC in June 2014. This loan carries interest at the rate of 13%. As at 30 June 2015, the balance owing was A$1,637,712 (US$1,253,996).

14. 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

On 27 May 2015, at the annual general meeting of the Company, shareholders approved the issue of 5,000,000 employee options to the Executive Chairman, Mr Mark Caruso.The options are were issued in three tranches exercisable at 20 cents each and subject to the following vesting conditions:
(i) 1,666,668 vesting immediately;
(ii) 1,666,666 vesting in 12 months;
(iii) 1,666,666 vesting in 24 months.

Set out below are summaries of all options granted under the Plan and unexpired at 30 June 2015:

Grant Date	Expiry date	Exercise price AUD	Fair Value at grant date AUD	Options at the start of the half-year	Granted during the half-year	Exercised during the half-year	Forfeited during the half-year	Balance at the end of the half-year	Vested at the end of the half-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
27 May 2015	30 May 2018	20 cents	4.90 cents	-	5,000,000	-	-	5,000,000	1,666,666
				11,000,000	5,000,000	-	-	16,000,000	12,666,666

Fair value of options granted

The assessed fair value at grant date of the options issued during the period ended 30 June 2015 was 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 ended 30 June 2015 was $67,788 (2014: $nil).

The model inputs for options granted during the period, as well as prior periods, included:

a)	Options granted for no consideration with the expectation that the majority of the options would be exercised towards the end of the term of the options and there are no market based vesting conditions.			
b)	Exercise price (AUD)	[1] 20 cents	[2] 35 cents	20 cents
c)	Grant date	[1] 21 December 2012	[2] 21 December 2012	27 May 2015
d)	Risk-free interest rate	[1] 2.50%	[2] 2.57%	2.06%
e)	Exercise date:	31 December 2015	31 December 2015	30 May 2018
f)	Share price at grant date (AUD)	8.1 cents	8.1 cents	11.0 cents
g)	Expected price volatility of the shares	86%	86%	90%
h)	Expected dividend yield	Nil	Nil	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 12 months.

14. Events occurring after the reporting period

Other than as disclosed elsewhere in this report and up until the date of signing these financial statements, there have been no other material events.

Directors' Declaration

Declaration by Directors

The Directors of the Company declare that:

1. The consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes:
   (a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
   (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the Directors by:

Mark Caruso
Executive Chairman
Perth, Western Australia
28 August 2015