

Mineral Commodities Ltd

ACN 008 478 653
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Quarterly Activities Report For the period ended 30 June 2017

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Production Summary	Quarter ended	Quarter ended	Quarter ended	Year to Date	Year to Date
	30-Jun-17	31-Mar-17	30-Jun-16	30-Jun-17	30-Jun-16
Mining					
Tonnes	511,114	501,343	454,541	1,012,457	899,429
Grade	23.12%	31.30%	52.73%	27.16%	52.00%
- Garnet	17.15%	22.59%	33.91%	19.84%	32.87%
- Ilmenite	4.01%	6.49%	14.38%	5.24%	14.69%
- Zircon	0.91%	1.28%	3.36%	1.09%	3.39%
- Rutile	0.54%	0.49%	0.73%	0.52%	0.69%
- Leucoxene	0.51%	0.44%	0.35%	0.48%	0.36%
GSP / SCP Production & Processing					
Tonnes processed	183,164	176,207	141,861	359,371	281,285
Tonnes produced					
- Garnet concentrate	87,728	58,160	70,599	145,888	143,952
- Ilmenite concentrate	56,253	83,171	29,919	139,424	54,334
- Zircon/Rutile concentrate	5,462	6,212	8,476	11,674	18,646
zircon in concentrate	70.20%	72.53%	69.41%	71.44%	70.69%
rutile in concentrate	17.49%	16.54%	11.01%	16.98%	12.50%
Sales (wmt)					
- Zircon/Rutile concentrate	6,468	6,576	8,944	13,044	20,852
- Ilmenite concentrate	112,987	59,111	2,002	172,098	2,002
- Garnet concentrate	81,368	168	0	81,536	0
Highlights	Corporate and Cash				
<ul style="list-style-type: none"> Payment of a 1.2 Australian cents per share final dividend for 2016 during the quarter, the Company's second consecutive annual dividend. Record ilmenite concentrate sales of 112,987 tonnes. Strong cash flow generation during the quarter, with US\$6.93 million cash on hand at quarter end. Amended Garnet Offtake Agreement executed with GMA Group, guaranteeing minimum revenue of US\$60 million over next 5 years. 	<p>Securities: 405 million shares, 6 million options and 4 million performance rights.</p> <p>Cash: Cash as at 30 June 2017 of US\$6.93 million, plus US\$7.32 million in trade and other receivables.</p> <p>Debt: Borrowings as at 30 June 2017 of US\$5.4 million.</p>				

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SAFETY, ENVIRONMENT AND COMMUNITY

The Company recorded its first Lost Time Injury (“LTI”) since commencement of operations during the quarter. Whilst the LTI was relatively minor (sprained ankle), it is extremely disappointing. Previously the Company had recorded over 1,267 consecutive LTI free days, representing in excess of 1.5 million cumulative employee hours worked without a lost time incident. The Company continues its drive to ensure that the safety of its workforce is paramount.

On 15 June 2017, the South African Minister of Mineral Resources, Mosebenzi Zwane, and the Department of Mineral Resources (“DMR”) gazetted unilateral changes to the Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2017 (“2017 Mining Charter”), a summary of which has been included in various distributions and highlighted in various reports online.

Reports suggest that the 2017 Mining Charter lacks clarity on importance issues, and there are several sections that will directly and more than likely negatively affect the ability of mining and Black Economic Empowerment (“BEE”) companies to source appropriate commercial bank funding. The South African Chamber of Mines (“Chamber”) view is that should the DMR’s 2017 Mining Charter be implemented in its current form, it will destroy the very industry whose survival is necessary to give effect to the objectives of the Mineral and Petroleum Resources Development Act (“MPRDA”).

On 26 June 2017, the Chamber applied to the North Gauteng High Court for an urgent Interdict to prevent the implementation by the Minister and the DMR of the 2017 Mining Charter, with the hearing scheduled for 18 July 2017.

On 14 July 2017, the Minister undertook in writing that neither he nor the DMR would implement or apply the provisions of the 2017 Mining Charter until judgment had been passed on the Chamber’s urgent Interdict. The Chamber therefore agreed to grant the DMR extra time to prepare its answering affidavit to the interdict, with the hearing now to be heard in September 2017.

On July 19 2017, the Minister announced his intentions to suspend all mining right, prospecting right and ownership transfer applications, and their renewal. It is understood that the Chamber is lodging a second urgent Interdict on the matter. In the interim, this is expected to cause further delay issues in attempting to deal with the various government departments regarding the granting of the Company’s various prospecting right applications.

It is unknown whether the new legislation will be retrospectively applied to existing prospecting permits and mining rights. It is also understood that despite the hiatus of the implementation of the new legislation caused by various Court actions, that the processing of the Company’s Section 102 Extended Mining Rights Amendment Application to expand the Tormin mining areas will not be affected.

Regardless, the Company’s current 50% BEE ownership structure for its fully owned subsidiary, Mineral Sands Resources (Proprietary) Ltd (“MSR”) which operates the Tormin Mine, sits well above the minimum BEE ownership threshold of 30% as contemplated under the new proposed legislation for existing or future Mining Rights.

The Company continues to support social development in the region, agreeing to build and fit out a new computer lab at the Nuwerus School and allocating funds to corporate social investment. Labour development in the region continues through employee and community learnerships, employee bursaries and supporting Adult Basic Education and Training (“ABET”) for local people in the region.

TORMIN – OPERATIONAL PERFORMANCE

The above budget tonnage performance of the mining operations continued into the second quarter of 2017.

Run of Mine (“ROM”) production of 511,114 tonnes during the June quarter was achieved, versus budget of 434,058 tonnes and the previous quarter’s 501,343 tonnes. ROM ore grading 23.12% Valuable Heavy Mineral (“VHM”) was mined for the quarter, consisting of a garnet grade 17.15%, ilmenite grade 4.01%, zircon grade 0.91% and rutile grade 0.54%.

Final commissioning of the amphibious excavator continues to be impacted by seasonal rough seas and the ability to access preferred working areas. A specialised supervisory team has been mobilised to site during the quarter to assist in the commissioning and the development of an optimum working system to allow continuous operation of the unit. The Company sees this as a temporary delay, and is confident that in the immediate near-term the benefits of the amphibious excavator will start to become evident.

Quarterly processing of ROM production through the Primary Beach Concentrators (“PBC”) / Tailings Scavenger Plants (“TSP”) circuits produced 108,231 tonnes of Heavy Mineral Concentrate (“HMC”) for the June quarter, slightly below the budgeted 118,155 tonnes and first quarter’s 113,021 tonnes, due to lower mined grades. Emphasis on management of PBC/TSP throughput rates, maintenance and other operating parameters has resulted in a significant improvement in VHM recoveries in the June quarter, as compared to budget targets and the prior quarter’s recoveries.

The Garnet Stripping Plant (“GSP”) / Secondary Concentrator Plant (“SCP”) processed throughput of 183,164 tonnes in the June quarter, which was significantly above budget of 118,155 tonnes and previous quarter of 176,207 tonnes.

Due to lower feed zircon and rutile feed grades, non-magnetic concentrate production for the quarter was 5,462 tonnes, versus a budget of 7,149 tonnes and previous quarter of 6,212 tonnes. Contained zircon in the concentrate of 70.20% was above budget of 69.16%, whilst rutile was also above budget at 17.49% contained rutile in concentrate.

For the June quarter, gross ilmenite concentrate production was 56,253 tonnes versus a budget of 37,375 tonnes, and gross garnet concentrate production was 87,728 tonnes versus a budget of 39,927 tonnes.

During the quarter, the Company re-treated 33,313 tonnes of previously stockpiled medium grade ilmenite concentrate to extract excess zircon and garnet, and to upgrade the final ilmenite concentrate product. The Company also re-treated 26,861 tonnes of previously stockpiled garnet concentrate to extract excess zircon, to produce a medium grade ilmenite concentrate and to upgrade the garnet concentrate grade.

The overall production performance for the quarter was pleasing, with the slight HMC production deficit being driven by lower than budgeted mined grades.

During the quarter the Company commenced trialling of an amended PBC/TSP circuit configuration to significantly increase production throughput rates, from the current throughput rate of two by 110 tonnes per hour (“tphr”) to in excess of two by 140tphr. This is targeted to lift current annual processing capacity in the PBC/TSP circuit from circa 1.8 million ore feed tonnes per annum to circa 2.2 million feed tonnes per annum capacity.

Further, on the back of the processing team’s success in increasing VHM recoveries in the PBC/TSP circuit, work has also commenced in the GSP/SCP circuit targeted to achieve similar results.

Tormin Costs

The following is a summary of unit costs and revenue:

SUMMARY OF UNIT COSTS & REVENUE	Jun-17 Quarter ended	Mar-17 Quarter ended	Jun-16 Quarter ended	Jun-17 Year to Date	Jun-16 Year to Date
Unit production cash costs per tonne of concentrate produced (US\$/dmt)	30.16	30.59	32.55	30.37	28.44
Unit cost of goods sold per tonne of concentrate sold (US\$/wmt) ⁽¹⁾	71.17	94.19	283.73	76.65	280.09
Unit revenue per tonne of concentrate sold (US\$/wmt)	117.23	121.45	464.39	117.86	521.13
Revenue to Cost of Goods Sold Ratio	1.65	1.29	1.64	1.54	1.86

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\$30.16/t, compared to a budgeted US\$48.40/t and prior quarter's US\$30.59/t, with the Tormin mine increasing overall gross concentrate production whilst only slightly increasing its cash production expenditures above budget estimates.

Irrespective that the Tormin mine experienced lower mined grades and slightly increased overall cash expenditures, the unit production cash cost was lower due to increased concentrate production arising from higher plant utilisation and recoveries than that budgeted.

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\$71.17/t for the quarter, compared to a budget of US\$67.55/t and prior quarter's US\$94.19/t.

The lower unit cost of goods sold over the prior period is a reflection of the significant increase in sales volumes in the second quarter against a fairly fixed operating cost base. The sales increase for the June quarter was predominately driven by an additional 55,000 tonnes of ilmenite concentrate shipments above the prior quarter's shipments.

Tormin Sales and Marketing

During the quarter, the Company announced that it had finalised and executed with GMA Group ("GMA") an Amended Offtake Agreement, a Lease Agreement and an Amended Loan Agreement ("Agreements"). Under the terms of the Amended Offtake Agreement, the Company will continue to produce and supply to GMA's garnet concentrate stockpile at a rate of 240,000 tonnes for 2017, reverting back to the original 210,000 tpa contracted for the balance of the Life of Mine ("LOM").

Furthermore, GMA has committed to take final delivery of 210,000 tpa of stockpiled garnet concentrate from and including the calendar year 2017. The Company will deliver this contracted offtake tonnage from the current garnet concentrate stockpiled at the Tormin Mine Site and from forecast annual production (circa 200,000 to 250,000 tonnes for 2017, net of refeed garnet).

Minimum revenue of US\$60 million will be generated from the final delivery over the next five years of the existing stockpile of garnet concentrate and forecast annual production for 2017. This minimum revenue has been determined using a broad range of exchange rate and price assumptions stipulated in the Amended Offtake Agreement and garnet characteristics including moisture and silica content. Specific information in respect to these assumptions is considered to be commercially sensitive.

Under the Agreements, MSR will provide a segregated and dedicated leased area located on the Tormin Mine Site at which GMA can take delivery of garnet concentrate. GMA also agreed to pay for all historically incurred and future stockpile capital and maintenance costs relating to the increased stockpiling capacity required by GMA.

The original US\$4.5 million Loan Agreement with GMA provided for repayment and interest charges to commence on the continuous shipment of garnet concentrate in accordance with the original Offtake Agreement. The parties agreed amended terms, such that interest charges commenced on 1 May 2017 and repayments commenced on the 1st day of each following month thereafter, over a 36 month repayment period.

During the quarter, the Company saw a record sales and shipment of 112,987 tonnes of ilmenite concentrate. In addition, the Company continued to experience strong demand for its ilmenite concentrate due to a combination of the continued tightening of the global ilmenite supply chain as well as previous curtailing of domestic sulphate ilmenite production within China due to environmental and economic cost of production factors. In addition, the increased demand for all downstream finished titanium products continued into the June quarter.

The Company is also seeing incremental quarter on quarter increases in sales pricing for its high grade non-magnetic zircon/rutile concentrate.

Tormin sales for the June quarter were 6,468 tonnes of zircon/rutile concentrate, 2,987 tonnes of bagged ilmenite concentrate, 110,000 tonnes of bulk ilmenite concentrate, 80,000 tonnes of garnet concentrate stockpiled on GMA's behalf and 125,000 tonnes of final sales to GMA from the stockpile.

Sales revenue for the June quarter was US\$23.5 million, well above the budgeted US\$14.3 million and previous quarter's US\$8.1 million, driven by higher ilmenite concentrate shipments and pricing, and final garnet concentrate sales from the stockpile following execution of the Amended Offtake Agreement with GMA.

Revenue per tonne of concentrate sold was US\$117.23/t for the quarter, above the budgeted US\$86.65/t and slightly less than the prior quarter's US\$121.45/t. The improvement in unit revenue above budget was due to final sales to GMA from the stockpile following the execution of the Amended Offtake Agreement, and higher actual unit prices for ilmenite concentrate in comparison to budget. Revenue per tonne is slightly lower than the previous quarter due to the lower weighting of non-magnetic zircon/rutile concentrate in the overall sales mix, with garnet and ilmenite concentrate sales increasing in the quarter.

The Revenue to Cost of Goods Sold Ratio for the quarter was 1.65 as compared to a budget of 1.28 and the prior quarter's 1.29. This increase was reflective of profitability of the revenue generated from increases in ilmenite concentrate prices and shipments to China, and final sales of garnet concentrate from stockpile to GMA following execution of the Amended Offtake Agreement.

Tormin Resource and Offshore/Onshore Prospecting Activities

The Company submitted the Section 102 Extended Mining Rights Amendment Application to include both the northern beaches and inland strand to the DMR's Western Cape Region on 26 April 2017. The Company's Section 102 mine expansion application is now in the Environmental Impact Assessment ("EIA") phase. The final Scoping Report for the Section 102 mine expansion application was submitted to the DMR on the 12 June 2017. Compilation of the documents to complete the application is due to be finalised in the next quarter.

Any potential granting of the Southern Prospecting Rights Application have been impacted by the recent new proposed legislation and the Minister's stated moratorium on the issuing of new or existing prospecting and mining rights applications.

All key exploration activities are on hold pending the outcome of the DMR's deliberations on the Mining and Prospecting Right Applications.

CORPORATE AND BUSINESS DEVELOPMENT

The Board of the Company was pleased to be able to declare and pay the Company's second successive dividend. Following on from the prior year's 1 Australian cent per share maiden dividend, in May 2017 the Company paid an increased 1.2 Australian cent per dividend, in respect to the 2016 financial year.

The dividend declaration was again underpinned by a solid operating performance throughout the 2016 year. The current and forecast cash position of the Company provides for the potential payment of future dividends as part of the Company's capital management strategy.

The Company continues to actively pursue business development opportunities. The Company's Business Development Manager and project team have been reviewing opportunities in the industrial minerals / mineral sands sector, as well as other core base metal mineral opportunities in various jurisdictions.

With the uncertainty in respect to the 2017 Mining Charter in South Africa, and as a matter of good risk management, the Board views diversification of both jurisdiction and commodity as paramount to the future success of the Company.

Cash and Debt

At 30 June 2017 the Company had US\$6.93 million in cash on hand, a substantial increase from the 31 March 2017 cash balance of US\$0.5 million.

Trade and other receivables at 30 June 2017 were US\$7.3 million, a slight decrease from the 31 March 2017 balance of US\$7.9 million.

The US\$4.5 million loan facility obtained from GMA to finance the GSP is fully drawn. Repayments on and interest charges against the facility have now commenced.

The Company expects to continue with strong positive cash flow generation in the forthcoming quarter as it continues to realise the value of ilmenite concentrate shipments and the recommencement of final garnet concentrate sales.

Outlook

Sales guidance for the forthcoming quarter is in the order of:-

- 5,000 to 8,000 tonnes of zircon/rutile concentrate;
- expected 85,000 tonnes of ilmenite concentrate;
- 80,000 tonnes of garnet concentrate delivered to stockpile; and
- 52,500 tonnes of garnet concentrate sold under final delivery arrangements.

Operations will continue to focus on optimising the mining and processing value chain.

Mining will continue with a delineated specific programme by the mining department to target higher grade Garnet ROM feed. Finalisation of commissioning and continuous operation of the amphibious excavator will also permit easier access to higher grade zircon ore in the tidal zone area.

The primary focus of the processing team in the coming months will now be to meet production budget against a falling ROM grade, by maintaining recoveries and increasing throughputs within the PBC/TSP circuit to increase the production of HMC, and improving recoveries in the GSP/SCP circuit. These initiatives will extend continuous HMC feed to the GSP/SCP without supplemental garnet re-feed, and increase net final concentrates produced.

There has been no change to the annual resource update released on 27 February 2017 and outlined in the March 2017 quarterly report.

The Company is now actively looking to pursue other business development opportunities in the base metal and industrial mineral sectors.

Securities on Issue

Issued securities at quarter-end comprise:

- 404,941,571 fully paid ordinary shares listed on the ASX.
- 5,000,000 fully vested Unlisted Options exercisable at AU\$0.20 on or before 30 May 2018.
- 1,000,000 fully vested Unlisted Options exercisable at AU\$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 AU\$0.20 and remaining at or above AU\$0.20 for a period of 5 consecutive trading days.

Terms and Explanations

ABET	Adult Basic Education and Training
ASX	Australian Securities Exchange
BEE	Black Economic Empowerment
BID	Background Information Document
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DWA	Department of Water Affairs
EIA	Environmental Impact Assessment
EMP	Environmental Management Programme
GMA	GMA Group
GSP	Garnet Stripping Plant
HDSA	Historically Disadvantaged South Africans
HM	Heavy Mineral
HMC	Heavy Mineral Concentrate
HOA	Heads of Agreement
IEP	Independent Environmental Practitioner
JORC	Joint Ore Reserves Committee
LTJ	Lost Time Injury
MOU	Memorandum of Understanding
MPRDA	Mineral and Petroleum Resources Development Act
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
PR	Prospecting Right
ROM	Run of Mine
SARS	South African Revenue Service
SCP	Secondary Concentrator Plant
SLP	Social Labour Plan
TRIFR	Total Recordable Injury Frequency Rate
TSP	Tailings Scavenger Plant
VAT	Value Added Tax
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 2016 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	1.8	28.08%	21.9%	5.9%	1.9%	67.6%
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)30/5/1/1/2/10261 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%

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

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 24 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.