Mineral Commodities Ltd

ABN 39 008 478 653

Half-Year Financial Report
30 June 2017

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 2016 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.

DIRECTOR'S REPORT

The Directors present their report on the Consolidated Entity, consisting of Mineral Commodities Ltd ("MRC" or "the Company") and the entities it controlled at the end of or during the half-year ended 30 June 2017. The consolidated financial statements are presented in United States Dollars ("$"), unless otherwise stated, which is the Company's presentation currency.

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
Guy Redvers Walker	Senior Independent Non-Executive Director
Ross Colin Hastings	Independent Non-Executive Director

DIVIDENDS

During the half-year ended 30 June 2017, a final ordinary unfranked dividend for the financial year ended 31 December 2016 of 1.2 Australian cent per ordinary share was paid, representing a total distribution of A$4,859,299 based on the number of ordinary shares on issue as at 31 December 2016. As the dividend was unfranked, there are income tax consequences for the owners of the Company relating to this dividend.

REVIEW OF OPERATIONS

Tormin Mineral Sands Project

The Company's impeccable safety record continued during the first half of 2017, however, without wishing to take away from the excellent safety operational performance achieved since the Tormin mine inception in 2013, the Company advised that it has recorded its first Lost Time Injury ("LTI") since commencement of operations. The Company continues its drive to ensure the safety of its workforce. 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 continued its strong operating performance during the first half of 2017. The following key production and sales metrics were achieved in the first half of 2017.

Production and Sales Summary	**Half-Year to 30 June 2017**	**Half-Year to 30 June 2016**
Mining Production		
Tonnes	1,012,457	899,429
Grade:	27.17%	52.00%
- Garnet	19.84%	32.87%
- Ilmenite	5.24%	14.69%
- Zircon	1.09%	3.39%
- Rutile	0.52%	0.69%
- Leucoxene	0.48%	0.36%
Garnet Stripping Plant / Secondary Concentrator Plant		
Tonnes processed	359,371	281,285
Tonnes produced		
- Garnet concentrate	145,889	143,952
- Ilmenite concentrate	139,425	54,334
- Zircon/Rutile concentrate	11,673	18,646
% zircon in concentrate	71.44%	70.69%
% rutile in concentrate	16.98%	12.50%

REVIEW OF OPERATIONS (CONTINUED)

Tormin Mineral Sands Project (continued)

Production and Sales Summary	Half-Year to 30 June 2017	Half-Year to 30 June 2016
Sales		
Tonnes sold		
- Zircon/Rutile concentrate	13,044	20,852
- Ilmenite concentrate	172,097	2,002
- Garnet concentrate	81,536	-

The mining operations produced 1,012,457 tonnes which were well above budget tonnages throughout the period.

The Company purchased specialised amphibious excavation equipment in late 2016 which will allow it to mine the previously un-mineable seaward extremities of its current Mining Right resource boundaries. This equipment was delivered, assembled and majorly commissioned in the first quarter of the period. The final commissioning of the equipment was impacted by seasonal rough seas and the ability to access preferred working areas. A specialised supervisory team was mobilised at the end of the period to assist in the commissioning and the development of an optimum working system to allow continuous operation of the unit. The Company is confident that in the immediate near-term the benefits of the amphibious excavator will start to become evident.

Lower mine grades impacted on the total processing of ROM production through the Primary Beach Concentrators ("PBC") / Tailings Scavenger Plants ("TSP") circuits during the period, which resulted in a slightly below budget performance. Emphasis on management of PBC/TSP throughput rates, maintenance and other operating parameters has resulted in a significant improvement in Valuable Heavy Mineral ("VHM") recoveries in the latter part of the period.

The Garnet Stripping Plant ("GSP") / Secondary Concentrator Plant ("SCP") processed throughput significantly above budget for the period.

The overall production performance for the period as outlined in the above table was pleasing, with a slight Heavy Mineral Concentrates ("HMC") production deficit against budget being driven by lower than budgeted mined grades.

During the second quarter of the period, the Company commenced trialing 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 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 now commenced in the GSP/SCP circuit targeted to achieve similar results.

Further specific details of the mining and processing metrics have been disclosed in the Company's quarterly reports lodged with the Australian Securities Exchange ("ASX").

The Company commenced sales of its ilmenite concentrate at the beginning of the period and continued to sell record quantiles throughout the period. Since commencement of mining operations in 2014, the Company had stockpiled approximately 200,000 tonnes of medium to high grade ilmenite concentrate in anticipation of increased pricing.

The Company experienced, and continues to receive 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.

REVIEW OF OPERATIONS (CONTINUED)

Tormin Mineral Sands Project (continued)

During the second half of the period, 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).

Under the Agreements, the Company 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.

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

The Company released the results of its annual resource update on 27 February 2017. Full details of the update can be reviewed in that release.

In summary, the inferred resource was downgraded from 2.7 million tonnes to 1.8 million tonnes.

The resource grade of 27.16% Heavy Minerals ("HM") remained a similar grade to the December 2015 reported resource of 28.01% HM. Approximately 5 million tonnes of material has been mined up until June, 2017. The Run of Mines ("ROM") grade for the June quarter was 23.12% HM, which was below the stated inferred resource grade recorded.

During the period, meetings were held with the Department of Mineral Resources ("DMR") in relation to the granting of Prospecting Rights, and more particularly for the Southern areas which remain under application.

All matters relating to the grant of the Southern Prospecting Rights have now been completed. The Company now awaits the DMR's decision on the granting of the Rights.

As previously reported, in order to protect the tenure of the two Prospecting Rights that were refused by the Departmental of Environmental Affairs ("DEA") appeal decision, new Prospecting Rights Applications were re-lodged over these respective areas. These Prospecting Rights Applications (WC30/5/1/1/2/10261PR over the beaches north of Tormin and WC30/5/1/1/2/10262PR over the farm Geelwal Karoo) were lodged on 22 December 2016.

During the period, full interested and affected party (IAP) consultations commenced on the above two Prospecting Rights Applications.

The Company submitted a Section 102 Extended Mining Rights Amendment Application, including both the northern beaches and inland strand, to the DMR on 26 April 2017. The Company's Section 102 mine expansion application is now in the Environmental Impact Assessment ("EIA") phase.

REVIEW OF OPERATIONS (CONTINUED)

Tormin Mineral Sands Project (continued)

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 second half of the year.

On 15 June 2017, the South African Minister of Mineral Resources, Mr Mosebenzi Zwane, and the 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 important 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.

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 and Mining Right Applications.

The new legislation shall not be applicable to applications received and accepted before the date of publication of the gazetted notice on 15 June 2017. It is understood that, despite the hiatus of the implementation of the new legislation caused by various Court actions, the processing of the Company's Prospecting Right Applications and the Section 102 Extended Mining Rights Amendment Application to expand the Tormin mining areas will not be retrospectively affected.

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

Regardless, the Company's current 50% BEE ownership structure for its fully owned subsidiary, Mineral Sands Resources (Pty) 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.

REVIEW OF OPERATIONS (CONTINUED)

Xolobeni Mineral Sands Project

There were no material developments in relation of the finalisation of the divestment of the Company's Xolobeni Mineral Sands Project ("Xolobeni Project") as detailed in the September 2016 quarterly and Annual Report for the year ended 31 December 2016. The Company continues to engage with its Black Economic Empowerment ("BEE") partner Keysha Investments, related stakeholders and relevant authorities to facilitate and finalise the sale process. It is expected that this due process will take some time to finalise to ensure all stakeholders are fully appraised of the related issues.

Corporate and Financial

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 share 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.

Notwithstanding the fluidity of the operating and political environment in South Africa, the Company's shareholders can be confident of the Company's ongoing strong financial and operational performance from its South African operations which are supported by world class mineral sands assets.

Consolidated Results and Financial Position

Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US$9.6m for the 2017 half year was above the 2016 half year EBITDA of US$5.9m, a 63% increase on the prior half year.

This result was based on product revenue from sales of US$30.4m for the 2017 half year (2016 half year revenue US$11.6m), a 161% increase in revenue on the prior half year.

Net profit before income tax (NPBT) of US$7.3m for the 2017 half year was above the 2016 half year NPBT result of US$4.4m, a 65% increase in NPBT on the prior half year.

The profit of the consolidated entity after income tax attributable to members of the parent entity for the 2017 half year was US$5.3m (2016 half year profit US$2.9m), a 83% increase on the prior half year.

At 30 June 2017, the Company had US$6.9m in cash. Trade and other receivables at 31 December 2016 of US$8.0m decreased to US$7.2m as at 30 June 2017.

The net assets of the Group have increased from US$36.1m as at 31 December 2016 to US$40.5m as at 30 June 2017, reflecting a tangible net asset backing of US$0.10 per share as at 30 June 2017.

EVENTS SUBSEQUENT TO BALANCE DATE

On 17 August 2017, the Company announced the issue of 2,950,000 Performance Rights to certain employees and contractors under the Shareholder Approved Incentive Performance Rights Plan.

On 28 August 2017, the Board of the Company declared an interim ordinary unfranked for the half-year ended 30 June 2017 of 0.5 Australian cent per ordinary share.

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 23.

Signed in accordance with a resolution of the Directors.

Mark Caruso
Executive Chairman
Dated at Perth, Western Australia
This 28th day of August 2017

Consolidated Income Statement

For the half-year ended 30 June 2017

	Notes	Half-Year to 30 Jun 17 $	Half-Year to 30 Jun 16 $
Revenue from continuing operations			
Sale of product		**30,358,206**	11,617,387
Other revenue	2.2	**1,230,518**	91,428
		31,588,724	11,708,815
Expenses			
Mining and processing costs	2.3	**(21,128,801)**	(6,575,890)
Administration expenses		**(2,471,358)**	(1,920,153)
Foreign exchange (loss)/ gain		**(563,665)**	1,255,442
Impairment		**(244,147)**	-
Share payment expenses		**(71,528)**	(58,447)
Finance income/ (costs)		**226,159**	40,083
Profit before income tax		**7,335,384**	4,449,850
Income tax expense		**(1,987,083)**	(1,524,892)
Profit after income tax		**5,348,301**	2,924,958
Profit is attributable to:			
Owners of Mineral Commodities Ltd		**5,348,301**	2,924,958
Non-controlling interest		**-**	-
		5,348,301	2,924,958
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	cents
Basic earnings per share		**1.32**	0.72
Diluted earnings per share		**1.32**	0.72
Other comprehensive income items			
Change in the fair value of available for sale financial assets		**276,901**	(23,119)
Exchange differences on translation of foreign operations		**2,330,764**	579,887
Other comprehensive profit (loss) for half-year net of tax		**2,607,665**	556,768
Total comprehensive profit for the period		**7,955,966**	3,481,726
Total comprehensive profit for the half-year is attributable to			
Owners of Mineral Commodities Ltd		**7,955,966**	3,481,726
Non-controlling interest		**-**	-
		7,955,966	3,481,726

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2017

	Notes	30 Jun 17 $	31 Dec 16 $
Current assets			
Cash and cash equivalents		**6,936,242**	2,873,135
Trade and other receivables	4.1	**5,690,299**	2,176,759
Inventories	4.2	**10,456,202**	7,997,031
Available for sale financial assets		**26,900**	12,595
Total current assets		**23,109,643**	13,059,520
Non-current assets			
Trade and other receivables	4.1	**1,526,894**	5,807,323
Exploration and evaluation assets	3.1	**6,939,930**	6,460,268
Mine development expenditure	3.2	**7,500,418**	7,656,202
Property, plant and equipment	3.3	**16,562,342**	16,103,545
Deferred tax assets		**559,581**	884,646
Total non-current assets		**33,089,165**	36,911,984
Total assets		**56,198,808**	49,971,504
Current liabilities			
Trade and other payables		**5,399,743**	3,445,086
Short-term borrowings	5.1	**2,571,307**	2,452,592
Employee benefits		**303,180**	326,347
Current tax liabilities		**1,440,016**	66,849
Total current liabilities		**9,714,246**	6,290,874
Non-current liabilities			
Provisions		**160,345**	152,016
Long-term borrowings	5.1	**2,900,917**	4,937,073
Employee benefits		**60,680**	49,198
Deferred tax liabilities		**2,820,246**	2,421,766
Total non-current liabilities		**5,942,188**	7,560,053
Total liabilities		**15,656,434**	13,850,927
Net assets		**40,542,374**	36,120,577
Equity			
Contributed equity		**63,437,092**	63,437,092
Reserves	5.2	**(14,510,566)**	(17,189,759)
Accumulated losses		**(8,497,791)**	(10,240,395)
Parent entity interest		**40,428,735**	36,006,938
Non-controlling interest		**113,639**	113,639
Total equity		**40,542,374**	36,120,577

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 2017

	Half-Year to 30 Jun 17 $	Half-Year to 30 Jun 16 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**32,450,842**	11,575,246
Payments to suppliers and employees	**(21,126,017)**	(9,390,069)
Net cash inflow from operating activities	**11,324,825**	2,185,177
Cash flows from investing activities		
Payments for exploration expenditure	**(13,074)**	(268,652)
Payments for plant and equipment	**(1,457,368)**	(4,080,045)
Payments for development expenditure	**-**	(347,821)
Other loans	**(53,928)**	-
Interest received	**1,497**	-
Net cash (outflow) from investing activities	**(1,522,873)**	(4,696,518)
Cash flows from financing activities		
Proceeds from borrowings	**1,717,060**	5,564,108
Repayment of borrowings	**(3,889,309)**	(1,344,714)
Dividends paid to shareholders	**(3,605,697)**	(2,972,058)
Interest paid	**(129,671)**	(208,301)
Net cash inflow / (outflow) from financing activities	**(5,907,617)**	1,039,035
Net increase/ (decrease) in cash and cash equivalents held	**3,894,335**	(1,472,306)
Cash and cash equivalents at the beginning of the half-year	**2,873,135**	4,227,444
Effects of exchange rate changes on cash and cash equivalents	**168,772**	45,754
Cash and cash equivalents at the end of the half-year	**6,936,242**	2,800,892

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

Consolidated Statement of Changes in Equity

	Contributed equity $	Reserves $	Accumulated losses $	Total $	Non-Controlling interest $	Total equity $
Balance at 1 January 2017	**63,437,092**	**(17,189,759)**	**(10,240,395)**	**36,006,938**	**113,639**	**36,120,577**
Profit for the half-year	-	-	5,348,301	**5,348,301**	-	5,348,301
Other comprehensive profit for the half-year	-	2,607,665	-	**2,607,665**	-	2,607,665
Total comprehensive income for the half-	63,437,092	(14,582,094)	(4,892,094)	**43,962,904**	113,639	44,076,543
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs						
Dividend paid	-	-	(3,605,697)	**(3,605,697)**	-	(3,605,697)
Share-based payment expenses	-	71,528	-	**71,528**	-	71,528
Balance at 30 June 2017	**63,437,092**	**(14,510,566)**	**(8,497,791)**	**40,428,735**	**113,639**	**40,542,374**

	Contributed equity $	Reserves $	Accumulated losses $	Total $	Non-Controlling interest $	Total equity $
Balance at 1 January 2016	**63,437,092**	**(20,508,920)**	**(11,365,331)**	**31,562,841**	**113,639**	**31,676,480**
Profit for the half-year	-	-	2,924,958	**2,924,958**	-	2,924,958
Other comprehensive loss for the half-year	-	556,768	-	**556,768**	-	556,768
Total comprehensive income for the half-year	63,437,092	(19,952,152)	(8,440,373)	**35,044,567**	113,639	35,158,206
Transactions with owners in their capacity as owners						
Contributions of equity net of transaction costs						
Dividend paid	-	-	(2,972,058)	**(2,972,058)**	-	(2,972,058)
Share-based payment expenses	-	58,447	-	**58,447**	-	58,447
Balance at 30 June 2016	**63,437,092**	**(19,893,705)**	**(11,412,431)**	**32,130,956**	**113,639**	**32,244,595**

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

Notes to the Consolidated Financial Statements

1. Basis of preparation

This section provides information about the basis of preparation of the half-year financial report.

1.1 Corporate Information

Mineral Commodities Ltd (the "Company") is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange ("ASX"). The condensed consolidated financial report of the Company for the six months ended 30 June 2017 ("the half-year financial report") comprises the Company and its controlled entities ("the Group"). Mineral Commodities Ltd is the ultimate parent entity in the Group.

The half-year financial report was authorised for issue in accordance with a resolution of the directors on 28 August 2017.

1.2 Basis of Preparation

This general purpose half-year financial report has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial statements for the year ended 31 December 2016 and considered together with any public announcements made by the Company during the six months ended 30 June 2017, in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and the ASX listing rules.

1.3 Critical accounting estimates and judgements

The significant accounting judgements, estimates and assumptions adopted in the half-year financial report are consistent with those applied in the preparation of the Group's annual report for the year ended 31 December 2016.

2. Financial Performance

This section highlights key financial performance of the Group for the reporting period including disclosures of segmental financial information and dividends.

2.1 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.

Notes to the Consolidated Financial Statements

2. Financial Performance (continued)

2.1 Segment Information (continued)

(ii) Segment results, segment assets and segment liabilities

The segment information provided to the chief operating decision maker for the reportable segments for the period ended 30 June 2017 is as follows:

	Tormin Project $	Xolobeni Project $	Corporate $	Consolidation eliminations $	Totals $
Half-Year 2017					
Revenue from operations					
Total segment revenue	26,699,734	-	31,566,297	-	**58,266,031**
Inter-segment revenue	(26,677,307)	-	-	-	**(26,677,307)**
Revenue from external customers	**22,427**	**-**	**31,566,297**	**-**	**31,588,724**
Adjusted EBITDA	**500,817**	**(783)**	**9,285,959**	**(168,217)**	**9,617,776**
Depreciation and amortisation	2,219,396	-	45,008	-	**2,264,404**
Impairment loss	-	-	244,147	-	**244,147**
Total segment assets	**24,350,977**	**5,587,055**	**37,293,405**	**(11,032,629)**	**56,198,808**
Total segment liabilities	**16,641,289**	**5,476,955**	**3,227,106**	**(9,688,916)**	**15,656,434**

	Tormin Project $	Xolobeni Project $	Corporate $	Consolidation eliminations $	Totals $
Half-Year 2016					
Revenue from operations					
Total segment revenue	11,713,360	81	11,594,904	-	**23,308,345**
Inter-segment revenue	(11,599,530)	-	-	-	**(11,599,530)**
Revenue from external customers	**113,830**	**81**	**11,594,904**	**-**	**11,708,815**
Adjusted EBITDA	**2,202,841**	**(1,202)**	**3,695,100**	**35,299**	**5,932,038**
Depreciation and amortisation	1,491,404	-	30,877	-	**1,522,281**
Total segment assets	**21,129,508**	**6,078,495**	**26,808,170**	**(7,590,590)**	**46,425,583**
Total segment liabilities	**12,643,522**	**4,813,534**	**321,911**	**(3,597,979)**	**14,180,988**

Notes to the Consolidated Financial Statements

2. Financial Performance (continued)

2.1 Segment Information (continued)

(ii) Segment results, segment assets and segment liabilities (continued)

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

	30 Jun 17 $	**30 Jun 16 $**
Adjusted EBITDA	**9,617,776**	5,932,048
Finance income	**226,159**	40,083
Depreciation and amortisation	**(2,264,404)**	(1,522,281)
Impairment loss	**(244,147)**	-
Profit before income tax	**7,335,384**	4,449,850

2.2 Other income

	30 Jun 17 $	**30 Jun 16 $**
Stockpiling Revenue	**1,208,167**	-
Other Income	**22,351**	91,428
	1,230,518	91,428

2.3 Expenses

(i) Mining and processing costs

Mining and processing costs include the following material expenditure items:

	30 Jun 17 $	**30 Jun 16 $**
Transport of product	**4,439,372**	1,259,538
Fuel	**2,369,857**	1,586,393
Wages and salaries	**2,403,086**	2,370,398
Repairs and maintenance	**1,732,390**	1,273,279
Depreciation and amortisation – mining and processing assets	**2,205,216**	1,480,953

2.4 Dividends

Dividends paid during the period to 30 June:	**Dividend per share USc**	**Total $**	**Payment Date**
2017			
2016 Final dividend per ordinary share (A$0.012)	0.89	3,605,697	16 May 2017
2016			
2015 Final dividend per ordinary share (A$0.010)	0.72	2,972,058	13 April 2016

Notes to the Consolidated Financial Statements

3. Capital Expenditure and Operating Assets

This section includes information about the assets used by the Group to generate profits and revenue, specifically information relating to its exploration and evaluation assets, mine development expenditures, property, plant and equipment, associated rehabilitation obligations, and commitments for capital expenditure not yet recognised as a liability.

3.1 Exploration and evaluation assets

	30 Jun 17 $	31 Dec 16 $
As at beginning of the period	**6,460,268**	5,323,062
Expenditure during the year	**(1,549)**	229,333
Re-classification: transfer from/ (to) property, plant and equipment	**115,598**	303,752
Exchange difference	**365,613**	604,121
As at end of the period	**6,939,930**	6,460,268

3.2 Mine development expenditure

	30 Jun 17 $	31 Dec 16 $
As at beginning of the period	**7,656,202**	7,589,359
Expenditure during the year	**-**	364,263
Amortisation expense	**(562,740)**	(1,213,899)
Exchange difference	**406,956**	916,479
As at end of the period	**7,500,418**	7,656,202

Notes to the Consolidated Financial Statements

3. Capital Expenditure and Operating Assets (continued)

3.3 Property, plant and equipment

	Freehold land and buildings $	Furniture, fittings and equipment $	Plant and machinery $	Mine vehicles $	Decom-missioning asset $	Capex work in progress $	**Total $**
Half-year ended 30 June 2017							
Cost at fair value							
As at 1 January 2017	532,707	572,318	21,886,412	125,523	152,016	631,242	**23,900,218**
Additions	-	-	-	5,658	-	1,465,763	**1,471,421**
Disposals	-	-	(188,957)	-	-	-	**(188,957)**
Re-classifications	-	8,565	1,012,078	-	-	(1,136,241)	**(115,598)**
Exchange differences	29,190	36,198	1,209,877	6,952	8,329	42,540	**1,333,086**
As at 30 June 2017	561,897	617,081	23,919,410	138,133	160,345	1,003,304	**26,400,170**
Accumulated depreciation and amortisation							
As at 1 January 2017	(9,174)	(360,149)	(7,339,628)	(42,117)	(45,605)	-	**(7,796,673)**
Depreciation and amortisation	(54,255)	(64,571)	(1,562,981)	(11,942)	(7,915)	-	**(1,701,664)**
Disposals	-	-	111,069	-	-	-	**111,069**
Impairment loss	-	-	-	-	-	-	**-**
Exchange differences	(1,202)	(23,421)	(420,875)	(2,462)	(2,600)	-	**(450,560)**
As at 30 June 2017	(64,631)	(448,141)	(9,212,415)	(56,521)	(56,120)	-	**(9,837,828)**
Net book amount							
Cost at fair value	561,897	617,081	23,919,410	138,133	160,345	1,003,304	**26,400,170**
Accumulated depreciation and amortisation	(64,631)	(448,141)	(9,212,415)	(56,521)	(56,120)	-	**(9,837,828)**
Net book amount	497,266	168,940	14,706,995	81,612	104,225	1,003,304	**16,562,342**

	Freehold land and buildings $	Furniture, fittings and equipment $	Plant and machinery $	Mine vehicles $	Decom-missioning asset $	Capex work in progress $	**Total $**
Year ended 31 December 2016							
Cost at fair value							
As at 1 January 2016	16,513	428,137	13,499,398	66,466	52,784	1,564,585	**15,627,883**
Additions	-	-	-	-	86,845	6,170,301	**6,257,146**
Re-classifications	482,784	127,659	6,253,505	47,471	-	(7,214,991)	**(303,572)**
Exchange differences	33,410	16,522	2,133,509	11,586	12,387	111,347	**2,318,761**
As at 31 December 2016	532,707	572,318	21,886,412	125,523	152,016	631,242	**23,900,218**
Accumulated depreciation and amortisation							
As at 1 January 2016	(555)	(239,530)	(4,053,546)	(21,287)	(10,557)	-	**(4,325,475)**
Depreciation and amortisation	(8,028)	(108,673)	(2,598,707)	(17,003)	(31,645)	-	**(2,764,056)**
Exchange differences	(591)	(11,946)	(687,375)	(3,827)	(3,403)	-	**(707,142)**
As at 31 December 2016	(9,174)	(360,149)	(7,339,628)	(42,117)	(45,605)	-	**(7,796,673)**
Net book amount							
Cost at fair value	532,707	572,318	21,886,412	125,523	152,016	631,242	**23,900,218**
Accumulated depreciation and amortisation	(9,174)	(360,149)	(7,339,628)	(42,117)	(45,605)	-	**(7,796,673)**
Net book amount	523,533	212,169	14,546,784	83,406	106,411	631,242	**16,103,545**

Notes to the Consolidated Financial Statements

4. Working Capital Management

This section provides information about the Group's working capital balances and management.

4.1 Trade and other receivables

	30 Jun 17 $	31 Dec 16 $
Current		
Trade receivables	**4,811,383**	1,079,530
Less: Provision for impairment of receivables	**(21,500)**	(21,500)
	4,789,883	1,058,030
Other receivables	**779,441**	1,031,062
Prepayments	**120,975**	87,667
	5,690,299	2,176,759
Non-current		
Trade receivables*	**549,440**	4,896,142
Security deposits	**222,778**	211,205
Advance to Blue Bantry	**631,587**	598,777
Other receivables	**123,089**	101,199
	1,526,894	5,807,323

* The amount relates to bill and hold sales arising from an offtake agreement with GMA Group ("GMA"). It has been recorded at amortised cost as payment is expected when GMA take final delivery of the stockpiled products in accordance with an amended offtake agreement signed on 24th May 2017. GMA would have full legal and beneficial unencumbered title to the delivered stockpile on final delivery.

4.2 Inventories

	30 Jun 17 $	31 Dec 16 $
Current		
Raw materials, at cost	**387,835**	69,464
Finished product, at cost	**7,504,815**	5,888,188
Spare parts and consumables, at cost	**2,563,552**	2,039,379
	10,456,202	7,997,031

Notes to the Consolidated Financial Statements

5. Funding and Risk Management

This section provides information relating to the management of capital, credit, liquidity and market risks and the policies for measuring and managing these risks.

5.1 Interest bearing loans and borrowings

	Notes	30 Jun 17 $	31 Dec 16 $
Current			
Short term borrowings – unsecured		**34,090**	1,135,523
Short term borrowings – secured (iii)		**1,500,000**	-
Amounts due under equipment acquisition agreements (i), (ii)		**1,037,217**	1,317,069
		2,571,307	2,452,592
Non-current			
Long term borrowings – secured (iii)		**2,750,000**	4,500,000
Amounts due under equipment acquisition agreements (i), (ii)		**150,917**	437,073
		2,900,917	4,937,073

i. The Group entered into Master Rental Agreements to acquire mobile mining equipment and generators. Under the terms of these agreements, there was an option to purchase, which the Group exercised for the mobile mining equipment.

ii. The Group entered into Instalment Sale Agreements to acquire and refinance mobile mining equipment. Under the terms of this agreement, the Group will become the owner of the mobile mining equipment on final payment under the agreements.

iii. The Group entered into a US$4.5 million financing arrangement with GMA for its Garnet Stripping Plant ("GSP") expansion. Under the terms of the agreement, the borrowing is charged at Libor + 2% and repaid over three years from the repayment commencement date. The borrowings is secured by a special notarial bond over the GSP. Repayment of the loan commenced in May 2017.

Bank Overdraft

The Group has available and unutilised, as at 30 June 2017, a United States Dollar denominated Foreign Currency Overdraft Facility of US$0.5 million.

Notes to the Consolidated Financial Statements

5. Funding and Risk Management (continued)

5.2 Equity

(i) Reserves

	Currency Translation Reserve $	**Financial Asset Revaluation Reserve $**	**General Reserve $**	**Share-based Payments $**	**Total Reserves $**
30 June 2017					
Balance at 1 January 2017	(18,594,546)	(276,901)	1,363,393	318,295	**(17,189,759)**
Share-based payment expenses	-			71,528	**71,528**
Transfer financial assets revaluation reserve to profit and loss	-	276,901	-	-	**276,901**
Exchange differences on translation of foreign operations	2,330,764	-	-	-	**2,330,764**
Balance at 30 June 2017	**(16,263,782)**	**-**	**1,363,393**	**389,823**	**(14,510,566)**
30 June 2016					
Balance at 1 January 2016	(22,091,136)	(226,521)	1,363,393	445,344	(20,508,920)
Share-based payment expenses	-	-	-	58,447	58,447
Change in fair value of available-for-sale financial assets	-	(23,119)	-	-	(23,119)
Exchange differences on translation of foreign operations	579,887	-	-	-	579,887
Balance at 30 June 2016	(21,511,249)	(249,640)	1,363,393	503,791	(19,893,705)

Notes to the Consolidated Financial Statements

6. Other

This section provides information that is not directly related to the specific line items in the financial statements, including information about contingent assets and liabilities, other commitments, events after the end of the financial year, remuneration of auditors and changes to accounting policies and procedures.

6.1 Contingent assets and contingent liabilities

a) Contingent Liabilities
Bank guarantees

FirstRand Bank 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$208,998) (2016: ZAR2,730,000 (US$198,141).

Subordination of Shareholders Loan

MRC Resources Proprietary Limited ("MRCR") has subordinated ZAR90,000,000 (US$6,890,040) (2016: ZAR90,000,000 (US$5,790,798)) of its inter-company loan account to FirstRand Bank Limited for the due payment by MSR of all monies owed to FirstRand Bank Limited.

Suretyship

MRCR has provided a surety to FirstRand Bank Limited of ZAR45,000,000 (US$3,445,020) (2016: ZAR45,000,000 (US$3,266,055)) for the due payment by MSR of all monies owed to FirstRand Bank.

With effect from 15th September 2016, MSR has provided a surety to FirstRand Bank Limited of ZAR4,614,788 (US$353,290) (2016: ZAR4,614,788 (US$334,937)) for the due payment by Z Square M.P Empowerment Company (Proprietary) Ltd of all monies owed to FirstRand Bank.

Others

Other contingent liabilities relate predominantly to actual or potential claims of the Group for which amounts are reasonably estimated but the liability is not probable and therefore the Group has not provided for such amounts in the financial report. This amounted to ZAR18,000,000 (US$1,378,008) (2016: ZAR5,300,000 (US$384,669).

b) Contingent Assets
The Company operates its Tormin mining operation under the South African Government's One Environmental System, which came into effect on 8 December 2014. This legislation provides that the competent authority for all matters relating to environmental authorisations and compliance of the National Environmental Management Act, 1998 ('NEMA") is the Department of Mineral Resources ("DMR").

Despite the legislative and vested authority resting with the DMR and ongoing compliance inspections by the DMR and the Department of Water Affairs ("DWA"), the Company received an unsolicited inspection by the Department of Environmental Affairs ("DEA") on September 2016.

During the year, the Company was successful in seeking a declaratory order from the Court confirming the DMR as the competent authority, and overturning the issuance of the search and seizure warrant and its validity. DEA is expected to reimbursed the Company for cost incurred in this matter.

Other than those mentioned above, there have been no other changes to contingent assets or liabilities since 30 June 2017.

Notes to the Consolidated Financial Statements

6. Other (continued)

6.2 Other Commitments

a) Blue Bantry funding support

The Company, via MRCR, and Blue Bantry are both 50% shareholders in MSR, the entity that owns the Tormin Project.

The Company agreed to provide Blue Bantry access to an amount of funding to support the original Tormin Project objectives by advancing through a loan, certain benefits Blue Bantry would expect to receive from the Tormin Project. Blue Bantry will repay the ZAR 8.25 million loan from dividend distributions that it will receive in the future from MSR.

6.3 Events occurring after the reporting period

On 17 August 2017, the Company announced the issue of 2,950,000 Performance Rights to certain employees and contractors under the Shareholder Approved Incentive Performance Rights Plan.

On 28 August 2017, the Board of the Company declared an interim ordinary unfranked for the half-year ended 30 June 2017 of 0.5 Australian cent per ordinary share.

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

The Directors of the Company declare that:

1. The consolidated financial statements, comprising the Consolidated Income Statement 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 2017 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
Dated at Perth, Western Australia
This 28th day of August 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MINERAL COMMODITIES LTD

As lead auditor for the review of Mineral Commodities Ltd for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mineral Commodities Ltd and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 August 2017

BDO

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mineral Commodities Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mineral Commodities Ltd, which comprises the consolidated balance sheet as at 30 June 2017, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mineral Commodities Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Mineral Commodities Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mineral Commodities Ltd is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 28 August 2017