

MINERAL COMMODITIES LIMITED

ABN 39 106 478 653

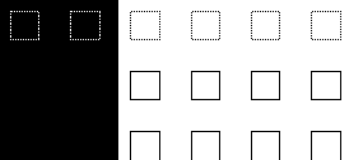


ANNUAL FINANCIAL REPORT

31 DECEMBER 2004

Corporate Directory

Directors	Joseph Anthony Caruso – Non-Executive Chairman Mark Victor Caruso – Managing Director Gregory Hugh Steemson – Non-Executive Director
Company Secretary	David Andrew Lymburn
Registered Office	Level 1 Unit 15 51–53 Kewdale Road Welshpool Western Australia 6106 Telephone: (61 8) 9353 4890 Facsimile: (61 8) 9353 4894 Email: info@mncom.com.au Website: www.mncom.com.au
Solicitors	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000
Auditors	BDO Chartered Accountants 256 St Georges Terrace Perth, Western Australia 6000
Share Registry	Security Transfer Registrars Pty Limited 770 Canning Highway Applecross, Western Australia 6953 Telephone: (61 8) 9315 0933 Facsimile: (61 8) 9315 2233
Bankers	Australia & New Zealand Banking Group Ltd 77 St Georges Terrace Perth WA 6000
Stock Exchange Listing	The Company is Listed on the Australian Stock Exchange Limited under ASX Code – MRC



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Chairman's Letter

Dear Shareholders,

It is with some frustration that I approach this annual summary and report to shareholders of the Company's achievements in the 2004 financial year. It is an understatement to say the Board is disappointed with the lack of progress on the Company's two South African projects, Xolobeni and Tormin. At both projects the Company has been grappling with the transition provisions of the new Minerals and Petroleum Resources Development Act (MPRD Act). Mineral Commodities Limited is not alone in this as the South African mining industry in general, including its regulators, comes to grips with the new mining legislation and the transition period. Notwithstanding the difficulties we have experienced I am pleased to say that we believe a clear way forward has been navigated through the MPRD Act, and on both projects the Department of Minerals and Energy has accepted our "new order" Prospecting Right Applications (PRA).

At the Xolobeni Mineral Sands Project we are now in the process of preparing an environmental management programme (EMP) for submission in support of the PRA. Once approved we will commence the environmental impact assessment (EIA) which is required for the Mining Right Application. This will be the main activity at Xolobeni this financial year.

At the Tormin Zircon Project we have submitted the EMP required for the PRA and are now awaiting its approval. There is a feasibility study in progress at Tormin, being conducted by Bateman Minerals. The EMP approval and the conclusion of the feasibility study are expected to be complete by mid 2005. Assuming a positive outcome to the feasibility study, the Company will then resolve to proceed with a Mining Right Application.

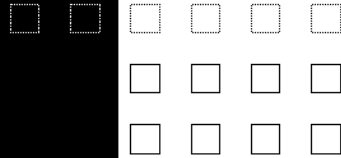
At both Xolobeni and Tormin we now have Black Economic Empowerment (BEE) arrangements in place. At Xolobeni the local community company XolCo has the right to acquire a 15% direct interest in the project. At Tormin, the Bateman sponsored BEE group Bateman Africa has a similar right to acquire a 15% direct interest in the project. Both of these rights to acquire an interest are set at prices linked to the projects' respective net present values.

On the corporate front I am pleased to report we are maintaining our strategy of carefully retaining and building shareholder value. Mineral Commodities Limited is the major shareholder in emerging gold company Allied Gold Limited, owning approximately 12% valued at \$3.8 million at the date of this report. Allied Gold is working on developing gold resources in the Tabar Islands of Papua New Guinea. Also, the Company has provided seed capital to Erebus plc, a company which is planning to list on London's Alternative Investment Market. Erebus intends to develop the Kariba Kono diamond project in Sierra Leone. Mineral Commodities Limited will own approximately 18% of Erebus post listing on AIM. Cash and other liquid assets at balance date was \$2.6 million.

In summary, despite some timetable setbacks primarily caused by the transition of new mining legislation in South Africa, the Company is well positioned with its two advanced exploration projects. With perseverance we all look forward to bringing both to development and unlocking their latent value in the not too distant future.

Finally I would like to thank my fellow Board members and staff for their efforts and dedicated commitment.

Joseph A. Caruso
Chairman



Review of Operations

XOLOBENI MINERAL SANDS PROJECT, SOUTH AFRICA

Location and resource description

The Xolobeni mineral sands deposit is located in the Eastern Cape Province of South Africa approximately 300 kilometres north of East London and 200 kilometres south of Durban. The area is the home of the Xhosa speaking Amadiba Tribal Community, the traditional landowners.

Through its South African subsidiary Transworld Energy and Minerals Resources (SA) (Pty) Limited (TEM), Mineral Commodities Limited is the holder of a granted Mineral Lease issued under the Mineral Act 1991.

The current tenement area is approximately 22 kilometres long and 1,500 metres wide and covers approximately 3,000 hectares within the Xolobeni area. The area consists of three main dune systems which range from 25m to 95m above sea level. The resource is divided into five blocks bounded by the Mzamba, Mpahlane, Mnyameni, Kwanyana, Sikombe and Mtentu Rivers that dissect the permit area. Each block is named after the river defining the southern boundary. The current extent of mineralisation proposed to be mined takes in about 855ha of the tenement area.

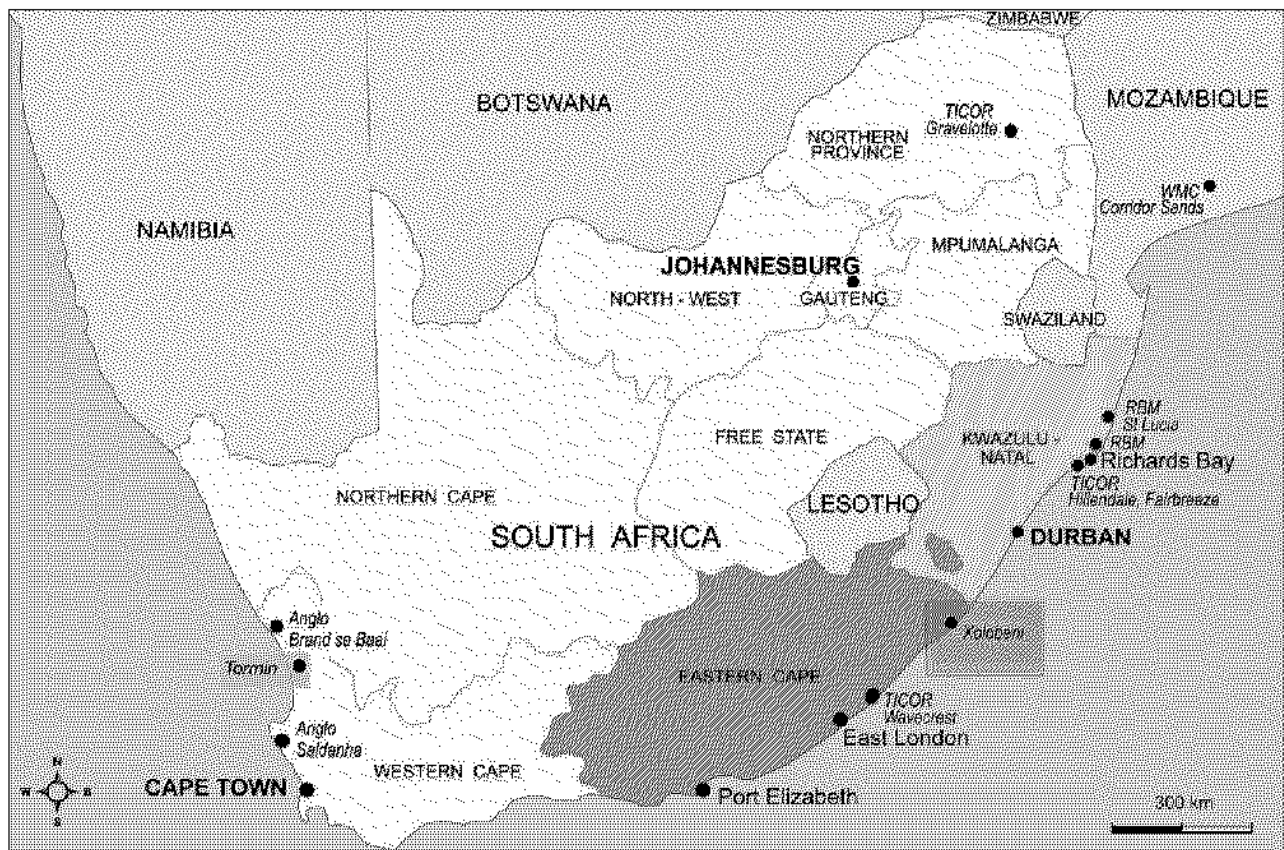
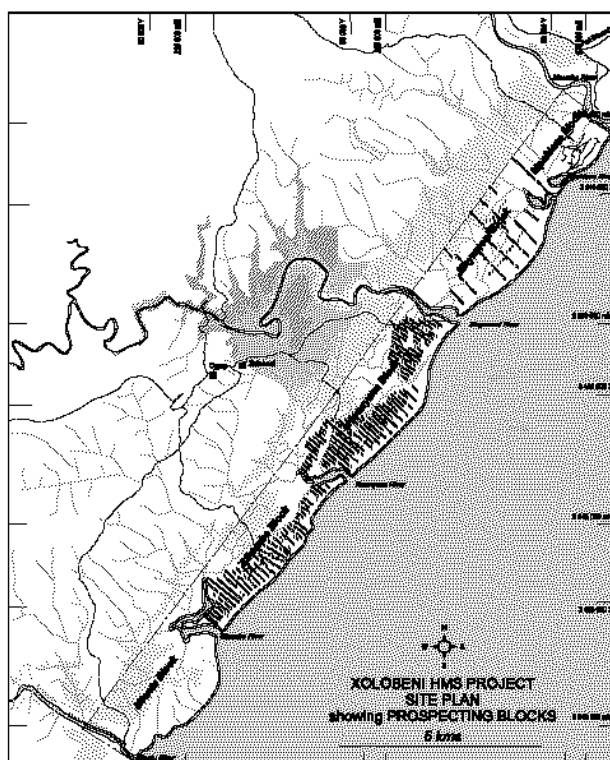


Figure 1. Location of Xolobeni project.

Review of Operations (continued)



The mineralised sands occur within recent sands and remnant red beds of Pleistocene Berea Formation. The predominant valuable heavy mineral is ilmenite, the feedstock for titanium slag production. Rutile, zircon and leucoxene add significantly to the value of the deposit.

Between June and November 2002 a detailed drilling programme over the Sikombe, Kwanyana and Mnyameni blocks was completed. The results were assessed according to the JORC code by SRK Consulting, and used to complete a Resource Estimation Report and Desktop Mining Study. The Xolobeni mineral resource is estimated to be 346 million tonnes of sand containing nine million tonnes of ilmenite. Of this total resource 65% is in the measured category. It is the tenth largest mineral sands resource in the world. The mining study concluded that the Xolobeni mineral sand deposit is economically viable with a mine life of some 25 years.

TABLE 1 RESOURCE ESTIMATE SUMMARY

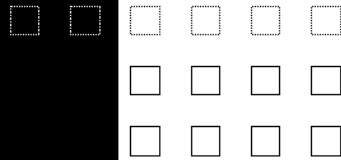
Resource Classification	Tonnes (Mt)	HM Grade (HM%)
Measured	224	5.7
Indicated	104	4.1
Inferred	18	2.3
TOTAL RESOURCE	346	5.0

TABLE 2 XOLOBENI BLOCK RESOURCE DATA

Area	Resource Status	Tonnes (Mt)	% HM	% Fines	% Ilm ⁽²⁾
Mtentu	Not drilled				
Sikombe	Measured	85	5.5	17.9	3.1
Kwanyana	Measured	139	5.8	19.6	3.1
Mnyameni	Indicated	104	4.1	28.1	2.2
Mpahlane	Inferred	18	2.3	28.0	1.6
TOTAL	346	5.0	22.2	2.7	

(1) All tonnages are based on a 1% HM cut-off grade.

(2) The reported percentage of ilmenite is a magnetic fraction of the THM.



Review of Operations (continued)

Project status and development

In February 2002 the Company was granted a Prospecting Permit which, in addition to granting the right to explore the area, also gave the Company the right to convert the permit to a Mineral Lease. Early in 2004 the Company executed a Notarial Prospecting Contract to convert the Prospecting Permit to a Mineral Lease.

This contract required the preparation and submission to the South African Department of Minerals and Energy of a business plan, mining plan and an environmental management plan (EMP).

The submission fulfilled the requirements of the contract and the Mineral Lease was signed and executed in April 2004.

In May 2004, the new Minerals and Petroleum Resources Development Act (MPRD Act) was promulgated and the Xolobeni lease was classified as an "unused old order mining right". The Company was notified it had twelve months from the promulgation date of the Act to apply for a "new order right" as defined by the new legislation. In essence this meant conversion of an old order Mineral Lease to a new order Mining Right under the transitional requirements of the new act. This involves the preparation of a Mining Right Application.

The transitional requirements of old order rights (Mineral Act 1991) being converted to new order rights (MPRD Act 2002) has caused various unintended consequences for the mining industry in South Africa. For example, as interpreted by the Company, the Act only allows 180 days to submit the environmental impact assessment (EIA) for a Mining Right Application. In the Company's opinion this is inadequate because an EIA of the standard required needs 12 months of baseline monitoring and data collection, prior to proper assessment of potential environmental impacts. As a result the Company has reviewed the situation and decided to now carry out the environmental monitoring work and EIA at Xolobeni, in the lead up to submitting a Mining Right Application, under a new Prospecting Right.

The Company prepared and lodged a new order Prospecting Right Application in February 2005, which has been accepted by the DME. Under this process the Company must submit an environmental management programme (EMP) to cover the prospecting and socio-environmental activities. The EMP will be submitted in May 2005 to be assessed by DME in 120 days. Upon approval of this Prospecting Right EMP the Company will start the work programme with commencement of the full EIA.

The Company has appointed the South African environmental consultants GCS (Pty) Ltd to carry out the necessary environmental and social studies as required by the MPRD Act, and has also appointed Australian based RPS Bowman Bishaw Gorman to ensure the environmental works meet international best practice standards.

During the year several other significant studies related to mine design and infrastructure logistics were initiated and concluded. This included Eskom, the South African national power utility company commencing a study to supply un-interrupted power to the Xolobeni project area, and Unitrans transport company undertaking a study to transport HMC and product from Xolobeni.

In summary the Xolobeni Mineral Sands Project is an advanced exploration project with a defined resource, and is in the process of establishing the socio-economic benefits and environmental impacts of development.

Review of Operations (continued)

Socio-economic aspects

Because of the impoverished nature of the area, any potential new development is viewed with great interest. The Xolobeni Mineral Sands Project is no exception. Several high level visits have been made to the area by ministers and representatives from government departments to understand the implications of the project and its relationship to communities and regional development plans.

Consultation is ongoing with local, regional and national governmental departments in order to link common development plans for the area.

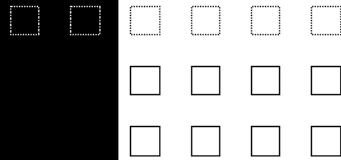
The Company has formed an empowerment partnership with Xolobeni Empowerment Company (Pty) Ltd (XolCo) the community based company. XolCo has hosted many of the visits to the area and represented the Company at most meetings. XolCo has the right to acquire a 15% direct interest in the project company TEM at a price which is based on the project's net present value.

The local Amadiba community has been briefed regularly on developments with the project and continues to actively support the Company and XolCo in their efforts to secure the mining rights.

Key issues facing the local community are the creation of jobs, reduction in poverty, elimination of illiteracy, provision of water, power and transport and the determination of sustainable land use. The community's continued concern over the accelerating degradation of the area in terms of top soil erosion, wet land destruction and uncontrolled indigenous bush clearing for firewood has been brought to the attention of key government departments. All parties agree that mining is one activity that can stop the degradation and bring in the required infrastructure, jobs and wealth.

Xolobeni resource statement

The Xolobeni resource statement included in this report was prepared by Mr Daniel Guibal (SRK Consulting), a competent person as defined under the JORC code.



Review of Operations (continued)

TORMIN MINERAL SANDS PROJECT, SOUTH AFRICA

Location and resource description

The Tormin mineral sands prospect is a small beach deposit located on the rugged west coast of South Africa, approx 400km north of Cape Town. The deposit is situated approx 14km north of the Olifants River and south of the Anglo Base Metals' Namakwa Sands operation at Brand se Baai (Figure 3). The heavy mineral deposits have accumulated along the ~12km long, 100m wide beach, to a maximum depth of 12m, and are still being supplemented through erosion of a heavy mineral enriched, 25m thick paleo-beach terrace situated 35m above current sea level. The predominant heavy mineral is garnet with ilmenite, pyroxene, zircon, rutile, and leucoxene contained in the heavy mineral assemblage.

As the heavy mineral placer deposits overlie diamond bearing gravel beds a feasibility study into mining the beach deposits and extracting both diamonds and heavy minerals was undertaken by Trans Hex Operations (Pty) Ltd (THG), a South African diamond producer in 1992. In 2002 the Company signed an agreement with THG that allows the Company to apply for a mineral sands Prospecting Permit. Under this agreement THG agreed to support the Company's application for the Permit and in turn THG will retain the rights to any diamond production from the area. Preliminary assessment based on the THG feasibility study indicates a resource that would yield a high quality (ceramic grade) zircon and high Ti product.

Mineral Commodities Limited holds its interest in the Tormin project through South African subsidiary Mineral Sands Resources (Pty) Ltd (MSR).

Project status and development

In late 2003 the Company applied for a Prospecting Permit over the available area of the known resources. The conditions of the new MPRD Act introduced in May 2004 resulted in the DME instructing the Company that the application was classified as "pending" and in order to meet the new MPRD Act requirements a new order Prospecting Right Application (PRA) had to be submitted. The revised PRA was submitted in August 2004. The PRA was accepted and the Company was then instructed to undertake limited public consultation for the environmental impact assessment (EIA) and subsequent environment management plan (EMP). The EIA and EMP were submitted in December 2004 and approval is expected in April 2005.

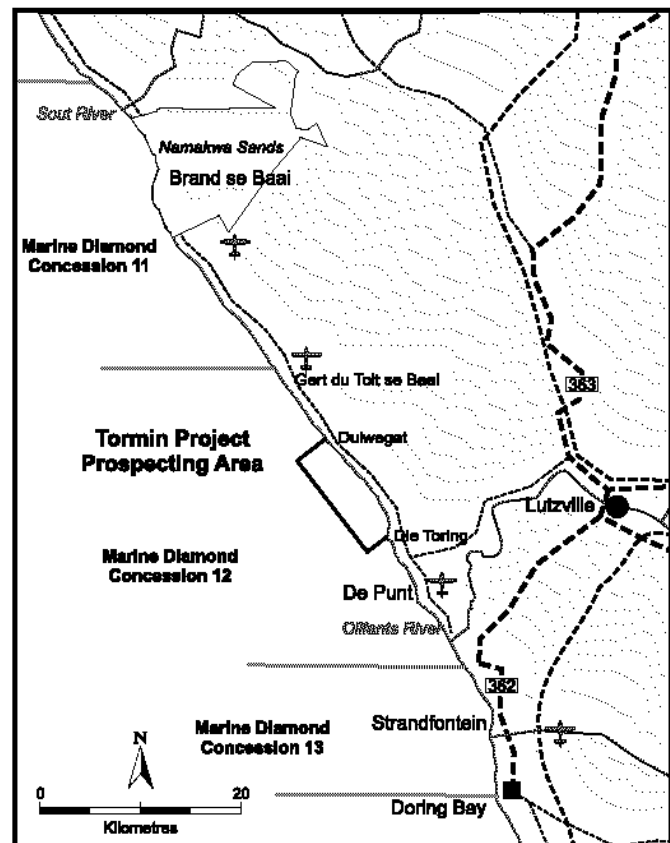


Figure 3. Location of the Tormin prospecting permit application in relation to existing regional infrastructure.

Review of Operations (continued)

The Company has an agreement with the holder of a Mining Permit that covers part of the heavy mineral sand resource and will allow the Company to purchase those rights. This will consolidate the Company's rights over the full extent of the deposit.

Bateman Minerals (Pty) Ltd have been engaged to undertake a feasibility study for the project.

As part of the feasibility study a bulk sampling programme was undertaken along the central section of the beach. The purpose of this programme was to produce sufficient representative run of mine material to complete the metallurgical test work for plant design. Twenty one bulk samples were excavated.

Bateman Minerals have completed work on the wet plant design and are well advanced on the Mineral Separation Plant (MSP)/dry mill configuration. The objective of this work is to optimise the process to produce a high quality zircon product and a high Ti product.

Once the feasibility study is complete, an application for a Mining Right will be initiated. This work programme will commence mid 2005.

Environmental matters

The approach to mine and plant design has been to optimise the mineral resource and minimise damage to ecologically sensitive areas. This approach has been well received by the local Department of Environmental Affairs and Tourism.

Socio-economic aspects

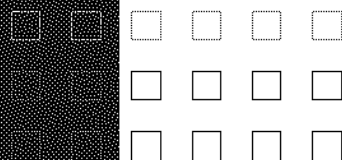
The Company will undertake a detailed social and labour plan as part of the feasibility study and local communities have been identified that would benefit from the project.

The Company has entered into an option agreement with Bateman Africa (Pty) Limited, a 51% BEE-owned affiliate of South African-based international engineering group Bateman Minerals (Pty) Ltd, in which Bateman Africa can acquire a 15% interest in MSR, the entity that holds the Tormin project.

The option agreement may be exercised within twenty-five business days after the completion of a bankable feasibility study. The value of the interest is dependent on the net present value of the project, and therefore will not be determined until a BFS is completed.

TREKELANO COPPER PROJECT, QUEENSLAND AUSTRALIA

The Company has granted an option to Placer Pacific Osborne Pty Ltd (Placer) to acquire the Company's interest in certain tenements in the Mt Isa district (MDL 85 and MLAs 90125 and 90128) at any time on or before 23 October 2006. Placer has paid the Second Option payment of \$90,000 which keeps the Option current until 23 October 2005. At that time Placer may extend the Option until 23 October 2006 by the payment of a further \$100,000. Placer may purchase the mining titles at any time by the payment of \$800,000.



Directors' Report

The Directors present their report together with the financial report of Mineral Commodities Limited ("the Company") and its controlled entities for the year ended 31 December 2004.

DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

- Mr Joseph A Caruso – Chairman
- Mr Mark V Caruso – Non Executive Director
- Gregory Hugh Steemson – Non Executive Director

DIRECTORS' INFORMATION

Joseph Anthony Caruso

Chairman

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Construction Manager of Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts. Mr Caruso has been a director of Mineral Commodities Limited since September 2000.

Mark Victor Caruso

Managing Director

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has been a director of Mineral Commodities Limited since September 2000. He is also a Director of Allied Gold Limited, ORT Limited and Asset Backed Holdings Limited.

Gregory Hugh Steemson

Non Executive Director

Mr Steemson is a qualified Geologist and Geophysicist with an extensive background in exploration, development and management of mining projects. Mr Steemson has been a Director of the Company since April 2001. Mr Steemson is also a Director of Sandfire Resources Limited.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was exploration for mineral sands and other mineral resources. This has mainly involved exploration and evaluation of the Xolobeni Mineral Sands Project in the Eastern Cape Province of South Africa, and the Tormin Mineral Sands Project in the Western Cape Province of South Africa.

CONSOLIDATED RESULTS

The loss of the consolidated entity after income tax and outside equity interests was \$1,139,406 (2003: Profit of \$804,304).

DIVIDENDS

No dividends have been paid, declared or recommended for payment, in respect of the current financial year.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Review of Operations is included elsewhere in this Annual Financial Report.

ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities, the Company adheres to environmental regulations imposed upon it by the relevant regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements up to the date of this report.

Directors' Report (continued)

SCHEDULE OF MINING TENEMENTS

Mining tenements currently held by the economic entity are:

Area	Entity holding the interest	% Held	Title	Status
Xolobeni – South Africa	Transworld Energy & Minerals Resources	100	Old order Prospecting Permit 1/2002	Granted
Tormin – South Africa	Mineral Sands Resources	100	New order Prospecting Right New order Prospecting Right	Application Application
Trekefano, Queensland	Queensland Minex NL	100	Geelwal Karoo 262 MDL 85 MLA 90125 MLA 90128	Granted Application Application

SIGNIFICANT CHANGES IN STATE OF AFFAIRS**Share Capital**

In March 2004, 743,209 shares were issued to Bateman International BV as a private placement to raise \$423,471. In May 2004, 6,763,339 shares were issued upon conversion of options at 25 cents each, raising \$1,690,835.

Options

18,008,971 new options were granted during the year on the basis of 1 option for every 3 shares held, to shareholders registered as of 30 June 2007. These new options are exercisable at 30 cents on or before 30 June 2007. The number of options on issue at 31 December 2004 was 18,008,607. The number of options exercised during the year was 6,763,703 being 6,763,339 of the 25 cent 31 May 2004 options and 364 of the 30 cent 30 June 2007 options. 16,897,679 options lapsed on 31 May 2004.

The total number of unissued ordinary shares under option at the date of this report is 18,008,607.

Investments in associates

Further details of this investment are disclosed in note 11(a) to the financial statements.

DIRECTORS' SHAREHOLDING INTERESTS

The relevant interest of each director in the share capital of the Company, shown in the Register of Directors' Shareholding at the date of the Directors' Report is:

Director	Number of Shares	Number of Options
J A Caruso	9,256,015	3,085,338
M V Caruso	9,268,642	3,089,547
G H Steemson	210,000	53,333

J A Caruso and M V Caruso are both directors of Zurich Bay Holdings Pty Ltd, which holds 9,256,015 shares and 3,085,338 options in the Company.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's directors held during the year and the number of meetings attended by each director are:

Directors	Directors Meeting	
	Attended	Maximum Possible
J A Caruso	2	2
M V Caruso	2	2
G H Steemson	2	2

Directors' Report (continued)

DIRECTORS' AND EXECUTIVE'S REMUNERATION

The Board determines remuneration packages applicable to the Board members and senior executives of the Company. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Non-executive directors do not receive any performance related remuneration.

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emolument are shown in the following table.

There were no other specified executive officers of the Company.

Further details of the remuneration of the Directors are given in note 23 to the financial statements.

	Directors' fees	Salary & benefits	Superannuation contributions	Consulting	Termination payments	Total
	\$	\$	\$	\$	\$	\$
Directors						
J A Caruso	30,000	~	2,700	~	~	32,700
M V Caruso	30,000	~	2,700	~	~	32,700
G H Steemson	~	~	~	30,400	~	30,400
Specified executive						
A F Luscombe	~	152,336	15,687	~	32,000	200,023

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the year, the Company has paid an insurance premium in respect of a contract indemnifying the parent entity's directors. This contract prohibits disclosure of the nature of the liability and the amount of the premium.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mineral Commodities Limited adhere to strict principles of corporate governance. The Company's Corporate Governance statement is included before the Additional ASX Information section of the Annual Financial Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the

Directors of the Company, to affect significantly the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years.

This report has been made in accordance with a resolution of the Directors.



Mark V Caruso
Managing Director
 Perth, Western Australia
 31 March 2005

Statements of Financial Performance

for the year ended 31 December 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue from ordinary activities	2	230,466	3,228,813	140,466	3,228,813
Revenue outside ordinary activities	2	663,080	937,894	646,230	1,071,302
Total Revenue from operating activities		893,546	4,166,707	786,696	4,300,115
Exploration and evaluation costs	3	273,486	4,013	223,486	4,013
General & administration expenses		1,290,435	930,262	1,071,986	849,981
Other expenses from ordinary activities	3	156,461	2,503,123	156,461	2,435,285
Share of net result of associates using the equity method	11	326,631	163,610	--	--
Reversal of prior year equity accounting adjustments		--	(224,086)	--	--
Profit/(Loss) from ordinary activities before related income tax expense	3	(1,153,467)	789,785	(665,237)	1,010,836
Income tax expense relating to ordinary activities	4	--	--	--	--
Profit/(Loss) from ordinary activities after related income tax expense		(1,153,467)	789,785	(665,237)	1,010,836
Outside equity interest in result for the year	12	14,061	14,519	--	--
Profit/Loss from ordinary activities after related income tax expense attributed to members of the parent entity	19	(1,139,406)	804,304	(665,237)	1,010,836
Net exchange difference on translation of financial report of self sustaining foreign operations		371,617	(49,767)	--	--
Total revenue and expenses attributable to members of the parent entity and recognised directly in equity		371,617	(49,767)	--	--
Total changes in equity other than those resulting from transactions with owners as owners		(767,789)	754,537	(665,237)	1,010,836
Basic (loss) earnings per share (cents)	20	(2.22)	1.73		
Diluted earnings per share (cents)	20	--	1.67		

At 31 December 2004 there are no potentially dilutive ordinary shares and therefore diluted earnings per share has not been calculated.

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

Statements of Financial Position

as at 31 December 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	5	1,040,763	3,845,888	1,012,103	3,387,388
Receivables	6	655,609	111,006	342,549	51,306
Other Financial assets	7	1,578,521	797,452	1,578,521	797,452
Other	8	68,944	48,907	68,944	48,907
Total Current Assets		3,343,837	4,803,253	3,002,117	4,285,053
NON-CURRENT ASSETS					
Property, plant and equipment	9	99,687	132,765	62,442	45,271
Exploration & development expenditure	10	7,305,511	5,189,457	781,947	574,325
Investment in associated entity	11(a)	1,813,430	885,002	2,199,627	944,568
Investments in controlled entities	11(b)	-	-	3	3
Receivables	13	-	204,571	3,552,048	2,337,614
Total Non-Current Assets		9,218,628	6,411,795	6,596,067	3,901,781
Total Assets		12,562,465	11,215,048	9,598,184	8,186,834
CURRENT LIABILITIES					
Payables	14	215,339	209,285	122,824	160,093
Provisions	15	18,957	19,516	18,957	19,516
Total Current Liabilities		234,296	228,801	141,781	179,609
NON-CURRENT LIABILITIES					
Provisions	15	93,760	84,403	-	-
Non-interest bearing liabilities	16	54,710	54,710	-	-
Total Non Current Liabilities		148,470	139,113	-	-
Total Liabilities		382,766	367,914	141,781	179,609
NET ASSETS		12,179,699	10,847,134	9,456,403	8,007,225
EQUITY					
Contributed equity	17	22,041,718	19,691,552	22,041,718	19,691,552
Reserves	18	3,111,610	2,975,744	-	235,751
Accumulated losses	19	(13,346,701)	(12,207,295)	(12,585,315)	(11,920,078)
Parent entity interest		11,806,627	10,460,001	9,456,403	8,007,225
Outside equity interests	12	373,072	387,133	-	-
TOTAL EQUITY		12,179,699	10,847,134	9,456,403	8,007,225

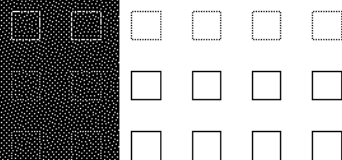
The statements of financial position are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

for the year ended 31 December 2004

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Exploration expenditure		(1,741,614)	(966,551)	(431,108)	(91,871)
Interest received		118,856	196,220	109,756	121,975
Payments to suppliers & employees		(943,702)	(479,329)	(693,391)	(336,699)
Sundry Income		103,437	10,044	13,437	10,044
Net cash generated from (used in) operating activities	25a	(2,463,023)	(1,239,616)	(1,001,306)	(296,551)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment		(52,253)	(15,793)	(39,308)	(15,793)
Purchase of equity investments		(1,062,929)	(1,128,536)	(1,062,929)	(1,128,536)
Purchase of investment in associate		(516,089)	(523,499)	(516,089)	(523,499)
Proceeds from sales of investments		140,466	3,228,813	140,466	3,228,813
Loans advanced to controlled entities		-	-	(1,210,534)	(336,987)
Loan advance to associate		(500,000)	(204,571)	(500,000)	(204,571)
Loans to other entities		(527,569)	-	(300,000)	-
Net cash generated by (used in) investing activities		(2,518,374)	1,356,414	(3,488,394)	1,019,427
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of shares		2,114,415	2,394	2,114,415	2,394
Net cash generated by financing activities		2,114,415	2,394	2,114,415	2,394
Net increase (decrease) in cash held		(2,866,982)	119,192	(2,375,285)	725,270
Cash at beginning of financial year		3,845,888	3,844,725	3,387,388	2,662,118
Difference arising from movements in foreign currency		61,857	(118,029)	-	-
Cash at end of financial year		1,040,763	3,845,888	1,012,103	3,387,388

The statements of cash-flow are to be read in conjunction with the notes to the financial statements.



Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Mineral Commodities Limited and controlled entities, and Mineral Commodities Limited as an individual parent entity. Mineral Commodities Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(c) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all controlled entities of Mineral Commodities Ltd ("Company" or "parent entity") as at 31 December 2004 and the results of its controlled entities for the year then ended. Mineral Commodities Ltd and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest and other income is recognised as it accrues.

Asset Sales

The gross proceeds from asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

(e) Taxes

Income taxes

The consolidated entity adopts the liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

The income tax expense for the year is calculated using the 30% tax rate.

Notes to the Financial Statements (continued)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Foreign Currency

Transactions

Transactions in foreign currencies are translated into Australian currency at the rate of exchange in effect at the date of each transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in the profit and loss for the year.

Financial Reports of Overseas Operations

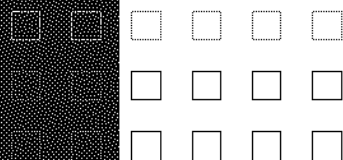
The assets and liabilities of foreign operations, including controlled entities, associates and joint ventures that are self sustaining, are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal of the operations.

(g) Acquisitions of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

Where the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated.



Notes to the Financial Statements (continued)

(h) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

The carrying values of non-current assets are reviewed every six months to determine whether they exceed their recoverable amounts. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the profit and loss account.

In determining the recoverable amount of non-current assets the expected net cash flows have not been discounted to their present values.

(i) Property, Plant and Equipment

Acquisition

Items of plant and equipment are initially recorded at cost and depreciated as outlined below.

Depreciation of Plant and Equipment

Plant and equipment are depreciated at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3–10 years.

Disposal of Assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profit reserve.

(j) Exploration and Development Expenditure

Costs incurred during the exploration and development stages of specific areas of interest are accumulated. Such are only carried forward if they are expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves. Costs are written off as soon as an area has been abandoned or considered to be non-commercial or provided against where an area is considered non-commercial at the period end.

Once production commences, expenditure accumulated in respect of areas of interest is amortised on a unit of production basis over the life of the total proven economically recoverable reserves. Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration and evaluation expenditure. Costs recognised after the commencement of production in areas of interest will be charged to the profit and loss statement.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the asset concerned.

Notes to the Financial Statements (continued)

(k) Investments*Interests in – Controlled Entities*

Investments in controlled entities are carried in the Company's financial report at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Company's profit and loss statement when they are declared by the controlled entities.

Other Financial Assets

Investments in listed companies held for re-sale are marked to market value at the end of the financial period, and the resultant net gain or loss is recognised in the Statement of Financial Performance.

Investments in associates

Associates are those entities over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associate's net profit or loss is recognised in the consolidated statement of financial performance from the date the significant influence commences until the date the significant influence ceases.

(l) Receivables

All debtors are recognised at the amounts receivable. Collectibility of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to full collection exists.

(m) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 60 days. Payables to related parties are carried at the principle amount. Interest when charged by the lender, is recognised as an expense on an accrual basis.

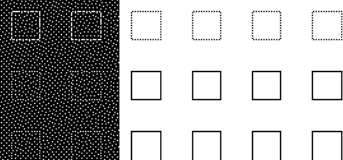
(n) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Cash

For the purposes of the statements of cash flows, cash includes cash on hand, bank bills and deposits at call which are readily convertible to cash. They are not subject to insignificant risk of changes in value and are net of outstanding bank overdrafts.



Notes to the Financial Statements (continued)

(p) Earnings per Share

Basic Earnings per Share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Mineral Commodities Ltd by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share would arise from the exercise of options outstanding at the end of the financial year.

(q) Employee Entitlements

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. These benefits include wages and salaries annual leave. Sick leave is non-vesting and has not been provided for. Employee entitlements expected to be settled within one year have been measured at their nominal amount.

The contributions made to superannuation funds by entities within the consolidated entity are charged against profits when due.

(r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(s) Segment reporting

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

(t) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
2. REVENUE				
Revenue from Operating Activities				
Option fees received	90,000	-	-	-
Proceeds from sales of investments in listed companies	140,466	3,228,813	140,466	3,228,813
Revenue from Operating Activities	230,466	3,228,813	140,466	3,228,813
Revenue from outside operating activities				
Interest received or due and receivable from unrelated entities	170,478	196,220	144,155	121,975
Interest receivable from related entity	-	-	114,357	72,650
Management fees	141,000	299,000	280,167	434,003
Unrealised foreign exchange gain	338,165	-	94,114	-
Fair value of shares in Allied Gold Limited received as in specie distribution	-	421,069	-	421,069
Other income	13,437	21,605	13,437	21,605
Total Revenue from outside operating activities	663,080	937,894	646,230	1,071,302
Total Revenue from Ordinary Activities	893,546	4,166,707	786,696	4,300,115
3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES				
Profit/(Loss) from ordinary activities before income tax has been arrived at after charging the following:				
(a) Expenses				
Exploration expenditure written off	273,486	4,013	223,486	4,013
Unrealised loss on listed investments	125,398	8,497	125,398	8,497
Operating lease rentals	57,668	42,324	57,668	42,324
Depreciation - plant and equipment	85,331	69,371	22,137	11,035
Movement in provision for employee entitlements	(6,180)	11,732	(6,180)	11,732
(b) Net gains (losses) on disposals of assets				
(Loss) profit on disposal of investments in listed companies held for resale	(15,995)	74,102	(15,995)	74,102
Profit on sale of shares in associate	-	724,707	-	724,707
Reversal of prior equity accounting adjustments	-	224,086	-	-
Total gain on disposal of investment in associated company	-	948,793	-	724,707
(c) Reconciliation of other expenses from ordinary activities				
Cost of investments in listed companies sold	156,461	2,435,285	156,461	2,435,285
Unrealised foreign exchange loss	-	67,838	-	-
	156,461	2,503,123	156,461	2,435,285

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
4. INCOME TAX				
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows.				
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities @ 30%	(346,039)	237,645	(199,571)	303,251
Tax effect of permanent differences	204,883	1,806	65,144	(21,364)
Net future income tax benefits not brought to account	168,466	(83,885)	134,427	(126,321)
Benefit of losses not previously brought to account	(27,310)	(155,566)	--	(155,566)
Income tax expense/(benefit) attributable to operating profit/(loss)	--	--	--	--
Future income tax benefit arising from un-recouped deductions at balance date, for Australian tax resident entities.				
Revenue losses	3,188,678	3,103,913	1,495,090	1,383,352
Capital losses	4,643,254	4,643,254	4,643,254	4,643,254
The estimate of income tax benefit arising from unconfirmed tax losses (trading and capital) and accumulated exploration expenditure has not been brought to account at balance date, as realisation of the benefit is not regarded as virtually certain.				
The benefit of these losses will only be realised if:				
<ul style="list-style-type: none"> • future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; • the conditions for deductibility imposed by tax legislation continue to be complied with; and • no changes in tax legislation adversely affect the economic entity in realising the benefit. 				
In addition the economic entity has unconfirmed tax losses and accumulated exploration expenditure that gives rise to potential carry forward tax benefits in South Africa amounting to approximately Rand 21 million (approximately A\$4.7 million). The benefit of these potential future tax benefits has not been brought to account, and will only be realised if circumstances similar to those described above, also apply to the economic entity's future operations in South Africa.				
There are no franking credits available.				
5. CASH ASSETS – CURRENT				
Cash at bank	240,763	845,888	212,103	387,388
Deposits at call	800,000	3,000,000	800,000	3,000,000
	1,040,763	3,845,888	1,012,103	3,387,388

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
6. RECEIVABLES – CURRENT				
Trade receivables	38,267	28,352	4,865	28,352
Term deposits	34,312	33,020	–	–
Other debtors	38,238	49,634	37,684	22,954
Loan receivable	544,792	–	300,000	–
	655,609	111,006	342,549	51,306

The term deposits support bank guarantees issued as security for mineral tenements.

The loan receivable is secured over the shares owned by South African Export Development Fund in MRC Resources (Pty) Ltd, bears interest at South African Prime Bank Rate less 2% and has no fixed terms of repayment.

7. OTHER FINANCIAL ASSETS – CURRENT

Investments in companies listed on a recognised stock exchange – shares at cost	1,757,333	850,866	1,757,333	850,866
Provision for diminution in value	(178,812)	(53,414)	(178,812)	(53,414)
Total investment in companies listed on a recognised stock exchange	1,578,521	797,452	1,578,521	797,452
Quoted market value of investments listed at balance date on a prescribed exchange	1,578,521	797,452	1,578,521	797,452

8. OTHER – CURRENT

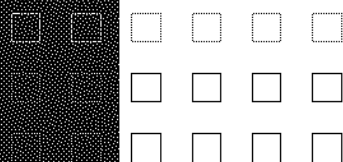
Prepayments	68,944	48,907	68,944	48,907
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9. PROPERTY, PLANT AND EQUIPMENT

Plant and office equipment – at cost	301,064	249,119	110,573	71,265
Accumulated depreciation	(201,377)	(116,354)	(48,131)	(25,994)
Total property, plant and equipment	99,687	132,765	62,442	45,271

Reconciliation of the carrying amount of plant & equipment at the beginning and end of the current and previous financial year.

Plant and office equipment				
Carrying amount at beginning of year	132,765	196,204	45,271	42,013
Additions	52,253	15,793	39,308	15,793
Disposal	–	(9,861)	–	(1,500)
Depreciation	(85,331)	(69,371)	(22,137)	(11,035)
Carrying amount at end of year	99,687	132,765	62,442	45,271



Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
10. EXPLORATION & DEVELOPMENT EXPENDITURE				
Exploration expenditure – costs carried forward in respect of areas of interest in:				
Exploration and evaluation phases	7,305,511	5,189,457	781,947	574,325
Total exploration and development expenditure	7,305,511	5,189,457	781,947	574,325
Reconciliation of the carrying amount of mining tenements at the beginning and end of the current and the previous financial year				
Carrying amount at beginning of year	5,189,457	4,226,919	574,325	486,467
Expenditure outlaid in cash	1,741,614	1,053,976	431,108	91,871
Foreign exchange translation reserve	647,926	(87,425)	–	–
Write off discontinued projects	(273,486)	(4,013)	(223,486)	(4,013)
Carrying amount at end of year	7,305,511	5,189,457	781,947	574,325
11 (a) INVESTMENT IN ASSOCIATED ENTITIES				
Investment in companies accounted for using the equity method – at cost	1,778,558	523,499	1,778,558	523,499
Fair value adjustment	421,069	421,069	421,069	421,069
Equity accounting adjustments	(386,197)	(59,566)	–	–
	1,813,430	885,002	2,199,627	944,568

	Consolidated	
	2004	2003
Details of the investment in associated entities is as follows:		
Name	Allied Gold Ltd	
Principal activity	Mineral Exploration	
Balance date	30 June	
Ownership interest at balance date	16.7%	16.3%
Investment carrying amount	\$ 1,813,430	\$ 885,002
Number of options held at balance date	3,047,493	2,186,073
Movements in carrying amount of investment in associated entities		
	\$	\$
Carrying amount at beginning of year – Allied Gold Ltd	885,002	–
Investments in associate acquired during the year, at cost	1,255,059	523,499
Fair value adjustment	–	421,069
Share of associate's net loss	(306,081)	(54,154)
Goodwill amortisation arising from equity accounting	(20,550)	(5,412)
Carrying amount at end of year – Allied Gold Ltd	1,813,430	885,002

Notes to the Financial Statements (continued)

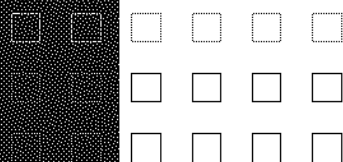
	Consolidated	
	2004	2003
	\$	\$
11 (a) INVESTMENT IN ASSOCIATED ENTITIES (continued)		
Carrying amount at beginning of year – Fortescue Metals Group Ltd	--	1,733,081
Share of associate's net loss	--	(104,044)
Proceeds on disposal of investment	--	(2,577,830)
Profit on disposal	--	948,793
Carrying amount at end of year – Fortescue Metals Group Limited	--	--
Carrying amount of investment in associates at end of year	1,813,430	885,002

The consolidated entity's share of aggregate assets and liabilities of the associated company is as follows:

	Allied Gold Limited	
	2004	2003
	\$	\$
Current assets	157,969	2,521,017
Non current assets	1,692,646	2,493,717
Total assets	1,850,615	5,014,734
Current liabilities	107,607	547,417
Non current liabilities	--	--
Total liabilities	107,607	547,417
Net assets as reported by associate	1,743,008	4,467,317
Share of net profit from ordinary activities after income tax as reported by the associate	(306,081)	(54,154)

The market value of this investment in Allied Gold at balance date was \$3,346,699 based on a price per share of 26 cents and an option price of 11 cents.

Subsequent to the year end the company has purchased a further 2,200,000 shares in Allied Gold. The Company's interest in the shares of Allied Gold at the date of these accounts is 11.4% and the market value of the investment is \$3,742,435 based on a share price of 24.5 cents and an option price of 12 cents.



Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
11 (b) INVESTMENT IN CONTROLLED ENTITIES				
Unquoted investments – at cost				
Shares in controlled entities	--	--	3	3
	--	--	3	3

Controlled entities	Class of share	Place of Incorporation	Equity Holding		Cost to Company	
			2004	2003	2004	2003
			%	%	\$	\$
Parent Entity						
Mineral Commodities Limited		Australia	--	--	--	--
Controlled Entities						
Rexelle Pty Ltd	Ord	Australia	100	100	1	1
Queensland Minex NL	Ord	Australia	100	100	4,718,302	4,718,302
Provision for diminution in value					(4,718,302)	(4,718,302)
Q Smelt Pty Ltd	Ord	Australia	100	100	--	--
Mincom Waste Pty Ltd	Ord	Australia	100	100	2	2
MRC Resources (Pty) Ltd	Ord	South Africa	90	90	--	--
East Asian Oil Limited	Ord	Australia	100	--	--	--
					3	3

Controlled entities of MRC Resources (Pty) Ltd	Class of share	Place of Incorporation	Equity Holding		Cost to Company	
			2004	2003	2004	2003
			%	%	\$	\$
Transworld Energy & Minerals Resources (SA) (Pty) Limited	Ord	South Africa	75	75	2,500,000	2,500,000
Mineral Sands Resources (Pty) Ltd	Ord	South Africa	100	100	--	--
Nyati Titanium Eastern Cape (Pty) Ltd	Ord	South Africa	100	100	--	--
MRC Metals (Pty) Ltd	Ord	South Africa	100	--	--	--
Skeleton Coast Resources (Pty) Ltd	Ord	Namibia	100	100	--	--

East Asian Oil Ltd and MRC Metals (Pty) Ltd were newly formed in the period and presently have no operations or assets.

Notes to the Financial Statements (continued)

	Consolidated	
	2004	2003
	\$	\$
12. OUTSIDE EQUITY INTERESTS		
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in the entities acquired during the financial year	(1,565)	12,954
Interest in operating loss and extraordinary items after tax	(14,061)	(14,519)
Interest in share capital	2	2
Interest in reserves	388,696	388,696
Total outside equity interests	373,072	387,133

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
13. RECEIVABLES – NON-CURRENT				
Loans and advances – controlled entities	--	--	4,555,744	3,136,739
Less provision for non-recovery	--	--	(1,003,696)	(1,003,696)
Loan to associated company	--	204,571	--	204,571
	--	204,571	3,552,048	2,337,614

Recovery of the loans to controlled entities is dependent upon the commercial exploitation of mining tenements held by the controlled entities.

14. PAYABLES – CURRENT

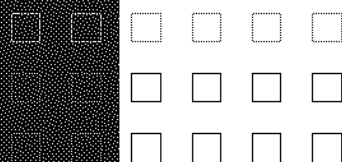
Trade payables – unsecured	60,178	97,951	60,160	97,933
Other payables and accruals – unsecured	155,161	111,334	62,664	62,160
	215,339	209,285	122,824	160,093

15. PROVISIONS – CURRENT

Employee entitlements	18,957	19,516	18,957	19,516
Average number of employees during the financial year	5	5	4	5

15. PROVISIONS NON-CURRENT

Provision for deferred income tax	93,760	84,403	--	--
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Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
16. NON-INTEREST BEARING LIABILITIES				
Other loans – unrelated entity	54,710	54,710	--	--

The loan to an unrelated entity bears no interest, is unsecured and has no fixed term of repayment.

	2004 Number of Shares	2003 Number of Shares	2004 \$	2003 \$
17. CONTRIBUTED EQUITY				
(a) Ordinary shares fully paid				
Balance at beginning of financial year	46,522,212	46,512,643	19,691,552	19,688,201
Placement of shares, March 2004	743,209	--	423,471	--
31 May 2004 options exercised	6,763,339	9,569	1,690,835	2,394
Transfer from option premium reserve	--	--	235,751	957
30 June 2007 options exercised	364	--	109	--
Balance at end of financial year	54,029,124	46,522,212	22,041,718	19,691,552

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote.

(b) Options over fully paid ordinary shares

18,008,971 new options were granted during the year, on the basis of 1 option for every 3 shares held, to shareholders registered as of 30 June 2007. These new options are exercisable at 30 cents on or before 30 June 2007.

The number of options exercised during the year was 6,763,703, being 6,763,339 of the 25 cent 31 May 2004 options and 364 of the 30 cent 30 June 2007 options. 16,897,679 options lapsed on 31 May 2004.

The number of options on issue at balance date:

Category	No of Options	Exercise Price Cents per share	Expiry Date
Listed options	18,008,607	30	30 June 2007

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
18. RESERVES				
Option premium reserve	-	235,751	-	235,751
Share premium reserve	2,242,034	2,242,034	-	-
Foreign currency translation reserve	869,576	497,959	-	-
	3,111,610	2,975,744	-	235,751
Option premium reserve				
Balance at the beginning of year	235,751	236,708	235,751	236,708
Transfer to contributed equity upon exercise of options	(235,751)	(957)	(235,751)	(957)
Balance at end of year	-	235,751	-	235,751
Share Premium				
Balance at the beginning of year	2,242,034	2,242,034	-	-
Movement in period	-	-	-	-
Balance at end of year	2,242,034	2,242,034	-	-
Foreign currency translation				
Balance at the beginning of year	497,959	547,726	-	-
Exchange difference on net investment in foreign operations	371,617	(49,767)	-	-
Balance at end of year	869,576	497,959	-	-

Nature and purpose of reserves

Share Premium

The share premium arose from the issue of shares in MRC Resources Pty Ltd to an entity outside the economic entity. This entity's holding gives rise to an outside equity interest.

Foreign Currency

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of self sustaining foreign operations and the translation of foreign currency monetary items forming part of the net investment in a self sustaining operation. Refer to accounting policy note 1 (f).

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
19. ACCUMULATED LOSSES				
Accumulated losses at beginning of the year	(12,207,295)	(13,011,598)	(11,920,078)	(12,930,913)
Net profit (loss) attributable to members	(1,139,406)	804,304	(665,237)	1,010,836
Accumulated losses at end of the year	(13,346,701)	(12,207,295)	(12,585,315)	(11,920,078)

	Consolidated	
	2004	2003
	\$	\$
20. EARNINGS (LOSS) PER SHARE		
Basic earnings per share (cents per share)	(2.22)	1.73
Diluted earnings per share (cents per share)	-	1.67
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	51,117,115	46,515,976
Weighted average number of options outstanding	-	1,752,668
Weighted average number of ordinary shares on issue used in calculation of diluted earnings (loss) per share	51,117,115	48,274,880
Net profit/(loss) used in the calculation of basic and diluted earnings per share	(1,139,406)	804,304

There are 18,008,607 options with an exercise price of 30 cents and an expiry date 30 June 2007 on issue as at 31 December 2004. These have not been classified as potential ordinary shares and are not included in determination of dilutive earnings per share.

21. SEGMENT INFORMATION**Geographical Segments**

The consolidated entity has the following two geographical segments

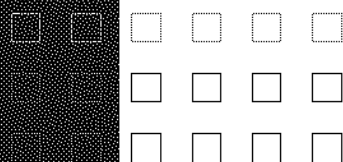
- ~ Australia
- ~ South Africa

Notes to the Financial Statements (continued)

21. SEGMENT INFORMATION (continued)

(a) Geographical

	Australia		South Africa		Elimination		Consolidated	
	2004 \$	2003 \$	2004	2003	2004 \$	2003 \$	2004 \$	2003 \$
Revenue								
External segment revenue	140,466	3,228,813	-	-	-	-	140,466	3,228,813
Unallocated revenue	737,262	1,072,182	269,342	73,365	(253,524)	(207,653)	753,080	937,894
Total segment revenue	877,728	4,300,995	269,342	73,365	(253,524)	(207,653)	893,546	4,166,707
Total Revenue from ordinary activities							893,546	4,166,707
Result								
Segment result	(900,836)	1,072,192	(113,464)	(147,404)	(139,167)	(135,003)	(1,153,467)	789,785
Income Tax	-	-	-	-	-	-	-	-
Profit from ordinary activities after tax	(900,836)	1,072,192	(113,464)	(147,404)	(139,167)	(135,003)	(1,153,467)	789,785
Outside equity interest in result for year	-	-	14,061	14,519	-	-	14,061	14,519
Net Profit	(900,836)	1,072,192	(99,403)	(132,885)	(139,167)	(135,003)	(1,139,406)	804,304
Assets								
Segment assets	9,598,206	8,186,856	3,537,767	3,208,851	(573,508)	(180,659)	12,562,465	11,215,048
Segment liabilities	196,509	235,938	186,257	131,977	-	-	382,766	367,914
Net segment assets	9,401,697	7,950,919	3,351,510	3,076,874	(573,508)	(180,659)	12,179,699	10,847,134
Net entity assets							12,179,699	10,847,134
Investment in equity method associates included in segment assets	1,813,430	885,002	-	-	-	-	1,813,430	885,002
Share of net loss of associate	(326,631)	(163,610)	-	-	-	-	(326,631)	(163,610)
Acquisition of property plant & equipment	39,308	15,793	12,945	(8,361)	-	-	52,253	7,432
Depreciation	(22,317)	11,035	(63,194)	57,401	-	-	(85,511)	68,436
Non cash expenses other than depreciation	342,704	24,242	-	-	-	-	342,704	24,242



Notes to the Financial Statements (continued)

21. SEGMENT INFORMATION (continued)

Secondary reporting

Business segments

The consolidated entity principally operates in the field of exploration for gold and other mineral resources. The Company has also participated in the trading of listed securities.

(b) Industry	Mineral Exploration & Development		Investment		Consolidated	
	2004	2003	2004	2003	2004	2003
Revenue						
External segment revenue	-	-	140,466	3,228,813	140,466	3,228,813
Unallocated revenue	753,080	937,894	-	-	753,080	937,894
Total segment revenue	753,080	937,894	140,466	3,228,813	893,546	4,166,707
Total Revenue from ordinary activities					893,546	4,166,707
Assets						
Segment assets	10,983,944	10,417,596	1,578,521	797,452	12,562,465	11,215,048
Total entity assets					12,562,465	11,215,048
Acquisition of property, plant & equipment	52,253	15,793			52,253	15,793

22. AUDITORS' REMUNERATION

Amounts received or due and receivable
by auditors for:

Auditors of the parent entity

Auditing -- the financial report	32,700	29,266	32,700	29,266
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Other services	-	-	-	-
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Other auditors

Auditing -- the financial report	6,303	11,704	6,303	-
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Other services	-	3,493	-	-
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39,003	44,463	39,003	29,266
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Notes to the Financial Statements (continued)

23. DIRECTORS' REMUNERATION

(a) The directors of Mineral Commodities Ltd during the year were:

Mr Joseph Anthony Caruso

Mr Mark Victor Caruso

Mr Gregory Hugh Steemson

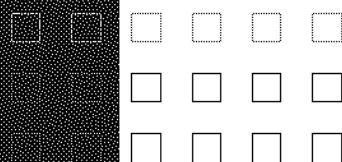
Other than the above there were no *Specified Executives*, except for Mr Alan Luscombe whose employment was terminated during the period.

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows.

The Board of Directors of Mineral Commodities Limited is responsible for determining and reviewing compensation arrangements for the directors, managing director and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

(b) Remuneration of directors and specified executive

	Directors' fees	Salary incl. benefits	Consulting fees	Super-annuation	Termination benefits	Total
2004						
Joseph Caruso	30,000	--	--	2,700	--	32,700
Mark Caruso	30,000	--	--	2,700	--	32,700
Greg Steemson	--	--	30,400	--	--	30,400
Alan Luscombe	--	152,336	--	15,687	32,000	200,023
Total remuneration paid to directors in office and specified executives	60,000	152,336	30,400	21,087	32,000	295,823
2003						
Joseph Caruso	30,000	--	--	2,700	--	32,700
Mark Caruso	30,000	--	--	2,700	--	32,700
Greg Steemson	--	--	18,328	--	--	18,328
Alan Luscombe	--	195,661	--	16,200	--	211,861
Total remuneration paid to directors in office and specified executives	60,000	195,661	18,328	21,600	--	295,589



Notes to the Financial Statements (continued)

23. DIRECTORS' REMUNERATION (continued)

(c) Shares or Options granted as remuneration

No shares or options have been granted to directors as remuneration in the current or previous financial years.

(d) Option holdings of directors

Director	Balance at 1 Jan '04	Options lapsed or sold	Options exercised	Bonus issue of options	Balance at 31 Dec '04	Total vested 31 Dec '04	Total exercisable 31 Dec '04
Joseph Caruso	5,417,566	5,417,566	-	3,085,338	3,085,338	3,085,338	3,085,338
Mark Caruso	5,417,566	5,417,566	-	3,089,547	3,089,547	3,089,547	3,089,547
Greg Steemson	420,000	420,000	-	53,333	53,333	53,333	53,333

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 3,085,338 options.

(e) Shareholdings of directors

Director	Balance at 1 Jan '04	Received as remuneration	Options exercised	Net change other	Balance 31 Dec '04
Joseph Caruso	9,256,015	-	-	-	9,256,015
Mark Caruso	9,256,015	-	-	12,627	9,268,642
Greg Steemson	160,000	-	-	50,000	210,000

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 9,256,015 shares.

24. RELATED PARTY TRANSACTIONS

There were no transactions with directors or director related entities during the financial period other than the payment of directors' remuneration as is disclosed on note 23.

Mineral Commodities Limited is the major shareholder in Allied Gold Limited owning 11,582,596 shares or 16.7% of the Allied's issued capital at balance date, and 13,782,596 shares or 11.4% at the date of this financial report. Mineral Commodities Limited has supported the Allied throughout the financial period by entering into the following transactions, all of which have been conducted on an arms length basis. Mark Caruso is also a director of Allied Gold Limited, as is company secretary Mr David Lymburn.

- On 7 August 2003 the Company entered into a loan agreement with Allied for \$200,000 to provide initial seed funding. The loan is unsecured, bears interest at 9% compounded monthly and is repayable at call. Allied may at its election decide to repay the loan in cash or by the issue of shares at a price of \$0.10 each. The loan was fully drawn on 8 August 2003.
- In June 2004 the Company agreed to provide a further \$500,000 in loan funds by way of a convertible note. The loan was unsecured, bore interest at 9% compounded monthly and was repayable at call. At Allied's election the loan was repayable in cash or by the issue of shares at a price of \$0.20 each plus one free option for every three shares. The options are exercisable at \$0.20 on or before 30 June 2007. This loan was fully drawn during the period.
- On 30 November 2004, after approval by the shareholders of Allied the two loans described above, plus compounded interest were converted into ordinary shares and options of Allied. The total value of principal and interest converted was \$738,970 and was converted into a total of 4,805,446 shares and 861,420 options exercisable at \$0.20 on or before 30 June 2007.

Notes to the Financial Statements (continued)

24. RELATED PARTY TRANSACTIONS (continued)

- Pursuant to a services agreement the Company has agreed to provide Allied with services including, accounting, clerical, secretarial and fully serviced office accommodation for a fixed monthly fee of \$11,000. This agreement is for a 2 year term expiring 30 September 2005. The total amount charged for the period was \$132,000.

Directors' remuneration is reported in note 23.

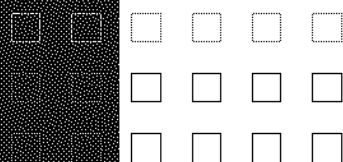
Wholly owned group

The group consists of Mineral Commodities Limited and its wholly owned controlled entities. Details of entities in the wholly owned group are set out in Note 11.

Transactions between Mineral Commodities Limited and other entities in the wholly owned group during the years ended 31 December 2004 and 31 December 2003 consisted of loans advanced and payments received and made on intercompany accounts. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Company provided management, accounting and administration services to other entities in the wholly-owned group.

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
25.(a) RECONCILIATION OF OPERATING PROFIT/(LOSS) FROM ORDINARY ACTIVITIES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
Operating profit/(loss) before income tax and outside equity interest	(1,153,467)	789,785	(665,237)	1,010,836
Depreciation	85,331	69,371	22,137	11,035
Loss on disposal of property, plant & equipment	-	9,861	-	1,500
Unrealised foreign exchange loss/(gain)	(338,165)	67,838	(94,114)	-
Non bank interest income not in cash	(51,622)	-	(148,756)	(72,650)
Fair value of shares in Allied Gold Ltd received as in specie distribution	-	(421,069)	-	(421,069)
Profit on sale of investment in listed companies	15,995	(793,529)	15,995	(793,529)
Provision for diminution of investments in listed companies	125,398	8,497	125,398	8,497
Provision - employee entitlements	(559)	11,732	(559)	11,732
Equity accounting adjustments	326,631	(60,746)	-	-
Exploration expenditure written off	273,486	4,013	223,486	4,013
Exploration expenditure capitalised	(1,741,614)	(966,551)	(431,108)	(91,871)
Changes in assets and liabilities during the year:				
Increase (decrease) in trade payables and other liabilities	15,411	(139,195)	(37,268)	(4,419)
(Increase) decrease in trade and other receivables	189	96,443	8,757	50,725
(Increase) decrease in prepayments	(20,037)	83,934	(20,037)	(11,351)
Net cash generated by (outflow) from operating activities	(2,463,023)	(1,239,616)	(1,001,306)	(296,551)



Notes to the Financial Statements (continued)

25. (b) OTHER FINANCING DISCLOSURES

The group has no available finance facilities as at balance date.

There were no non-cash financing and investing activities during the financial year.

26. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2004 Financial Assets Australia	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	3.12%	212,103	-	-	212,103
Short Term deposit	4.28%	800,000	-	-	800,000
Receivables	4.49%	-	23,000	412,047	435,047
Listed Shares	-	-	-	1,578,521	1,578,521
Equity accounted investment	-	-	-	1,813,430	1,813,430
		1,012,103	23,000	3,803,998	4,839,101
Financial Liabilities					
Payables		-	-	177,552	177,552
Net financial assets		1,012,103	23,000	3,626,446	4,661,549

Notes to the Financial Statements (continued)

26. FINANCIAL INSTRUMENTS (continued)

2004 Financial Assets South Africa	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	4.6%	28,660	-	-	28,660
Receivables		-	-	289,506	289,506
		28,660	-	289,506	318,166
Financial Liabilities					
Payables		-	-	92,497	92,497
Net financial assets		28,660	-	197,009	225,669
Combined Australian and South African net financial assets					4,887,218

2003 Financial Assets Australia	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	2.84	362,118	-	-	362,118
Short Term deposit	4.2	2,300,000	-	-	2,300,000
Receivables	1.67	-	23,184	139,742	162,926
Listed Shares		-	-	259,575	259,575
Equity accounted investment		-	-	1,733,081	1,733,081
		2,662,118	23,184	2,132,398	4,817,700
Financial Liabilities					
Payables		-	-	220,841	220,841
Net financial assets		2,662,118	23,184	1,911,557	4,596,859

Notes to the Financial Statements (continued)

26. FINANCIAL INSTRUMENTS (continued)

2003 Financial Assets South Africa	Weighted Average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest bearing \$	Total \$
Cash	2.0	2,402	-	-	2,402
Short Term Deposit	11.65	1,180,206	-	-	1,180,206
Receivables		-	-	177,364	177,364
		1,182,608	-	177,364	1,359,972
Financial Liabilities					
Payables		-	-	267,447	267,447
Net financial assets		1,182,608	-	(90,083)	1,092,525

Combined Australian and South African net financial assets 5,689,384

	2004 \$	2003 \$
Reconciliation of Net Financial Assets to Net Assets		
Net financial assets as above	4,887,218	5,544,428
Non financial assets and liabilities		
Property, plant and equipment	99,687	132,765
Exploration & development	7,305,511	5,189,457
Provisions	(112,717)	(19,516)
Net assets per statement of Financial Position	12,179,699	10,847,134

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

(d) Unrecognised financial instruments

The Company and controlled entities do not have any unrecognised financial instruments.

Notes to the Financial Statements (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
27. COMMITMENTS				
(a) Leasing Commitments				
Operating leases				
Office premises due within 1 year	38,160	31,680	38,160	31,680
Office premises due greater than 1 year and less than 5	81,090	-	81,090	-
Total	119,250	31,680	119,250	31,680

The operating lease is a rental agreement for the Company's office premises for a term expiring 15 February 2008.

(b) Exploration Tenement Leases – Commitments for Expenditure.

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity is required to outlay lease rentals and to meet the minimum expenditure requirements of an estimated \$10,000 over the next financial year (2003: \$3,602). Financial commitments for subsequent periods are contingent upon future exploration results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the exploration leases or when application for a mining licence is made and have not been provided for in the accounts. These obligations are not provided for in the accounts.

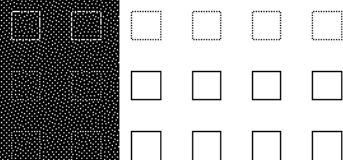
28. CONTINGENT LIABILITIES

The company has provided bank guarantees with a total value of \$31,471 to the Department of Minerals & Energy (Queensland) and Department of Minerals & Energy South Africa) as security on tenements. These guarantees are backed by term deposits.

The Company engaged contractors in 2002 to conduct drilling near Kalgoorlie. In turn these contractors engaged a company to conduct repairs for the drilling contractors. As a result of the actions of that company a train derailment occurred.

The company has received a claim for \$160,000 together with costs and interest from the rail track owning company and has been notified of a second informal claim which is yet to be legally substantiated or instigated. Based upon legal advice received there remains a possibility of further action being made against the company. In the event that any further action proceeds the company will commence counter-actions against the contractors and the company it engaged.

The directors consider that further action against the company is unlikely but should an action arise the company will seek recovery under its insurance policy. The company's insurers have questioned the applicability of the policy relating to this incident, however the company's lawyers consider there are reasonable prospects of obtaining indemnity from the insurers in respect of any action. An estimate of the financial effect, if any, is considered not practicable at this point. Contributions from the contractor and the repair company should reduce exposure on the claim which has already been instigated, and on any further claim which may arise.



Notes to the Financial Statements (continued)

29. SUBSEQUENT EVENTS

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years.

30. INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the year ending 31 December 2005, the consolidated entity will comply with International Financial Reporting Standards ("IFRS") as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between the Australian GAAP and IFRS which would require identification of all disclosure, presentation or classification differences that would affect the manner in which the transactions or events are presented.

The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system updates and other implementation costs which may be incurred, have not been fully quantified as at the transition date of 1 January 2005 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact in future years will depend on the particular circumstances prevailing in those years.

The consolidated entity has established a formal project to achieve transition to IFRS reporting, beginning with the year ended 31 December 2005. The implementation project consists of three phases as described below:

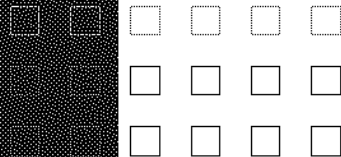
- Assessment and planning phase – which aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.
- Detailed assessment and design phase – which aims to formulate the changes required to existing accounting policies and systems and processes in order to transition to IFRS. This phase also involves reliably estimating the quantitative impacts of conversion to IFRS. The company has commenced its detailed assessment and design phase and it is expected to be completed during the upcoming financial year.
- Implementation phase – which will include the implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required reporting disclosures as it progresses through its transition to IFRS.

Notes to the Financial Statements (continued)

30. INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- Impairment of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and other assets of cash-generating operations have been impaired. Whilst at this time there have been no indications of an impairment of these assets, if there is impairment in the future, the amount will be recognised in the statement of annual performance.
- Income tax will be calculated based on the "balance sheet approach", replacing the current "income statement approach". This method recognises deferred tax balances where there is a difference between the carrying value of an asset or a liability, and its tax base. It is expected that this standard may require the consolidated entity to carry higher levels of deferred tax assets and liabilities.
- Equity based compensation in the form of shares and options will be recognised as an expense in the period during which the employee provides related services. The consolidated entity does not currently recognise an expense for options issued to employees. On adoption of IFRS the consolidated entity will recognise an expense for options and will amortise the expense over the relevant vesting period.
- Currently the group includes gross revenue received on disposal of assets as revenue. Under Australian equivalents to IFRS's gains and losses on sale of investments will be recognised on a net basis in revenue, resulting in lower revenue being recorded by the group.
- AASB 6 "Exploration for Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The adoption of AASB 6 is not expected to lead to a change in the Company's accounting policy with respect to exploration and evaluation expenditure.



Directors' Declaration

The Directors of Mineral Commodities Ltd declare that:

1. The financial statements comprising the statements of financial performance, position and cash flows, and accompanying notes are in accordance with the Corporations Act 2001 and
 - a) give a true and fair view of the financial position as at 31 December 2004 and the performance for the year ended on that date of the Company and consolidated entity, and
 - b) comply with Accounting Standards and the Corporations Regulations 2001; and
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.

Signed in accordance with a resolution of the Directors:

Mark V Caruso

Managing Director

Dated at Perth, Western Australia this 31st of March 2005



Chartered Accountants
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
Email: bdo@bdowa.com.au
www.bdo.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MINERAL COMMODITIES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Mineral Commodities Limited (the company) and the consolidated entity, for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

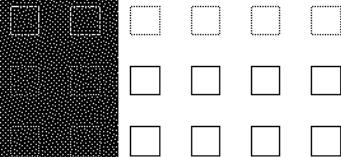
- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



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Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Mineral Commodities Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2004 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO

Chartered Accountants

BG McVeigh

Partner

Perth, Western Australia

Dated this 31st day of March 2005

Statement of Corporate Governance

The Board of Directors of Mineral Commodities Limited has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders and were in place throughout the financial year.

THE BOARD OF DIRECTORS

Role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Mineral Commodities Limited and the consolidated entity. It is responsible for overseeing the financial position, and for monitoring the business and affairs of the Company and the consolidated entity on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues related to internal controls and approaches to risk management.

Composition of the Board

The directors' report contains details of the directors' qualifications, experience and special responsibilities.

Under the Constitution the minimum number of directors is three and the maximum is ten. Directors are not appointed for a fixed term. At each annual general meeting one third of the directors other than the Managing Director must resign by rotation, with those serving the longest resigning first. Resigning directors may stand for re-election.

As a general principle the Company considers that the number of non-executive directors must exceed the number of executive directors. This has been the case throughout this financial year. The Board considers Mr Gregory Steemson to be an independent director in accordance with the definition used in ASX Principles of Good Corporate Governance.

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity based compensation of directors is required to be approved in advance by shareholders.

CHAIR AND MANAGING DIRECTOR

The Company maintains that there must be a separation between the roles of Chairman and the Managing Director.

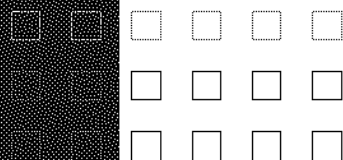
The Chairman is an independent person who is not involved in any executive management. The Managing Director is responsible for day to day operations and supervising the management of the business as designated by the Board. This ensures the appropriate independent functioning of the Board and management.

INDEPENDENT PROFESSIONAL ADVICE

The Company has procedures enabling any director or committee of the Board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

CONFLICT OF INTEREST

In the event that a potential conflict of interest may arise, involved directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.



Statement of Corporate Governance (continued)

TRADING IN THE COMPANY'S SECURITIES

The Company has adopted a policy that imposes certain restrictions on directors and employees trading in the securities of the Company. Key aspects of the policy are:

- All directors and employees are to formally notify the Company Secretary of their beneficial shareholdings in the Company and any changes to this within 2 days of such change occurring. The Company Secretary maintains a register of interests in the Company held by directors.
- No director or employee or any entities controlled by them is allowed to trade in the securities of the Company without notifying the Chairman.
- No director or employee or any entity controlled by them is allowed to engage in the business of active dealing in the Company's securities.
- A director or employee or any entities controlled by them must not trade at any time when he or she is in possession of information which if generally available would materially affect the price or value of the Company's securities.

SHAREHOLDERS RELATIONS AND COMMUNICATIONS

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Advising the market of matters requiring disclosure under Australian Stock Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporations Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meeting are encouraged to communicate issues or ask questions by writing to the Company.

BOARD COMMITTEES

The entire Board undertakes the function of an Audit Committee. The duties of this committee include:

- to be the focal point of communication between the Board, management and the external auditor;
- to recommend and supervise the engagement of the external auditor and monitor auditor performance;
- review the effectiveness of management information and other systems of internal control;
- review all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- review significant transactions that are not a normal part of the Company's business;
- review the year end and interim financial information and ASX reporting statements;
- to monitor the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- review the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

The Board has not formally constituted a Nomination Committee or a Remuneration Committee. The whole Board conducts the functions of a Nomination Committee and Remuneration Committee.

Statement of Corporate Governance (continued)

INTERNAL CONTROL FRAMEWORK AND BUSINESS RISK MANAGEMENT

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that includes the following.

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act and ASX Listing Rules.
- The Managing Director and the Company Secretary are required to confirm in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
- The Company has written policies covering health, safety and the environment.

ETHICAL STANDARDS

The Board adopts a proactive approach to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company, in the following areas;

- professional conduct,
- dealings with suppliers, advisers and regulators,
- dealings with the community and specifically in dealings with traditional landowners, and
- dealings with other employees.

PRIVACY

The company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Mineral Commodities Limited.

ASX GUIDELINES ON CORPORATE GOVERNANCE

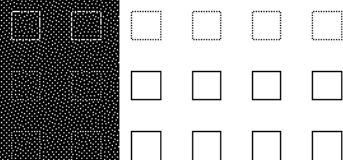
Pursuant to ASX Listing Rules the Company must provide a statement disclosing the extent to which the ASX best practice recommendations have been not been followed in the reporting period. Below the Company provides an explanation of any areas where Mineral Commodities Limited does not presently comply with ASX best practice recommendations.

A majority of the Board of directors is not comprised of independent directors under the ASX definition of independent, and the Chairman is not an independent director.

Mr Joseph Caruso and Mr Mark Caruso both have a relevant interest in Zurich Bay Holdings Pty Ltd a company that controls 17.13% of the issued shares of the Company. ASX considers that a person with an interest in a company with a substantial shareholding in the reporting company is not independent.

Each individual member of the Board is satisfied that whilst the Company may not comply with this particular best practice recommendation, the Board always acts with independence and in accordance with the Statement of Corporate Governance.

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.



Shareholder Information

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 6 April 2005

TWENTY LARGEST SHAREHOLDERS

Name	Number of ordinary shares	Percentage of issued shares
Zurich Bay Holdings Pty Ltd	9,256,015	17.13%
Citicorp Nominees Pty Ltd	1,980,000	3.66%
Keng Heng Goh	1,575,000	2.92%
Robert Cameron Galbraith	1,212,589	2.24%
IEC Investments Pty Ltd	1,055,475	1.95%
Joseph M Cervelli and Deborah B Cervelli	1,014,000	1.88%
Nicholas Charles Richards	873,906	1.62%
C3D Holdings Pty Ltd	800,000	1.48%
Bateman International BV	743,209	1.38%
Patrick Francis Caruso	575,000	1.06%
Elaine Sandra Melville	500,000	0.93%
Bradley Nicholson	500,000	0.93%
Kathryn Yule	487,500	0.90%
Garry McDougall	448,020	0.83%
Kingarth Pty Ltd	400,000	0.74%
Kevin Anthony Leo and Leticia Leo	389,549	0.72%
Maryanne Mickle	350,000	0.65%
Patrick Gerard Hoey	312,310	0.58%
Mark Nevill	310,000	0.57%
Donald Boyd	300,000	0.56%
	23,082,573	42.73%

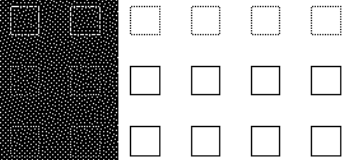
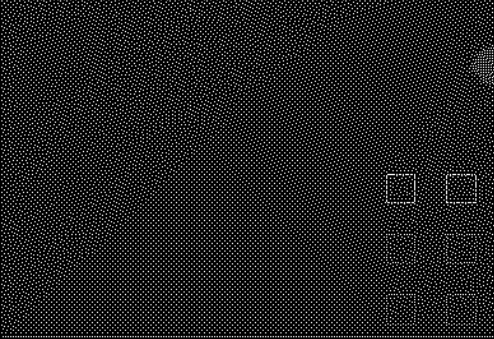
Shareholder Information (continued)

TWENTY LARGEST OPTION HOLDERS

Name	Number of options	Percentage of issued options
Zurich Bay Holdings Pty Ltd	3,085,338	17.13%
Citicorp Nominees Pty Limited	660,000	3.66%
Robert Cameron Galbraith	404,195	2.24%
Nicholas Charles Richards	403,835	2.24%
Joseph M Cervelli and Deborah B Cervelli	338,000	1.88%
Kevin Anthony Leo and Leticia Leo	271,173	1.51%
Bradley Nicholson	254,664	1.41%
Bateman International BV	247,736	1.38%
Peter Massey	240,000	1.33%
Keng Heng Goh	223,333	1.24%
Oasun Pty Ltd	200,000	1.11%
Gerald Magree	200,000	1.11%
Patrick Francis Caruso	191,666	1.06%
Edenshine Nominees Pty Ltd	159,624	0.89%
Alan Dredge & Company Pty Ltd	150,500	0.84%
Kingarth Pty Ltd	133,333	0.74%
Michael Kipling Mazalevskis	125,529	0.70%
Kathryn Yule	112,500	0.62%
Mark Nevill	111,332	0.62%
Christopher John Nicholls and Michele Louise Nicholls	111,331	0.62%
	7,624,089	42.33%

DISTRIBUTION OF SHAREHOLDERS AND OPTIONHOLDERS

Range of holdings	Number of shareholders	Number of shares	Number of optionholders	Number of options
1-1,000	133	45,240	393	227,157
1,001-5,000	554	1,979,964	737	1,876,658
5,001-10,000	288	2,457,113	201	1,513,614
10,001-100,000	517	16,822,499	225	6,666,598
100,001-and over	73	32,724,308	21	7,724,580
Total holders	1,565	54,029,124	1,577	18,008,607



Shareholder Information (continued)

MARKETABLE PARCELS

Number of shareholders holding less than a marketable parcel of ordinary shares is 387.

VOTING RIGHTS

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders have the right to attend meetings but have no voting rights until the options are exercised.

SUBSTANTIAL SHAREHOLDERS

Zurich Bay Holdings Pty Ltd is a substantial shareholder with 17.13 % of the issued ordinary shares.

RESTRICTED SECURITIES

There are no restricted securities.

SHARE BUY BACKS

There is no current on market share buy back.

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