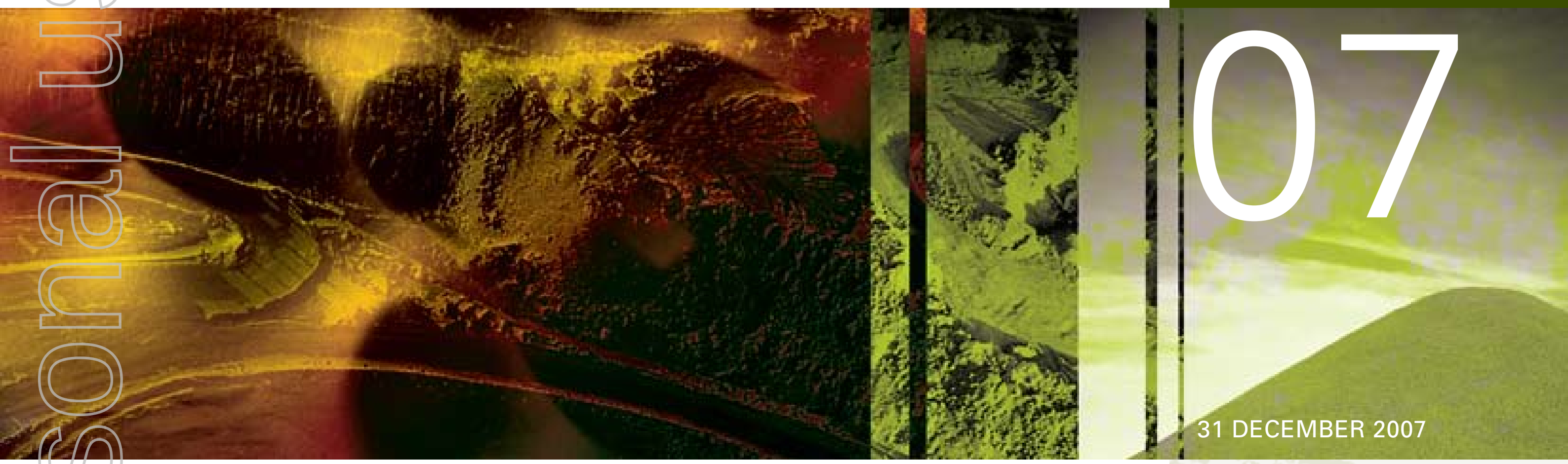
Mineral Commodities Limited

ABN 39 008 478 653



Annual Report

Corporate Directory

Directors	Joseph Anthony Caruso – Non-Executive Chairman Mark Victor Caruso – Managing Director Gregory Hugh Steemson – Non-Executive Director
Company Secretary	Peter Torre
Registered Office	Unit 15, Level 1 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 Kendalls Audit and Assurance (WA) Pty Ltd 128 Hay Street Subiaco, Western Australia 6008
Share Registry	Security Transfer Registrars Pty Limited 770 Canning Highway Applecross, Western Australia 6153 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**

Contents

Chairman's Letter

Dear Shareholders,

Your Company is on the verge of an exciting phase in its development. The 2007 year was one in which considerable work was completed to support the mining right applications for both the Xolobeni and Tormin mineral sands projects.

This effort was rewarded with the decision by the Department of Minerals and Energy in South Africa to grant the mining right for Tormin. We are confident that a similar decision will be forthcoming for the Xolobeni Project.

The decision vindicates the Company's persistence and patience on the projects as it has always been the view of the Board that both projects will add considerable value to the Company.

The Company continued to assess other projects throughout the year. The Sierra Leone diamond project has not delivered the desired outcome that the Board had expected. Issues with the plant and contractors caused significant delays and the Board will seek to divest this project and extract as much value as possible. Despite this setback, the Board will continue to assess further projects in the interest of maximising shareholder value.

The continued success of the Company's associate Allied Gold Limited is outstanding and the value of the company's investment has grown significantly throughout the year. Allied Gold has recently entered into a farm in and joint venture arrangement with the world's pre-eminent gold producer Barrick Gold Limited which provides for it to invest up to $35 million in Allied Gold. We look forward to sharing in our associate's success in the future.

The coming year will be a defining one for the future of your Company. New projects will be considered and existing ones should flourish.

On behalf of the Board, I would like to thank you, our shareholders, for your continued support. We trust this will endure in the future. I would also like to thank the staff both in Australia and overseas who work tirelessly in ensuring the success or our Company and projects.

Joseph A. Caruso
Chairman

Review of Operations

XOLOBENI MINERAL SANDS PROJECT, SOUTH AFRICA

Lodging the application for a Mining Right. (Left to right XolCo directors – Nomangesi Malunga and Zeka Mnyamana, DME regional director Nomvuyo Ketse, John Barnes MRC/TEM operations manager.

Location

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 current tenement area is approximately 22 kilometres long and 1,500 metres wide and covers some 2866 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. Each block is named after the river defining the southern boundary. The current extent of mineralisation proposed to be mined takes in about 855ha or about 30% of the tenement area.

Tenure

TEM holds a current Prospecting Right issued under the Minerals and Petroleum Resources Development Act 2002.

In March 2007 under a unique empowerment arrangement between Mineral Commodities Limited (MRC), its South African subsidiary Transworld Energy and Minerals Resources (SA) (Pty) Limited (TEM) and the Xolobeni community empowerment company – XolCo (now a 26% shareholder of TEM) lodged the Mining Right for the Xolobeni Heavy Mineral Sands Project with the department of Minerals and Energy in Port Elizabeth.

The Xolobeni project is more than just a mining operation. When the mining right is granted it will bring socio-economic upliftment to the impoverished local communities. The benefits will include;

- a solution to the environmental degradation of the area;
- the provision of basic infrastructure and services which are currently severely lacking;
- a significant impact on the local and regional economies; and
- The project will maintain South Africa's position as one of top 3 mineral sands producers in the world.

Figure 1. Location of Xolobeni and Tormin projects.

Review of Operations (continued)

Resources

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.

In 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.

Project development

A new order Prospecting Right was granted in October 2005. In March 2007 the Xolobeni Mining Right was lodged. South African environmental consultants GCS (Pty) Ltd begun working on the EIA for several months as part of the necessary environmental and social studies required by the MPRD Act.

To compliment this effort, Australian based environmental consultants were engaged to ensure that the work meets international best practice standards.

The completion and lodgement of the Environmental impact assessment and the formulation and submission of an Environmental Management Programme were accomplished during the year.

The documents are currently under final review by the DME. The Minister of Minerals and Energy is due to announce a decision on the Mining Right Application during the first half of 2008.

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)

No further exploration activity is needed on the area as the mineral resources are classified as JORC compliant for measured, indicated and inferred. In 2002 part of the area was drilled on a grid spacing of 50m x 100m, sufficient density for mine planning.

Subject to the mining right being granted, it is proposed to commence a bankable feasibility study in 2008.

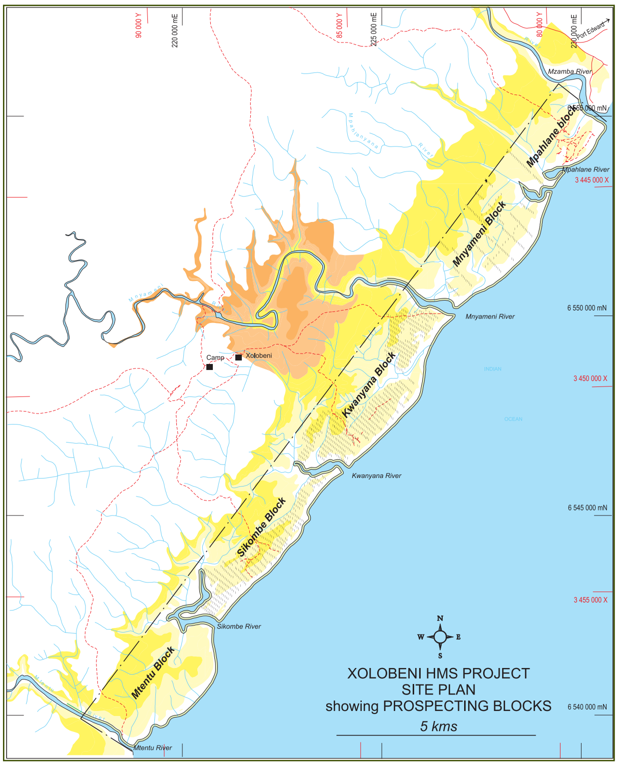


Figure 2. Xolobeni Project Site Plan.

Socio-economic aspects

MRC/TEM has entered into a unique agreement with XolCo the local Amadiba Tribal Community broad based Black Economic Empowerment (BEE) partner. XolCo as 26% equity partner will economically empower an impoverished community by having a significant stake in a major mining and down-stream processing project. MRC/TEM personnel have extensive experience in mining and rehabilitation and by combining this with XolCo as a broad based stakeholder engaged in operations and management will ensure the integrity of this unique project.

Consultation between TEM, XolCo and the local, regional and national government departments is ongoing in order to link common development plans for the area.

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 than can stop the degradation and bring in the required infrastructure, jobs and wealth.

A number of community development programs are already in place as part of TEM's long term commitment to the area.

The project has the potential to bring a wide range of basic socio-economic benefits to the region such as improved roads, access to water and electricity, better education and health facilities providing a higher standard of living for all the people. Infrastructure will also encourage the development of sustainable industries and these together with the down stream processing of material through the smelter will continue to deliver long term economic benefits to the region.

XolCo represents a number of community base trusts as beneficiaries outlined in the following chart

XolCo Trusts					
Youth	Elderly	Tribal	Business	Cultural	Women

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. Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Review of Operations (continued)

TORMIN MINERAL SANDS PROJECT SOUTH AFRICA

Location

The Tormin mineral sands prospect is a small beach deposit located on the rugged west coast of South Africa, approximately 400km north of Cape Town. The deposit is situated about 14km north of Transhex's diamond processing operation at De Pont near the Olifants River and about 50km south of Anglo's Namakwa Sands operation at Brand se Baai. The project is some 40 km from Anglo's mineral separation plant at Lutzville. (Figure 3).

The tenement area covers 90ha of mineralised beach which has accumulated along the ~12km long, 100m wide beach, to a maximum depth of 12m. Because of the dynamic beach environment the beach is continually being supplemented by erosion of a heavy mineral enriched 25m thick paleo-beach terrace 35m above current the sea level. The predominant heavy mineral is garnet with ilmenite, pyroxene, zircon, rutile, and leucoxene contained in the heavy mineral assemblage.

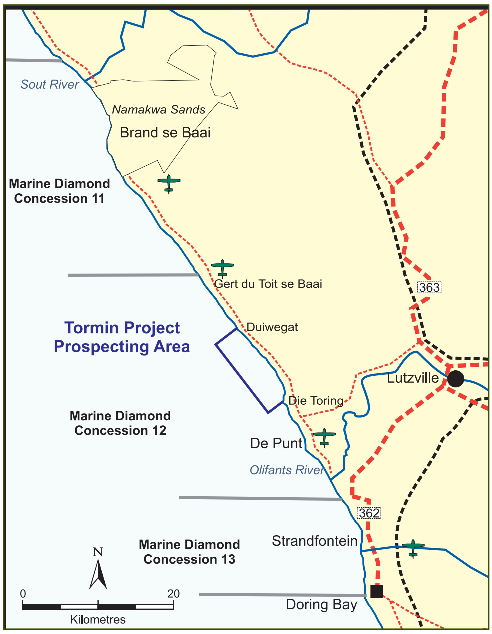


Figure 3. Location of the Tormin prospecting permit application in relation to existing regional infrastructure.

Tenure

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

In late 2003 the Company applied for a Prospecting Permit over the area. With the introduction of the new MRPD Act a revised Prospecting Right Application (PRA) was submitted in August 2004. An environment management plan (EMP) was submitted in December 2004. The Prospecting Right was granted in March 2006 and the related EMP was also approved.

In February 2007 MSR lodged a Mining Right application over the area in concurrence with the EIA that had commenced and is ongoing as part of the mining right requirement.

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

Resources

The Tormin heavy mineral placer deposits overlie diamond bearing gravel beds. In 1992 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 2002 the Company signed an agreement with THG that allows MSR to apply for the mineral sand rights. Under this agreement THG would support the Company's application and in turn THG will retain the rights to any diamond production from the area.

Bateman Minerals (Pty) Ltd was engaged to undertake a feasibility study for the project in 2004–2005. An internal review was carried out to consider opportunities for cost savings, changes to the configuration of processing plant and the mining method to achieve better efficiencies. Based on these criteria independent engineering consultants RSV of South Africa were commissioned to carry out a formal technical assessment and re design work on the project.

Metallurgical test work carried out indicates the deposit would yield a high quality (ceramic grade) zircon and high grade Ti product containing Rutile and Luecoxene.

Review of Operations (continued)

Based on the Transhex drilling and test work mineral resources were estimated at 3.43Mt containing 81,300t of Zircon and 20,000t of Rutile. As part of a recent review the resource has been re – estimated using the historical Transhex data in comparison to more recent MSR bulk sampling program. The MSR revised mineral resources for the Tormin beach sands is now estimated at 2.71Mt containing 76,100tn of Zircon and 18,300tn of Rutile in the inferred category.

Project development

The Mining Right Application was submitted at the beginning of the year for the Tormin Mineral Sands Project. In addition, the conversion of the existing Old Order Mining Permit to the south of the Prospecting Permit to a New Order Mining Right was lodged simultaneously. Once approved, the two rights will be consolidated into a single mining tenement.

The final Environmental Impact Assessment (EIA) and Environmental Management Programme (EMP) for the project were submitted to the DME in July 2007.

The Board was pleased to advise that subsequent to year end, the Group received notification that the Mining Right was granted with an official signing ceremony to take place in late May 2008.

The Company continues to field expressions of interest from parties that wish to secure the rights to the non magnetic heavy mineral concentrates likely to be produced from the Tormin project. Negotiations have reached an advanced stage with marketing samples dispatched to the various parties for review.

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.

Tormin Resources Statement

The information in this report that relates to exploration results for the Tormin project is based on information compiled by Mr Greg Steemson who is a Fellow of the Australian Institute of Geoscientists. Mr Steemson is a competent person as defined under the JORC Code. Greg Steemson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

INVESTMENT IN KARIBA KONO DIAMONDS, SIERRA LEONE

On 22 May 2006, Mineral Commodities Limited (MRC) announced an offer for all the shares in Erebus PLC (Erebus) that it did not already own. The offer consisted of 1.5 MRC shares plus half an option for every 1 Erebus share. The options have an exercise price of $0.40 and expire on 30 June 2007. On 16 June 2006, MRC announced that the offer had been accepted by holders representing 100% of the ordinary shares of Erebus. The takeover was successfully completed on 23 June, 2006 with the total number of shares and options issued being 9,406,878 and 3,135,626 respectively.

Erebus's principle activity through its 100% wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, is diamond tailings dump re-treatment, diamond mining and mineral exploration in Sierra Leone. Kariba Kono's principal asset is the No. 11 Oversize Tailings Dump at Koidu.

The No.11 tailings dump resulted from alluvial diamond operations in the 1960's by the Sierra Leone Diamond Trust ("SLDT"). Although the plant was advanced for its time, investigation into the operating history of the plant after the fortuitous discovery of the 969.8 carat "Star of Sierra Leone" diamond indicated that the initial plant design was flawed and it is believed the operating efficiency would have reduced with time, leading to the loss of diamonds to tailings.

During 2006, MRC awarded the contract for the manufacture, supply, delivery and commissioning of an 80tph ROD Diamond Pan Plant for the No.11 tailings dump to ProMet Engineers Africa (Pty) Ltd.

In the first half of the 2007 year, ProMet Engineers Africa (Pty) Ltd had erected and commissioned the Diamond Recovery Plant that it had designed and fabricated from South Africa. The plant was designed to treat 80 tonnes of material per hour, however metallurgical constraints impeded production to less than half this rate. These constraints were identified and evaluated and Promet and MRC commenced discussions to deliver the 80tph or to revise the project plan.

Review of Operations (continued)

The operations were suspended and the plant was placed under care and maintenance pending an engineering and design review. The Company held discussions with Promet to deliver the 80tph throughput pursuant to the contractual performance guarantee. These discussions were not successful and as a result the Company commenced legal proceedings in the Federal Court of Australia on 12 October 2007 against Promet Engineers Africa (Pty) Ltd (Promet), Promet Engineers Pty Ltd, James Dinsdale, Cribbes, Robert John Bennett and Richard George Ford.

The proceedings have eventuated as a result of Promets failure to manufacture, supply, install ,erect and commission a diamond pan plant at the Company's No 11 Oversize Tailings Dump in accordance with the terms of the contract.

MRC claims in the proceedings that:

(a) Promet breached the terms of the Contract; and

(b) Promet Engineers Africa, Promet Engineers, Cribbes, Bennet and Ford;

  (i) Engaged in misleading and deceptive conduct, and

  (ii) Breached Section 52 of the Trade Practices Act.

MRC is claiming damages for breach of Contract, as well as damages for contraventions of the Trade Practices Act, interest and costs.

OTHER PROJECTS AND INVESTMENTS

INVESTMENT IN ALLIED GOLD LIMITED

Allied Gold Limited (ALD) is a listed gold development and exploration company with the Tabar Islands Gold Project in Papua New Guinea as its principal asset. This project consists of the Simberi Oxide Gold Project and all exploration property on the Tabar Islands.

At reporting date, ALD was well advanced in the commissioning of its gold processing operation with the first production taking place immediately subsequent to year end.

MRC is one of the largest shareholders in ALD and holds a direct interest in 5.71% (approximately 19.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's shares at 31 December 2006 was $14.2 million.

INVESTMENT IN BLACKHAWK OIL AND GAS LIMITED/PETRO VENTURES PLC

During the period under review, the Company had entered into a Share Swap Agreement to roll all of its shareholding in BlackHawk Oil & Gas Limited into London based Petro Ventures Plc, however due to the Dutch Mining Ministry awarding the offshore licence P1 to a competing consortium, the roll up did not proceed.

However, MRC remains as a significant seed capitalist investor in Petro Venture Plc. Petro Ventures was formed by a number of senior professionals in the UK and Australia with a view to securing oil and gas opportunities primarily in the UK and Europe on low risk appraisal/pre-development acreage in the vicinity of upstream infrastructure.

Petro has successfully secured three project areas in the UK, Offshore Romania and onshore Hungary. It is also continuing its investigations on a number of advanced oil and gas plays in Morocco, Holland and Ukraine.

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 2007.

DIRECTORS

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

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

Directors have been in office since the start of the financial year to the date of this report.

DIRECTORS' INFORMATION

Joseph Anthony Caruso (61 Years of Age)

Non-Executive 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 (45 Years of Age)

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. Former directorships of public listed companies in the last 3 years are Fortescue Metals Group Limited from June 2002 until November 2003 ORT Limited from August 2003 until August 2005 and CI Resources Limited from October 2003 to May 2007.

Gregory Hugh Steemson (54 Years of Age)

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 Allied Gold Limited.
Former directorships of public listed companies in the last 3 years include Fortescue Metals Group Limited from June 2002 until July 2003 and Sandfire Resources Limited from June 2003 to August 2007.

Due to the size of the Company all directors are members of the Audit and Remuneration Committees as described further in the Corporate Governance statement.

COMPANY SECRETARY

Peter Torre CA, ACIS, MAICD

Mr Torre was appointed Company Secretary of Mineral Commodities Limited in July 2006. He is a Chartered Accountant and a Chartered Secretary. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Mr Torre is the Company Secretary of several ASX listed companies and is a Director of ORT Limited and Carbine Resources Ltd.

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, the Tormin Mineral Sands Project in the Western Cape Province of South Africa and diamond mining and tailings dump retreatment operation in Sierra Leone.

The following significant change in the nature of activities of the Group occurred during the year:
The diamond mining operations in Sierra Leone were placed on care and maintenance pending an engineering and design review

Directors' Report (continued)

CONSOLIDATED RESULTS

The loss of the consolidated entity after income tax and outside equity interests was $7,010,080 (2006: Loss of $1,523,542).

DIVIDENDS

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

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Highlights of the Company's operations for the period under review are as follows.

Xolobeni Mineral Sands Project (South Africa)

Mining Right

In March 2007, MRC's 75% owned South African subsidiary Transworld Energy and Minerals Resources Pty Ltd (TEM) lodged the mining right application for the Xolobeni Mineral Sands Project with the Department of Minerals and Energy (DME) in Port Elizabeth. The lodgement of the application was a significant milestone in the future commercialisation of this project.

The completion and lodgement of the Environmental impact assessment and the formulation and submission of an Environmental Management Programme also took place during the year.

The documents are currently under final review by the DME. The Minister of Minerals and Energy is due to announce a decision on the Mining Right Application during the first half of 2008.

Xolobeni remains regarded as one of the largest undeveloped mineral sands resources in the world.

Xolobeni Black Empowerment and Consultation

The Group continues to work alongside its BEE Partner Xolobeni Empowerment Company (Pty) Ltd (Xolco) throughout the process. The project area was visited by the South African Government Minister of Minerals and Energy and the Minister of Social Development in December 2007. The delegation was accompanied by the newly appointed Chief Director of the DME for the Eastern Cape Region and was met by a large community gathering including Directors of Xolco.

Tormin Zircon Project (South Africa)

Mining Right Application

The Mining Right Application was submitted at the beginning of the year for the Tormin Mineral Sands Project. In addition, the conversion of the existing Old Order Mining Permit to the south of the Prospecting Permit to a New Order Mining Right was lodged simultaneously. Once approved, the two rights will be consolidated into a single mining tenement.

The final Environmental Impact Assessment (EIA) and Environmental Programme (EMP) for the project were submitted to the DME in July 2007.

The Board was pleased to advise that subsequent to year end, the Group received notification that the Mining Right was granted with an official signing ceremony to take place in late April 2008.

The Company continues to field expressions of interest from parties that wish to secure the rights to the non magnetic heavy mineral concentrates likely to be produced from the Tormin project. Negotiations have reached an advanced stage with marketing samples dispatched to the various parties for review.

Black Economic Empowerment Partner

Underpinning the Mining Right Application is the Company's new Black Economic Empowerment (BEE) arrangement with Marodi Mining (Proprietary) Limited (Marodi). BEE compliance is a pre-condition to obtaining mining right approval under the South African Mineral and Petroleum Resources Development Act and the Broad-Based Socio Economic Empowerment Charter of South Africa.

The Company's South African subsidiaries, MRC Resources and Mineral Sands Resources (Pty) Ltd (MSR), have entered into a Shareholders Agreement with Marodi which will establish MSR as a fully compliant BEE company.

Directors' Report (continued)

Erebus PLC.

In the first half of the year, ProMet Engineers Africa (Pty) Ltd had erected and commissioned the Diamond Recovery Plant that it had designed and fabricated from South Africa. The plant was designed to treat 80 tonnes of material per hour, however metallurgical constraints impeded production to less than half this rate. These constraints were identified and evaluated and ProMet and MRC commenced discussions to deliver the 80tph or to revise the project plan.

The operations were suspended and the plant was placed under care and maintenance pending an engineering and design review. The Company held discussions with ProMet to deliver the 80tph throughput pursuant to the contractual performance guarantee. These discussions were not successful and as a result, the Company commenced legal proceedings in the Federal Court of Australia on 12 October 2007 against ProMet Engineers Africa (Pty) Ltd (ProMet), ProMet Engineers Pty Ltd, James Dinsdale Cribbes, Robert John Bennett and Richard George Ford.

The proceedings have eventuated as a result of ProMet's failure to manufacture, supply, install, erect and commission a diamond pan plant at the Company's No 11 Oversize Tailings Dump in accordance with the terms of the contract.

MRC claims in the proceedings that:

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(b) ProMet Engineers Africa, ProMet Engineers, Cribbes, Bennet and Ford;

  (i) Engaged in misleading and deceptive conduct, and

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MRC is claiming damages for breach of Contract, as well as damages for contraventions of the Trade Practices Act, interest and costs.

Investment in Allied Gold Limited

Allied Gold Limited (ALD) is a listed gold development and exploration company with the Tabar Islands Gold Project in Papua New Guinea as its principal asset. This project consists of the Simberi Oxide Gold Project and all exploration property on the Tabar Islands.

At reporting date, ALD was well advanced in the commissioning of its gold processing operation with the first production taking place immediately subsequent to year end.

MRC is one of the largest shareholders in ALD and holds a direct interest in 5.71% (approximately 19.5 million shares) of ALD's issued fully paid ordinary shares.

The market value of MRC's shares at 31 December 2007 was $14.2 million.

Investment in Blackhawk Oil & Gas Limited

During the period under review, the Company had entered into a Share Swap Agreement to roll all of its shareholding in BlackHawk Oil & Gas Limited into London based Petro Ventures Plc, however due to the Dutch Mining Ministry awarding the offshore licence P1 to a competing consortium, the roll up did not proceed.

However, MRC remains as a significant seed capitalist investor in Petro Venture Plc. Petro Ventures was formed by a number of senior professionals in the UK and Australia with a view to securing oil and gas opportunities primarily in the UK and Europe on low risk appraisal/ pre-development acreage in the vicinity of upstream infrastructure.

Petro has successfully secured three project areas in the UK, Offshore Romania and onshore Hungary. It is also continuing its investigations on a number of advanced oil and gas plays in Morocco, Holland and Ukraine.

Directors' Report (continued)

FINANCIAL POSITION

The net assets of the economic entity have decreased by $3,657,548 from 31 December 2006 to $19,049,809 at 31 December 2007. This has largely resulted from impairment losses arising from the fair value assessment of the Kariba Kono project.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The company will continue the process of development of both the Tormin and Xolobeni projects in South Africa. The Company will seek to divest its interest in the Sierra Leone Diamond Project at a value acceptable to the Board. The Board will continue to review other projects and opportunities in the interest of increasing shareholder value.

In the opinion of the directors, it may prejudice the interests of the Company to provide additional information in relation to likely developments in the operations of the Company and the expected results of those operations in subsequent financial periods.

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.

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	New order Prospecting Right	Granted
Tormin – South Africa	Mineral Sands Resources	100	New order Prospecting Right Geelwal Karoo 262	Granted
Koidu – Sierra Leone	Kariba Kono (SL) Ltd	100	Mining Lease 3/04	Granted

SIGNIFICANT CHANGES IN STATE OF AFFAIRS AND LIKELY DEVELOPMENTS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

- In June 2007, 4,373,519 shares were issued pursuant to the exercise of options at $0.30 and 183,500 shares were issued pursuant to the exercise of options at $0.40.
- In July 2007, 12,000,000 shares were issued under a placement at $0.26 per share to raise $3,120,000.
- In October 2007, 1,250,000 Employee Incentive Options were issued with an exercise price of $0.30 expiring on 30 September 2009.
- In November 2007, 500,000 Employee Incentive Options exercisable at $0.30 and 500,000 Employee Incentive Options exercisable at $0.40 were issued expiring on 30 September 2009.

Directors' Report (continued)

OPTIONS

The total number of unissued ordinary shares under option at the date of this report is 3,600,000, all of which are not listed. Options do not entitle the holder to receive a dividend paid to ordinary shareholders. New issues of options and options exercised in the period is as follows:

Date of Grant	No of Options	Exercise Price	Expiry date
Opening Balance	22,494,233	$0.30	30 June 2007
– Options Exercised	(4,373,519)	$0.30	–
– Options Exercised	(183,500)	$0.40	–
– Options Lapsed	(16,587,214)		
– Options Issued	1,750,000	$0.30	30 September 2009
– Options Issued	500,000	$0.40	30 September 2009
Balance at 31 December 2007	3,600,000	Various	Various

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	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
J A Caruso	–	11,556,726	–	–
M V Caruso	12,627	11,556,726	–	–
G H Steemson	210,000	–	–	–

J A Caruso and M V Caruso are both directors of Zurich Bay Holdings Pty Ltd, which has a relevant interest in 11,556,727 shares in the Company.

MEETINGS OF DIRECTORS

The number of directors meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings Held	Meetings Attended
J A Caruso	3	2
M V Caruso	3	3
G H Steemson	3	3

Other many matters of board business have been resolved by circular resolutions of directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the Company's activities throughout the year.

Directors' Report (continued)

REMUNERATION REPORT (audited)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration
C. Service Agreements
D. Share-based compensation
E. Additional Information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. Principles used to determine the nature and amount of remuneration

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages may contain the following key elements:

(a) Directors Fees;
(b) Salary & Consultancy;
(c) Benefits – including provision of motor vehicle, superannuation.

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-Executive directors' fees and payments are reviewed annually by the Board.

Executives are offered a competitive base pay that consists of fixed components. Base pay for senior executives is reviewed annually to ensure the executives pay is competitive with the market. Total Base Pay can be structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives discretion.

There were no short or medium term cash incentives provided to any executives of the company during the financial year. Short or medium term cash incentives are not incorporated into any executives salary packages at the time of this report.

The directors are not required to hold any shares in the company under the constitution of the company; however, to align directors interests with shareholders interests the directors are encouraged to hold shares in the company.

Remuneration is not directly related to company performance or key performance indicators.

The board has no separate remuneration committee due to the size of the company. The directors perform the role of a remuneration committee as disclosed in the Corporate Governance statement.

B. Details of Remuneration

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Mineral Commodities Limited and the Mineral Commodities Limited Group are set out in the following tables.

Other than the directors of the company, the Company Secretary Mr Peter Torre is the only key management personnel. The amounts disclosed are therefore applicable for both Mineral Commodities Limited and the Mineral Commodities Limited Group.

Directors' Report (continued)

2007	Short-term benefits	Post employment benefits	Share-based payments		Percentage performance based
Name	**Cash Salary and fees**	**Superannuation**	**Shares/ Options**	**Totals**	
Non Executive Directors					
Joe Caruso	44,037	3,963	–	48,000	–
Greg Steemson	69,800	–	–	69,800	–
Sub-total non executive directors	113,837	3,963	–	117,800	
Executive Directors					
Mark Caruso	48,000	–	–	48,000	–
Other Key Management Personnel					
Peter Torre	75,000	–	9,800	84,800	–
Total Key management personnel disclosure	236,837	3,963	9,800	250,600	–

2006	Short-term benefits	Post employment benefits	Share-based payments		Percentage performance based
Name	**Cash Salary and fees**	**Superannuation**	**Shares/ Options**	**Totals**	
Non Executive Directors					
Joe Caruso	30,000	2,700	–	32,700	–
Greg Steemson	58,000	–	–	58,000	–
Sub-total non executive directors	88,000	2,700	–	90,700	–
Executive Directors					
Mark Caruso	33,000	–	–	33,000	–
Total Key management personnel disclosure	121,000	2,700	–	123,700	–

C. Service Agreements

There were no formal service agreements with any directors or key management personnel.

Directors' Report (continued)

D. Share Based Compensation

Options

Options were granted by the Company to Mr Peter Torre in November 2007 for no consideration. In addition, options were granted under the Mineral Commodities Limited Employee Option Plan which was approved by shareholders at a general meeting held in November 2007. All full time employees, part time employees, consultants and Directors of the Company are eligible to participate in the plan at the absolute discretion of the board.

Options are granted under the plan for no consideration and are at terms stipulated at the discretion of the Board.

For further details of the options issued please refer to note 22(b) and 26.

E. Additional Information

There is no additional information to be provided in respect to the remuneration of the directors.

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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

INSURANCE OF OFFICERS

During the financial year the Company has paid an insurance premium to insure the directors and secretaries of the company and its controlled entities. This contract prohibits disclosure of the nature of the liability and the amount of the premium. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

AUDITORS' INDEPENDENCE DECLARATION

The Auditors' Independence Declaration on page 57 forms part of the Directors' Report for the year ended 31 December 2007. This relates to the audit report, where they state that they have issued an Independent Declaration.

Directors' Report (continued)

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.

None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of ethics for Professional Accountants*.

There were no non-audit services provided by BDO Kendalls in the year.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related firms:

Audit Services:	**$**
BDO Kendalls –	
Audit and review of financial reports	45,893
Non BDO Kendalls audit firm (Tuffias Sandberg)	12,713
Total remuneration for audit services	58,606

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

Mark V Caruso

Mark V Caruso

Managing Director

Perth, Western Australia

31 March 2008

Income Statement

For the year ended 31 December 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		$	$	$	$
Revenue from continuing operations	2	765,304	333,811	1,176,126	698,674
Exploration written off		(186,867)	–	(186,867)	–
General & Administration expenses		(2,310,725)	(1,773,047)	(1,030,581)	(1,115,951)
Impairment of Fixed assets		(1,385,087)	–	(1,385,087)	–
Impairment of Exploration expenditure		(3,606,608)	–	–	–
Impairment of investments		–	–	(2,154,612)	–
Impairment of Loan to subsidiary		–	–	(3,277,369)	–
Share of net result of associates using the equity method	11(a)	(286,097)	(167,770)	–	–
Profit/(Loss) before income tax	3	(7,010,080)	(1,607,006)	(6,858,390)	(417,277)
Income tax expense	4	–	83,464	–	–
Profit/(Loss) from continuing operations		(7,010,080)	(1,523,542)	(6,858,390)	(417,277)
Profit/(Loss) for the year attributable to the members of the parent entity		(7,010,080)	(1,523,542)	(6,858,390)	(417,277)

Earnings per share for profit attributable to the ordinary equity holders of the company.

	Note	Consolidated 2007	Consolidated 2006
Basic (loss) earnings per share (cents)	19	(6.1)	(1.7)

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

Balance Sheet

as at 31 December 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	5	2,177,864	2,561,364	2,150,627	2,440,717
Trade and other receivables	6	499,921	244,729	285,995	128,109
Financial assets	7	436,398	663,574	436,398	663,574
Other current assets	8	16,723	19,640	16,723	19,640
Total Current Assets		3,130,906	3,489,307	2,889,743	3,252,040
NON-CURRENT ASSETS					
Property, plant and equipment	9	1,575,105	2,544,443	1,426,744	2,542,171
Exploration & development expenditure	10	11,394,491	8,863,985	–	42,256
Investments accounted for using the equity method	11(a)	3,298,437	3,623,988	4,562,213	4,601,667
Other financial assets	11(b)	–	2,296,935	1,551,001	3,846,940
Trade and other receivables	13	–	2,261,727	9,917,134	9,100,328
Total Non-Current Assets		16,268,033	19,591,078	17,457,092	20,133,362
Total Assets		19,398,939	23,080,385	20,346,835	23,385,402
CURRENT LIABILITIES					
Trade and other payables	14	260,647	333,108	91,969	147,440
Provisions	15	88,483	39,920	88,483	39,920
Total Current Liabilities		349,130	373,028	180,452	187,360
Total Liabilities		349,130	373,028	180,452	187,360
NET ASSETS		19,049,809	22,707,357	20,166,383	23,198,043
EQUITY					
Contributed equity	16	39,436,350	35,087,042	39,436,350	35,087,042
Reserves	17	1,479,897	2,476,672	(8,550)	514,028
Accumulated losses	18	(22,000,778)	(14,990,697)	(19,261,417)	(12,403,027)
Parent entity interest		18,915,469	22,573,017	20,166,383	23,198,043
Minority interest	12	134,340	134,340	–	–
TOTAL EQUITY		**19,049,809**	**22,707,357**	**20,166,383**	**23,198,043**

The balance sheets are to be read in conjunction with the notes to the financial statements.

Cash Flow Statement

For the year ended 31 December 2007

	Note	Consolidated		Company	
		2007	**2006**	**2007**	**2006**
		$	**$**	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES					
Exploration and development expenditure		(2,812,802)	(905,016)	(144,611)	(42,256)
Interest Received		133,000	166,290	127,830	162,811
Payments to suppliers & employees		(1,857,890)	(877,508)	(923,491)	(659,542)
Interest Paid		–	(10,933)	–	(10,933)
Sundry Income		–	1,020	–	1,020
Net cash used in operating activities	24a	**(4,537,692)**	**(1,626,147)**	**(940,272)**	**(548,900)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment	9	(354,890)	(2,521,440)	(330,137)	(2,521,440)
Purchase of equity investments		(494,601)	(411,320)	(494,601)	(411,320)
Purchase of further investment in associate	11(a)	(632,043)	(573,526)	(632,043)	(573,526)
Proceeds from sales of investments		1,344,513	567,207	1,344,513	567,207
Investment in controlled entities	11(b)	–	(99,111)	–	(99,111)
Loans advanced to controlled entities		–	(1,995,280)	(3,586,856)	(3,216,014)
Loans repaid by other entities		450,000	–	450,000	–
Loans to other entities		(450,000)	(100,645)	(450,000)	(100,645)
Net cash used in investing activities		**(137,021)**	**(5,134,115)**	**(3,699,124)**	**(6,354,849)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of shares	16	4,349,306	8,437,500	4,349,306	8,437,500
Net cash generated by financing activities		**4,349,306**	**8,437,500**	**4,349,306**	**8,437,500**
Net increase/(decrease) in cash and cash equivalents		**(325,407)**	**1,677,237**	**(290,090)**	**1,533,750**
Cash and cash equivalents at beginning of financial year		2,561,364	937,261	2,440,717	906,967
Effects of exchange rate changes on cash and cash equivalents		(58,093)	(53,134)	–	–
Cash and cash equivalents at end of financial year	5	**2,177,864**	**2,561,364**	**2,150,627**	**2,440,717**

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

Statement of Changes in Equity

Consolidated Entity	Contributed Equity	Accum-ulated Losses	General Reserve	Foreign Currency Transaction Reserve	Share Based payments Reserve	Financial Asset Reserve	Minority Interests	Total Equity
For the year ended 31 December 2007	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at the beginning of the year	35,087,042	(14,990,697)	2,551,100	(588,456)	–	514,028	134,340	22,707,357
Issue of equity	4,505,308	–	–	–	–	–	–	4,505,308
Movement for the year	–	–	–	(573,814)	–	(501,461)	–	(1,075,275)
Net Income recognised directly in equity								
Loss for the year	–	(7,010,080)	–	–	–	–	–	(7,010,080)
Total recognised income and expense during the year	–	(7,010,080)	–	–	–	–	–	(7,010,080)
Contributions of equity								
Transaction costs on share issues	(156,000)	–	–	–	–	–	–	(156,000)
Employee share scheme	–	–	–	–	78,500	–	–	78,500
Balance at the end of the year	39,436,350	(22,000,777)	2,551,100	(1,162,270)	78,500	12,567	134,340	19,049,810

Parent Entity	Contributed Equity	Accum-ulated Losses	Share Based payments Reserve	Foreign Currency Transaction Reserve	Financial Asset Reserve	Total Equity
For the year ended 31 December 2007	**$**	**$**	**$**	**$**	**$**	**$**
Balance at the beginning of the year	35,087,042	(12,403,027)	–	–	514,028	23,198,043
Issue of equity	4,505,308	–	–	–	–	4,505,308
Movement for the year	–	–	–	(99,617)	(501,461)	(601,078)
Net Income recognised directly in equity	–	–	–	–	–	–
Loss for the year	–	(6,858,390)	–	–	–	(6,858,390)
Total recognised income and expense during the year		(6,858,390)				(6,858,390)
Contributions of equity						
Transaction costs on share issues	(156,000)	–	–	–	–	(156,000)
Employee share scheme	–	–	78,500	–	–	78,500
Balance at the end of the year	39,436,350	(19,261,417)	78,500	(99,617)	12,567	20,166,383

Statement of Changes in Equity (continued)

Consolidated Entity	Contributed Equity	Accumulated Losses	General Reserve	Foreign Currency Transaction Reserve	Financial Asset Reserve	Minority Interests	Total Equity
For the year ended 31 December 2006	$	$	$	$	$	$	$
Balance at the beginning of the year	23,001,718	(13,467,155)	2,551,100	192,493	–	134,340	12,412,496
Issue of equity	12,647,824	–	–	–	–	–	12,647,824
Movement for the year	–	–	–	(780,949)	514,028	–	(266,921)
Net Income recognised directly in equity							
Loss for the year	–	(1,523,542)	–	–	–	–	(1,523,542)
Total recognised income and expense during the year	–	(1,523,542)	–	–	–	–	(1,523,542)
Contributions of equity							
Transaction costs on share issues	(562,500)	–	–	–	–	–	(562,500)
Balance at the end of the year	35,087,042	(14,990,697)	2,551,100	(588,456)	514,028	134,340	22,707,357

Parent Entity	Contributed Equity	Accumulated Losses	Financial Asset Reserve	Total Equity
For the year ended 31 December 2006	$	$	$	$
Balance at the beginning of the year	23,001,718	(11,985,750)	–	11,015,968
Issue of equity	12,647,824	–	–	12,647,824
Movement for the year	–	–	514,028	514,028
Net Income recognised directly in equity				
Loss for the year	–	(417,277)	–	(417,277)
Total recognised income and expense during the year	–	(417,277)	–	(417,277)
Contributions of equity				
Transaction costs on share issues	(562,500)	–	–	(562,500)
Balance at the end of the year	35,087,042	(12,403,027)	514,028	23,198,043

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This financial report is for Mineral Commodities Limited as the parent entity, and Mineral Commodities Limited and controlled entities, as the consolidated entity. Mineral Commodities Limited is an Australian domiciled public listed company.

This general purpose financial report for the year ended 31 December 2007 has been prepared in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Mineral Commodities Limited as the Parent entity and Mineral Commodities Limited and controlled entities comply with International Financial Reporting Standards (IFRS).

Historical Cost Convention

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Groups accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further on.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report and have been consistently applied to all the years presented, unless otherwise stated.

(b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Mineral Commodities Ltd ("Company" or "parent entity") as at 31 December 2007 and the results of its subsidiaries for the year then ended. Mineral Commodities Ltd and its subsidiaries together are referred to in this financial report as the consolidated entity.

Intercompany transactions , balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group – refer to note (f).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation (continued)

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Mineral Commodities Limited.

On 23 June 2006, Mineral Commodities Limited completed a takeover of Erebus Plc and effectively took control from this date. Immediately following the handing over of control to Mineral Commodities Limited, the accounting and financial records of Erebus Plc were requisitioned so that Mineral Commodities Limited could also control this function. Upon receipt of the accounting records subsequent to the reporting date, it became apparent that the records were incomplete and the Company began the process of reconstructing the records with the limited information that was available.

As at 31 December 2006, the records were not sufficiently reliable to be able to represent a true and fair view of the financial position of Erebus Plc and its subsidiary for the full year ended 31 December 2006 due to the incomplete information received up to the date of acquisition.

The value of the consideration paid for Erebus Plc was $2,297,935 comprising 9,406,878 shares and 3,135,626 unlisted options.

For these reasons, the Directors of Mineral Commodities decided not to consolidate Erebus Plc from 23 June 2006 and to report its investment in Erebus Ltd at cost in the Economic Entity for the year ended 31 December 2006.

The majority of the expenditure within the Erebus Group relates to the mining activities and is capitalised accordingly in the balance sheet. The acquisition and consolidation of the Erebus Group would have resulted in assigning a fair value to the mining right. The Directors believe that this value essentially represents the value of the consideration that was paid to takeover the company and reflecting the investment at cost at 31 December 2006 was a more appropriate way of reporting to shareholders given the situation.

As the Company did not consolidate Erebus at 31 December 2006, the Investment in Erebus and loan receivable from Erebus were not eliminated.

The Mineral Commodities Group that was reported as at 31 December 2006 therefore consists of the Parent Entity, Mineral Commodities Limited and the subsidiary companies listed in Note 11(b) with the exception of Erebus Ltd and its subsidiary. Erebus Ltd and its subsidiary were consolidated into the Group for the 2007 financial year.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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 on a time proportion basis using the effective interest method.

(d) Taxes

Income taxes

The charge for current income tax expense or revenue is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date, Income tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxes (continued)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

The income tax expense for the year is calculated using the 30% tax rate (2006: 30%).

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 Balance Sheet.

Cash flows are included in the Cashflow Statement 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.

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rated prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign Currency Transactions and Balances (continued)

Group Companies

The financial results and position of group entities whose functional currency is different from the group's presentation currency are translated into the presentation currency as follows;

Assets and liabilities translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(f) 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.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Acquisition

Items of plant and equipment are initially recorded at cost and depreciated as outlined below. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

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.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

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 income statement 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.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Exploration and Evaluation Expenditure

Costs incurred during the exploration and evaluation 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

(i) Investments

Interests in – Subsidiaries

Investments in subsidiaries 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 income statement when they are declared by the subsidiaries.

Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20%-50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Groups investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Groups share of its associates post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

(j) Impairment of Assets

At each reporting date, the group reviews the carrying values of it tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Financial Instruments

The Group classifies its financial assets in the following categories. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

Financial assets at fair value though profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included within current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instructions and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date- the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets are presented in the income statement within other income or other expenses in the period in which they arise.

Details on how the fair value of financial instruments is determined are disclosed in note 25.

(l) 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.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Earnings per Share

Basic Earnings per Share

Basic earnings per share is determined by dividing the 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 that would arise from the exercise of options outstanding at the end of the financial year.

(o) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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 the amounts expected to be paid when the liabilities are settled and are recognised in other payables.

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

Share-Based Payments

Share-based compensation benefits are provided to employees via the Mineral Commodities Employee Incentive Option Scheme. Information relating to this scheme is set out in Note 26.

The fair value of options granted under the Mineral Commodities Employee Incentive Option Scheme is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(t) Comparatives

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

(u) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical Accounting Estimates

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Critical judgements in applying the entity's accounting policies

Impairment of available for sale financial assets, Investments in Subsidiaries and Exploration and evaluation costs.

In the 2007 financial report, the Group and the parent entity made a significant judgement about the impairment of its available for sale financial assets, subsidiaries and exploration and development costs.

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Notes to the Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Change in Accounting Policy

Australian Accounting Standards that have recently been issued or amended but are not yet effective for the parent and consolidated entity have not been adopted for the annual reporting period ended 31 December 2007.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
Revised AASB 123 and AASB 2007-6	AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123,	Removal of option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition of a qualifying asset. There will be no impact on the financial report of the Group.	1 Jan 09	1 Jan 09
Revised AASB 101	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.	Requires changes to presentation and disclosure but will not affect any of the amounts recognised in the financial statements.	1 Jan 09	1 Jan 09
AASB 8 and AASB 2007-3	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.	Significant change in the approach to segment reporting and disclosure, however it is not expected to affect any of the amounts recognised in the financial statements.	1 Jan 09	1 Jan 09

The following amendments are not applicable to the Group and therefore have no impact

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
2007-9	Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31.	No change to accounting policy required. Therefore no impact.	1 Jul 08	1 Jan 09
2008-2	Amendments to Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation	No change to accounting policy required. Therefore no impact.	1 Jan 09	1 Jan 09
AASB-I 14	AASB-I 14 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	No change to accounting policy required. Therefore no impact.	1 Jan 08	1 Jan 08

Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements (continued)

2. OTHER REVENUE FROM CONTINUING OPERATIONS

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Gain from sales of investments in listed companies	539,419	49,466	539,419	49,466
Interest revenue from unrelated entities	133,000	166,290	127,830	162,811
Interest revenue from controlled entity	–	–	304,809	239,241
Management fees	90,000	100,035	201,183	229,136
Reversal of provision for impairment of investment in listed securities	–	17,000	–	17,000
Other Income	2,885	1,020	2,885	1,020
Total Revenue from continuing operations	765,304	333,811	1,176,126	698,674

3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Profit or/(Loss) from ordinary activities before income tax has been arrived at after charging the following:				
Exploration expenditure written off	186,867	–	186,867	–
Operating Lease rentals	69,741	56,620	69,741	56,620
Depreciation – Plant and Equipment	102,511	25,958	60,477	22,223
Movement in provision for employee entitlements	48,563	14,559	48,563	14,559
Unrealised foreign exchange loss	–	570,114	–	219,614

Notes to the Financial Statements (continued)

4. INCOME TAX

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
The components of current income tax expense comprise:				
Deferred income tax relating to origination and reversal of temporary differences	–	(83,464)	–	–
Income tax (benefit) reported in the income statement	–	(83,464)	–	–
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Profit/(Loss before income tax	(7,010,080)	(1,523,542)	(6,858,390)	(417,277)
Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities @ 30% (2005:30%)	(2,103,024)	(457,063)	(2,057,517)	(125,183)
Non allowable items	(429,596)	99,722	70,113	–
Non-assessable income	(43,110)	(33,750)	(43,110)	(33,750)
Net deferred tax assets not brought to account	2,575,730	307,627	2,030,514	158,933
Benefit of losses not previously brought to account	–	–	–	–
Income tax expense/(benefit) reported in the consolidated income statement	–	(83,464)	–	–
Future income tax benefit arising from un-recouped deductions at balance date, for Australian tax resident entities.				
Revenue losses	2,985,234	2,923,764	1,467,402	1,549,863
Capital losses	4,643,254	4,643,254	4,643,254	4,643,254

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 16.2 million (approximately A$2.7 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.

Notes to the Financial Statements (continued)

5. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Cash at Bank	2,177,864	2,561,364	2,150,627	2,440,717
	2,177,864	2,561,364	2,150,627	2,440,717

The effective interest rate on cash at bank was 6%.

(a) Interest rate risk exposure
The Group's and the parent entity's exposure to interest rate risk is discussed in note 25.

(b) Reconciliation to cash at the end of the year
The above figures represent the cash at the end of the financial year as shown in the statement of cashflows.

6. TRADE AND OTHER RECEIVABLES – CURRENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Trade receivables	35,634	27,360	35,639	27,360
Term deposits	36,950	38,029	–	–
Other debtors	361,897	103,695	250,356	25,104
Loans receivable from other entities	65,440	75,645	–	75,645
	499,921	244,729	285,995	128,109

(a) Fair Values and credit risk
Due to the short term nature of these receivables the carrying values represent their respective fair values as at 31 December 2007.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 25 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

(b) Foreign Exchange and Interest Rate Risk
Information about the Group's and the parent entity's exposure to foreign exchange and interest rate Risk in relation to trade and other receivables is provided in Note 25.

(c) Other Receivables
These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

7. FINANCIAL ASSETS – CURRENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Financial assets at fair value through profit or loss				
Investments in companies listed on a recognised stock exchange – shares at fair value	75,000	613,574	75,000	613,574
Total available for sale investments in companies listed on a recognised stock exchange	75,000	613,574	75,000	613,574
Available for sale investment in companies not listed on a recognised stock exchanges – at cost	361,398	50,000	361,398	50,000
Total Financial Assets – Current	436,398	663,574	436,398	663,574

Available for sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expenses in the income statement.

Non listed investments have been valued at their most recent capital raising.

(a) Risk Exposure

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 25.

8. OTHER – CURRENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Prepayments	16,723	19,640	16,723	19,640

Notes to the Financial Statements (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Plant and office equipment – at cost	1,794,056	2,630,835	1,562,562	2,617,511
Accumulated depreciation	(218,951)	(86,392)	(135,818)	(75,340)
Total property, plant and equipment	1,575,105	2,544,443	1,426,744	2,542,171
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	2,544,443	52,825	2,542,171	47,230
Additions	518,260	2,521,440	330,137	2,521,028
Disposal	–	(3,864)	–	(3,864)
Impairment	(1,385,087)	–	(1,385,087)	–
Depreciation	(102,511)	(25,958)	(60,477)	(22,223)
Carrying amount at end of year	1,575,105	2,544,443	1,426,744	2,542,171

(a) During the year an impairment loss of $1,385,087 was brought to account in respect of the Diamond pan plant situated in Sierra Leone. The impairment value has been calculated using the assets fair value less costs to sell.

Notes to the Financial Statements (continued)

10. EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Exploration expenditure – costs carried forward in respect of areas of interest in:				
Exploration and evaluation phases	11,394,491	8,863,985	–	42,256
Total exploration and evaluation expenditure	11,394,491	8,863,985	–	42,256
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	8,863,985	7,749,010	42,256	–
Exploration expenditure on consolidation of Erebus/ Kariba Kono	4,606,608	–	–	–
Expenditure during the year	2,233,094	905,016	144,611	42,256
Expenditure outlaid other than in cash	–	1,499,244	–	–
Impairment of exploration expenditure	(3,606,608)	–	–	–
Foreign exchange translation reserve	(515,721)	(1,289,285)	–	–
Write off discontinued projects	(186,867)	–	(186,867)	–
Carrying amount at end of year	11,394,491	8,863,985	–	42,256

Recoupment of carried forward exploration and evaluation expenditure is dependent upon the successful development and commercial exploitation of each area of interest, or otherwise by their sale at an amount not less than the carrying value.

The impairment loss of $3,606,608 was brought to account in respect of the exploration assets contained within the Company's Sierra Leone project. The impairment value has been calculated using the assets fair value less costs to sell.

11(a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Investment in companies accounted for using the equity method – at cost	4,562,213	4,601,667	4,562,213	4,601,667
Equity accounting adjustments	(1,263,776)	(977,679)	–	–
	3,298,437	3,623,988	4,562,213	4,601,667

Notes to the Financial Statements (continued)

11(a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Interests are held in the following associated companies:

Name	Principal Activity		Ownership Interest		Carrying Amount of Investment	
			2007	2006	2007	2006
			%	%		
Listed						
Allied Gold Ltd (Incorporated in Australia)	Mineral exploration	Ord	5.71	7.15	3,298,437	3,549,814
Unlisted						
Leonaust Mining Company Ltd (incorporated in Sierra Leone)	Mineral exploration	Ord	–	50.0	–	74,174
					3,298,437	3,623,988

	2007	2006
Movements during the year in Equity Accounted investments in Associated Companies		
Carrying amount at beginning of financial year	3,623,988	3,218,232
Disposal of Leonaust Mining Company Ltd	(74,174)	–
Investments in associates acquired during the year, at cost	632,043	573,526
Cost of shares in associates sold during the year	(686,890)	–
Share of associate's net loss	(286,097)	(167,770)
Net gain on deemed disposal	89,567	–
Carrying amount at end of financial year	3,298,437	3,623,988

	2007	2006
	$	$
Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
The Group's share of the results of its associate and its aggregated assets (including goodwill) and liabilities are as follows:		
Current Assets	528,021	2,415,465
Non current assets	7,541,951	4,026,093
Total assets	8,069,972	6,441,558
Current liabilities	3,096,004	399,908
Non current liabilities	411,755	–
Total liabilities	3,507,759	399,908
Net assets as reported by associates	4,562,213	6,041,650
Share of net (loss) profit from ordinary activities after income tax as reported by the associate	(286,097)	(167,770)

Although Mineral Commodities Limited owns less than 20% of Allied Gold Limited it is in a position of significant influence because it is one of the largest shareholders of Allied Gold Limited and two of the Mineral Commodities Limited directors are also directors of Allied Gold, amounting to 40% Board representation throughout the relevant period.

Fair Value of Investments in Associates

The market value of this investment in Allied Gold at balance date was $14,260,097 based on a price per share of 73 cents.

Notes to the Financial Statements (continued)

11(b) SUBSIDIARIES

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Unquoted investments – at cost	–	2,296,935	1,551,001	3,846,940
Shares in controlled entities	–	2,296,935	1,551,001	3,846,940

Subsidiaries	Class of Share	Place of Incorporation	Equity Holding 2007 %	Equity Holding 2006 %	Cost to Company 2007 $	Cost to Company 2006 $
Parent Entity						
Mineral Commodities Limited		Australia	–	-	–	–
Controlled Entities						
Rexelle Pty Ltd	Ord	Australia	100	100	1,450,001	1,450,001
Queensland Minex NL	Ord	Australia	100	100	4,718,302	4,718,302
Q Smelt Pty Ltd	Ord	Australia	90	90	–	–
Mincom Waste Pty Ltd	Ord	Australia	100	100	–	2
MRC Resources (Pty) Ltd	Ord	South Africa	100	100	–	–
MRC Africa Pty Ltd	Ord	Australia	100	100	1,000	2
Erebus Plc	Ord	United Kingdom	100	100	–	2,296,935
Kariba Kono (S.L.) Ltd	Ord	Sierra Leone	100	100	–	–
Blackhawk Oil & Gas Ltd	Ord	Australia	100	100	100,000	100,000
					6,269,303	8,565,242
Less Impairment					(4,718,302)	(4,718,302)
					1,551,001	3,846,940

Subsidiaries of MRC Resources (Pty) Ltd	Class of Share	Place of Incorporation	Equity Holding 2007 %	Equity Holding 2006 %	Cost to Company 2007 $	Cost to Company 2006 $
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	100	–	–
Skeleton Coast Resources (Pty) Ltd	Ord	Namibia	100	100	–	–

Please refer to Note 1 (b) in respect to Erebus Ltd and Kariba Kono Pty Ltd.

Notes to the Financial Statements (continued)

11(b) SUBSIDIARIES (CONTINUED)

Business combination

On 23 June 2006, Mineral Commodities Limited acquired all the issued shares in Erebus PLC that it did not already own. The consideration comprised the issue of 9,406,878 shares and 3,135,626 unlisted options with a total consideration value of $2,297,935. As stated in Note 1(b) to the financial statements, Mineral Commodities Limited did not consolidate Erebus Ltd at 31 December 2006.

During 2006 a loan payable by Q Smelt Pty Ltd was converted into equity resulting in a dilution in the Group's holding to 90%.

12. MINORITY INTERESTS

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Minority interests in subsidiaries 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				
Operating loss			–	–
Share capital			54,710	54,710
Reserves			79,630	79,630
Total minority interests			134,340	134,340

13. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Opening Balance	2,261,727	–	9,100,328	5,496,236
Investment in subsidiary	–	2,261,727	–	–
Adjustment arising from consolidation	(2,261,727)	–	–	–
Loans and advances – controlled entities	–	–	4,255,741	3,765,658
Less provision for impairment	–	–	(3,438,935)	(161,566)
Total Trade and other receivables	–	2,261,727	9,917,134	9,100,328

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

Please refer to Note 1 (b) in respect to loans to Erebus Ltd and Kariba Kono (S.L.) Ltd.

13. TRADE AND OTHER RECEIVABLES – NON-CURRENT (CONTINUED)

(a) Impaired receivables and receivables past due

As at 31 December 2007 non current loans and advances with a nominal value of $3,438,935 (2006 $161,566) were impaired. The amount of the provision was $3,438,935 (2006:$161,566). The impaired receivables in 2007 relate to the loans advanced to Kariba Kono (SL) Ltd. It is expected that the sale of the assets of this entity will not generate sufficient funds in order for these receivable to be repaid.

The impaired receivable in 2006 relates to the loan advanced to Queensland Minex NL a portion of the loan not expected to be recovered through the realisation of the net assets of the company.

(b) Fair Values

The carrying values of non-current receivables represent their respective fair values as at 31 December 2007.

(c) Risk Exposure

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 25.

14. TRADE AND OTHER PAYABLES – CURRENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Trade payables – unsecured	156,517	275,524	25,616	91,840
Other payables and accruals – unsecured	104,130	57,584	66,353	55,600
	260,647	333,108	91,969	147,440

Refer to Note 25 for details of interest rates incurred on payables.

Risk Exposure

Information about the Groups and the parent entity's exposure to foreign exchange risk is provided in Note 25.

Employee entitlements represent unused annual and long service leave.

15. PROVISIONS – NON-CURRENT

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Provision for employee entitlements				
Opening balance	39,920	25,361	39,920	25,361
Movement for the period	48,563	14,559	48,563	14,559
Provision for employee entitlements	88,483	39,920	88,483	39,920

Notes to the Financial Statements (continued)

16. CONTRIBUTED EQUITY

	2007 Number of shares	2006 Number of shares	2007 $	2006 $
Balance at beginning of financial year	106,436,002	62,029,124	35,087,042	23,001,718
Placement of shares, May 2006		5,000,000		1,450,000
Placement of shares, May 2006		30,000,000		9,000,000
Placement of shares, June 2006		9,406,878		2,163,582
Placement of options		–		34,244
Placement of shares, July 2007	12,000,000		3,120,000	
Conversion of listed 30 cent options	4,373,883		1,311,908	
Conversion of 40 cent options	183,500		73,400	
Costs of capital raising	–	–	(156,000)	(562,502)
Balance at end of financial year	122,993,385	106,436,002	39,436,350	35,087,042

- In July 2007 the Company placed 12 million shares to various Institutions at 26cents per share to raise $3,120,000 before costs.
- In June 2007 4,373,883 options at 30 cents and 183,500 options at 40 cents were exercised to raise a total of $1,385,308.

(a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt. As the Company is a junior mineral explorer, the gearing ratio has been maintained throughout the year at 0%.

Notes to the Financial Statements (continued)

17. RESERVES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
General Reserve	2,551,100	2,551,100	–	–
Financial assets reserve	12,567	514,028	12,567	514,028
Share based payments reserve	78,500	–	78,500	–
Foreign currency translation reserve	(1,162,270)	(588,456)	(99,617)	–
	1,479,897	2,476,672	(8,550)	514,028

Nature and purpose of reserves

General Reserve

The General Reserve 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 a minority interest.

Financial assets

The financial asset reserve arises from adjusting the value of options held for trading.

Foreign Currency

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentational currency of the group. Refer to accounting policy Note 1 (e).

Share Based payments

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised and the fair value of shares issued to employees.

18. ACCUMULATED LOSSES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Accumulated losses at beginning of the year	(14,990,698)	(13,467,155)	(12,403,027)	(11,985,750)
Net profit (loss) attributable to members	(7,010,080)	(1,523,542)	(6,858,390)	(417,277)
Accumulated losses at end of the year	(22,000,778)	(14,990,697)	(19,261,417)	(12,403,027)

Notes to the Financial Statements (continued)

19 LOSS PER SHARE

	Consolidated	
	2007	2006
	$	$
Basic loss per share (cents per share)	6.1	1.7
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	114,795,289	87,595,463
Weighted average number of options outstanding	–	18,008,607
Loss used in the calculation of basic loss per share	7,010,080	1,523,542

Notes to the Financial Statements (continued)

20. SEGMENT INFORMATION

Geographical Segments

The consolidated entity has two geographical segments, Australia and South Africa.

(a) Geographical

	Australia		Africa		Total	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Revenue						
External segment revenue	761,556	333,811	3,748	–	765,304	333,811
Total segment revenue	761,556	333,811	3,748	–	765,304	333,811
Total Revenue					765,304	333,811
Result						
Segment result	(6,870,688)	(459,099)	(2,182,910)	(823,799)	(9,053,598)	(1,282,898)
Eliminations					2,043,518	(324,108)
					(7,010,080)	(1,607,006)
Income Tax expense	–	–	–	83,464	–	83,464
Net Loss for the year					(7,010,080)	(1,523,542)
Segment Assets and Liabilities						
Segment assets	20,112,791	20,145,154	11,753,450	7,518,803	31,866,241	27,663,957
Eliminations					(12,467,302)	(4,583,572)
					19,398,939	23,080,385
Segment liabilities	180,470	187,378	12,635,962	4,769,222	12,816,432	4,956,600
Eliminations					(12,467,302)	(4,583,572)
					349,130	373,028
Net segment assets					19,049,809	22,707,357
Net entity assets					19,049,809	22,707,357
Investment in equity method associates included in segment assets	3,298,437	3,623,988	–	–	3,298,437	3,623,988
Share of net loss of associate	286,097	167,770	–	–	286,097	167,770
Acquisition of property plant & equipment	330,137	2,521,028	24,753	7,768	354,890	2,528,796
Depreciation	60,477	22,223	42,034	3,735	102,511	25,958

Secondary Reporting

Business Segments

The consolidated entity operates in only one business segment being the field of exploration for mineral resources.

Notes to the Financial Statements (continued)

21. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and non-related audit firms:

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Amounts received or due and receivable by auditors for:				
Auditors of the parent entity				
Auditing – the financial report	45,893	33,500	45,893	33,500
Other auditors of subsidiaries				
Auditing – the financial report	12,713	5,859	–	–
	58,606	39,359	45,893	33,500

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons were directors of Mineral Commodities during the financial year:

(a) Details of Key Management Personnel

Mr Mark Victor Caruso:	Managing Director
Mr Joseph Anthony Caruso:	Non-Executive Chairman
Mr Gregory Hugh Steemson:	Non-Executive Director
Mr Peter Torre	Company Secretary

There were no further key management personnel during the year.

There were no changes to key management personnel between the reporting date and the date the financial report was authorised for issue.

(b) Key Management Personnel Compensation

The company has taken advantage of the relief provided by the Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in section A-E of the Remuneration Report on pages 8 to 10.

Remuneration by Category

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
Key Management Personnel				
Short-term employee benefits	236,837	121,000	236,837	121,000
Post-employment benefits	3,963	2,700	3,963	2,700
Share-based payments	9,800	–	9,800	–
	250,600	123,700	250,600	123,700

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Option holdings of key management personnel

The numbers of options over ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Group are set out below:

2007

Key Management Personnel	Balance at 1 January '07	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at 31 Dec '07	Unvested
Mark Caruso	3,089,547	–	–	3,089,547	–	
Joseph Caruso	3,085,338	–	–	3,085,338	–	
Greg Steemson	53,333	–	–	53,333	–	
Peter Torre	–	250,000	–	–	250,000	

2006

Key Management Personnel	Balance at 1 January '06	Granted as Remuneration	Options Exercised	Balance at 31 Dec '06	Total Vested and Exercisable 31 Dec '06	Unvested
Mark Caruso	3,089,547	–	–	3,089,547	3,089,547	
Joseph Caruso	3,085,338	–	–	3,085,338	3,085,338	
Greg Steemson	53,333	–	–	53,333	53,333	

(d) Shareholdings of key management personnel

The numbers of ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Group are set out below:

2007

Director	Balance at 1 January '07	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 07
Mark Caruso	9,268,642	–	–	2,300,711	11,569,353
Joseph Caruso	9,256,015	–	–	2,300,711	11,556,726
Greg Steemson	210,000	–	–	–	210,000
Peter Torre	–	–	–	–	–

2006

Director	Balance at 1 January '06	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec 06
Mark Caruso	9,268,642	–	–	–	9,268,642
Joseph Caruso	9,256,015	–	–	–	9,256,015
Greg Steemson	210,000	–	–	–	210,000

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 11,556,726 shares.

Notes to the Financial Statements (continued)

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable that those the Group would have adopted if dealing at arm's length.

(e) Loans to key management personnel

There were no loans to key management personnel during the period.

(f) Other transactions and balances with key management personnel

There were no transactions or balances with key personnel other than those disclosed in the remuneration report of the Director's Report.

23. 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 22 and the payment of $7,898 for secretarial services provided by Minesite Constructions Ltd an entity in which Mr Joseph Caruso and Mr Mark Caruso are Directors and have a relevant interest in the Company.

Mineral Commodities Ltd is a shareholder in Allied Gold Ltd owning 19,534,379 shares or 5.71% of the issued share capital at balance date. Mineral Commodities Limited has supported Allied Gold throughout the financial period by providing limited administrative services at an arms length basis to the value of $15,000. Mark Caruso and Greg Steemson are also directors of Allied Gold Limited.

Wholly owned group

The group consists of Mineral Commodities Limited and its wholly owned subsidiaries. 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 2007 and 31 December 2006 consisted of loans advanced and payments received and made on inter company 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.

No provisions for doubtful debts have been raised in relation to any outstanding balances. An impairment loss was booked on the receivable from Kariba Kono please see note 13 for more information.

Loans to/(from) related parties

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
Opening Balance	2,261,727	–	9,100,328	5,496,236
Investment in subsidiary	–	2,261,727	–	–
Adjustment arising from consolidation	(2,261,727)	–	–	–
Loans and advances – controlled entities	–	–	4,255,741	3,765,658
Less provision for impairment	–	–	(3,438,935)	(161,566)
Total Trade and other receivables	–	2,261,727	9,917,134	9,100,328

Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

Notes to the Financial Statements (continued)

24(a) RECONCILIATION OF PROFIT/(LOSS) FROM ORDINARY ACTIVITIES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Profit/(loss) after income tax and outside equity interest	(7,010,080)	(1,523,542)	(6,858,389)	(417,277)
Depreciation	102,511	25,958	60,477	22,223
Unrealised foreign exchange loss/(gain)	–	570,114	3,085	219,614
Non bank interest income not in cash	–	–	(304,809)	(239,241)
Impairment losses	4,991,695	–	6,817,068	–
Management fees not received in cash	(75,000)	–	(111,183)	–
Share Based Payments	78,500	–	78,500	–
(Profit)/loss on sale of investment in listed companies	(539,419)	(49,466)	(539,419)	(49,466)
Provision for impairment of investments in listed companies	–	(17,000)	–	(17,000)
Loss on Sales of fixed assets	–	3,864	–	3,864
Provision – employee entitlements	48,563	14,559	48,563	14,559
Equity accounting adjustments	286,097	167,770	–	–
Exploration expenditure written off	186,867	–	186,867	–
Exploration expenditure capitalised	(2,233,094)	(905,016)	(144,611)	(42,256)
Other non-cash items	(49,696)	(21,963)	33,919	24,815
Changes in assets and liabilities during the year:				
Increase (decrease) in trade payables and other liabilities	(72,461)	141,531	(55,471)	(32,107)
(Increase) decrease in trade and other receivables	(255,192)	(26,205)	(157,886)	(29,877)
(Increase) decrease in prepayments	3,017	(6,751)	3,017	(6,751)
Net cash inflow/(outflow) from operating activities	(4,537,697)	(1,626,147)	(940,272)	(548,900)

24(b) NON-CASH INVESTING AND FINANCING ACTIVITIES

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

During the 2006 year the Company acquired Erebus PLC. The consideration comprised of 9,406,878 shares and 3,135,626 unlisted options. As set out in Note 1(b), the Company did not consolidate Erebus PLC in the 2006 financial year.

Notes to the Financial Statements (continued)

25. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not hold any derivative financial instruments.

The Group uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk, to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Financial Assets				
Cash and cash equivalents	2,177,864	2,561,364	2,150,627	2,440,717
Trade and other receivables	499,921	244,729	10,203,129	2,308,906
Financial assets at fair value through profit or loss	436,398	663,574	436,398	663,574
	3,114,183	3,469,667	12,790,154	5,413,197
Financial Liabilities				
Trade and other payables	349,130	373,028	180,452	187,378
	2,765,053	3,096,639	12,609,702	5,225,819

Market Risk

Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand, Great British Pound, and US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group and the parent entity currently holds no derivatives or foreign exchange contracts to hedge their foreign exchange risk exposure.

Notes to the Financial Statements (continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Groups exposure to foreign currency risk at the reporting date was as follows:

			31-Dec-07			31-Dec-06	
	CAN$	USD $	ZAR $	Leones	USD $	ZAR $	Leones
Cash and cash equivalents	–	2,452	93,247	11,712,580	–	650,681	–
Trade and other receivables	–	–	1,095,385	1,250,000	–	516,880	–
Financial assets at fair value through profit or loss	11,628	–	–	–	–	–	–
	11,628	2,452	1,188,632	12,962,580	–	1,167,561	–
Trade and other payables	–	–	793,782	–	–	1,034,070	–
	11,628	2,452	394,850	12,962,580	–	133,491	–

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

			31-Dec-07			31-Dec-06	
	CAN$	USD $	ZAR $	Leones	USD $	ZAR $	Leones
Trade and other receivables	–	–	10,322,259	–	–	8,437,516	–
Financial assets at fair value through profit or loss	11,628	–	–	–	–	–	–
	11,628	–	10,322,259	–	–	8,437,516	–

Group and Parent entity sensitivity

Price risk

The Group and the parent entity have limited exposure to equity securities price risk as the value of investments held by the group and classified on the balance sheet as fair value through profit or loss is immaterial. This arises from investments held by the Group and classified on the balance sheet as fair value through profit or loss. Neither the Group or the parent entity are exposed to commodity price risk.

Notes to the Financial Statements (continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Deposits and current accounts held with variable rates expose the Group to cash flow interest rate risk. The Group does not consider this to be material to the group and have therefore not undertaken any further analysis of risk exposure.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables held are with related parties and within the Group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised on page 50.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

The only financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30 day terms of creditor payments.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets, such as trading and available for sale securities, is based on quoted market prices as at reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market such as unlisted investments and subsidiaries is determined using valuation techniques where applicable. Where this is unable to be done they are held at cost.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

Notes to the Financial Statements (continued)

26. SHARE BASED PAYMENTS

(a) Employee Option Plan

The establishment of the Mineral Commodities Employee Incentive Option Scheme was approved by shareholders at the 2006 annual general meeting. The incentive scheme is designed to provide long term incentives for senior staff to deliver long term shareholder returns. Under the plan, participants are granted options which vest immediately but are not exercisable until 30 September 2009. Participation in the plan is at the Boards discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within 10 business days.

Set out below are summaries of options granted under the plan:

Consolidated and parent entity – 2007

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
16-Nov-07	30-Sep-09	$0.30	–	1,250,000	–	–	1,250,000	1,250,000
23-Nov-07	30-Sep-09	$0.30	–	500,000	–	–	500,000	500,000
23-Nov-07	30-Sep-09	$0.40	–	500,000	–	–	500,000	500,000
			–	2,250,000	–	–	2,250,000	2,250,000
Weighted average exercise price				$0.322	–	–	$0.322	$0.322

No options expired during the periods covered by the above table.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.75 years.

Notes to the Financial Statements (continued)

26(b) SHARE BASED PAYMENTS (CONTINUED)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2007 was between $0.02 and $0.039.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2007 included:

(a) Options are granted for no consideration and vest immediately with no performance criteria required to be met, however there are rules if an employee terminates employment before exercising the options. Vested options expire 30 September 2009;
(b) Exercise price: $0.30 for 1,750,000 options and $0.40 for 500,000 options;
(c) Grant date: 23 November 2007 for 500,000 options at $0.30 and 500,000 options at $0.40 and 16 November 2007 for 1,250,000 options at $0.30;
(d) Expiry date: 30 September 2009;
(e) Share Price at grant date $0.225;
(f) Expected price volatility of company 's shares:50%;
(g) Expected dividend yield: Nil; and
(h) Risk free Interest rate: 6.35%.

The expected price volatility is based on historic volatility (based on the remaining life of the options) , adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Options issued under employee incentive option scheme	78,500	–	78,500	–
	78,500	–	78,500	–

Notes to the Financial Statements (continued)

27. COMMITMENTS

(a) Non-Cancellable Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Within one year	69,720	59,400	69,720	59,400
Later than one year but not later than five years	147,000	5,040	147,000	5,040
Total	216,720	64,440	216,720	64,440

The operating lease is a rental agreement for the Company's office premises in Welshpool. The lease is for a 3 year term expiring on 15 February 2008 the company exercised its option to renew for a further 3 years. The lease provides for annual rent reviews to the higher of CPI or market.

(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 which are not considered to be material.

28. CONTINGENT LIABILITIES

There are no Contingent Liabilities.

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.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 including;
   (a) complying with Australian Accounting Standards, Corporations Regulations 2001; and other mandatory professional reporting requirements, and
   (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of the performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures set out on pages 14 to 16 of the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

Mark V Caruso
Managing Director
Dated at Perth, Western Australia this 31st day of March 2008

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
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ABN 79 112 284 787

31st March 2008

The Directors
Mineral Commodities Limited
Unit 15, Level 1
51-53 Kewdale Rd
WELSHPOOL WA 6106

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF MINERAL COMMODITIES LIMITED.

As lead auditor of Mineral Commodities Limited for the year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

Peter Toll

Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Mineral Commodities Ltd

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Mineral Commodities Ltd which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001,* the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration Report" in pages 14 to 16 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated and parent financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

BDO Kendalls

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Qualification

As disclosed in the audit report to the financial statements for the year ended 31 December 2006, the Company had not consolidated two subsidiaries being Erebus Plc and Kariba Kono Ltd into the income statement, balance sheet, cash flow statement, statement of changes in equity or notes to the financial report as at 31 December 2006 due to the fact that the financial information was not considered reliable by the Board of Directors and ourselves.

As Erebus Plc and Kariba Kono Ltd are controlled by Mineral Commodities Ltd at the 31 December 2006, all assets and liabilities of these subsidiaries should have been recorded within the consolidated balance sheet of Mineral Commodities Ltd. These assets and liabilities should have been recorded at their fair value at the date of acquisition, with any excess of consideration over the net assets acquired being recorded as exploration and evaluation expenditure (goodwill). In addition the results of these subsidiaries from the date of acquisition (23 June 2006) should have been included in the consolidated income statement and the cash flows since acquisition should have been included within Mineral Commodities Ltd's consolidated cash flow statement.

As at 1 January 2007 the company has now consolidated Erebus Plc and Kariba Kono Ltd. As Erebus Plc and Kariba Kono Ltd incurred losses from the date of acquisition (23 June 2006) until 31 December 2006 which were not recorded in the consolidated entity, this has had the effect of overstating the exploration and evaluation expenditure and understating accumulated losses as at the date of consolidation (1 January 2007). The Company and ourselves are unable to quantify this amount.

Auditor's Opinion on the Financial Report

In our opinion, other than the matters mentioned in the qualification, the financial report of Mineral Commodities Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 14 to 16 of the directors' report comply with Accounting Standard AASB 124.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

Peter Toll

Peter Toll

Director

Perth, Western Australia 31st March 2008

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 withy 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 is a substantial shareholder 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 04 April 2008.

TWENTY LARGEST SHAREHOLDERS

Name	Number of ordinary shares	Percentage of issued shares
National Nominees Ltd	20,994,884	17.07%
HSBC Custody Nom Aust Ltd	14,144,600	11.50%
HSBC Custody Nom Aust Ltd	7,470,982	6.07%
Zurich Bay Holdings Pty Ltd	7,442,942	6.05%
Kathryn Yule	4,630,000	3.77%
ANZ Nominees Ltd	3,327,503	2.71%
HSBC Custody Nom Aust Ltd	3,000,540	2.44%
Scarp Holdings Pty Ltd	2,000,000	1.63%
Robert Cameron Galbraith	1,975,560	1.61%
Robert Hayden Aspinall	1,518,530	1.23%
Kevin Anthony Leo and Leticia Leo	1,502,723	1.22%
HSBC Custody Nom Aust Ltd	1,500,000	1.22%
International Mining Services Ltd	1,500,000	1.22%
Keng Heng Goh	1,175,000	0.96%
Scarp Holdings Pty Ltd	1,028,446	0.84%
Kingarth Pty Ltd	1,000,000	0.81%
Melville AG & ES <Melville Family Super Fund>	1,000,000	0.81%
IEC Investments Pty Ltd	750,000	0.61%
Bateman International	743,209	0.60%
C3D Holdings Pty Ltd	690,000	0.56%
	77,394,919	**62.48%**

There are currently no listed options on issue.

Shareholder Information (continued)

DISTRIBUTION OF SHAREHOLDERS

Range of holdings	Number of shareholders	Number of shares
1 – 1,000	121	40,387
1,001 – 5,000	434	1,524,593
5,001 – 10,000	212	1,772,547
10,001 – 100,000	449	17,379,743
100,001 – and over	128	102,276,115
Total holders	**1,344**	**122,993,385**

MARKETABLE PARCELS

Number of shareholders holding less than a marketable parcel of ordinary shares is 265.

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

The following shareholders are considered substantial shareholders:

- WF Asian Reconnaissance Fund Limited holding 12.18% of the issued ordinary shares at the date of their last substantial interest notice to the Company.
- RAB Special Situations (Master) Fund Limited holding 6.64% of the issued ordinary shares at the date of their last substantial interest notice to the Company.
- Zurich Bay Holdings Pty Ltd holding 9.39 % of the issued ordinary shares.

RESTRICTED SECURITIES

There are no restricted securities.

SHARE BUY BACKS

There is no current on market share buy back.